



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: January 23, 2015

SUBJECT: **A RESOLUTION APPROVING MODIFICATIONS TO THE CITY OF URBANA AND URBANA HOME CONSORTIUM FY 2014-2015 ANNUAL ACTION PLAN (Neighborhood Revitalization & Program Income)**

Description

Included on the agenda of the January 27, 2015 Urbana Community Development Commission meeting is a resolution approving modifications to the Fiscal Year 2014-2015 Annual Action Plan to reallocate the City of Urbana's HOME entitlement to Neighborhood Revitalization program activities, formerly slated for Owner Occupied Housing Rehab. Also proposed for Neighborhood Revitalization activities is \$12,500 program income, which was formerly unobligated in the Fiscal Year 2014-2015 Annual Action Plan. A total \$170,862.26 is proposed for reprogramming through this amendment. Additional narrative has also been incorporated into the description of the Neighborhood Revitalization program activities to include New Construction.

Background

The City of Urbana currently utilizes its HOME entitlement for owner-occupied rehabilitation activities. This year, only three (3) eligible applications for the Whole House Rehabilitation Program have been received, which is less than half of the 7-9 staff had hoped to accrue by the first half of the fiscal year. This is due in part to the program's excess of 20 years of operation. Many homes that have inquired about assistance have already received assistance in the past. Until the current lien against a house is released, the City does not invest additional HOME funding into the unit. Many homeowners that approach the City for rehabilitation assistance also have taken out other lines of credit or lack the equity required to meet the underwriting guidelines for the program.

A lag in program activities puts the Urbana HOME Consortium at risk of a commitment shortfall based on calculations provided by the Department of Housing and Urban Development. Staff has continued to market the Whole House program, and programmatic changes are under consideration in order to improve the program's effectiveness and ability to meet the changing

needs of the low-income Community Development Target Area. In the meantime, staff is proposing an amendment that will allow the Consortium to meet its commitment obligations and have the most beneficial impact to the low-income community.

Amendment

The proposed amendment will deobligate funding originally allocated to the City of Urbana Whole House Rehabilitation Program in the Fiscal Year (FY) 2014-2015 Annual Action Plan in order to augment funds to the Urbana Dream Down Payment Assistance Program, which is included in the Annual Action Plan as an eligible activity under Neighborhood Revitalization. The funds proposed for reprogramming total \$170,862.26. This includes the City of Urbana's original HOME entitlement allocation of \$158,362.26, as well as \$12,500 program income received in FY 2014-2015. Approximately seventeen (17) Urbana buyers will benefit from the proposed round of funding.

The policies and procedures for the proposed round of Urbana Dream funding will adhere more closely to the original guidelines set for the program since its inception in FY 2012-2013. Any lender in Champaign County will be eligible to apply on behalf of the homebuyer. This policy was modified for the most recent round of funds when the City partnered with Busey Bank to augment the program through a Federal Home Loan Bank of Chicago (FHLB) award. The FHLB funding is nearly exhausted, with one more grant available to a low-income buyer applying through Busey Bank. By opening the program up to all lenders again, staff hopes to commit the funding in a timely manner. Recent changes to lending laws have also broadened in scope to include non-traditional lenders such as Habitat for Humanity, which were formerly excluded from participation in the program. Habitat has been very active in the past three years, constructing more than 15 homes. An additional 5 are expected to close by July, 2015. Because all of Habitat's buyers are low-income, these activities may qualify for Urbana Dream as well.

Additional narrative has also been provided for under the City of Urbana Neighborhood Revitalization section of the Annual Action Plan to include new construction activities. This will allow the City of Urbana to support ongoing activities carried out by Habitat for Humanity of Champaign County, should the Urbana Dream program develop commitments at a rate that puts the Urbana HOME Consortium at risk of a shortfall in the coming year.

Notice of a public hearing regarding the proposed amendment was posted on the City's website on January 23, 2015, and the hearing is scheduled to take place on February 6, 2015 in the Urbana City Council Chambers at 10:00 a.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 "directly encouraging homeownership through downpayment assistance programs such as programs funded with private activity bond funds."

Options

1. Forward the Resolution Approving Modifications to the City of Urbana and Urbana HOME Consortium FY 2014-2015 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 & Programmatic Impacts

The proposed Annual Action Plan modification will allow staff to meet rising market demands, with home sales in Champaign County having increased by nearly 3 percent between 2013 and 2014. The Urbana Dream Downpayment Assistance Program is anticipated to move more quickly than the Whole House Rehabilitation Program at this time. Reprogramming these funds for down payment has been very successful over the past two years; more than 20 down payment grants have been awarded to low-income buyers in Urbana in that time, and staff regularly receives inquiries regarding first time homebuyer information.

