



**DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES**

*Administrative Division*

**m e m o r a n d u m**

**TO:** Laurel Lunt Prussing, Mayor

**FROM:** Elizabeth H. Tyler, Ph.D., FAICP, Director, Community Development Services

**DATE:** September 22, 2016

**SUBJECT: AN ORDINANCE ADOPTING AN AMENDED AND RESTATED AGREEMENT FOR LOAN GUARANTY SUPPORT BY AND BETWEEN THE CITY OF URBANA, A MUNICIPAL CORPORATION, AND THE URBANA DEVELOPMENT GROUP, A NOT-FOR-PROFIT COMMUNITY DEVELOPMENT CORPORATION**

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**Background**

On December 15, 2008, the Urbana City Council approved Ordinance No. 2008-12-148: An Ordinance Approving and Authorizing the Execution of an Agreement with the Urbana Development Group, a Not-For-Profit Community Development Corporation for Loan Guaranty Support. In September 2009, the Ordinance approving this Agreement was amended by Ordinance No. 2009-08-097 to allow the Mayor to sign Loan Guaranty Agreements on behalf of the City of Urbana. The existing Ordinances and the loan guaranty program guidelines are attached.

Under the terms of the loan guarantee program, the Urbana Development Group (UDG) is currently in the process of purchasing another residential property for future resale at 611 West Oregon Street. As part of the staff review of this transaction, it became apparent that there are some provisions of the current agreement that are in need of amendment.

**Urbana Development Group**

The Urbana Development Group is a non-profit community development corporation whose mission is to "promote vibrant, economically diverse, and stable neighborhoods through the preservation and revitalization of our built environment and through controlled growth." To accomplish this mission, the Urbana Development Group will purchase properties, primarily in the residential portions of West Urbana and Historic East Urbana,

with the intention of rehabilitating those properties and marketing them for sale as single family, owner-occupied homes.

Through the Loan Guaranty Program, the City will guaranty up to 25% of the appraised value of a property being considered for acquisition, to a total of no more than \$85,000 per property. A traditional bank loan allows financing of up to 80% of the value of the property with a 20% to 25% down payment. The Loan Guaranty Program allows the UDG to finance 100% of the value of the property, with the City guarantying a 20% to 25% down payment portion of the loan. The guaranty shall be backed by a second mortgage on the property. A "guaranty" means that if the borrower defaults or is unable to pay a loan, the guarantor is then responsible for the amount they have guaranteed. As an example, if the UDG were considering purchasing a \$200,000 property, the bank would loan the group the full \$200,000 if the City were willing to guaranty \$40,000 of the loan. The City has no direct initial investment, but is responsible for the \$40,000 if the UDG defaults or is unable to pay their loan.

Since the UDG was formed in 2008, they have made slow but steady progress in purchasing homes in the West Urbana area and reselling them as owner-occupied homes. While some prior purchases have been slow to resell and/or have not yielded substantial equity to the UDG, the current purchase at 611 Oregon has potential to provide substantial seed funds to the organization to allow them to continue to pursue purchase/resell activities at a heightened pace in both West Urbana and Historic East Urbana.

## **Proposed Amendments**

The current Agreement provides that the City of Urbana shall set the Loan Guaranty limits as part of the Annual Budget. However, since the City's original guarantee in 2008, the program has not appeared in the City Budget and there is no ongoing funding source attached to the guaranty. At the same time, there is no need for expenditures that would warrant inclusion into the budget. Because the Loan Guarantee would only have a budgetary impact in the most extreme of circumstances and does not reflect a true liability to the City, the Finance Director recommends that it not be included in the Budget. Rather, she recommends that the Agreement include a limit on the maximum loan guarantee that may be provided and that the staff continue to provide fiduciary diligence in administering each loan guarantee request prior to approval. The officers of the UDG have agreed to a limit of no more than three properties being provided with the loan guarantee support at any one time.

The Agreement also provides for an annual report to be presented to the Urbana City Council. Since the UDG is not always actively purchasing properties, it is recommended that this requirement be revised to require only a regular report. Finally, the Agreement prohibits that UDG from purchasing properties from UDG Board Members, or their family members or associates. It is recommended that the restriction on "associates" be stricken, as it is felt to be imprecise and overly broad.

The UDG Board members have reviewed the proposed amendments to the Agreement and are in concurrence with them.

## **Fiscal Impact**

The fiscal impact of the Loan Guaranty Program is that it is possible, if the UDG defaults on a loan that the City has guaranteed, that the City would have to pay the portion of the loan it guaranteed. However, the City would be protected by a second mortgage on the property and so would likely be able to recoup the loss. Since the program provides up to \$85,000 in loan guarantees per property, limiting the number of properties to no more than three at any one time would limit the City's exposure to no more than \$255,000. Because the loan guarantee is protected by a second mortgage on the property, it is unlikely that this guarantee would result in a fiscal impact upon the City.

