



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: Kelly Mierkowski, Manager, Grants Management Division

DATE: May 23, 2014

SUBJECT: **A RESOLUTION APPROVING MODIFICATIONS TO THE CITY OF URBANA AND URBANA HOME CONSORTIUM FY 2013-2014 ANNUAL ACTION PLAN (301 Thompson and Community Elements TBRA)**

Description

Included on the agenda of the May 29, 2014 Urbana Community Development Commission meeting is a resolution approving modifications to the Fiscal Year 2013-2014 Annual Action Plan to allocate \$40,000 for the demolition of 301 E. Thompson Street, Urbana, as well as an additional \$40,000 for Habitat to construct a new home on the site. The amendment also proposes a \$32,000 allocation in HOME funding for the Tenant Based Rental Assistance program operated by Community Elements, Inc.

301 E. Thompson

The City of Urbana received an application in May 2014 from Habitat for Humanity of Champaign County (Habitat), requesting funds to construct four single-family units in the Urbana HOME Consortium area. One of the lots selected by a Habitat homebuyer is the 301 East Thompson site in Urbana. This double lot was originally acquired in September 2012 using Community Development Block Grant (CDBG) funds with the intent of ultimately constructing affordable housing on the site. The site was formerly used by a church that is no longer in operation, and the church building was dilapidated beyond repair at the time of acquisition. The structure currently standing contains asbestos that must be remediated prior to carrying out demolition. Staff has delayed demolishing the unit due to a lack of funding available in CDBG.

While the lot at 301 E. Thompson is currently listed as one address, the site is actually made up of two separate parcels, each measuring approximately 61 feet wide and 100 feet deep. The proposed amendment will provide a budget of \$40,000 to demolish the unit using HOME funds, which will include asbestos removal, followed by transferring both 301 E. Thompson and 303 E. Thompson to Habitat for the Community Housing Development Organization (CHDO) new construction projects that will begin later this year. Once the site is cleared, Habitat for Humanity plans to build

two single-family units for qualified low-income buyers. Eligible families have selected each respective lot as the site of their future home.

The amendment also proposes to allocate \$40,000 to finance the construction of a single-family unit at 301 E. Thompson Street. The second unit at 303 E. Thompson will be financed with HOME CHDO funds. HOME funds can only be used for demolition activities if additional financing is also provided for new construction. Historically, the City of Urbana has not been able to utilize HOME funds for CHDO new construction projects due to the risk of a CHDO not starting construction within the one-year timeline allowed by HOME regulations. However, Habitat has proven its ability as a CHDO to start and finish projects on schedule. It is only under these circumstances, including the fact that a sales contract has been signed with the buyer, that staff is recommending committing HOME funds to demolition.

Tenant Based Rental Assistance (TBRA)

The City of Urbana currently manages all of the contracts with subrecipients operating Tenant Based Rental Assistance (TBRA) programs in the Consortium area. Three entities are operating TBRA programs in the Consortium area: Champaign County Regional Planning Commission, the Center for Women in Transition, and Community Elements, Inc. As a member of the Urbana HOME Consortium, the County currently allocates all of its HOME entitlement to its TBRA Program, called *No Limits*. The County receives approximately \$90,000 each year for this program. The City of Champaign, also a member of the Consortium, allocates an additional \$45,000 to both the County and the Center for Women in Transition on an annual basis.

Under the current TBRA contracts and projected rate of expenditure, the Community Elements TBRA program will terminate in June 2016, while the other programs will be sustained with their respective annual allocations. The proposed amendment allocating an additional \$32,000 will allow Community Elements to continue their program as well, assisting 7-11 households with rental assistance through June 2017. Continuing this program will further the goals identified in the *City of Urbana and Urbana HOME Consortium Consolidated Plan FY 2010-2014* by continuing to assist special needs populations, particularly persons with mental disabilities.

Amendment

Staff is proposing an overall \$112,000 reduction to the Owner Occupied Rehabilitation Program funding listed in the FY 2013-2014 Annual Action Plan in order to finance the TBRA contract and the Habitat unit at 301 E. Thompson Street. The City of Urbana has realized \$103,865 in program income since FY 2011-2012. As such, no negative impact to the Whole House Rehabilitation Program is expected as a result of the proposed amendment.

Notice of a public hearing regarding the proposed amendment was posted on the City's website on May 14, 2014, and the hearing is scheduled to take place on May 29, 2014 in the Urbana City Council Chambers at 7:00 p.m. Written input is also accepted, and information regarding how to submit comments is available on the City's website.

This amendment will further the goals outlined in the *City of Urbana and Urbana HOME Consortium Consolidated Plan FY 2010-2014* by providing HOME funds for rehabilitation of rental housing units to rent to households with incomes at or below 60% of the area median income.

Options

1. Forward the Resolution Approving Modifications to the City of Urbana and Urbana HOME Consortium FY 2013-2014 Annual Action Plan to the Urbana City Council with a recommendation for approval.
2. Forward the Resolution to the Urbana City Council with a recommendation for approval with suggested changes.
3. Forward the Resolution to the Urbana City Council with a recommendation for disapproval.

