

RECOMMENDED ASSET MANAGEMENT PLAN

Prepared For

Rock Island Housing Authority

By

Goodwin & Associates

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INTRODUCTION

The RIHA provides affordable, decent, and sanitary housing opportunities to low- and moderate-income families including elderly and disabled persons, while supporting programs to foster economic self-sufficiency and personal growth.

Rock Island Housing Authority (RIHA) provides rental assistance to families who pay no more than 30% of their income toward rent and utilities. RIHA is an independent, not-for-profit agency that receives most of its funding through the U.S. Department of Housing and Urban Development (HUD).

Quality Housing and Work Responsibility Act of 1998

The Quality Housing and Work Responsibility Act of 1998 (QHWRA) requires local housing authorities to conduct an Asset Management assessment for each of its properties. The purpose of the plan is to review the present and future use and value of each property. As part of an Asset Management Plan, a decision must be made to keep and maintain, to keep and upgrade, or to demolish each property.

Either an entire or a partial public housing development can be demolished if it conforms to all of these criteria:

- The project is physically obsolete and is unsuitable for housing use
- No reasonable rehabilitation program will return it to housing use
- For partial development applications, the demolition will help ensure the useful life of the rest of the development

Recognizing this requirement, the Rock Island Housing Authority conducted a nationwide search for a firm to perform the study and formulate the plan. In accordance with the RIHA procurement policy, Goodwin and Associates was selected to complete this Asset Management Plan and the supporting Physical Needs Assessment and Market Study.

In formulating the plan, Goodwin and Associates sought input from all constituencies, meeting with the residents, commissioners, City staff, community leaders, RIHA staff, and citizens of Rock Island. In keeping with the input provided by these groups and the analysis of both the physical maintenance needs of the properties and the housing needs of current and future residents, an innovative approach allowing all participants and stakeholders to benefit was developed.

Goodwin and Associates

Ed Goodwin is the founder and president of Goodwin and Associates. Mr. Goodwin has over 30 years' experience in consulting with public housing authorities (PHAs) in the areas of management, maintenance, modernization and resident initiatives and is a licensed, registered professional engineer.

Ed Goodwin is recognized as one of the nation's premier public housing consultants and has extensive experience with all facets of a housing agency's operation, including policy development, budget preparation, management assessments, maintenance reviews, Capital Fund Program (CFP), contract administration, construction management, regulatory compliance, Section 3, Section 504 / Americans with Disabilities Act (ADA), resident services, and the Public Housing Drug Elimination Program (PHDEP). Mr. Goodwin has provided a broad range of consulting services to PHAs nationwide. In addition, Mr. Goodwin has made presentations to national, regional and state housing conferences on a broad range of topics, including strategic planning, personnel action, salary plans, deferred compensation programs, establishing an effective and efficient maintenance department, Section 8 fair market rents (FMRs), preparing PHAs for change and customer service.

Current & Future Residents

Current and future residents benefit through the creation of more affordable housing opportunities in Rock Island. Affordability indicates that a household spends no more than thirty percent of its annual income for housing. Families who pay more than thirty percent of their income for housing are considered cost-burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.

Families benefit through the expansion of affordable housing, allowing some households the opportunity to participate in the American Dream of homeownership. These opportunities present themselves in a variety of ways in which residents may participate, including lease/purchase programs, credit analysis and corrective actions, "seasoning" loans through use of guarantees, and below-market interest rates.

Residents benefit by having newer, modern housing units with energy efficient heating and cooling systems, amenities such as carpeting, carports/garages and yards, privacy, and the comfort, pride and independence of owning their own home.

Residents benefit as a result of recommended replacement housing including single-family detached homes and rental communities consisting of no more than fourteen units. They benefit due to the

removal of the public housing stigma and the immersion into smaller neighborhood sites providing enhanced quality of life.

By implementing this plan, residents can gain a sense of belonging to a community with many other homeowners. They gain economic independence and have the opportunity and support required to break the welfare cycle. These opportunities are consistent with HUD's initiative for more accountability and self-sufficiency of both PHAs and their residents.

City of Rock Island

The City of Rock Island benefits through the removal of older or obsolete housing and the creation of new homes and additional homeowners. It gains through an increased tax base enabling them to improve the quality of life for all citizens, providing enhanced services.

By implementing the recommended Asset Management Plan, RIHA reinforces the forward thinking of the City. This Plan provides the opportunity for new structures that reflect the design and architectural character of Rock Island's historical neighborhoods. This Plan will also reduce the number of empty lots enhancing the growing positive reputation of the city, underscoring its potential by attracting people, businesses, and visitors to the vibrant city Rock Island is becoming.

Community

The community benefits through the elimination of low-income housing neighborhoods and the negative stigma associated with them. It benefits through the creation of new housing, enhancing and improving the quality of life for residents throughout the community.

The community benefits by attracting new residents, businesses, and visitors with a broader income range to the area. It benefits through enhanced city services, and an increase in homeownership in neighborhoods instilling growth, pride and economic self-sufficiency among all residents.

RIHA

RIHA benefits by reducing its dependence on HUD subsidies. It benefits economically by participating in developer fees associated with new construction activities. RIHA benefits by issuing bonds for new construction, by the creation of new sources of revenue including management and accounting fees, and by savings created through the

elimination of old or obsolete housing whose maintenance drain capital funds.

RIHA benefits by becoming the housing of choice rather than the housing of last resort. It benefits by providing opportunities for housing authority residents, increasing opportunities for homeownership, and the provision of new modern rental units. The RIHA benefits by assisting the City in upgrading the quality of life for Rock Island residents and the Quad Cities area as a whole and it benefits by becoming a significant contributor to the revitalization of the downtown area.

BACKGROUND

The Rock Island Housing Authority owns and manages 550 units of conventional low-income public housing. It operates a Housing Choice Voucher Program with 167 units of subsidized Section 8 housing. In total, it provides homes for seven hundred families – nearly 1200 persons.

Table 1. Development characteristics.

