



## DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

*Grants Management Division*

### **m e m o r a n d u m**

**TO:** Community Development Commission

**FROM:** John A. Schneider, Manager

**DATE:** January 25, 2008

**SUBJECT:** **HOME Funding Allocations – FY 2008-2009**

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### **Description**

Included on the agenda of the January 29, 2008 meeting of the Community Development Commission is a review of the HOME program funding requests from non-profit agencies for FY 2007-2008. In response to the invitation for funding requests that was open to area not-for-profit organizations from December 3, 2007 to January 11, 2008, the City of Urbana/Urbana HOME Consortium received a total of six (6) applications. Three (3) applications request funding for specific affordable housing projects and three (3) applications request Community Housing Development Organization (CHDO) operating funds.

### **Issues**

The issue for the Community Development Commission (CDC) is to review and evaluate the HOME program applications for FY 2008-2009 and provide recommendations for funding which would then be placed in the Draft Annual Action Plan (AAP) for FY 2008-2009. After the thirty day public review period for the draft AAP, CDC will review the draft and add any suggested changes resulting from public input. The CDC will then be asked to forward a final recommendation to the Urbana City Council.

### **Background**

Applications for FY 2008-2009 HOME funding for affordable housing projects were available between December 3, 2007 and January 11, 2008. On December 10, 2007, staff conducted two training workshops to answer any questions about the application, activity eligibility or the process. Staff was also available throughout the application period to answer questions.

Based on a recent letter received from the Department of Housing and Urban Development (HUD), HOME funds of \$1,010,203 and American Dream Downpayment Initiative (ADDI) Program funds of \$9,506 have been allocated to the Urbana HOME Consortium for FY 2008-2009.

Applications for funds were submitted by three agencies: Ecological Construction Laboratory (eco lab), Homestead Corporation (Homestead) and the Urban League of Champaign County

Development Corporation (ULCCDC). In spring/summer 2007 all applicants were certified as Community Housing Development Corporations (CHDOs) in the Urbana Consortium. The HOME funding requests are for either CHDO project funds or CHDO operating funds. The Urbana HOME Consortium Technical Committee met on Wednesday, January 23, 2008 to formulate a recommendation for disbursing CHDO project and operating funds.

Summaries of the applications are provided below. Information for each application includes a brief description of the project, the score for each request, the amount of funding requested and the amount of funding recommended by the Consortium Technical Committee. Copies of the applications and the scoring summaries produced by staff are attached for reference.

**Overview of FY 2008-2009 HOME Budget**

HUD regulations outline the parameters that Participating Jurisdictions (PJs) must use to make sub-allocations for particular categories of expenses from the overall HOME grant. PJs are limited to using no more than ten percent (10%) of the annual allocation for administrative expenses. At least 15% of the PJ's total HOME grant must be set aside as project funds for CHDO-administered projects. PJs also have the option to designate up to 5% of the annual allocation as Operating Funds awarded to CHDOs. The funds remaining after the set-aside of the sub-allocations described above are known as Entitlement funds (EN), and represent the funds available for HOME eligible projects. As a Consortium, these funds are divided among the members based on a ratio provided by HUD: City of Champaign – 54.9%, Champaign County – 12.6%, City of Urbana – 32.5%. Following is a breakdown of the proposed HOME program budget with the standard allocations as indicated above:

**URBANA HOME CONSORTIUM**

**FY 2008-2009 HOME BUDGET (W/ STANDARD ALLOCATIONS)**

\$1,010,203.00	Anticipated Formula Allocation	Match Required
\$101,020.30	Administration 10% <i>(No Match Required)</i>	
\$175,030.00	CHDO Reserve 15% <i>(CHDOs provide 25% Match)</i>	\$31,484.64
\$50,510.15	CHDO Operating 5% <i>(No Match Required)</i>	
\$683,642.55	<i>Remaining Balance to be distributed among Consortium Members</i>	

**Distribution among Consortium Members**

\$222,183.83	Urbana Allocation 32.5%	25 % Local Match Required	\$55,545.96
\$375,319.76	City of Champaign Allocation 54.9%	25 % Local Match Required	\$93,829.94
\$86,138.96	Champaign County Allocation 12.6%	25 % Local Match Required	\$21,543.74

**1.0 CHDO Project Funds**

CHDO Project Funds or CHDO Reserve (CR) may be used for projects that produce actual housing units in which the CHDO acts as an owner, a developer or a sponsor. The unallocated CHDO set aside balance from previous years plus FY 2008-2009 anticipated funds result in

\$198,530.00 available for CR funds. Three (3) CHDO Project (CR) applications were received requesting FY 2008-2009 HOME Program funds:

**1.1 Homestead Corporation of Champaign-Urbana**

**Project: Douglass Park Infill**

**160 points (200 possible)**

**Amount Requested: \$30,000**

**Consortium Recommended Amount: \$30,000**

For its Douglas Park Infill Project, Homestead Corporation is requesting funds to subsidize the construction of two (2) single-family detached homes in Champaign. The homes would be pre-sold to income-qualified households. Because of changing market conditions and difficulty in finding qualified homebuyers, Homestead is requesting these funds to augment funds allocated in FY 2007-2008. These additional funds would reduce the purchase price of the home and enlarge the pool of eligible homebuyers.

