



*APPROVED with corrections by CDC 11-22-11*  
**SPECIAL MEETING MINUTES**  
**COMMUNITY DEVELOPMENT COMMISSION**  
**Tuesday, July 12, 2011, City Council Chambers**  
**400 South Vine Street, Urbana, IL 61801**

**Call to Order:** Chairperson Cobb called the meeting to order at 7:05 p.m.

**Roll Call:** Connie Eldridge called the roll. A quorum was present.

**Commission Members Present:** Fred Cobb, Janice Bengtson, Chris Diana (arrived 7:07 pm), Theresa Michelson, Jerry Moreland, Brad Roof, Anne Heinze Silvis, Dennis Vidoni

**Commission Members Absent:** George Francis

**Others Present:** Kelly Hartford, Jennifer Gonzalez, and Connie Eldridge, Community Development Services; Kerri Spear, Greg Skaggs, Neighborhood Services Department, City of Champaign; Aaron P. Smith, Homestead Corporation of Champaign-Urbana (Homestead); Beverly Huffman, Habitat for Humanity of Champaign County and Champaign County Neighborhood Alliance for Habitat (Neighborhood Alliance).

**Approval of Minutes:** *Chairperson Cobb asked for approval or corrections to the June 28, 2011 minutes. Commissioner Roof moved to approve the minutes, and Commissioner Moreland seconded the motion. The motion carried unanimously.*

**Petitions and Communications:** None.

**Staff Report:** Kelly Hartford thanked commissioners for coming to this special meeting and gave a brief report. The Department of Housing and Urban Development (HUD) will monitor the City's Supportive Housing Program August 1-3, 2011. A public hearing is scheduled for a Special City Council meeting on July 25, 2011 for the disposition of 107 West Oregon Street. Grants Management Division has hired two part-time interns.

**Old Business:** None.

**New Business:** Jen Gonzalez, HOME Program Grant Coordinator, requested agenda item D be discussed first. She briefly reviewed the status of HOME Community Housing Development Organization (CHDO) funds. HUD has not yet approved the CHDO status for the Ecological Construction Laboratory (e-co lab).

**An Ordinance Approving and Authorizing the Execution of an Urbana HOME Consortium Community Housing Development Organization Sponsor Agreement (Homestead Corporation of Champaign-Urbana 510 E. Beardsley Project)** – Ms. Gonzalez stated the City of Champaign, Homestead Corporation (Homestead), Center for Women in Transition (CWT), and the City of Urbana were collaborating on this project, which is located at 510 East Beardsley Avenue, Champaign. The project involved property acquisition, demolition, and new construction of a single family rental unit, which Homestead will transfer to CWT for

use as permanent housing for homeless persons. Ms. Gonzalez introduced Kerri Spear, Neighborhood Programs Manager, and Gregg Skaggs, Community Development Specialist, City of Champaign.

Commissioner Roof had specific questions about the project. Having looked at the property, he felt the amount of HOME funds used for the project was high. Aaron Smith, Homestead, explained the dollar amount is higher since the end user was CWT rather than a homeowner, who would have had a mortgage to offset the construction costs. CWT, which will not have a mortgage, will use the tenants' rents to pay for property taxes, insurance, utilities, etc.

Commissioner Roof asked about a current appraisal. There was discussion about past and current appraised value, possible liens or safety violations, the amount of back taxes owed, and amount of budgeted HOME funds. Mr. Skaggs stated the current owner keeps the property mowed, but is "in over his head" and owes back taxes. Kerri Spear stated the project will follow regular procedures for paying the real estate taxes.

Commissioner Diana questioned the current market value of the property. There was discussion on past and current value and a negotiated price. Noting the Neighborhood Stabilization Program (NSP) had very strict guidelines, Ms. Spear referenced their City's appraisal.