Site	Number of Units	Year Built	Occupancy Rate	Monthly Rent Roll
Scattered Sites	6	(various)	17%	<i>n/a</i>
Manor Homes	102	1952	92%	\$ 11,275
Lincoln Homes	45	1954	100%	4,377
Valley Homes	57	1969	88%	5,551
Sunset Heights	141	1968	91%	23,316
Spencer Towers	199	1972	89%	32,268

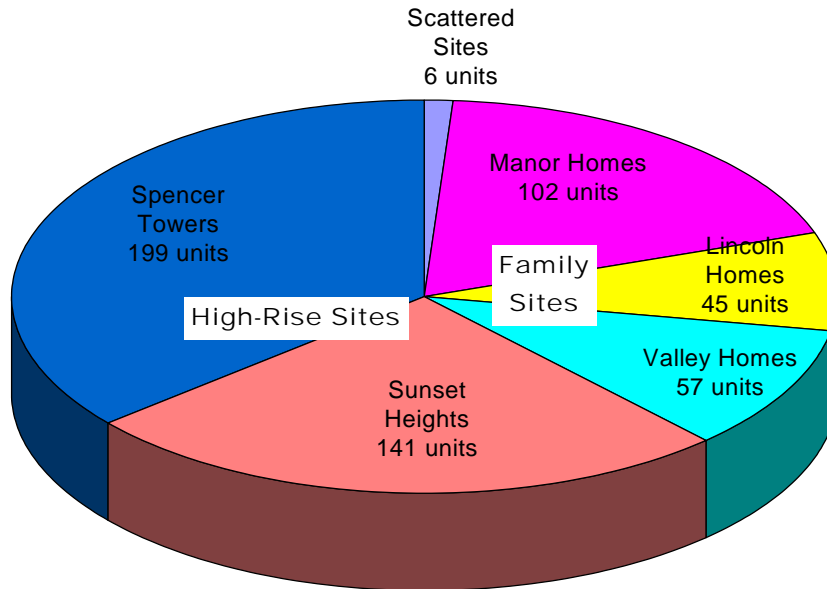
Note: Rent roll information withheld for scattered sites to protect confidentiality.

The public housing units are located on five sites including Spencer Towers, Sunset Heights, Valley Homes, Lincoln Homes, Manor Homes, and six single-family homes located on scattered sites. Spencer Towers and Sunset Heights are high-rise structures. Spencer primarily houses the elderly and the non-elderly disabled; Sunset, general adult population. Valley, Lincoln, and Manor Homes are family sites.

HUD had assigned an advisory designation of “Troubled” (24 CFR 903) to the RIHA as recently as fiscal year 2000, primarily due to low occupancy. The occupancy issues have been corrected, with the exception of the elderly sites, which consistently have vacancies of thirty-five to forty units, and Valley Homes. In addition, the Section 8 Housing Choice Voucher Program has had some persistent occupancy issues that have been resolved.

The RIHA has stabilized operations. The RIHA Executive Director has restructured the staff, reviewing each position for effectiveness, creating a stronger organization with an eye toward the future. Rock Island has numerous opportunities for redevelopment. The RIHA has the occasion to use its unique status and the creation of a not-for-profit corporation to

Chart 1. Unit Composition.



become an integral partner in the transformation of the City and a major player in the provision of quality housing. In addition, RIHA is on a path to be designated a “High Performer” for fiscal year 2002.

RIHA provides affordable, decent, and sanitary housing opportunities to low- and moderate-income families including elderly and disabled persons, while supporting programs to foster economic self-sufficiency and personal growth, breaking the welfare cycle. By implementing this Asset Management Plan, RIHA will be in a position to build new communities for residents based on transition and hope. The creation of affordable housing that is indistinguishable from market-rate housing in the surrounding area will move RIHA toward becoming the provider of housing of choice rather than the housing of last resort. RIHA is pursuing new and creative ways to meet the changing housing needs of Rock Island residents and is committed to improving the quality of public and affordable housing by providing more choices for current and future residents.

Department of Housing and Urban Development

The federal Department of Housing and Urban Development (HUD) no longer provides funds for new public housing. It furnishes funds for HOPE VI projects, creating mixed-income affordable housing opportunities throughout the nation. The HOPE VI program requires the replacement of one public housing unit for every three that are demolished. This Asset Management Plan does not recommend the RIHA utilize the HOPE VI model, but instead replace units in a mixed-income setting to the greatest extent possible.

The development of mixed-income housing is significant because it allows RIHA more flexibility in replacing obsolete properties with a greater number of new structures, providing a wider variety of housing options for current and future residents.

Any housing to be demolished should meet several criteria dealing with obsolescence. When modifications required to return the property to useful life exceed 90 percent of the Total Development Costs (TDC), the PHA must present a plan to dispose of or demolish the units. Some of the RIHA housing stock meet the criteria; others will meet it in the not-so-distant future.

This sunset on public housing will cause PHAs nationwide to rethink their positions. The Board of Commissioners of the Rock Island Housing Authority and its Executive Director are to be commended for recognizing the approach of this action, and for opportunities their proactive attitude makes available.

Relocation

RIHA will provide displaced residents multiple options for relocation in accordance with the Uniform Relocation Act (URA). Residents may transfer to other RIHA properties, receive a temporary Section 8 Housing Choice Voucher, or qualify for a permanent voucher. Relocation expenses will be paid.

A Housing Choice Voucher allows the holder to find housing anywhere in Rock Island. Eligible residents dislocated from a RIHA site may have the opportunity to return to the site once reconstruction is completed.

Neither this Plan nor RIHA intend to dislocate people from their neighborhoods, but rather to enhance their housing options including the opportunity to achieve the American Dream of homeownership, allowing residents to gain self-sufficiency and economic independence.

RIHA

The Rock Island Housing Authority is committed to revitalizing the communities and neighborhoods in Rock Island. This Asset Management Plan allows RIHA to proactively evaluate their properties for their continued value and longevity.

This Plan provides RIHA residents with more options, more choices, and more control over where they live. The Plan provides an opportunity for residents to break the welfare chain, gain economic independence, and increase self-sufficiency with the opportunity to own their own home, achieving the American Dream. RIHA is committed to pursuing new

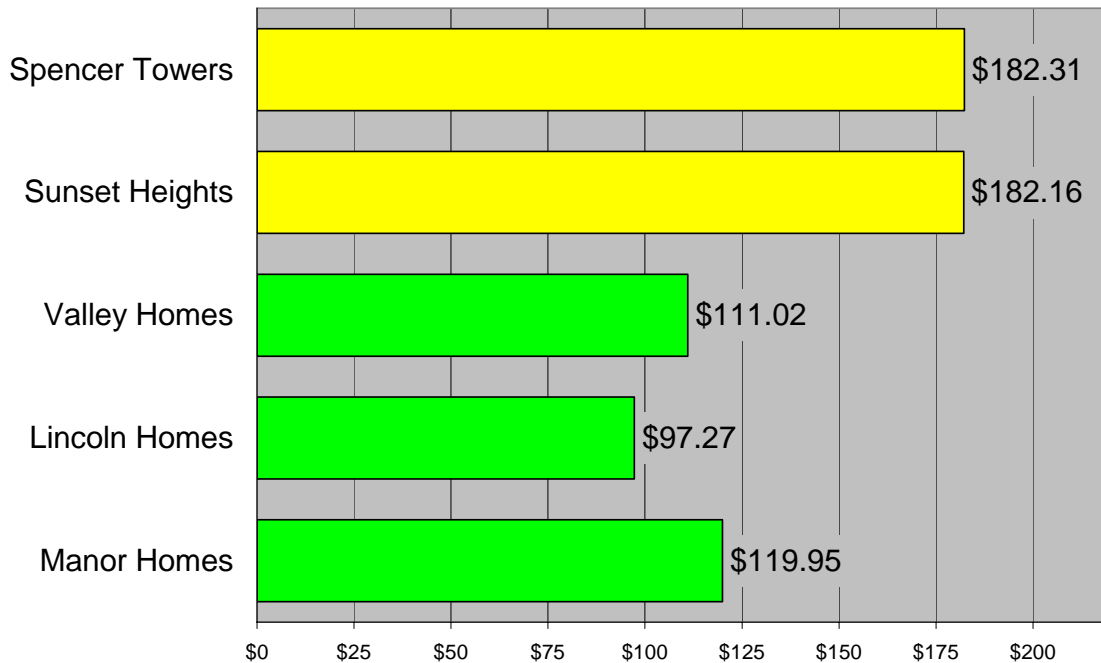
and creative ways to continue to meet the changing housing needs of the diverse population of Rock Island.