## **Options**

City Council has the following options in considering this item:

1. Approve the ordinance amending and restating an agreement for Loan Guaranty Support by and between the City of Urbana, a Municipal Corporation, and the Urbana Development Group, a Not-For-Profit Community Development Corporation, as presented.
2. Approve the ordinance amending and restating an agreement for Loan Guaranty Support by and between the City of Urbana, a Municipal Corporation, and the Urbana Development Group, a Not-For-Profit Community Development Corporation, with changes.
3. Do not approve the ordinance amending and restating an agreement for Loan Guaranty Support by and between the City of Urbana, a Municipal Corporation, and the Urbana Development Group, a Not-For-Profit Community Development Corporation, as presented.

## **Recommendation**

Staff recommends that the City Council approve the attached ordinance amending and restating an agreement for Loan Guaranty Support By and between the City of Urbana, a Municipal Corporation and the Urbana Development Group, a Not-For-Profit Community Development Corporation and authorizing the Mayor, or her designee, to execute all documents necessary on behalf of the City of Urbana to effectuate the purpose and intent of the ordinance.

### **Attachments:**

- Exhibit A: Ordinance with Draft Amended Agreement (with strikeouts and underlines)
- Exhibit B: Existing Ordinance and Agreement
- Exhibit C: Urbana Development Group Loan Guaranty Program Guidelines

cc: Carolyn Baxley, Dan Folk, C.K. Gunsalus

**ORDINANCE NO. 2016-09-093**

**AN ORDINANCE APPROVING AN AMENDED AND RESTATED AGREEMENT WITH THE  
URBANA DEVELOPMENT GROUP FOR LOAN GUARANTY SUPPORT**

**WHEREAS**, on December 15, 2008, the City Council passed Ordinance No. 2008-12-148, approving an agreement with the Urbana Development Group, a not-for-profit community development corporation, for loan guaranty support; and

**WHEREAS**, on September 8, 2009, the City Council passed Ordinance No. 2009-08-097, amending Ordinance No. 2008-12-148 to authorize the Mayor of the City of Urbana ("City") to sign loan guaranty agreements on behalf of the City of Urbana; and

**WHEREAS**, the City Council finds that the best interests of the City are served by amending and restating the agreement.

**NOW, THEREFORE, BE IT ORDAINED** by the City Council of the City of Urbana, Champaign County, Illinois, as follows:

**Section 1.**

An Amended and Restated Agreement for Loan Guaranty Support by and Between the City of Urbana, a Municipal Corporation, and the Urbana Development Group, a Not-For-Profit Community Development Corporation, in substantially the form of the copy of said Agreement attached hereto and hereby incorporated by reference, be and the same is hereby authorized and approved.

**Section 2.**

The Mayor of the City of Urbana, Illinois, be and the same is hereby authorized to execute and deliver and the City Clerk of the City of Urbana, Illinois, be and the same is hereby authorized to attest to said execution of said Agreement as so authorized and approved for and on behalf of the City of Urbana, Illinois.

**Section 3.**

The Mayor, or her designee, be and hereby is authorized to execute all documents necessary on behalf of the City of Urbana to effectuate the purpose and intent of this Ordinance.

**Section 4.**

This Ordinance shall not be construed to affect any suit or proceeding pending in any court, or any rights acquired, or a liability incurred, or any cause or causes of action acquired or existing prior to the effective date of this Ordinance; nor shall any right or remedy of any character be lost, impaired, or affected by this Ordinance.

**Section 5.**

This Ordinance shall be in full force and effect from and after its passage.

This Ordinance is hereby passed by the affirmative vote, the "ayes" and "nays" being called, of a majority of the members of the Council of the City of Urbana, Illinois, at a meeting of said Council.

**PASSED BY THE CITY COUNCIL** this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

AYES:

NAYS:

ABSENT:

ABSTAINED:

\_\_\_\_\_  
Phyllis D. Clark, City Clerk

**APPROVED BY THE MAYOR** this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Laurel Lunt Prussing, Mayor

AN AMENDED AND RESTATED AGREEMENT FOR LOAN GUARANTY SUPPORT BY AND BETWEEN THE CITY OF URBANA, A MUNICIPAL CORPORATION, AND THE URBANA DEVELOPMENT GROUP, A NOT-FOR-PROFIT COMMUNITY DEVELOPMENT CORPORATION

WHEREAS, Community Development Corporations (CDCs) are private, not-for-profit organizations which work at the neighborhood level to foster economic revitalization and reduce blight.

