



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Elizabeth H. Tyler, FAICP, Community Development Director

FROM: John A. Schneider, Manager, Grants Management Division

DATE: January 23, 2009

SUBJECT: HOME Funding Allocations – FY 2009-2010

Description

Included on the agenda of the January 27, 2009 meeting of the Community Development Commission is a review of the HOME Investment Partnership Program funding requests from non-profit agencies for FY 2009-2010. In response to the invitation to area not-for-profit organizations for HOME Program funding requests, the City of Urbana and Urbana HOME Consortium received a total of seven (7) applications. Of the applications received, five (5) request funding for specific affordable housing projects and two (2) request Community Housing Development Organization (CHDO) operating funds. The Department of Housing and Urban Development (HUD) advised City staff to assume the Consortium will receive the same level of HOME funding as for FY 2008-2009 when preparing the Annual Action Plan for Fiscal Year (FY) 2009-2010.

Issues

The issue for the Community Development Commission (CDC) is to review and evaluate the HOME program applications for FY 2009-2010 and provide input regarding the Consortium recommendations for funding. The resulting projects and funding amounts will be included in a Draft City of Urbana and Urbana HOME Consortium Annual Action Plan (AAP) for FY 2009-2010. The Draft AAP will then be made available for public review and comment after which the CDC will review the draft and any suggested changes resulting from public input may be included. The CDC will then be asked to forward a final recommendation regarding the plan to the Urbana City Council.

Background

Applications for FY 2009-2010 HOME funding for affordable housing projects were available between December 6, 2008 and January 9, 2009. On December 6, 2008, 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.

Applications for funds were submitted by three agencies: Ecological Construction Laboratory (e-co lab), Homestead Corporation of Champaign Urbana (Homestead) and the Mental Health Center

of Champaign County (MHC). The HOME funding requests are for CHDO project funds, CHDO operating funds, and HOME Consortium entitlement funds. Homestead and e-co lab are currently in the process of being re-certified as Community Housing Development Corporations (CHDOs) in the Urbana Consortium with recertification anticipated to be completed in February 2009.

At its January 14, 2009 regular meeting, the Urbana HOME Consortium Technical Committee reviewed the applications for FY 2009-2010 funding. In accordance with an Intergovernmental Agreement executed in 2003, the Urbana HOME Consortium Technical Committee is comprised of representatives from the City of Urbana, the City of Champaign, and Champaign County, the three entities that make up the Urbana HOME Consortium. The technical committee meets bi-monthly to ensure collaboration, discuss HOME related issues, and to formulate recommendations for HOME related projects.

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. City staff scored the applications based on HOME Program guidelines for assessing CHDO capacity and project capability. Copies of the applications and the scoring summaries are attached for reference.

I. OVERVIEW OF PROJECTED FY 2009-2010 HOME BUDGET:

1) Sub-Allocations for Administration, CHDO Project & CHDO Operating. HUD regulations outline the parameters for Participating Jurisdictions (PJs) 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. In addition, 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 its annual allocation for Operating Funds awarded to CHDOs.

2) HOME Entitlement (*Shared by Consortium Members*). After deducting the sub-allocations from the total HOME grant, the remaining amount, referred to as Entitlement (EN) funds, is divided among the Consortium members based on ratio provided by HUD as follows: 54.9% to City of Champaign; 12.6% to Champaign County; and 32.5% to City of Urbana. The breakdown of the proposed HOME program budget, with standard sub-allocations as stated above is:

PROJECTED FY 2009-2010 HOME BUDGET (W/ STANDARD ALLOCATIONS)				
Anticipated HOME PROGRAM Allocation		\$1,010,203.00	Match Required	
Administration	10% (<i>No Match Required</i>)	\$101,020.30		
CHDO Reserve	15% (<i>CHDOs provide 25% Match</i>)	\$151,530.45		\$37,882.61
CHDO Operating	5% (<i>No Match Required</i>)	\$50,510.15		
<i>Remaining Balance to be distributed among Consortium Members</i>		\$707,142.10		
Distribution among Consortium Members				
City of Urbana Allocation	32.5%	25 % Local Match Required	\$229,821.18	\$57,455.30
City of Champaign Allocation	54.9%	25 % Local Match Required	\$388,221.01	\$97,055.25
Champaign County Allocation	12.6%	25 % Local Match Required	\$89,099.90	\$22,274.98