SITUATION ANALYSIS

The Rock Island Housing Authority provides housing for nearly seven hundred families, totaling nearly 1,200 persons at five properties within the City of Rock Island. To continue providing quality housing and services to current and future residents, RIHA contracted with Goodwin and Associates to conduct a study evaluating the present and future utility and value of each of its properties. This resulting Asset Management Plan will help determine whether to keep and maintain, to keep and upgrade, or to demolish and replace each property.

The two high-rises, Spencer Towers and Sunset Heights, have the highest per-unit tenant rental income. These properties also have the highest vacancy rates. The oldest family development, Manor Homes, has higher average tenant rental rates than Lincoln or Valley.

Chart 2. Average Tenant Rental per Unit



High-Rises

Vacancies at the towers cost the RIHA approximately \$6,380 per month (\$76,500 annually) in lost revenue. The housing authority has adopted many marketing methods to increase occupancy; however, an excess supply of elderly housing in the Rock Island area precludes any success. Several subsidized or below-market housing developments for the elderly surround the RIHA. These facilities are also experiencing a reduction in applicants and in some cases, residents of RIHA choose to move to those units.

To achieve an acceptable occupancy rate and to comply with changing HUD regulations, RIHA has expanded its admission policies for the high-rises accommodating non-elderly people. At Spencer Towers, this includes the non-elderly disabled; at Sunset Heights, the general population. Many elderly residents have reacted negatively to this change and a significant number have moved, further exacerbating the problem.

Family Sites

The family sites, with the exception of Valley Homes, do not have a serious vacancy problem. The waiting list for family housing is sufficient to fill vacancies at Manor and Lincoln Homes. Most vacancies are transitional with occupancy rates consistently exceeding ninety percent.

Valley Homes, on the other hand, suffers with occupancy consistently below ninety percent. A variety of causes, including building design, poor construction quality, and negative reputation, affect this property.

Waiting List

The low-income housing waiting list of 180 applicants includes eight elderly, 22 disabled, and 150 family households. Ninety-three percent of these applicants have incomes at or below the thirtieth percentile. The greatest demonstrated housing need is for special populations consisting of the non-elderly disabled. RIHA continues to work with a variety of service providers to meet this need.

Scattered Sites

Of the six single-family scattered-site homes, only one is currently occupied. All of these units have issues with lead-based paint and maintenance.

Section 8 Program

The RIHA Section 8 Housing Choice Voucher program has underperformed in the past. However, the RIHA Executive Director has recently made personnel changes that are influencing the program in a positive fashion.

The Director of Finance now supervises the program. The occupancy rate has improved to the point of full occupancy, enhancing revenues to the housing authority. Landlord interest in the program is also growing, increasing the availability of prospective rental units for current and future participants. Applicants are being handled in a courteous, professional manner and the general tone of the program is more positive.

Warehouse Redevelopment

In 1999, the RIHA purchased a warehouse building approximately two blocks from Spencer Towers on the edge of the downtown district. The dual building contains approximately sixty thousand square feet of usable floor space. The staff and the Commissioners have considered a number of uses for the building, the most comprehensive and beneficial being to renovate the bottom floor for RIHA offices and street-level retail space and converting other areas into loft apartments targeting a combination of mixed-income residents.

Relocation

Periodically PHAs determine that some housing units should be removed from inventory. In these cases, public housing may be torn down or sold. Because of public investment, specific rules (Section 18 of the 1937 Act, Section 531 of the QHWRA) guide the process for removing properties from stock.

All activities regarding the removal of properties must be authorized in the PHA's annual Agency Plan. The applications are sent to HUD's Special Applications Center in Chicago. A relocation plan covering all individuals and families in residence at each property is required. RIHA will provide displaced residents multiple options for relocation in accordance with the Uniform Relocation Act (URA).

Either an entire or a partial public housing development may be demolished if it conforms to these criteria:

- The project is physically obsolete and is unsuitable for housing use
- No reasonable rehabilitation program will return it to housing use

- For partial development applications, the demolition will help ensure the useful life of the rest of the development

The agency may determine that the disposition is appropriate because it is in the best interest of the agency and its residents, and is consistent with the goals of the Agency Plan.

Agencies are required to consult with residents and prepare a relocation plan that provides alternative housing choices to residents that are of an appropriate bedroom size and as similar as possible in type and cost to their current dwelling.

RIHA is committed to revitalizing the communities and neighborhoods in which their properties exist by evaluating their continued longevity and ultimately replacing them with quality affordable housing.

RIHA

Under state law, RIHA is charged with the responsibility to provide affordable housing to Rock Island residents. To achieve that goal, RIHA will work closely with the City of Rock Island ensuring the Authority's strategies support and compliment the City's Comprehensive Plan.

Rock Island provides a wealth of opportunity for the creation and preservation of housing. The city possesses a wide array of architectural designs in buildings. These treasures need to be preserved and honored when possible by having new structures reflect the same pleasing designs and character. The RIHA is in a unique position to be a major player in providing housing in the city and should become active in these endeavors.

Asset Management Plan

In creating this Asset Management Plan, the decision whether to keep and maintain, to keep and upgrade, or to demolish and replace each property must be made.

Each site has been analyzed and opportunities for RIHA and each property will be discussed individually as a part of this Asset Management Plan. A variety of possibilities will be outlined and recommendations and conclusions are included in this report.

The Board of Commissioners and the Executive Director have plotted a sustainable course for the Rock Island Housing Authority. This Asset Management Plan should be implemented within the context of that course.

NOT-FOR-PROFIT CORPORATION

The Rock Island Housing Authority should create a not-for-profit corporation for purposes of housing development. This entity would be a vehicle that can incur debt, purchase and dispose of property, and manage and operate mixed-income rental housing. The not-for-profit would also qualify for Community Reinvestment Act (CRA) rates from lenders.

