

Analysis of Impediments to Fair Housing

The City of Champaign updates its analysis of fair housing impediments annually as community conditions change, impediments are addressed, or new obstacles present themselves. With data derived from the recent update of the Neighborhood Wellness and Consolidated Plans, housing market trends were identified which could indicate that some significant impediments still persist within this community. These discoveries have spurred additional discussion which in turn has led to the creation of some new Consolidated Plan goals and objectives.

Impediments to fair housing choice are defined as:

- ◆ Any actions, omissions, or decisions taken because of race, color, religion, sex, disability, familial status, or national origin which restrict housing choices or the availability of housing choices
- ◆ Any actions, omissions, or decisions which have the effect of restricting housing choices or the availability of housing choices on the basis of the classifications noted above

The analysis includes a review of Champaign’s laws, regulations, and policies and how they might impact the location, availability, and accessibility of housing. It also identifies lending practices and household economic conditions that affect housing choice, patterns of occupancy and location of public and government assisted housing, forms of discrimination, and other factors that impact fair housing.

The following is a list of the housing impediments that still remain in the community or new impediments that have recently been identified, according to recent data and information collected. Each section also contains narrative describing any specific actions that were taken in the last year to address the obstacles, as well as recommendations of future actions needed. The information is divided into categories based on the type of housing provided and the various populations served.

Special Needs Housing

*Using HUD’s definition, the special needs population includes the frail and non-frail elderly, persons with physical, mental, or behavioral disabilities, persons with HIV/AIDS, persons with alcohol or drug addictions.*

Identified Impediments

- ◆ Limited housing choice for mentally ill
- ◆ Shortage of supportive services that allow persons with special needs to live independently
- ◆ Lack of affordable, assisted living choices for seniors
- ◆ Reduced government funding for homeless services, particularly emergency shelters
- ◆ Lack of a centralized system to track and assist homeless individuals and families
- ◆ Insufficient supply of affordable, accessible units for sale and rent

Actions Taken

Due to federal funding cuts, the City had to reduce the amount of funding it provided directly to supportive services and service providers over the past year. Prior to the last couple of years, the City had been able to allocate up to \$300,000 in CDBG and HOME funding combined to services for special populations. In FY 2005/06, that allocation was down to approximately \$160,000 in CDBG funding. This directly impacts the City’s ability to address some of the impediments noted above.

Agencies that were funded over the past year that serve special needs populations include: the Mental Health Center (homeless and persons with mental illness and homeless youth), Family Service of Champaign County (seniors and disabled), Senior Services of Champaign County (seniors and disabled), the Center for Women in Transition (homeless women and children), Developmental Services Center (persons with developmental disabilities), and Peace Meal Senior Nutrition Program (frail seniors and disabled).



In addition, the Center for Women in Transition completed the construction of additional shelter space to house up to 5 additional households. Due to a tactical error in the application for HUD's Supportive Housing Program in FY 2004, the City was asked to assist with additional funding for the CWIT building project. This allowed the agency to transfer non-restricted donations originally

earmarked for bricks and mortar over to the operation of the shelter. The additional \$30,000 provided to CWIT from the City was FY 05/06 CDBG funding and is reflected in this CAPER.

The City of Champaign continues to participate in the Council of Service Providers to the Homeless. The agency meets monthly to discuss issues regarding the homeless population and works jointly to prioritize the unmet needs in the community. A subgroup of the Council, the Continuum of Care committee, prepares federal and state grant applications to fund priority needs as determined by the larger Council. Staff from the City of Champaign led the Continuum's effort to survey the homeless population to determine the extent of the problem in Champaign County. Results of that survey, provided in the section on homeless services, indicate that HUD's emphasis on funding transitional housing has had a positive impact on moving persons out of emergency shelters. However, there is still a persistent need for additional emergency beds and for permanent housing with supportive services in this community.

Although no federal funding has been allocated to the development of the Ashland Park subdivision in north Champaign, the City's Neighborhood Services Department has been involved in this affordable new single-family housing project. In exchange for the waiver of building permits and other development concessions, the new homes in the subdivision are being built entirely to the City's adopted visitability standards. The range of new home prices is from \$119,000 to \$159,000, making them affordable to lower income buyers. In addition, all buyers with incomes at or below 100% MFI can receive a partial rebate of City property taxes for the first five years after purchase. This incentive was approved by the City Council to encourage homeownership, particularly for lower and moderate income buyers. To date, approximately 85 homes have been constructed and about 35% have applied for the City's tax rebate program. The average home cost of a rebate program participant is \$134,000 and average MFI of the buyer is 54%.