II. HOME FUNDING APPLICATIONS & CONSORTIUM RECOMMENDATIONS

A. 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 CHDO Project anticipate funds for FY 2009-2010 in the amount of \$151,530. Four (4) CHDO Reserve (CR) Project applications were received requesting FY 2009-2010 HOME Program funds:

1) Homestead Corporation of Champaign-Urbana

Project: Affordable Homeownership Program

165 points (200 possible)

Amount Requested: \$40,000

Consortium Recommended Amount: \$40,000

For its Affordable Homeownership Program, Homestead Corporation will use these funds to support the development and construction of 1-2 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) Ecological Construction Laboratory

Project: Super Energy Efficient Modular Single Family Home

165 points (200 possible)

Amount Requested: \$14,000

Consortium Recommended Amount: \$ 14,000

E-co lab is requesting funds to facilitate the construction of new, affordable owner-occupied housing units in Urbana. The funds will be used for homebuyer down-payment assistance, and developer subsidy. The unit will be designed to incorporate passive solar energy systems. Due to market conditions and the difficulty of marketing the home, e-co lab is requesting these funds to augment funds issued in the FY 07-08 grant allocations.

2005-2009 Consolidated Plan Goal addressed:

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

3) Ecological Construction Laboratory

Project: Super Energy Efficient Modular Duplex

165 points (200 Possible)

Amount Requested: \$90,000

Consortium Recommended Amount: \$90,000

E-co lab is requesting funds to facilitate the construction of new, affordable owner-occupied modular duplex on a site within Consortium boundaries. The funds will be used for land preparation, construction, professional services, homebuyer down-payment assistance, and developer subsidy. The unit would be owner occupied and will have been designed to incorporate passive solar energy systems.

2005-2009 Consolidated Plan Goal addressed:

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

4) Ecological Construction Laboratory

Project: Passive House Retrofit

140 points (200 Possible)

Amount Requested: \$120,000

Consortium Recommended Amount: \$ 0

E-co lab is requesting funds to facilitate the energy efficient retrofit of an existing home in Champaign, Urbana or unincorporated Champaign County. The funds would be used for, rehabilitation, professional services, homebuyer down-payment assistance, and developer subsidy. The Technical Committee discussed the potential for this project at length and decided not to recommend funding for several reasons. First, the costs for this project are highly dependent on the home selected for the retrofit, thus the Consortium recommends that this project not be funded until a suitable property is located. Second, it is not readily apparent how many units would be assisted with the amount requested. Third, this would be a pilot project that could result in unforeseen cost overruns. The Consortium also notes that once these issues are addressed, it may be possible to fund this project later using HOME Consortium entitlement funds that may become available from completed projects from previous fiscal years.

2005-2009 Consolidated Plan Goal addressed:

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

Funding the projects in the recommended amounts would mean a total of \$144,000 would be set aside for CHDO projects and leave a balance of at least \$7,531 to be allocated for a CHDO project in order to meet the HOME Program 15% set aside requirement. These funds could be used to increase an existing allocation to a CHDO project or could be reserved for a future project.

B. 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 CHDO Operating (CO) awards at \$35,000 for new CHDOs and \$25,000 for established CHDOs.

Two applications for CHDO Operating Funds were received as part of the FY 2009-2010 funding cycle invitation for funding requests. The two (2) agencies requesting operating funds are currently certified CHDOs and are scheduled to be recertified in February of 2009. The CHDO Operating anticipated funds for FY 2009-2010 is \$50,510. Following is a summary of the CHDO

Operating funds requested:

1) Ecological Construction Laboratory

Amount Requested: \$78,000.00

Consortium Recommended Amount: \$ 25,250

E-co lab has received CHDO Operating funds since FY 2006-2007.

