



APPROVED by CD Commission 7-24-12
MINUTES
COMMUNITY DEVELOPMENT COMMISSION MEETING
Tuesday, May 22, 2012, 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, Theresa Michelson, Dennis Vidoni

Commission Members Absent: George Francis, Jerry Moreland, Brad Roof, Anne Heinze Silvis

Others Present: Kelly Mierkowski, Jennifer Gonzalez, and Connie Eldridge, Community Development Services; Aaron P. Smith, Homestead Corporation; Sheila Dodd, Habitat for Humanity of Champaign County; Patti Clore, Ecological Construction Laboratory & Passive House Institute (PHIUS).

Approval of Minutes: *Chairperson Cobb asked for approval or corrections to the April 24, 2012 minutes. Commissioner Vidoni moved to approve the minutes, and Commissioner Bengtson seconded the motion. The motion carried unanimously.*

Petitions and Communications: None.

Staff Report: Ms. Mierkowski reviewed the staff briefing memorandum dated May 22, 2012. A Department of Housing and Urban Development (HUD) representative monitored the Grants Management Division's (GMD) Community Development Block Grant (CDBG) Program on May 2-4, 2012. Staff has not yet received HUD's official monitoring letter. HUD will also monitor GMD's Home Investment Partnerships Program (HOME) in July or August 2012. Staff is awaiting final approval of the City's Consolidated Annual Performance and Evaluation Report (CAPER) for Fiscal Year (FY) 2010-2011. Staff submitted the FY 2012-2013 Annual Action Plan (AAP) to HUD on May 11, 2012 and anticipates approval in June or July.

Ms. Mierkowski distributed the latest Minority Business Enterprises/Women Business Enterprises (MBE/WBE). The City of Urbana's Human Relations Officer is working on how to increase participation of minority businesses.

Commissioners were reminded to complete their Open Meetings Act (OMA) training through the State of Illinois Attorney General's website.

There will be a study session immediately preceding the June 26, 2012 Community Development (CD) Commission meeting to review the scoring system for Public Facilities projects. Commissioner Vidoni requested staff provide written documentation regarding proportionality. Ms. Mierkowski added staff will bring HUD regulations and other applicable information.

Neighborhood Cleanup was held on May 19, 2012. Randy Burgett will provide statistics on volume of junk and number of participating households. Ms. Mierkowski thanked Commissioners Michelson and Silvis for their work as facilitators at the Urbana Youth Summit, which was held on May 12. Commissioner Diana inquired about new regulations on lead paint thresholds and its impact on the City's housing rehabilitation programs.

Old Business: None.

New Business: **A Second Amendment to an Urbana HOME Consortium Community Housing Development Organization (CHDO) Developer Agreement (Homestead Corporation of Champaign-Urbana CHDO Developer Affordable Homeownership Program FY 2009-2010)** – Jen Gonzalez distributed a copy of the proposed agreement, which will provide an additional subsidy for the project at 1304 Williamsburg, Champaign as well as construction loan financing. Because the Urbana HOME Consortium has no new projects, there was concern about the timely expenditure of HOME funds and keeping this program moving forward. This amendment will commit allocated funds and reduce the total development cost of Homestead's housing unit.

Ms. Gonzalez discussed Homestead's pro forma, which includes sources of funds, subsidies, and use of funds. Other topics were gap financing through the HOME Program, down payment assistance, and net sale proceeds. Busey Bank has helped many homebuyers find additional subsidies to purchase these homes. The amendment also includes the Urbana HOME Consortium providing a construction loan at 0 percent interest for Homestead to be repaid at the time of sale. The construction loan will serve as a revolving loan fund for future CHDO projects.

In response to Commissioner Vidoni, Aaron Smith, Executive Director of Homestead, noted the amendment addresses several different issues. One is the expense of construction financing, because certain costs cannot be reimbursed under the HOME Program. A few years ago Homestead constructed houses for \$140,000; now the total cost including fees is \$150,000. Although Homestead has rebid contractor expenses, the costs for labor, materials, shingles, and any petroleum product has increased since Homestead was originally awarded the funding.

Another issue is the preliminary appraisal values for the property to be constructed at 1304 Williamsburg in the Garden Hills area. The market value of the property would be much lower, thus requiring a higher development subsidy to cover the gap between the costs of building versus the sales price. Commissioner Vidoni asked how Homestead addressed this issue with their house at 1109 North Gregory, Urbana. Mr. Smith replied that Homestead used its development fee, with the possibility of taking a loss to complete the house. Incidental costs, such as hiring a civil engineer for a newly required erosion control plan, have also increased.

Mr. Smith discussed Homestead's past construction financing. If the project takes longer than average to complete, this costs a lot in interest. Also, it is harder to get reimbursed for all costs connected to financing the project. There was discussion on lot acquisition, anticipated lower values, and neighborhoods where property values have fallen more than normal. Commissioner Michelson was concerned that Homestead would be constructing the most expensive house on the block. Mr. Smith noted that the cost of building a house has always been more than its sale price.

Ms. Gonzalez stated there are no other grants for developer subsidy unlike those for down payment assistance. In response to Commissioner Diana, Mr. Smith said the development fees have not gone

up; rather the increases are due to higher construction costs. There was discussion on whether it was possible to construct a house for Homestead's sale price. Noting the homebuyers can only afford mortgages from \$70,000 - \$80,000, Mr. Smith did not believe it was possible. Commissioner Diana mentioned the impact of short sales and foreclosures in the property's neighborhood .