In response to Commissioner Roof, Mr. Smith clarified that Homestead will be the Project Sponsor and will construct and sell the property to CWT. CWT will be responsible for providing tenants over a 20-year period. Ms. Spear added the City of Champaign will monitor this CHDO project because it is located in Champaign.

Mr. Smith reviewed the HOME regulations which cap the amount of rent that may be charged and is based on household income. Ms. Spear noted the goal is to transition women and their families from CWT to permanent affordable housing. Otherwise, the women continue to occupy homeless units in CWT. In response to Commissioner Roof, Ms. Gonzalez stated multiple families may consecutively occupy this home over 20 years. As the household's income increases, so does the amount of rent until it reaches market value. When this occurs, families often chose to move. Mr. Smith added there is a lack of affordable three to four bedroom homes for larger low income families.

Commissioner Roof inquired about the market value of other homes in this neighborhood. Mr. Smith replied that in Fiscal Year (FY) 2008-2009 Homestead had constructed three homes which sold for \$110,000 to \$115,000. Recent tax assessments had the same value. Commissioner Roof strongly felt this project cost quite a bit of money and that "it was a tough pill to swallow to build one home." Ms. Spear commented this was one project in the greater Douglass Park neighborhood. The City of Champaign has invested a lot of funds in this neighborhood, as well as Taylor Thomas and Oakwood Trace, for the purpose of community development. She discussed construction costs, as compared to appraised value and the amount of mortgage a low-income homeowner can afford. This project does not just help one lower income household; it also helps a nonprofit organization (CWT). Commissioner Roof stated he did not have a problem with the aspect of revenue.

Commissioner Roof asked why this particular property was chosen. Ms. Spear replied Champaign has been focusing on the Douglass Park area and has invested in 11 properties in that area. There is also a need to commit CHDO funds to meet HUD's timeliness.

Referencing the recent Crystal View Townhomes development, Mr. Smith stated the average cost was \$210,000 per affordable unit.

Commissioner Vidoni commented that he liked the synergy of Champaign, Urbana, CWT and Homestead working together. He supported the mission and goal of this project.

Referencing the theory of overbuilding to increase property values in an area, Commissioner Diana asked about data to show that property values have increased in the Douglass Park area. Ms. Spear discussed Champaign's Neighborhood Wellness Plan, tracking median values, and whether or not properties in certain neighborhoods are appreciating. Given the current market conditions, she felt the recent sale of a home in the Taylor Thomas subdivision for more than original price was amazing. Also, there are new challenges on how the mortgage industry looks regarding deed restrictions for affordable housing. Noting that home prices have been dropping for the last 18 months, Commissioner Diana expected houses in a targeted area to resell for a higher price because the original price was discounted over the true value.

Commissioner Diana asked about data showing the effect on other property values. Ms. Spear answered they will do that type of analysis when they complete the Neighborhood Stabilization Program (NSP) as part of their Neighborhood Wellness Plan. In response to Commissioner Roof, Ms. Spear summarized Champaign's original plan for this property using NSP funding.

Mr. Smith compared Homestead's original CHDO project application with this revised one. Since there was a dedicated end user, Homestead could finish the project in under a year while providing a new unit for CWT. Homestead's earlier plan would not be completed as quickly since sites and homebuyers were not yet determined. This opportunity also gave Homestead a chance to partner with CWT.

In response to Commissioner Roof, Ms. Gonzalez explained there is a need to expend HOME CHDO grant funds in a timely manner. She mentioned e-co lab's lack of progress, which is causing grant funding timeliness issues. Comparing Homestead's two CHDO applications, the Beardsley project was the most logical. It provides for a 20-year affordability period. Ms. Spear mentioned the HOME Technical Committee's recent review of the CHDO projects.

Mr. Smith stated the actual cost to construct this home is in line with Homestead's past projects. Commissioner Diana asked about price negotiations. There was discussion on the timing of the application and negotiations with the homeowner. Commissioner Diana felt the negotiation "seemed backward" to him.