Other visitable units added to the housing supply with the City's help include 44 units of affordable rental housing at Douglass Square and 2 new units of affordable single-family housing constructed by local non-profits with City financial assistance.

### Federally Subsidized Housing

#### Identified Impediments

- ◆ Insufficient Section 8 vouchers – long waiting lists for Section 8 and public housing
- ◆ Refusal by some landlords to accept Section 8 tenants

- ◆ Section 8 vouchers no longer cover security or damage deposit
- ◆ Section 8 inspections cause a delay in unit turnover, another barrier to landlord participation
- ◆ Federal Drug Elimination Grant eliminated, reducing the funding the local PHA has available to spend on crime and other drug-related activities at public housing sites
- ◆ New local preferences for working families in subsidized housing (deconcentration efforts) may leave very low-income families with fewer options
- ◆ Federal preferences no longer given to families who are rent-burdened, or living in substandard or overcrowded housing
- ◆ Loss of units for disabled population, due to elderly-only designation of public housing
- ◆ Reduction in federal funding for HOPE VI

#### Actions Taken

According to the 2005 Annual Plan submitted by the Housing Authority of Champaign County, the agency currently has a Section 8 waiting list of 886 families, 94% of which are extremely low-income (less than 30% MFI). The HACC also reports that 223 families were on the public housing waiting list – 99% are extremely low-income, 138 were families with children, 4 were elderly households, and 7 were households with disabilities.

The HACC indicated in its 2005 Agency Plan that it is committed to addressing the shortage of affordable subsidized housing by:

- Applying for additional rental vouchers
- Streamlining procedures to reduce public housing vacancies
- Establishing payment standards and mobility counseling that allow families to rent throughout the jurisdiction
- Acquiring and/or building additional units by leveraging additional private and public funds
- Continue marketing and education efforts to encourage owners to participate in Section 8.
- Continue effective screening of Section 8 applicants to increase owner acceptance of the program.

As the HACC strives to reduce the concentration of low-income families in Champaign's northern planning areas and remove obsolete public housing units by undertaking large-scale redevelopment efforts, the agency is faced with the challenges brought about by the reduction in federal funding for these types of projects. The HACC completed the redevelopment of Burch Village, a 64-unit public housing complex. A 50-unit mixed income rental development is quickly becoming fully occupied. The agency is applying this same mixed income model to the revitalization of other obsolete public housing complexes, beginning with Lakeside Terrace in Urbana. Joann Dorsey Homes, in northwest Champaign, also requires renovations and updating. The HACC will continue to address immediate repair needs at the complex while planning for a large-scale redevelopment effort when funding allows.



Fortunately, the residents who were displaced from Burch Village and given Section 8 vouchers were all able to locate housing of their choice. Of the 44 families that were relocated, 33 were able to find suitable housing in the City of Champaign. Only three families chose to leave the county. This is an

indication that the perceived impediments to Section 8 housing in Champaign may not be as severe as originally thought or that the efforts made by the HACC to overcome them were successful.

Last year in the CAPER, it was reported that the HACC was no longer intending to apply for the designation of public housing units as elderly or disabled only units. The 2005 Annual Plan notes that 140 units of elderly/disabled housing are slated for designation as elderly only. The agency has stated that no existing disabled tenants will be displaced, only that units will not be filled with new disabled tenants as they become vacant.

The City will continue to monitor the agency's efforts to improve public and subsidized housing, particularly as these actions have the tendency to reduce the supply of units for very low-income households and populations with special needs, such as the disabled. City staff will continue to work closely with HACC administrators to ensure that adequate plans are in place to maintain a satisfactory inventory of affordable housing in this community prior to the execution of any redevelopment plans or policy changes.