Reducing the number of owner-occupied rehabilitation projects will reduce future program income for the HOME program when owners transfer title to their properties. However, there are currently only three active Whole House Rehabilitation projects under way for FY 2014-2015. This is less than half the 7-9 projects staff had hoped for in this fiscal year, and the cost of these projects will be covered by HOME carryover from previous fiscal years. Reprogramming the funds from FY 2014-2015, with the end of the fiscal year fast approaching, will ensure that staff is able to commit sufficient funds to avoid a shortfall. A commitment shortfall could result in forfeiting grant funding to the Department of Housing and Urban Development, which is a greater concern, as it may jeopardize future funding for the Urbana HOME Consortium.

Recommendation

Staff recommends that CDC forward the Resolution Approving Modifications to the City of Urbana and Urbana HOME Consortium FY 2014-2015 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 2014-2015 ANNUAL ACTION PLAN
(Neighborhood Revitalization & Program Income)
2. City of Urbana and Urbana HOME Consortium Proposed Amendment to Annual Action Plan FY 2015-2014

RESOLUTION NO. _____

A RESOLUTION APPROVING MODIFICATIONS TO THE CITY OF URBANA
AND URBANA HOME CONSORTIUM FY 2014-2015 ANNUAL ACTION PLAN
(Neighborhood Revitalization & Program Income)

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 2014-2015 that included proposed budgets for the HOME Programs and HUD subsequently approved said Annual Action Plan; and

WHEREAS, on January 23, 2015, 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 February 6, 2015 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 2014-2015.

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 2014-2015, 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 2014-2015, 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 Amendment to
Annual Action Plan
FY 2014-2015**

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 AMENDMENT TO CITY OF URBANA & URBANA HOME CONSORTIUM
FY 2014-2015 ANNUAL ACTION PLAN**

The Urbana HOME Consortium proposes to amend the City of Urbana HOME Program budget in the Fiscal Year (FY) 2014-2015 Annual Action Plan (AAP). The entire \$158,362.26 was originally allocated towards the Owner-Occupied Housing Rehabilitation program. Staff is proposing to instead direct these funds towards Down Payment Assistance listed under Neighborhood Revitalization. Also included is program income funding received to date that was previously not programmed in the Annual Action Plan. This \$12,500 has been added to the entitlement allocation, for a total \$170,862.26 redirected toward Neighborhood Revitalization activities in FY 14-15.

Additional narrative has also been incorporated into the description of the Neighborhood Revitalization program activities to include New Construction. This will allow the City of Urbana to support the ongoing activities of Habitat for Humanity of Champaign County, should the Down Payment Assistance Program develop commitments at a rate that puts the Urbana HOME Consortium at risk of a shortfall in the coming year.

URBANA HOME CONSORTIUM PROPOSED HOME AMENDMENT:

| <u>HOME Budget Item</u> | <u>Current</u> | <u>Proposed Amended</u> |
|------------------------------|----------------|-------------------------|
| Owner-Occupied Housing Rehab | \$158,362.26 | -0- |
| TOTAL CHANGE | | (\$158,362.26) |
| Neighborhood Revitalization | -0- | \$158,362.26 |
| Program Income | -0- | \$ 12,500.00 |
| TOTAL CHANGE | | \$170,862.26 |

Following is the HOME Program language and/or budget changes for the FY 2014-2015 Annual Action Plan found on page 40 (changes are italicized):

CITY OF URBANA

FY 14-15 Allocation: \$ 158,362.26

Match Required: \$ 39,591

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

~~**\$158,362.26 HOME**~~

Objective: Provide Decent Housing to owner occupants by addressing conditions that are a result of deferred maintenance through rehabilitation of homes of recipients from two income categories, at or below 50% MFI and between 51-80% MFI. Program is intended to improve the quality of the housing stock by bringing units into compliance with applicable code requirements, eliminating lead based paint hazards, and improving exterior appearance.

Outcome: Sustainability for the purpose of providing decent housing.

Outcome Indicators: Number of owner-occupied households assisted at or below 50% MFI. Number of owner-occupied households assisted at 51-80% MFI. Total amount of households served. Amount of funding leveraged through local match.

2. City Redevelopment Programs

Funds, including carryover funds, may be allocated to programs such as Down Payment Assistance, Acquisition-Rehab, Purchase-Rehab-Resale, Rental Rehab, Kerr Avenue Sustainable Development, *New Construction*, Lot Acquisition/ Demolition, and/or other programs currently under development or may be proposed that further the affordable housing goals and mission of the City, Council, and Grants Management Division. Programs must comply with applicable local, state and federal regulations, including but not limited to HOME regulations. Goal 2, Strategy 1

Citation - [24 CFR 92.205(a)(1)]

Environmental – Assessment Required

\$170,862.26 (\$158,362.26 HOME; \$12,500 Program Income)

Objective: Provide Decent Housing by creating affordable housing opportunities for households with incomes at or below 80% of the area median.

Outcome: Sustainability for the purpose of providing decent housing.

Outcome Indicators: Number of owner-occupied households assisted at or below 50% MFI. Number of owner-occupied households assisted at 51-80% MFI. Total amount of households served. Amount of funding leveraged through local match.