Commissioner Vidoni felt this was a good option, concept and program. He stated, "Our greatest weakness with HUD is our lack of timeliness in the expenditure of our funds." He also inquired about the proportion of Urbana residents who might use the facility. Ms. Gonzalez noted most CHDO projects have been in Urbana. Ms. Hartford stated that CWT serves Urbana residents as

well. Commissioner Vidoni remarked that this project illustrates the problem of stressing proportionality to determine funding allocations. There may be a project with higher or lower proportions of Urbana residents, yet the CD Commission would like to support it. Chairperson Cobb remarked the project seems good except for the price. He asked about leftover funds. Mr. Smith replied that Homestead does not keep any unexpended CHDO funds; rather, they are used for other CHDO projects. However, if a project is more expensive, Homestead has to pay for the additional funds needed.

Ms. Spear stated that Champaign's goal is to create affordable housing, with leftover funds being applied to the next project. They piece together different types of funds to bring project costs down. This project will also include leftover funds from the Douglass Infill. She discussed how this property was the last NSP project, and it could not go forward due to lack of funding.

Chairperson Cobb wondered about possible savings using factory prebuilt housing. Ms. Spear replied that Taylor Thomas was that type of development, and the cost was about \$130,000 per unit a few years ago. There are no great cost savings.

Commissioner Michelson asked if Homestead would receive a developer fee, and Mr. Smith answered yes.

Commissioner Silvis stated there are always tradeoffs when acquiring properties, for example, projects may be delayed due to lack of clear titles. If this project does not proceed, the cities would still need to deal with a distressed property. She felt this was a great opportunity for all entities and stated the homeless population affects both Champaign and Urbana.

Commissioner Roof inquired about asbestos issues. Mr. Skaggs described how last minute funding required Champaign to address this early in the process. Commissioner Roof was very concerned about this. Ms. Spear discussed the timing of the Illinois Housing Development Authority's (IHDA) request and NSP's regulations for prevailing wage. Chairperson Cobb stated this appeared to be a calculated gamble based on a reasonable assumption that funds were forthcoming. Ms. Spear and Mr. Skaggs agreed. Commissioner Bengtson called the question, and Chairperson Cobb requested a motion.

*Commissioner Vidoni moved to recommend to City Council approval of an Ordinance Approving and Authorizing the Execution of an Urbana HOME Consortium Community Housing Development Organization Sponsor Agreement (Homestead Corporation of Champaign-Urbana 510 E. Beardsley Project). Commissioner Silvis seconded the motion. The motion passed with six ayes, and two nays.*

**An Ordinance Approving and Authorizing the Execution of an Urbana HOME Consortium Community Housing Development Organization Agreement (Champaign County Neighborhood Alliance for Habitat Homeownership Program FY 2011-2012) -**

Ms. Gonzalez introduced Beverly Huffman, Executive Director, and stated Neighborhood Alliance has recently received its 501(c)(3) status from the Internal Revenue Service. This was the last step before Neighborhood Alliance could be approved as a CHDO.

Neighborhood Alliance's initial CHDO project application was for two years; however, staff requested they submit a modified request for one year. Upon review of the revised application, the HOME Technical Committee decided Neighborhood Alliance could construct two homes this building season and two next building season. The Technical Committee determined the homebuyer subsidy was reasonable, given that Neighborhood Alliance's homebuyers have much lower incomes.

Commissioner Vidoni inquired about availability of lots and use of volunteers. Ms. Huffman replied that both Champaign and Urbana have available lots, and Neighborhood Alliance will hire Habitat to construct the homes. Referencing Homestead's construction cost of \$92 per square foot, Commissioner Vidoni asked about Neighborhood Alliance's cost. There was discussion about the cost, with Ms. Gonzalez estimating \$80 a square foot. Commissioner Vidoni felt that seemed high due to using volunteer labor. Ms. Huffman replied their operating costs were fairly high given the number of houses being built. As they increase the number of families helped, the operating expenses, which are stable, will decrease.