The not-for-profit would give the housing authority greater flexibility in the development and management of rental properties. This corporate structure would enhance the basis for computing tax credits that would not be available to RIHA. Funds generated by the corporation will be invested to develop additional affordable rental and homeownership housing opportunities within the community for current and future residents.

The not-for-profit is the strategically appropriate owner for the redevelopment of Spencer Towers, the in-fill housing, the new RIHA office, retail and residential areas of the warehouse, and the development of affordable housing for occupancy by Section 8 Housing Choice voucher holders and all Section 811 and 202 housing.

Conclusion

Rock Island has numerous opportunities for development. The RIHA has the occasion to use its unique status and the creation of a not-for-profit corporation to become an integral partner in the transformation of the city and a major player in the provision of quality housing for current and future residents.

SPENCER TOWERS

Spencer Towers is a nine-floor, 199-unit elderly and non-elderly disabled facility. The building and grounds are in good condition. In mid-2002, a new, more efficient boiler system was installed. The major repair items currently needed at Spencer are the installation of water cutoff valves on each floor, visually scoping and mapping the drainage pipes, and the repair of deteriorated concrete on the exterior staircase landings.

Major renovation of the building and the individual units is also needed. The replacement of the roof is in progress; the addition of an elevator (perhaps on the exterior of the building) and improved lighting should conclude the structural improvements to this facility.

Units should be redesigned to increase tenant living space. In addition the installation of air conditioning and cosmetic enhancements such as paint, wallpaper, accent touches, and carpeting treatments will enhance appeal.



Because of its location near downtown Rock Island and the riverfront and because of the quality of its construction Spencer Towers presents several lucrative opportunities. Those opportunities include:

Sale. Downtown Rock Island is experiencing a rebirth and the need for housing for those wishing to live the downtown experience is growing. Loft units that have been recently developed downtown are fully

occupied and a lengthy waiting list for additional units exists. Spencer Towers could be sold for redevelopment as loft apartments. It could also create interest as a hotel or residence-inn facility.

Using the proceeds of its sale, single-story or low-rise housing targeting elderly and special populations would be built at another site. To reflect the excess inventory of elderly housing units, the number of replacement units should be fewer than the 199 units currently at Spencer Towers.

Redevelopment. The Rock Island Housing Authority could transfer ownership of Spencer Towers to its proposed not-for-profit corporation. That entity could create a mixed-income development or could participate in a joint venture with a developer to create additional affordable housing opportunities downtown.

The redevelopment would be a mixed-income project with a small number of public housing units. Approximately seventy-five to one hundred units should be produced from the 199 existing units. The joint venture may require an investment and/or loan guarantee by either the RIHA or the not-for-profit.

An alternative would be the creation of a development group consisting of public and quasi-public redevelopment interests, lenders, architects, contractors, and community leaders. This broad-based development group could transform Spencer Towers into a complex that better fits the housing needs identified by the City of Rock Island. The benefits of this vehicle include access to sub-market Community Reinvestment Act (CRA) financing, bonding capacity, and federal, state and local government grants.

Status Quo. The RIHA could continue to own and manage Spencer Towers as is. Occupancy has increased due to the relationship with the Robert Young Center. In response to concerns from elderly tenants, Robert Young is providing on-site counselors to diffuse any incidents that may arise involving their clients. All Spencer Towers residents have been informed of the presence of Robert Young personnel. Both the increased occupancy and the active involvement of the Robert Young Center are favorable.

Designation as “Elderly.” While the official designation of Spencer Towers as an elderly development will satisfy the complaints of some elderly residents, it will not solve the occupancy problem. In light of our market study, such designation would most assuredly exacerbate the current excess of elderly housing in Rock Island.

Relocation Plan

HUD regulations require that any application for the disposition of property be accompanied by a relocation plan. RIHA will provide displaced residents multiple options for relocation in accordance with the

Uniform Relocation Act (URA). This relocation could be facilitated in a variety of ways.

Relocation to other sites. Tenants could be relocated to Sunset Heights, assisting in the reduction of its current vacancy rate. Watch Hill Tower, a privately owned Section 8 property near Sunset, has vacancies that could also be used for relocation purposes.

Issuance of relocation vouchers. HUD will issue temporary Housing Choice vouchers with a duration of two years to the housing authority to distribute to displaced residents for use until suitable replacement housing is developed.

Replicate LeClaire Apartments

The RIHA should take steps to replicate the success of the LeClaire Apartments in Moline. The former hotel, renovated in 1995 primarily using tax credit financing, serves a mixed-income population in a truly diverse environment.

The 110-unit development targets renters earning between fifty and sixty percent of the area median income, while also providing some market-rate units. The market-rate units are larger than the affordable units. This distribution is intended to create a mixed environment.

As demonstrated by the LeClaire's experience, a market exists for a good property with a range of rental rates. Managers of several properties expressed the greatest housing need was for rental units for people earning more than sixty percent of median income. With proper financing and in light of the amenities available in the downtown district, Spencer Towers could be at least as successful as the LeClaire. The renovated Spencer Towers could serve a range of incomes and provide a vibrant addition to the Rock Island downtown district.

Financing

Financing for this development could be enhanced by RIHA transferring ownership to the proposed not-for-profit corporation and receiving a purchase/buy-back mortgage. This structure would enhance the basis for computing tax credits that would not be available to RIHA due to the acquisition cost. Tax credit opportunities are appropriate for this development.

Conclusion

Keep and Upgrade. Spencer Towers should be kept in the RIHA inventory in some form and developed into a mixed-income housing opportunity. Ownership of the property should be transferred to the not-for-profit, which could develop the project either wholly owned or as a joint venture. Cash flow from the transfer will enable the agency to improve, develop and/or purchase other suitable property.

SUNSET HEIGHTS

Sunset Heights is a 141-unit facility that faces vacancy issues related to the excess of affordable housing for the elderly like Spencer Towers, but is in a less-favorable location. The neighborhood has the perception of being a crime- and drug-infested area. It is a good building with a long useful life.



In response to occupancy issues, the Rock Island Housing Authority has opened admission to adults less than sixty-two years of age.

Should Spencer Towers no longer be a public-housing facility, Sunset Heights could be fully occupied. RIHA faces a decision concerning the resident profile. It has the choice to restrict occupancy to the elderly (aged 62 and over), only, to the near elderly (aged 55 and over), or to continue to admit all adults, and to admit the non-elderly disabled who do not meet the age restrictions.

For Sunset Heights to reach its full potential, strengthened and enhanced management would provide a greater sense of security and bolster resident confidence.