### Private Rental Housing

#### Identified Impediments

- ◆ University student population impacts lower cost rental housing market
- ◆ Inadequate number and deteriorated condition of affordable rental housing units
- ◆ The local rent cycle (August to August) is driven by the student population which limits leasing options
- ◆ The City has had inadequate access to rental housing to inspect and enforce fire and life safety codes
- ◆ Inadequate number of large, affordable rental units

#### Actions Taken

The supply of rental housing in Champaign continues to increase. To compete for tenants, rental property developers are adding amenities, such as high-speed computer access and fitness centers, which drive up the cost of the units. It is difficult for older properties to stay competitive. Renovations get delayed, since there is no guarantee that renters will be willing to pay the higher rents necessary to recoup those costs. Some of these units remain affordable, yet many are in substandard or unsanitary condition.



One solution to this impediment is to offer a low-cost rental rehab program. The data derived through the Wellness Plan and Consolidated Plan updates indicates that the condition of the City's rental housing is not keeping pace with the rest of the housing stock. In some neighborhoods, where there are high numbers of rental units, these

properties are beginning to have a blighting influence on surrounding homes resulting in greater disinvestment. In the Consolidated Plan, the City included rental rehab as a priority strategy that was to have been implemented in FY 05/06. Unfortunately, staffing shortages in the Neighborhood Services Department have delayed the City's ability to kick off the program. The funding will be carried over to the next fiscal year and, as soon as the City Council reviews and approves program guidelines, the program will be initiated.

The City will also renew its emphasis on the enforcement of property maintenance codes for rental properties. Champaign does not have a systematic enforcement process but operates on a complaint basis only, which makes it difficult to ensure that units are being adequately maintained. In the last year, the Property Maintenance inspection staff began to conduct systematic inspection of common areas. The program contains three main components: public education, property owner self-inspections, and systematic inspections of common areas on a 3-year cycle. The self-inspections and the City inspections will help to ensure that fire prevention and life safety codes are being followed by owners of rental properties containing 3 or more units. To date, 130 units have been inspected and the program has been well-received in the community.



### Homeownership and Lending Activities

#### Identified Impediments

- ◆ A general lack of knowledge of homeownership and housing rehabilitation programs
- ◆ Significant number of households with financial problems who do not meet underwriting standards of local lending institutions
- ◆ Poor credit, no credit history, and inadequate budgeting capabilities of low-income households and individuals
- ◆ Increase in predatory and high risk lending practices eroding homeowner's equity and leading to higher default rates
- ◆ Evidence of higher denial ratios for minority households in securing home purchase, refinance, and home improvement loan funding regardless of income
- ◆ Evidence of higher percentages of minority households obtaining higher cost mortgages than non-minority households

#### Actions Taken

As in the past several years, the City continued to work with the Urban League to offer credit counseling to all households applying for rehab assistance that are denied due to credit problems. Many families have taken advantage of the service and have straightened out long standing debt issues. The City also continues to host home maintenance workshops that are mandatory for all homebuyer and housing rehab program applicants. The City worked with the local lending institutions and other housing agencies to offer the sixth Affordable Housing Fair in April 2006. Potential homebuyers have an opportunity to meet with lenders and learn about affordable home mortgage products, as well as the particulars of the homebuying process. One of the workshops conducted at the Housing Fair focused solely on predatory lending: what it is and how to avoid it.



In updating the Neighborhood Wellness Plan, staff reviewed Home Mortgage Disclosure Act (HMDA) data to identify trends in private lending within the community. It soon became apparent that there are lower approval rates for minority borrowers in all lending areas: home purchase, refinancing, and home improvement. This pattern held true regardless of income category. The City discussed these findings with the Community Reinvestment Group (local lenders and CRA officers) and created a subcommittee of lenders and CRA officers to further review the data. Committee discussions focused on the inadequacy of HMDA data since it does not link credit histories or denial reasons with the denial data. Therefore it is virtually impossible to discern with certainty the reason for the trends that we are observing. National studies indicate that these sorts of disparities are typically linked to the fact that minority borrowers tend to have lower credit scores on average than non-minority borrowers. The City will continue to monitor these trends through HMDA data and is also investigating the possibility of a tester program to ensure that these findings are not the result of discrimination on the part of the lending or real estate industry.