Fiscal Impacts

The proposed Annual Action Plan modification will reduce the number of owner-occupied housing rehabilitation projects completed in the coming year, which will reduce the amount of program income the City would normally receive at the time of sale transfer in the future. However, the City has received \$103,865 in program income since FY 2011-2012, which has created a surplus of funds that must be committed, per HUD regulations. The Whole House Rehabilitation Program is expected to continue to maintain its operating level of addressing code deficiencies in 5-7 homes each year. The proposed amendment will not have a negative impact on the Whole House Program.

The proposal will also assist the City in committing funds necessary to avoid a shortfall. Under the HOME Program guidelines, all Participating Jurisdictions must earmark each year's allocation within 48 months of signing a contract with HUD. The deadline for committing all of the City of Urbana's FY 2012-2013 funds is August 31, 2014. Any funds that do not have contracts at that time will be considered a shortfall, and the funds would be owed back to HUD. The proposed amendment will ensure that the City is maintaining an acceptable level of funding commitments and solve the City's current shortfall this year of \$112,000.

Programmatic Impacts

In determining the best option for allocation the City of Urbana's commitment obligation by August 31, 2014, several alternatives were considered. Consideration was given to augmenting the Urbana Dream Downpayment Assistance Program; however, commitments can only be made as closings are scheduled. This would be considered a "soft" commitment, meaning that the funds are earmarked but are not considered committed until actual mortgages are signed and program dollars are spent. Staff has been working to sign additional contracts for the Whole House Rehabilitation projects. The waiting list was recently reopened in mid-April, but the initial responses have not yet

resulted in any eligible applicants.

While demolition is sometimes a difficult undertaking given the HOME program guidelines, Habitat has become the exception to the rule due to the rapid pace at which projects progress. By funding the 301 Thompson project at multiple stages of development, staff is confident that all HOME regulations will be observed regarding timeliness deadlines. Financing a portion of the gap in Habitat's funding needs presented itself as an ideal solution to the City's commitment requirements and program goals.

Under the current TBRA contracts and projected rate of expenditure, the Community Elements TBRA program will terminate in June 2016. The proposed amendment will allow Community Elements to continue the program, assisting 7-11 households with rental assistance through June 2017.

Recommendation

Staff recommends that CDC forward the Resolution Approving Modifications to the City of Urbana and Urbana HOME Consortium FY 2013-2014 Annual Action Plan to the Urbana City Council with a recommendation for approval.

Memorandum Prepared By:



**Jen Gonzalez, Grant Coordinator
Grants Management Division**

Attachments:

1. A RESOLUTION APPROVING MODIFICATIONS TO THE CITY OF URBANA AND URBANA HOME CONSORTIUM FY 2013-2014 ANNUAL ACTION PLAN (301 Thompson and Community Elements TBRA)
2. City of Urbana and Urbana HOME Consortium Proposed Amendments to Annual Action Plan FY 2013-2014

RESOLUTION NO. _____

A RESOLUTION APPROVING MODIFICATIONS TO THE CITY OF URBANA
AND URBANA HOME CONSORTIUM FY 2013-2014 ANNUAL ACTION PLAN
(301 Thompson and Community Elements TBRA)

WHEREAS, the City of Urbana has been designated an entitlement city under the Federal Housing and Community Development Act of 1974, as amended, and as such is eligible for Community Development Block Grant (hereinafter "CDBG") and Home Investment Partnerships Funds (hereinafter "HOME") funds upon proper submittal being made to the United States Department of Housing and Urban Development (hereinafter "HUD"); and

WHEREAS, the Urbana City Council previously approved ordinances authorizing submittal to HUD of the Annual Action Plan for FY 2013-2014 that included proposed budgets for the HOME Programs and HUD subsequently approved said Annual Action Plan; and

WHEREAS, on May 14, 2014, the City of Urbana published on the City website a notice of a 30-day public review period regarding said proposed budgetary amendments to the Annual Action Plan; and

WHEREAS, on May 29, 2014 the City of Urbana, the Grants Management Division of the Community Development Services Department, as lead entity for the Urbana HOME Consortium, held a public hearing on the proposed amendments; and

WHEREAS, the City Council now finds it necessary and appropriate to amend the City of Urbana and Champaign/Urbana/Champaign County HOME Consortium Annual Action Plan for FY 2013-2014.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1. That the City of Urbana, as lead entity for the Urbana HOME Consortium, hereby approves the amendments to the City of Urbana and

Champaign/Urbana/Champaign County HOME Consortium Annual Action Plan for FY 2013-2014, in substantially the same form as such amendments are referenced in the attachment hereto.

Section 2. That the Mayor of the City of Urbana is hereby designated as the authorized representative of the City of Urbana to take any action necessary in conjunction with said attached amendments to the Annual Action Plan for FY 2013-2014, and any prior approved Annual Action Plan or Amendment, including, without limitations, to execute any documents necessary to commit applicable HOME funds to the projects, submittal of the Annual Action Plan Amendment to the HUD Regional Field Office and provision of such additional information as may be required.