***2005-2009 Consolidated Plan Goal addressed:***

*Goal 2: Provide decent affordable housing opportunities for low- and moderate-income households.*

**1.2 Urban League of Champaign County Development Corporation**

**Project: Lease Purchase Program**

**185 points (200 possible)**

**Amount Requested: \$60,000.00**

**Consortium Recommended Amount: \$60,000**

ULCCDC has requested funds to allow four (4) households to take part in their Lease-Purchase Program. Through this program, income-qualified households that participate in financial counseling and budget training are given the opportunity to become homeowners. Participants identify the home they would like to purchase, which is then purchased by ULCCDC. The participant then resides in the home as a tenant for a period of up to 36 months, during which he/she works with ULCCDC to resolve credit issues and secure a conventional mortgage. Like the recent amendments to the FY 06-07 and FY 07-08 ULCCDC agreements, each lease purchase client will be eligible for \$14,999 in homebuyer assistance, ensuring a 5-year affordability period. Over time, this has proven to be a very successful homebuyer program.

***2005-2009 Consolidated Plan Goal addressed:***

*Goal 2: Provide decent affordable housing opportunities for low- and moderate-income households.*

**1.3 Homestead Corporation of Champaign-Urbana**

**Project: Affordable Homeownership Program**

**130 points (200 Possible)**

**Amount Requested: \$156,000**

**Consortium Recommended Amount: \$85,000 or remaining balance of available CHDO project funds**

For its Affordable Homeownership Program, Homestead Corporation will use these funds to support the development and construction of 1-3 single family homes. The homes would be pre-sold to income-qualified households. The funds would be used to provide a developer subsidy for the construction of the homes, land acquisition, and possibly down-payment assistance to the homebuyer(s).

***2005-2009 Consolidated Plan Goal addressed:***

*Goal 2: Provide decent affordable housing opportunities for low- and moderate-income households.*

**2.0 CHDO Operating Funds**

HUD regulations allow PJs, at their discretion, to set aside 5% of the annual allocation for operating expenses of current CHDOs. Consortium policies further cap annual CO awards at \$35,000 for new CHDOs and \$25,000 for established CHDOs. The estimated amount of available CO funds for FY 2008-2009 is \$50,510.

Three applications for CHDO Operating Funds were received as part of the FY 2008-2009 funding cycle invitation for funding requests. All three agencies requesting operating funds are currently certified CHDOs for the Consortium. Following is a summary of the CHDO Operating funds requested:

**2.1 Ecological Construction Laboratory**

**Amount Requested: \$20,000.00**

**Consortium Recommended Amount: \$16,835**

E-co lab has received CHDO Operating funds since FY 2006-2007. E-co lab has not requested FY 2008-2009 project funds. They will be completing their FY 2007-2008 CHDO project, a super energy efficient home, during the 2008-2009 project year.

**2.2 Homestead Corporation**

**Amount Requested: \$20,000.00**

**Consortium Recommended Amount: \$16,835**

Homestead has received CHDO Operating funds since FY 1998-1999.

**2.3 Urban League of Champaign County Development Corporation**

**Amount Requested: \$20,000.00**

**Consortium Recommended Amount: \$16,835**

ULCCDC has received CHDO Operating funds since FY 2002-2003.

***2005-2009 Consolidated Plan Goal addressed:***

*Goal 2, Strategy 1, Activity: Encourage the development of non-profit housing development organizations eligible for CHDO status.*

The three members of the Urbana HOME Consortium met on Wednesday, January 23, 2008 to discuss disbursement of CHDO funds. The Urbana HOME Consortium decided that available

CO funds should be divided equally amongst the three qualifying CHDOs.

## **Fiscal Impacts**

The total HOME grant award for FY2008-2009 is anticipated to be **\$1,010,203** for the Consortium. The decisions made by the Consortium members, CDC and Urbana City Council will determine the specific projects for which those funds will be committed.

## **Recommendations**

The Urbana Home Consortium Technical Committee and City of Urbana staff recommend funding for FY 2008-2009 CHDO reserve and CHDO operating as follows:

<u>CHDO Reserve</u>	<u>Recommended Funding</u>
-ULCCDC: Lease Purchase Program	\$60,000
-Homestead: Douglas Park Infill	\$30,000
-Homestead: Affordable Housing Program	\$85,000
	<b>Total \$175,000</b>

<u>CHDO Operating</u>	<u>Recommended Funding</u>
-e-co lab:	\$16,835
-ULCCDC:	\$16,835
-Homestead:	\$16,835
	<b>Total \$50,505</b>

**Memorandum Prepared By:**

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**HOME Coordinator**  
**Grants Management Division**

### **Attachments:**

Applications for Funding and Scoring Sheets:

#### **CHDO Reserve (for Projects):**

Homestead Corporation -*Douglass Park Neighborhood Infill*  
Homestead Corporation-*Affordable Housing Program*  
ULCCDC - *Lease-Purchase Program*

#### **CHDO Operating (for operating funds only):**

Ecological Construction Laboratory - *CHDO Operating*  
Homestead Corporation - *CHDO Operating*  
ULCCDC - *CHDO Operating*