The action taken by the City in the last year that is expected to have the greatest impact on addressing these particular impediments was applying for and receiving HUD's certification as a housing counseling agency. The City will now be able to expand the credit counseling services it provides to reach more households and address a wider array of topics. The City has begun to develop workshops geared to neighborhood associations dealing with issues of credit, predatory lending, and other household financial concerns. The City will also expand its 1:1 credit education by including other HUD certified counseling agencies in the rehab program application process. Applicants will now have the choice of working with Land

of Lincoln Legal Assistance, Debt Management & Credit Education, the Urban League and, in some cases, the City to resolve credit problems. Each of these agencies has a particular focus so individuals can choose the one best suited to their financial needs.

## Housing Locations

### Identified Impediments

- ◆ Large concentrations of deteriorated properties in low-income areas
- ◆ Limited ability for low-income households to locate in mixed income neighborhoods
- ◆ Poor perception of low-income or government subsidized housing (NIMBY, Not in My Back Yard syndrome)
- ◆ Inadequate number of decent, safe, and sanitary housing units (rental and owner) at affordable rates

### Actions Taken

To address the impediment of concentrations of deteriorated properties in low-income neighborhoods, the City began a systematic process for providing housing rehab assistance by area. Instead of making the program available to the entire target area all at once, staff chose specific neighborhoods to address. The first neighborhoods chosen were those areas designated as "restoration" areas in the City's Neighborhood Wellness Plan. Data indicates that these areas contain some of the oldest and most dilapidated housing stock in the City. Staff marketed the program to homeowners in these

neighborhoods through a direct mailing in an effort to inform as many people as possible of the availability of the program.

The analysis of denial rates for private mortgage financing, refinancing, and home improvement loans, from Home Mortgage Disclosure Act (HMDA) data, indicates that denial rates in the low-income target areas are higher than in other areas of the City. Thus, the continuation of public investment of rehab and home purchase dollars is critical to overall long-term health of these areas. Without this targeted investment of CDBG, HOME, and other dollars, it is highly likely that the assessed value of housing stock in these areas would have declined even further.

As noted above, in its analysis of the housing market by neighborhood, the City began to see that rental properties tended to be the least well maintained structures in many neighborhoods. The more rental properties that a neighborhood contained, the lower it scored on property condition surveys. At neighborhood meetings, rental properties were the most likely to be the topic of contention as residents complained about lack of maintenance and disruptive tenants. For this reason, the City will resume implementation of the rental rehab program and will continue to implement the systematic inspection of rental property common areas.



### Housing Construction/Rehab

#### Identified Impediments

- ◆ The high cost of new construction and rehab
- ◆ New federal regulations governing the assessment and removal of lead paint hazards
- ◆ Inability to secure contractors to comply with City rehab program requirements

#### Actions Taken

Progress in these areas has been mixed over the last year. New federally mandated lead-based paint requirements have increased the cost of rehab and until recently made the cost of new construction projects seem relatively affordable. However, the increase in energy costs coupled with the high demand for construction materials caused by recent natural disasters and the nation's military needs have sent construction costs rising. Wood and lumber prices have now leveled off somewhat, but the cost of metals has increased. Wiring, aluminum, copper costs continue to climb. Until the economy recovers from these events, the cost of construction will continue to be an impediment to both new construction and rehab.

The Taylor Thomas subdivision is now nearing completion. Twelve of the modular homes have been brought to the site and are now owner-occupied. In the last year, the City allocated an additional \$30,000 in non-federal funding to provide down payment subsidies to the last three homebuyers. Due to the exceptionally long duration of this project, the developer was unable to complete the work on the last three homes. The City is now acting as the developer



and is working to find a non-profit to assist with marketing. The subdivision should be fully built out by spring 2007.

Staff continues to identify other funding resources to help cover the costs of both new construction and rehab. The last of the funding was recently committed on the most recent Federal Home Loan Bank (Chicago) grant – the \$92,000 grant was used for the Full Home Improvement Program (FHIP) and the Home Accessibility Retrofit Program (HARP). An additional grant application is being submitted as this document is written – a request for \$40,000 also to the FHLB (Chicago) for the FHIP program. New affordable construction projects such as the Taylor Thomas subdivision and Douglass Square have been possible only as a result of creative financing and the blending of multiple grant and loan sources on the part of those developers.