WHEREAS, the Urbana Development Group (hereinafter known as UDG) is a CDC whose main function will be to purchase residential properties, primarily in West Urbana and Historic East Urbana, with the intention of rehabilitating those properties and marketing them for sale as single family homes.

WHEREAS, the UDG, through these efforts, hopes to promote neighborhood stabilization, historic preservation, home ownership, and reinvestment in the community, which is consistent with the City of Urbana 2005 Comprehensive Plan.

WHEREAS, the City of Urbana is interested in supporting the UDG as it recognizes these activities as providing a valuable public service which is consistent with the goals set forth in the City of Urbana 2005 Comprehensive Plan.

NOW THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL PROMISES THEREIN MADE, the parties agree as follows:

1. Loan Guaranty Funds: The City of Urbana will provide the UDG up to eighty-five thousand dollars (\$85,000) in loan guarantees per property on funds borrowed for the purposes of property acquisition ~~between July 1, 2008 and June 30, 2009. Loan Guaranty limit for future years shall be as set by the Annual Budget.~~ The loan guaranty amount for any single transaction is limited to twenty five percent (25%) of the appraised value of the property in question. The City of Urbana will provide loan guaranty support for no more than three (3) properties at a time. The loan guaranty program and funds will be administered per the Urbana Development Group Loan Guaranty Program Guidelines, a copy of which is attached hereto as Exhibit A.
2. Mortgage Backing: The City shall seek to accompany each use of the Loan Guaranty with a mortgage and promissory note on the property which shall be duly recorded at the Champaign County Recorder of Deeds in order to protect the City's interests in the event of default.
3. Board Representation: The board of the Urbana Development Group will include a non-voting ex officio member from Urbana Community Development staff, who shall provide guidance to the group related to City policies, procedures, and planning efforts as well as serve as a liaison between the UDG and the Mayor, City Council and City staff.
4. Staff Review: Each request for use of the Loan Guaranty shall be reviewed by Urbana Community Development staff for compliance with the Program Guidelines and with the terms of this Agreement.
5. Reporting: On a regular basis, At least annually, or upon request of the Mayor, the Urbana Development Group will provide the City a periodic report on the Group's activities, including a presentation before Urbana City Council, a statement of financial activity, and a report on programmatic activities.
6. Not-For-Profit Status: In order to be eligible for City of Urbana Loan Guaranty Program support, the UDG must maintain Not-For-Profit status.
7. Compliance with City Regulations: The UDG will comply with all City rules and regulations, including, but not limited to City building, zoning, and development regulations.
8. Conflict of Interest: With the exception of the property at 814 West Main which was purchased by a UDG Board Member as a start up project for the benefit of the UDG and in anticipation of future sale to the UDG,

the UDG may not utilize the Loan Guaranty Program for properties which a UDG Board Member, or their family members ~~or associates~~, personally owns or has a personal interest.

9. City Actions: The program may not be utilized in connection with any property with current or pending legislative action before any City board, commission, or City Council, including zoning decisions, nor for any property that is the subject of a legal complaint involving the City. For any properties that have been subject to a legislative action by the City within the 18 months preceding an intended purchase by the UDG, the City may require a waiver of appeal or complaint about said action by the then property owner as a condition of using the Program for that property.

10. Agreement Binding: This Agreement shall be expressly binding upon both parties, their successors and assigns. This Agreement shall be valid only upon being duly recorded by the Recorder of Deeds for Champaign County, Illinois.

11. Termination and Amendments: This Agreement may be terminated, abandoned or amended upon mutual agreement to reflect changed conditions or considerations.

12. Notices: All notices hereunder shall be in writing and shall be served personally, by registered mail or certified mail to the parties listed below at the addresses set after their names, or to other such addresses as shall be agreed upon.

DATED at Urbana, Illinois, this \_\_\_\_ day of \_\_\_\_\_, ~~2008~~ 2016.

CITY OF URBANA, ILLINOIS

URBANA DEVELOPMENT GROUP

BY: \_\_\_\_\_  
Laurel Lunt Prussing, Mayor

BY: \_\_\_\_\_  
(title)

ATTEST:

ATTEST:

\_\_\_\_\_  
Phyllis D. Clark, City Clerk

\_\_\_\_\_  
(secretary)

Passed: September 8, 2009  
Signed: September 14, 2009

ORDINANCE NO. 2009-08-097

**AN ORDINANCE AMENDING ORDINANCE NO. 2008-12-148  
APPROVING AND AUTHORIZING THE EXECUTION OF AN AGREEMENT  
WITH THE URBANA DEVELOPMENT GROUP, A NOT-FOR-PROFIT COMMUNITY  
DEVELOPMENT CORPORATION, FOR LOAN GUARANTY SUPPORT**

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

Section 1. That An Agreement for Loan Guaranty Support by and Between the City of Urbana, a Municipal Corporation and The Urbana Development Group, a Not-For-Profit Corporation, in substantially the form of the copy of said Agreement attached hereto and hereby incorporated by reference, be and the same is hereby authorized and approved.