Conclusion

Keep and Maintain. Sunset Heights has many remaining years of service, however, significant modifications must occur for this property to reach its full potential. The installation of air conditioning and cosmetic enhancements such as paint, wallpaper, accent touches, and carpeting treatments will enhance appeal. Decisions relative to tenant profile and composition need to be considered for the long-term. Sunset will be used as part of the relocation plan for Spencer Towers residents in the short-term.

LINCOLN & MANOR HOMES

Lincoln and Manor Homes will be discussed together, since they are approximately the same age, possess similar qualities, and are located in the same general area in Rock Island.

Both of these sites are approaching fifty years old, but remain quite serviceable and in high demand. Both developments have new roofs, vinyl siding, and windows.



Lincoln Homes

These developments are old and will require replacement in the future. The buildings have several remaining years of service, and their age is not out of line compared with the average age of other buildings in Rock Island. The developments are considered the anchor properties in their neighborhoods.

The Rock Island Housing Authority should maintain these buildings, performing required maintenance while working on Spencer Towers, Sunset Heights and Valley Homes. After those projects have been completed, both properties will need to be reevaluated to determine their long-term value and continued sustainability as viable properties.



Manor Homes

Conclusion

Manor Homes: Maintain and Monitor. While this property is not physically obsolete, it is rapidly approaching the point where no reasonable rehabilitation program will return it to housing use. However, the property can continue to be maintained over the next 5 years and utilized as part of the relocation plan-of-action. At that time, the property should be reevaluated to determine its long-term value and sustainability as a viable property.

Lincoln Homes: Maintain and Monitor. This property is an anchor for its neighborhood. With some maintenance and cosmetic changes for marketing purposes, this development should be capitalized upon as part of redevelopment activities in the community. Lincoln Homes could also be used as part of the relocation plan-of-action. It should be noted that due to its age, Lincoln Homes would need to be reevaluated in the next 5 – 10 year period to determine its long-term value and sustainability as a viable property.

VALLEY HOMES

Valley Homes, completed in the early 1970s, has three buildings with fifty-seven units located on six acres in central Rock Island. Three original buildings with forty-five units were demolished in 1994 and 1997 to reduce density. The buildings are predominantly three-story structures. Blueprints for the site do not exist and the condition of the structure is unknown since the façade inhibits inspection.

Issues plaguing these units include construction and infrastructure quality, design, density, and a long-standing negative reputation.



The infrastructure is a serious problem. The buildings are composed of rock applied to a stucco-like backing of chicken wire and mortar. The property has a great deal of concrete with few, if any, drains. As a result, water has seeped into the structures at various points, but the extent of damage is unknown.

Many units flood after significant rainfall; last summer, a sinkhole developed collapsing the driveway. The original storm-sewer pipes appear to be substandard and have collapsed due to quality and age. Numerous blockages in the sewage system have occurred. The sewage drainage pipes are three and one-half inches in diameter – which does not meet current codes – and will need to be replaced.

Fire escapes were retrofitted to upstairs bedroom windows when the property was rehabilitated in the 1980s. While providing egress in case of an emergency, they potentially allow entry by intruders. In addition, the steep, narrow lane between buildings is difficult to navigate by fire trucks and other emergency vehicles.

The buildings are served by a boiler system that is near the end of its useful life. The size of the boilers and water heaters is not adequate to serve the units; however a quick-recovery unit provides backup.

The Rock Island Housing Authority has installed new windows and roofs, and the units are clean and well-maintained.

Although the site contains six acres and three buildings have been removed, a density problem persists. The playground, located at the far end of the property, is underutilized because of a lack of visibility from most units.

Modifications required to maintain the useful life of Valley Homes exceed 90 percent of the Total Development Costs (TDC) for that property. As a result, Valley Homes needs to be demolished and new replacement housing created. Discussions with RIHA residents, city officials, community leaders, and others suggest the desire to replace the existing units in a configuration that is more satisfying for current and future residents and compatible to the needs of the community.

An application for demolition should be prepared and submitted to HUD for approval in accordance with 24 CFR 970. HUD regulations require that any application for the disposition of property be accompanied by a relocation plan. RIHA will provide displaced residents multiple options for relocation in accordance with the Uniform Relocation Act (URA). Relocation could be facilitated in a variety of ways:

Issuance of relocation vouchers. HUD will issue temporary Housing Choice vouchers with a duration of two years to the housing authority to distribute to displaced residents for use until suitable replacement housing is developed.

Relocation to other sites. Tenants could be relocated to other appropriately sized RIHA units.

Acquisition/Construction. Numerous properties around the city of Rock Island are available for purchase. Many of these require renovation, but could prove to be good in-fill housing opportunities, providing more housing options for residents.

Because of its location, the best usage of this property would be the construction and sale of affordable single-family homes. The housing authority should initiate discussion with the owners of the apartment complex to the south of Valley Homes and of the vacant land to the east of the property to expand the six-acre site. Depending on building type

(townhouse, single-story, condominium) and market demand, up to 40 mixed-income units could be constructed. Construction could start at the current playground area and additional units could be constructed as other buildings are demolished.

RIHA is committed to revitalizing the communities and neighborhoods in which its properties exist. The construction of new units at the Valley Homes site would send a positive message to current and future residents that the RIHA is serious and proactive about providing quality affordable housing opportunities to all of its residents.

Conclusion

Demolish and Replace. Modifications required to maintain the useful life of Valley Homes exceed 90 percent of the Total Development Costs (TDC) for that property. Valley Homes is physically obsolete and has reached the end of its viable life. It poses multiple obstacles; the RIHA would be better served to tear it down and rebuild using better design and construction methods. No reasonable rehabilitation program will return it to housing use and additional Capital Funds invested will not resolve density issues, overall construction concerns, or enormous maintenance costs associated with poor design and quality.

Because of its location, the best usage of this property would be the construction and sale of affordable single-family homes. The housing authority should initiate discussion with the owners of the apartment complex to the south of Valley Homes and of the vacant land to the east of the property to expand the six-acre site. Depending on building type (townhouse, single-story, condominium) and market demand, up to 40 mixed-income units could be constructed. Construction could start at the current playground area and additional units could be constructed as other buildings are demolished.

IN-FILL HOUSING

One of the most important goals of this Asset Management Plan is to provide current and future residents with more housing options. Giving families and individuals more choices and more control over where they live increases their level of self-sufficiency.

RIHA is committed to building new communities based on transition and hope. In doing so, RIHA is moving from the provider of public housing to an organization focused on providing affordable housing to a broader-based market. In-fill housing is an important aspect of this process. In-fill housing will help stabilize the neighborhoods surrounding Lincoln and Manor Homes.



In-fill housing in (left to right) Montgomery, Menard and Christian counties

Currently, families seeking to return to the neighborhood in which they were raised find no suitable housing exists in these areas. The introduction of in-fill housing into these neighborhoods creates new homes and new homeowners. In-fill housing reduces the number of vacant lots and obsolete housing, instilling growth, pride and economic self-sufficiency among current and future residents.