2) Homestead Corporation

Amount Requested: \$30,000

Consortium Recommended Amount: \$ 25,250

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

The Consortium Technical Committee recommends that available operating funds be divided equally between the two agencies requesting funds. Though, HOME Consortium regulations cap CHDO Operating funds at \$25,000 for established CHDOs, the Consortium recommends allotting the full maximum allowed CHDO operating fund of 5% of the FY 2009-2010 HOME allocation.

C. HOME Consortium Entitlement Funds

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. Each entity decides individually how to allocate their entitlement funds to HOME eligible projects.

1). Mental Health Center of Champaign County

Project: Homelessness to Supported Housing TBRA Program

145 points (200 possible)

Amount Requested: \$195,804 (\$176,000 Eligible)

Consortium Recommended Amount: \$ 0

For its Homelessness to Supported Housing Program, the MHC proposes to provide assistance with the cost of acquiring rental housing in Champaign County for up to twelve months for twenty-four (24) clients/households. Eligible participants must be homeless or residing in transitional housing, have a verifiable source of income to maintain permanent housing, demonstrate appropriate living skills, and be participants in supportive services. At least 90% of households will meet extremely low income guidelines (less than 30% MFI).

Because the Mental Health Center is not a certified CHDO, it is not eligible to compete for CHDO project funds. Instead of recommending funding this project with FY 2009-2010 funds from the pool of remaining entitlement funds, the Consortium has recommended that the MHC request funding for this program from each of Consortium members individually. Each member could then decide to allocate older entitlement funds that may be available from previous fiscal years from each entity's entitlement projects. Funding made available via this approach may be allocated to the proposed program through an Annual Action Plan Amendment.

2005-2009 Consolidated Plan Goal addressed:

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

Options

Staff is requesting that Community Development Commission provide input regarding the HOME Program CHDO funding amounts to be included in the City of Urbana Draft Annual Action Plan for FY 2009-2010. The CDC may:

1. Recommend funding the grant applications in the amounts recommended by the consortium.
2. Recommend funding for the grant applications in an amount other than as recommended by the consortium (this would require consensus of the other Consortium members).
3. Do not recommend funding any of the grant applications.

Fiscal Impacts

The total projected HOME grant award for FY 2009-2010 is anticipated to be **\$1,010,203** for the Consortium. Although CDBG funding has decreased every year since 2005, HOME funding allocations have remained relatively stable over that period. The recommendations made by the Consortium members and will be considered by the Urbana City Council to determine the specific projects for which those funds will be committed.

Recommendations

The Urbana Home Consortium Technical Committee recommends funding for FY 2009-2010 CHDO reserve, entitlement, and CHDO operating as follows:

<u>CHDO Reserve and Entitlement Funds</u>	<u>Recommended Funding</u>
Homestead Corporation- Affordable Housing Program	\$ 40,000
Ecological Construction Laboratory- Super Energy Efficient Mod. Home	\$ 14,000
Ecological Construction Laboratory- Modular Duplex	\$ 90,000
Ecological Construction Laboratory- Passive House Retrofit	\$ 0
Mental Health Center- Homeless to Housing TBRA Program	\$ 0
	Total \$144,000

<u>CHDO Operating</u>	<u>Recommended Funding</u>
Ecological Construction Laboratory: Operating	\$25,250
Homestead Corporation: Operating	\$25,250
	Total \$50,500

Memorandum Prepared By:

Janel D. Gomez
HOME Coordinator
Grants Management Division

Attachments:

Applications for Funding and Scoring Sheets:

CHDO Reserve (for Projects):

- Homestead Corporation - *Affordable Housing Program*
- E-co Lab - *Super Energy Efficient Modular Single Family Home*
- E-co Lab - *Super Energy Efficient Modular Duplex*
- E-co Lab - *Passive House Retrofit*

CHDO Operating (for operating funds only):

- E-co Lab - *CHDO Operating*
- Homestead Corporation - *CHDO Operating*

HOME Consortium Entitlement:

- Mental Health Center of Champaign County - *Homelessness to Supported Housing TBRA Program*