The Douglass Square development was completed during the last program year. At the end of the FY 05/06 program year, fifty units of mixed income rental housing were available. Thirteen units (26%) are reserved for families at 40% of MFI; seven units (14%) for those at 50%; twenty-five units (50%) for those at 60%, and five units (10%) are unrestricted.

### Public and Private Barriers to Fair and/or Affordable Housing

#### Identified Impediments

- ◆ Federal and City contract requirements
- ◆ Lack of information about how and when to file housing discrimination complaints
- ◆ Less than effective or timely responses to discrimination complaints by federal, state, and local investigative and enforcement offices
- ◆ Cultural barriers that prevent persons from understanding their housing rights

#### Actions Taken

Contract requirements continue to be fairly onerous, particularly for small businesses that may have difficulty maintaining the levels of insurance or bonding that the Federal and City governments require. Higher insurance limits, recently imposed by the City, are impacting the City's ability to attract new contractors to the rehab programs, particularly smaller businesses. In the last year, the City did revisit the insurance requirements on smaller demolition projects. The \$1 million worker's compensation coverage previously required by the City was making it impossible for smaller businesses to compete for demolition contracts. Recognizing that the risk of razing a single-family dwelling was significantly lower than a Public Works demolition project, the City's risk manager agreed to tier the insurance requirement for lower cost projects. The effect of this change had not yet been realized by the end of the program year. More on this will be reported in the next CAPER.



The City of Champaign has taken a proactive approach to bridging the cultural gap between City staff and Hispanic citizens. The City's field staff in all departments, including Neighborhood Services, have now taken basic Spanish language classes that will allow them to communicate with this group of non-

English speaking citizens. This has helped them understand and respond to citizens they encounter on the job. The Neighborhood Services Department makes every attempt to hire interns that speak fluent Spanish. These individuals are able to conduct Davis-Bacon wage interviews of Spanish-speaking contractors at construction sites and translate for non-Spanish speaking staff in conversations with the public. This has greatly expanded the department's ability to reach out to the Latino population, many of whom are low-income and eligible for the affordable housing programs we offer.

During the last year, one housing discrimination complaint was filed in the City's office of Community Relations. In addition to cases filed, the Community Relations processed 49 informal complaints. These informal complaints came from individuals who believed they were discriminated against and either called or visited the Community Relations Office to explore the appropriateness of filing a formal complaint. Of the 49 informal complaints, 33 were in employment, 8 in public accommodation, and 3 in housing.

### Strategic Planning and Actions Taken to Overcome the Effects of Impediments Identified

In the new five-year Consolidated Plan that was recently developed, the City has included a discussion of these impediments and the actions it proposes to take to overcome them. Chapter 5 of the Consolidated Plan is devoted to the goals and strategies the City will implement to further fair housing and remove the barriers to affordable housing within this jurisdiction.

### Future Activities Planned

The new Consolidated Plan and Neighborhood Wellness Plan will guide the policy decisions made by the City Council to improve and maintain the City's affordable housing and overcome impediments to fair housing. As funding allows, City staff will embark on several new initiatives designed to reverse declining conditions in some planning areas. For many years, the City has focused much of its federal funding on housing rehabilitation programs targeted to low/moderate income households and the planning areas where concentrations of low/moderate income families reside. Although the data suggests that these efforts have successfully forestalled the decline in housing conditions in most neighborhoods, some of the worst individual cases of blighting properties still exist. While not abandoning existing rehab efforts, staff will examine new techniques for addressing blighted properties owned by absentee landlords and owner-occupants who cannot or choose not to take advantage of available programs.



Some of the new initiatives to be explored in the coming year include a Rental Rehabilitation Program, an Exterior Improvement Program, and expanded Acquisition/Rehab or Clearance activities. The City will also expand its education efforts on a voluntary basis for persons in need of credit counseling, homebuyer assistance, or home maintenance information. A mandatory class for property owners that continually violate the City's property maintenance codes is now also being considered.

The Neighborhood Services Department will also be working with the City's Community Relations office to investigate testing programs for the real estate and lending

industries. These kinds of programs have proven to be successful in other communities in determining the cause of homeownership disparities between minority and non-minority borrowers and uncovering any potential discrimination that might be occurring in the industry.

The Neighborhood Services Department will also continue to look for ways to reduce the barriers for participation in federally funded construction projects, particularly for minority and small business owners.