The Rock Island Housing Authority, in cooperation with the City of Rock Island and Rock Island County, which own many tax-delinquent properties, could create affordable rental and homeownership opportunities for existing and new residents.

In-fill housing offers benefits for the City and the County as significant growth in housing stems the out-migration from the city attracting new residents. Public housing tenants benefit as their neighborhood becomes vibrant and alive.

The RIHA benefits as in-fill housing leverages the Replacement Housing fund of \$600,000 developing a substantial supply of units. The restrictions on these funds relate to the production of affordable housing, income eligibility, and Admission and Continued Occupancy Policy (ACOP) considerations. The Replacement Housing funds, leveraged by Capital Fund money and low-interest Community Reinvestment Act (CRA) loans, could produce a large number of affordable housing units. These units provide additional housing options and opportunities for current and future residents as well as assisting in the relocation of displaced residents.



In-fill housing in (left to right) Montgomery and Menard (2) counties

Conclusion

Acquire Existing and/or Develop New. RIHA should acquire existing and/or develop new housing opportunities, stabilizing neighborhoods in Rock Island and providing additional options and opportunities for current and future residents over the long-term.

SCATTERED SITES

Of the six single-family scattered site homes, only one is currently occupied. The scattered-site houses are not viable for families due to the presence of lead-based paint exposure, which is a risk to the health and safety of potential residents.

These homes could lend themselves to various uses. The sale of the units to a not-for-profit corporation would increase the flexibility in financing required for their renovation. These homes were built before 1936 and therefore qualify for Historical Preservation Tax Credits (HPTC). One of the main uses of funds from sale of these credits is the removal of lead-based paint. These properties, renovated using HPTC funding, could be used as affordable housing or as group facilities for special populations.

Public sale of these properties is the most effective handling. The time and energy required to secure financing, to abate the lead-base paint hazard, and to accomplish the renovation could be more profitably applied to the implementation of other components of this Plan. Several projects that would provide housing to dozens of households could be achieved with the same administrative effort necessary to make these units habitable.

Conclusion

Disposition. To benefit the greatest number of families, the sale of these units is appropriate. Obtaining rehabilitation financing, abating the lead-based paint hazard, and renovating the structures would be as time consuming as the development of several new-construction projects.

SECTION 8 PROGRAMS

The Section 8 Housing Choice Voucher Program has weathered problems in the recent past. However, actions taken by the Rock Island Housing Authority Executive Director, including changes in program management, attitudes, and relationships with landlords in Rock Island, program participants, and applicants, have reinvigorated the program.

The housing stock in Rock Island is old and is insufficient to allow for a wide range of housing choices. This situation will persist until additional affordable housing is developed in Rock Island. The creation of a not-for-profit corporation by the RIHA will assist in alleviating this problem.

With full utilization of Section 8 Vouchers, more vouchers may become available so that more people within Rock Island will be able to obtain rental assistance. Section 8 vouchers also provide additional housing options and opportunities for the relocation of displaced residents.

RIHA in conjunction with Rock Island Economic Growth Corporation has implemented the Section 8 Housing Choice Voucher Homeownership Option. Instead of using the voucher subsidy to help pay rent, the homeownership option allows first-time buyers to use their voucher to meet homeownership expenses. These expenses include mortgage principal and interest, mortgage insurance, real estate taxes, homeowners' insurance, utilities, and allowances for routine maintenance and major repairs. Financial education and counseling are an integral part of the option. RIHA is the first housing authority in Illinois to use the Homeownership Option to assist homebuyers in closing their mortgage. The Homeownership Option is an exciting tool that may assist residents to realize the American Dream of owning their own home.

SUPPORTIVE HOUSING

Section 202 Supportive Housing for the Elderly and Section 811 Supportive Housing for Non-Elderly Persons with Disabilities were specifically designed to provide funds for the construction and management of housing, including independent living projects, condominium units and small group homes with the availability of supportive services to meet the needs of these special populations.

HUD requires Section 202 and 811 units to have both a Sponsor and an Owner. The Sponsor needs to be a private not-for-profit corporation with a history of providing the appropriate supportive services. The Owner must be a not-for-profit corporation working with the Sponsor organization for the express purpose of developing housing opportunities for either the elderly or persons with disabilities.

Through the formation of a not-for-profit corporation, RIHA, in cooperation with a Sponsor and the City of Rock Island, could construct multiple housing opportunities specifically designed to meet the needs of the low-income elderly and persons with disabilities of Rock Island.

RIHA benefits by receiving interest-free capital advances to construct additional housing units for elderly and disabled residents. Advances do not have to be repaid as long as the housing remains available for low-income residents for at least 40 years. HUD provides some on-going subsidy for the continued operation of the property.

Both the elderly and persons with disabilities benefit through the development of independent living units with the availability of support services specifically designed to meet their needs.

Through the creation of a not-for-profit corporation, RIHA has the opportunity to provide more housing options and opportunities for these special populations, becoming the housing of choice verses the housing of last resort.

WAREHOUSE REDEVELOPMENT

In 1999, the Rock Island Housing Authority purchased the Voss Brothers Warehouse and the now demolished Post Office Annex on the edge of the downtown Rock Island District. The warehouse includes an east building with four floors and approximately 6,500 square feet per floor. The west building includes three floors with approximately 10,500 square feet per floor totaling sixty thousand square feet of usable floor space.

The City has identified the corridor in which the warehouse is located as a priority redevelopment area. Surrounding buildings include RIHA's Spencer Towers, Modern Woodmen of America, and the Girl Scouts of the Mississippi Valley, Inc. Nearby projects currently underway include the Third Avenue Reconstruction by the City, the Robert Young Outpatient Treatment Center, Illinois Casualty Company corporate offices, a new Christian Family Care Center, and the Hungry Hobo commissary.

Anticipated uses for the warehouse include new RIHA office space, residential, loft-type mixed income apartments and approximately 4,000 square feet of street-level retail space. The project would also include a 58-space parking lot, an elevator tower to accommodate the Americans with Disabilities Act (ADA), landscaping, outdoor lighting, and other amenities.



Phase I of the warehouse redevelopment will provide a professional environment for the RIHA offices including accommodations for automation, privacy, expansion, and communication. Comprehensive Grant Program funds were budgeted for the office renovation in Fiscal Year 1998.

Phase II of the warehouse redevelopment project includes thirty-eight to forty loft apartments providing a significant response to the growing demand for downtown housing opportunities. River views, high ceilings and exposed brick walls will enhance the appeal of the rehabilitated space. These units would serve a variety of income strata combining very low income tax-credit affordable housing, and market-rate housing. This property will be a showplace providing a model for future endeavors.