PASSED by the City Council this _____ day of _____,
_____.

AYES:

NAYS:

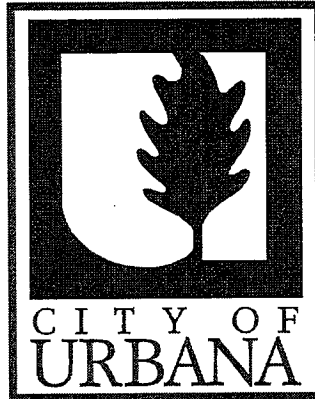
ABSTAINS:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____,
_____.

Laurel Lunt Prussing, Mayor

**City of Urbana
and
Urbana HOME Consortium**



**Proposed Amendments to
Annual Action Plan
FY 2013-2014**

Prepared by:
City of Urbana
Community Development Services
Grants Management Division
400 South Vine Street
Urbana, IL 61801
217.384.2447

Approved by Urbana City Council Resolution No. _____

**PROPOSED AMENDMENTS TO CITY OF URBANA & URBANA HOME CONSORTIUM
FY 2013-2014 ANNUAL ACTION PLAN**

The Urbana HOME Consortium proposes to amend the City of Urbana HOME Program budget in the Fiscal Year (FY) 2013-2014 Annual Action Plan (AAP). A reduction to the City of Urbana Housing Rehabilitation program in the amount of \$112,000 is proposed to allow for a demolition/new construction project at 301 Thompson Street in Urbana, as well as to commit additional funds to the Community Elements Tenant Based Rental Assistance (TBRA) program. The demolition of the unit, which will include asbestos removal, is estimated at \$40,000 and will be overseen by Urbana staff. The lot, which measures 123'x100', is currently listed as one address but consists of two platted lots. Once demolition is complete, the site will be split into its original configuration and donated to Habitat for Humanity of Champaign County as 301 Thompson and 303 Thompson Street. The City of Urbana will subsidize the construction of the new single-family unit at 301 Thompson in the amount of \$40,000.

Also proposed is a TBRA contract with Community Elements, Inc. to augment its current program in the amount of \$32,000.

URBANA HOME CONSORTIUM PROPOSED HOME AMENDMENT:

<u>HOME Budget Item</u>	<u>Current</u>	<u>Proposed Amended</u>
City of Urbana Housing Rehab FY 13-14	\$149,981.00	\$37,981.00
TOTAL CHANGE		(\$112,000.00)
FY 13-14 Demolition of 301 Thompson	-0-	\$ 40,000.00
FY 13-14 301 Thompson New Construction	-0-	\$ 40,000.00
FY 13-14 Community Elements TBRA	-0-	\$ 32,000.00
TOTAL CHANGE		\$112,000.00

Following is the HOME Program language and/or budget changes for the FY 2013-2014 Annual Action Plan found on page 41:

1. Owner-Occupied Housing Rehabilitation

Funds will be allocated for the rehabilitation of four-seven (4-7) units, including grants and deferred-payment loans in the amount of \$25,000-\$28,000 per household that are intended to address code deficiencies, major renovation needs, relocation expenses and lead-based paint concerns.

Goal 1, Strategy 1 & 2; Goal 2, Strategy 1-4 & 6

Citation - [24 CFR 92.206(a)(2)]

Environmental – Assessment Required

Recapture

~~\$149,981~~ \$37,981 HOME

2. **301 Thompson Project**

Funds will be allocated for the demolition and new construction of a single-family affordable housing unit at 301 Thompson Street, Urbana.

\$80,000 HOME

Goal 1, Strategy 1 & 2

Citation - [24 CFR 92.206(a)(1),(3)(i)]

Environmental – Assessment Required

Recapture

Objective: Provide Decent Housing to one homebuyer at or below 80% MFI. This project is intended to remove blight in the neighborhood while providing affordable housing for a qualified buyer.

Outcome: Sustainability for the purpose of providing decent housing.

Outcome Indicators: Successful construction and sale of property at 301 Thompson.

3. **Tenant Based Rental Assistance**

HOME funds will be used to augment the TBRA program currently operated by Community Elements, Inc. The program will provide affordable housing assistance to low-income residents of the City of Urbana. Assisted households will have annual incomes at or below 60% of the Area Median in accordance with HOME Regulations. The participating clients follow a plan for achieving self-sufficiency and make co-payments toward rent (not to exceed 30% of the household income), based on their individualized self-sufficiency plan.

\$32,000 HOME

Goal 2, Strategy 2, Activity 1

Citation - [24 CFR 92.209]

Environmental – EXEMPT

Objective: Provide decent housing by creating affordable housing opportunities for households with annual incomes at or below 80% of Area Median, of which 90% will be at or below 60% of the Area Median).

Outcome: Affordability for the purpose of providing decent affordable housing.

Outcome Indicators: Number of tenants maintaining affordable rental units at or below 60% of Area Median.