In response to Commissioner Roof, Ms. Huffman described Neighborhood Alliance's requirement that families provide sweat equity for other homes as well as their own. She was excited about the opportunity to increase their capacity and help more families over the next few years. Chairperson Cobb felt this was a good project.

*Commissioner Roof moved to recommend to City Council approval of an Ordinance Approving and Authorizing the Execution of an Urbana HOME Consortium Community Housing Development Organization Agreement (Champaign County Neighborhood Alliance for Habitat Homeownership Program FY 2011-2012). Commissioner Diana seconded the motion, and the motion carried unanimously.*

**An Ordinance Approving and Authorizing the Execution of an Urbana HOME Consortium Community Housing Development Organization Agreement (Champaign County Neighborhood Alliance for Habitat CHDO Operating FY 2011-2012) -**

**An Ordinance Approving and Authorizing the Execution of an Urbana HOME Consortium Community Housing Development Organization Agreement (Homestead Corporation of Champaign-Urbana CHDO Operating FY 2011-2012) –** Ms. Gonzalez discussed Neighborhood Alliance and Homestead CHDO Operating agreements. While Homestead has been a CHDO for many years, Neighborhood Alliance is new. Therefore, the HOME Technical Committee is recommending \$27,528 for Neighborhood Alliance and \$22,500 for Homestead.

In response to Commissioner Michelson, Ms. Gonzalez stated Neighborhood Alliance will need to raise funds to cover other operating expenses for long term success. Ms. Huffman mentioned the need for increased marketing efforts for qualified families. For every 100 inquiries, less than five percent of families actually qualify for a mortgage with Habitat. This is due to income requirements, amount of debt, credit issues, and required sweat equity, which many do not want to perform.

Commissioner Diana inquired about reporting problems with Habitat and Neighborhood Alliance, since one organization will be a CHDO and the other will actually hold the mortgage, and both will report to the same individual. Ms. Gonzalez did not foresee any issues. Staff will be properly trained, and there will be a long paper trail. Unlike e-co lab, Neighborhood Alliance has filed separately. Commissioner Diana remarked "wearing two hats can be an issue." Ms. Huffman described arrangements with an outside accounting firm to structure a wall of separation between Habitat and Neighborhood Alliance. Habitat will provide invoices for their services to Neighborhood Alliance.

Due to there being three CHDOs, Commissioner Roof commented that Neighborhood Alliance should not plan on receiving this amount in the future. Ms. Huffman replied they never had CHDO money in the past, so they have not planned on it. Although Habitat is a fund raising organization, they are pleased about any additional funding. The goal is to build six houses per year, with a later goal of helping families rehabilitate their existing homes.

Commissioner Roof asked about e-co lab's unallocated funds. Ms. Gonzalez replied that e-co lab has not yet spent their previous year's funding. Since they do not yet have an Executive Director, staff recommends carrying forward e-co lab's FY 10-11 operating funds to be used for the coming year. Commissioner Michelson questioned how the funds would be used if e-co lab was no longer a CHDO. Ms. Gonzalez explained those funds could be used as HOME Consortium project funds.

*Commissioner Michelson moved to recommend to City Council approval of the following two ordinances:*

- *An Ordinance Approving and Authorizing the Execution of an Urbana HOME Consortium Community Housing Development Organization Agreement (Champaign County Neighborhood Alliance for Habitat CHDO Operating FY 2011-2012) -*
- *An Ordinance Approving and Authorizing the Execution of an Urbana HOME Consortium Community Housing Development Organization Agreement (Homestead Corporation of Champaign-Urbana CHDO Operating FY 2011-2012)*

*Commissioner Moreland seconded the motion, and the motion carried unanimously.*

**Adjournment:** Chairperson Cobb adjourned the meeting at 8:27 p.m.

Recorded by Connie Eldridge

  
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