Financing for this project could come from many sources, but the eligibility of this project under the Community Reinvestment Act (CRA) suggests that conventional financing may be the best method. Market interest rates are just below six percent, most CRA-eligible loan rates are about one percent lower, and some CRA-eligible loan rates tied to the prime interest rate may be lower still. Leveraging funds already allocated, the finance rates should be quite favorable. The housing authority should explore the sale of Historical Preservation Tax Credits (HPTC) for the construction of the rental units. Preliminary *Proforma* financial statements for this project suggest adequate cash flow and return-on-investment to attract financing.

HUD is currently driving Public Housing Authorities to become more financially independent. One way for RIHA to accomplish that is to seek alternative sources for a long-term sustainable income. The warehouse redevelopment is the first step in accomplishing this goal. In addition, it is a tangible demonstration of RIHA's transition from the managers of public housing properties to a community development organization. The Warehouse Redevelopment project represents a significant investment in the community by RIHA. The project will play an important role in the revitalization of a targeted area of the city and will help convert a blighted property into a productive landmark.

RELOCATION

RIHA is committed to revitalizing the communities and neighborhoods in Rock Island. The Asset Management Plan has allowed RIHA to evaluate their properties and their continued value and longevity in accordance with the Quality Housing and Work Responsibility Act of 1998 (QHWRA). As part of the Asset Management Plan a decision must be made to keep and maintain, to keep and upgrade, or to demolish and replace each RIHA property.

All activities regarding the removal of properties must be authorized in the PHA's annual Agency Plan. The applications are sent to HUD's Special Applications Center in Chicago. A relocation plan covering all individuals and families in residence at each property is required.

Either an entire or a partial public housing development may be demolished if it conforms to these criteria:

- The project is physically obsolete and is unsuitable for housing use
- No reasonable rehabilitation program will return it to housing use
- For partial development applications, the demolition will help ensure the useful life of the rest of the development

For disposition, an application must meet one of these two criteria:

- Keeping the property is not in the best interests of the residents
- Funds from the disposition will enable the agency to improve, develop or purchase other more suitable property

This plan recommends the following action for each property:

Spencer Towers: Keep and upgrade

Sunset Heights: Keep and maintain

Manor Homes: Maintain and monitor

Lincoln Homes: Maintain and monitor

Valley Homes: Demolish and replace

RIHA will provide displaced residents multiple options for relocation in accordance with the Uniform Relocation Act (URA).

Relocation options and opportunities for these projects could be facilitated in a variety of ways:

Issuance of relocation vouchers. HUD will issue temporary Housing Choice vouchers with duration of two years.

Relocation to other sites. Residents could be relocated to other appropriately sized RIHA sites.

Acquisition/Construction. RIHA should acquire existing and/or develop new housing opportunities, stabilizing neighborhoods in Rock Island and providing additional options and opportunities for current and future residents over the long-term.

Supportive Housing. Developing Section 202 and Section 811 properties will provide relocation options for residents with special needs.

RIHA is committed to revitalizing the communities and neighborhoods in which their properties exist by evaluating their continued longevity and ultimately replacing them with quality affordable housing.

Neither this plan nor RIHA intend to dislocate people from their neighborhoods, but rather to enhance their housing options including the opportunity to achieve the American Dream of homeownership, allowing residents to gain self-sufficiency and economic independence. RIHA is committed to pursuing new and creative ways to continue to meet the changing housing needs of the diverse population of Rock Island.

FUNDING RESOURCES

The asset management strategies presented in this Plan are not unique; numerous PHAs have successfully implemented them nationwide. Funding options for these proposed strategies may include:

New Construction

Tax Credits. Federal, State and Historical tax credits are available under this program in the form of a grant for as much as 50% of the cost of the project.

Trust Fund. Long-term, low- or no-cost loan with a balloon payment that is forgivable provided the project remains as affordable housing during the term of the loan agreement.

Mixed Finance Option. Includes multiple funding sources. Special funds from HUD are available provided one new public housing unit is created for every ten removed from inventory.

Conventional Financing. Direct loans through financial institutions.

Section 202. A HUD grant program developed to construct and operate housing for the elderly.

Section 811. A HUD grant program developed to construct and operate housing for non-elderly persons with disabilities.

HOME Funds. A federal housing program operated by the state that includes a wide range of match funding options to develop affordable housing.

Foundation Funding. Includes loans and grants from philanthropic organizations.

Donations. Property and financial gifts from persons, corporations, organizations and units of local government.

Bonds. Special loans, some with government repayment guarantees.

Replacement Housing. HUD funds available for replacing demolished public housing units. *Note: Available only for special and limited circumstances.*

Community Housing Development Organization (CHDO). Special non-profit organizations, which receive at least 15% of available HOME funds.

Property Renovations

Capital Fund Program. A formula-funded HUD grant for renovating the Authority's public housing properties.

Renovation Tax Credits. A special tax credit program available for the renovation of housing properties at a lower rate than new construction.

HOME Renovation Funds. Part of the HOME program providing for renovation rather than new construction.

Bonds. Special loans, some with government repayment guarantees.

Conventional Financing. Direct loans through financial institutions.

Donations. Property and financial gifts from persons, corporations, organizations and units of local government.

Warehouse Renovation

Capital Fund Program. A formula-funded HUD grant for renovating the Authority's public housing properties.

Renovation Tax Credits. A special tax credit program available for the renovation of housing properties at a lower rate than new construction.

HOME Renovation Funds. Part of the HOME program providing for renovation rather than new construction.

Bonds. Special loans, some with government repayment guarantees.

Conventional Financing. Direct loans through financial institutions.

Donations. Property and financial gifts from persons, corporations, organizations and units of local government.

Replacement Housing. These funds can be used to develop the loft apartments.

Historical Preservation Tax Credits (HPTC). Available for renovation of designated historical properties.

TIMETABLE

The timetable for the recommendations made in this Asset Management Plan is subject to securing adequate financing. In addition, any project requiring the relocation of residents will be handled within the guidelines set forth in the Uniform Relocation Act (URA).

The URA requires each resident be notified in writing as to the intentions of the PHA regarding the property in which they reside. The notification will detail established timelines, relocation process, relocation options and opportunities, procedures and assistance available for a smooth and successful transfer.

The Rock Island Housing Authority is committed to revitalizing the communities and neighborhoods in Rock Island. This Plan provides RIHA residents with more options, more choices, and more control over where they live. The Plan provides an opportunity for residents to break the welfare chain, gain economic independence, and increase self-sufficiency with the opportunity for interested and qualified households to receive assistance in achieving the American Dream of homeownership.

THIS IS NOT HAPPENING TOMORROW

Based on a very aggressive schedule, RIHA could conceivably create 50 to 100 new housing opportunities per year. Based on that schedule, it would take from 5 to 10 years to replace all 550 RIHA units.