Commissioner Diana asked if the construction loan from the Urbana HOME Consortium would make the project more affordable. Mr. Smith replied the main benefit is that Homestead will not have to absorb costs for which it cannot be reimbursed, such as construction loan interest when a homebuyer is disqualified and Homestead has to secure another buyer. The Pro Forma has not reflected additional costs for which Homestead could not be reimbursed, such as real estate taxes.

There was further discussion on the value of donated lots, construction cost and sales price of Homestead's houses. Mr. Smith clarified that the HOME Direct Homebuyer Assistance makes the home affordable for the buyer; it does not cover Homestead's costs. In response to Commissioner Michelson, Ms. Gonzalez said the philosophical question is whether or not to help the neighborhoods that are hurting the most. Mr. Smith noted it is difficult to find lots, especially those that appraise at a higher value. Commissioner Michelson expressed her concern about the number of absentee landlords, code enforcement, property values, and questioned who would benefit from rising property values. Ms. Mierkowski stated the City uses CDBG funds to purchase lots in the CD Target Area. Commissioner Diana stated that only market value, not cost of construction, impacts assessed or appraised value in the neighborhoods. Ms. Gonzalez discussed pricing strategy.

Chairperson Cobb stated the key objective is to continue providing housing to low income persons. This project accomplishes that, regardless of ability to make money on the construction. Commissioner Vidoni agreed and added another goal is to keep Homestead viable, since it is the only active CHDO at this time. While this is not an easy decision in terms of economics, it is important to consider the greater good. In response to Chairperson Cobb and Commissioner Diana, Ms. Gonzalez clarified the terms of the construction loan funds, which can be re-issued again. As part of the HOME Rule, HUD will allow the Urbana HOME Consortium to act as lender.

In response to Commissioner Bengtson, Mr. Smith stated the sales price is not the challenge; rather it is finding homebuyers who qualify for the loans. Some buyers develop credit issues or are disqualified upon verification of income. Also, not every potential buyer wants to purchase a home in the target areas. Homebuyers must live in the house as their primary residence. There is an affordability period from 5-15 years; if the homeowner is in violation, they have to repay the funds. Homestead has a good working relationship with Busey Bank, which determines if the homebuyer receives a mortgage. Ms. Gonzalez mentioned the lack of homebuyer counseling in the Champaign-Urbana area.

Commissioner Michelson moved to recommend to City Council approval of a Second Amendment to an Urbana HOME Consortium Community Housing Development Organization (CHDO) Developer Agreement (Homestead Corporation of Champaign-Urbana CHDO Developer Affordable Homeownership Program FY 2009-2010). Commissioner Vidoni seconded the motion, and the motion carried unanimously.

A Resolution Authorizing the Submission of a Request to the United States Department of Housing and Urban Development for an Exception to the HOME Investment Partnerships Program Conflict of Interest Prohibition – Ms. Gonzalez described the request for an exception to the conflict of interest prohibition, which was submitted to HUD on March 6, 2012. One issue is

that Sheila Dodd, formerly an employee of the City of Champaign, was hired as Executive Director of Habitat for Humanity of Champaign County (Habitat). The other concerned Habitat's application for HOME funds in the future. Because Habitat is closely associated with its CHDO, Champaign County Neighborhood Alliance for Habitat (Neighborhood Alliance), HUD determined there is a conflict of interest with Ms. Dodd serving as Executive Director.

Ms. Gonzalez reviewed a phone conference with HUD on the exception request. According to federal guidelines, no employee of a subrecipient may have an interest in any contract, subcontract or agreement during their tenure or for one year thereafter. Because the Urbana HOME Consortium did not initially understand the implications of Ms. Dodd's employment with Habitat, a new revised resolution was created, and there will be new procedures put in place to prevent such a violation of the HOME Final Rule in the future. The Urbana HOME Consortium is apologizing for this issue and will resubmit the waiver.

In response to Commissioner Michelson, Ms. Gonzalez clarified the request for a waiver should have been submitted before Ms. Dodd was hired as Executive Director. The conflict of interest rested in Habitat for Humanity hiring Ms. Dodd as Executive Director, rather than with the contracts between the Urbana HOME Consortium and Neighborhood Alliance. Chairperson Cobb did not see this issue as weighing against the public interest. Commissioner Diana added this would have been better in the initial waiver.

Chairperson Cobb asked about the impact of a recommendation from the CD Commission. Ms. Gonzalez answered it provides further public disclosure. Commissioner Diana noted this action separates the request from funding and properly rewrites what was previously done. Commissioner Vidoni asked what happens if HUD does not grant the waiver. Ms. Gonzalez replied that HUD will monitor the Urbana HOME Consortium in August. There will likely be a finding since this broke a main HOME statute. HUD will want to know if new procedures are established to prevent this in the future. She mentioned other possible consequences.

Ms. Dodd noted the City of Champaign informed the Urbana HOME Consortium of her resignation on the day she resigned. She has attempted to follow proper procedures for public disclosure, and she believes this will work out. In response to Commissioner Bengtson, Ms. Dodd indicated that the conflict was because she had worked for an organization that receives HOME funds. Ms. Gonzalez explained the Mayor will request the waiver through a letter to HUD on behalf of the City of Urbana, as lead entity of the Urbana HOME Consortium.

Commissioner Michelson moved to recommend to City Council approval of a Resolution Authorizing the Submission of a Request to the United States Department of Housing and Urban Development for an Exception to the HOME Investment Partnerships Program Conflict of Interest Prohibition. Commissioner Diana seconded the motion, and the motion carried unanimously.

Adjournment: Chairperson Cobb adjourned the meeting at 8:12 p.m.

Connie Eldridge, Recording Secretary