A general timetable has been developed for the purposes of the recommended Asset Management Plan and projects have been placed in three groups. The three groups are not sequential. For example, all of the projects in Group I may not be entirely completed before beginning activities identified in Group II. Depending upon available financing, activities in more than one group may progress simultaneously.

GROUP I

- Warehouse development: Phase I and II
- Scattered sites
- In-fill housing (on-going)
- Homeownership (on-going)

GROUP II

- Section 202 and Section 811 Programs
- Sunset Height renovation
- Spencer Towers
- In-fill housing (on-going)
- Homeownership (on-going)

GROUP III

- Family developments
 1. Valley Homes
 2. Manor Homes
 3. Lincoln Homes
- In-fill housing (on-going)
- Homeownership (on-going)

CONCLUSIONS

RIHA provides affordable, decent, and sanitary housing opportunities to low- and moderate-income families including elderly and disabled persons, while supporting programs to foster economic self-sufficiency and personal growth, breaking the welfare cycle. By implementing this Asset Management Plan, RIHA will be in a position to build new communities for residents based on transition and hope. The creation of affordable housing that is indistinguishable from market-rate housing in the surrounding area will move RIHA toward becoming the provider of housing of choice rather than the housing of last resort. RIHA is pursuing new and creative ways to meet the changing housing needs of Rock Island residents and is committed to improving the quality of public and affordable housing by providing more choices for current and future residents.

As part of the Asset Management Plan each property has been evaluated based on its present and future value for current and future residents, the City, the community and RIHA. This Plan recommends options and suggestions to keep and maintain, to keep and upgrade, or to demolish and replace each RIHA property.

Non-for-Profit Corporation

Create a Non-for-Profit Corporation. Rock Island has numerous opportunities for development. The RIHA has the occasion to use its unique status and the creation of a not-for-profit corporation to become an integral partner in the transformation of the City and a major player in the provision of quality housing for current and future residents. Funds generated by the corporation will be invested to develop additional affordable rental and homeownership housing opportunities within the community for current and future residents.

Spencer Towers

Keep and Upgrade. Spencer Towers should be kept in the RIHA inventory in some form and developed into a mixed-income housing opportunity. Ownership of the property should be transferred to the not-for-profit, which could develop the project either wholly owned or as a joint venture. Cash flow from the transfer will enable the agency to improve, develop and/or purchase other suitable property.

Sunset Heights

Keep and Maintain. Sunset Heights has many remaining years of service, however, significant modifications must occur for this property to reach its full potential. The installation of air conditioning and cosmetic enhancements such as paint, wallpaper, accent touches, and carpeting treatments will enhance appeal. Decisions relative to tenant profile and composition need to be considered for the long-term. Sunset will be used as part of the relocation plan for Spencer Towers residents in the short-term.

Manor Homes

Maintain and Monitor. While this property is not physically obsolete, it is rapidly approaching the point where no reasonable rehabilitation program will return it to housing use. However, the property can continue to be maintained over the next 5 years and utilized as part of the relocation plan-of-action. At that time, the property should be reevaluated to determine its long-term value and sustainability as a viable property.

Lincoln Homes

Maintain and Monitor. This property is an anchor for its neighborhood. With some maintenance and cosmetic changes for marketing purposes, this development should be capitalized upon as part of redevelopment activities in the community. Lincoln Homes could also be used as part of the relocation plan-of-action. It should be noted that due to its age, Lincoln Homes would need to be reevaluated in the next 5 – 10 year period to determine its long-term value and sustainability as a viable property.

Valley Homes

Demolish and Replace. Modifications required to maintain the useful life of Valley Homes exceed 90 percent of the Total Development Costs (TDC) for that property. Valley Homes is physically obsolete and has reached the end of its viable life. It poses multiple obstacles; the RIHA would be better served to tear it down and rebuild using better design and construction methods. No reasonable rehabilitation program will return it to housing use and additional Capital Funds invested will not resolve density issues, overall construction concerns, or enormous maintenance costs associated with poor design and quality.

Because of its location, the best usage of this property would be the construction and sale of affordable single-family homes. The housing

authority should initiate discussion with the owners of the apartment complex to the south of Valley Homes and of the vacant land to the east of the property to expand the six-acre site. Depending on building type (townhouse, single-story, condominium) and market demand, up to 40 mixed-income units could be constructed. Construction could start at the current playground area and additional units could be constructed as other buildings are demolished.

In-Fill Housing

Acquire Existing and/or Develop New. RIHA should acquire existing and/or develop new housing opportunities, stabilizing neighborhoods in Rock Island and providing additional options and opportunities for current and future residents over the long-term.

Scattered Sites

Disposition. To benefit the greatest number of families, the sale of these units is appropriate. Obtaining rehabilitation financing, abating the lead-based paint hazard, and renovating the structures would be as time consuming as the development of several new-construction projects.

Section 8 Program

Homeownership Opportunities Available. By implementing recommendations made by this Asset Management Plan regarding in-fill housing, more rental and homeownership housing opportunities will become available under the Section 8 program, providing additional options for current and future RIHA residents over the long-term.

Supportive Housing

Section 202 Supportive Housing for the Elderly and Section 811 Supportive Housing for Non-Elderly Persons with Disabilities were specifically designed to provide funds for the construction and management of housing, including independent living projects, condominium units and small group homes with the availability of supportive services to meet the needs of these special populations.

Warehouse Redevelopment

Renovate Warehouse. The RIHA should complete plans to renovate the office building and effect a move of the administrative offices to this site. At the same time, efforts for the creation of rental housing units

should proceed. Ownership of this property should be transferred to the not-for-profit.

Relocation

Develop Relocation Plan. HUD regulations require that any application for the disposition of property be accompanied by a relocation plan. RIHA will provide displaced residents multiple options for relocation in accordance with the Uniform Relocation Act (URA). Residents may transfer to alternate RIHA properties, receive a temporary voucher, or could qualify for a Section 8 Housing Choice Voucher.

Funding Resources

Multiple funding sources are available for each Asset Management strategy.

Timetable

It is important to note that the timetables for the recommendations made in this Asset Management Plan are subject to securing financing. In addition, any project requiring the relocation of residents will be handled within the guidelines set forth in the Uniform Relocation Act (URA).

RIHA

RIHA is committed to building new communities based on transition and hope. By evaluating the long-term benefits of each of its properties, RIHA is in the position to make the changes required to provide current and future residents more options and more opportunities for affordable housing than ever before. The revitalization of Rock Island communities and neighborhoods through these initiatives will have a positive long-term impact on the quality of life for the entire community. RIHA is committed to pursuing new and creative ways to meet the changing housing needs of the diverse population of Rock Island.