Section 2. That the Mayor of the City of Urbana, Illinois, be and the same is hereby authorized to execute and deliver and the City Clerk of the City of Urbana, Illinois, be and the same is authorized to attest to said execution of said Agreement as so authorized and approved for and on behalf of the City of Urbana, Illinois.

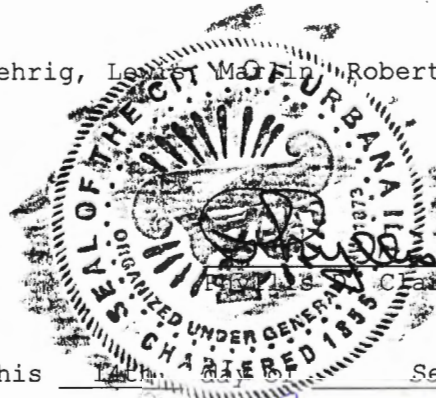
Section 3. That the Mayor of the City of Urbana, Illinois, be and the same is hereby authorized to sign Loan Guaranty Agreements on behalf of the City of Urbana, Illinois.

PASSED by the City Council this 8th day of September,  
2009.

AYES: Bowersox, Gehrig, Lewis, Martin, Roberts, Smyth

NAYS:

ABSTAINS:



*D. Clark*  
City Clerk, City Clerk

APPROVED by the Mayor this 14th day of September,  
2009.

*Laurel Lunt Prussing*  
Laurel Lunt Prussing, Mayor



**AN ORDINANCE APPROVING AND AUTHORIZING  
THE EXECUTION OF AN AGREEMENT WITH THE URBANA  
DEVELOPMENT GROUP, A NOT-FOR-PROFIT COMMUNITY DEVELOPMENT  
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City of Urbana, Illinois, be and the same is authorized to attest to said  
execution of said Agreement as so authorized and approved for and on behalf  
of the City of Urbana, Illinois.

PASSED by the City Council this 15th day of December,  
2008.

AYES: Barnes, Bowersox, ~~Clark~~, ~~Henry~~, ~~Lewis~~, Roberts, Smyth

NAYS: Stevenson

ABSTAINS:



*Phyllis D. Clark*  
Phyllis D. Clark, City Clerk

*[Signature]*  
Deputy Clerk

APPROVED by the Mayor this 15th day of December

2008.

*Laurel Lunt Prussing*  
Laurel Lunt Prussing, Mayor

AN AGREEMENT FOR LOAN GUARANTY SUPPORT BY AND BETWEEN THE CITY OF URBANA, A MUNICIPAL CORPORATION AND THE URBANA DEVELOPMENT GROUP, A NOT-FOR-PROFIT COMMUNITY DEVELOPMENT CORPORATION

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WHEREAS, the UDG, through these efforts, hopes to promote neighborhood stabilization, historic preservation, home ownership, and reinvestment in the community, which is consistent with the City of Urbana 2005 Comprehensive Plan.

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2. Mortgage Backing: The City shall seek to accompany each use of the Loan Guaranty with a mortgage and promissory note on the property which shall be duly recorded at the Champaign County Recorder of Deeds in order to protect the City's interests in the event of default.
3. Board Representation: The board of the Urbana Development Group will include a non-voting ex officio member from Urbana Community Development staff, who shall provide guidance to the group related to City policies, procedures, and planning efforts as well as serve as a liaison between the UDG and the Mayor, City Council and City staff.
4. Staff Review: Each request for use of the Loan Guaranty shall be reviewed by Urbana Community Development staff for compliance with the Program Guidelines and with the terms of this Agreement.
5. Reporting: At least annually, or upon request of the Mayor, the Urbana Development Group will provide the City a periodic report on the Group's activities, including a presentation before Urbana City Council, a statement of financial activity, and a report on programmatic activities.
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8. Conflict of Interest: With the exception of the property at 814 West Main which was purchased by a UDG Board Member as a start up project for the benefit of the UDG and in anticipation of future sale to the UDG,

the UDG may not utilize the Loan Guaranty Program for properties which a UDG Board Member, or their family members or associates, personally owns or has a personal interest.

9. City Actions: The program may not be utilized in connection with any property with current or pending legislative action before any City board, commission, or City Council, including zoning decisions, nor for any property that is the subject of a legal complaint involving the City. For any properties that have been subject to a legislative action by the City within the 18 months preceding an intended purchase by the UDG, the City may require a waiver of appeal or complaint about said action by the then property owner as a condition of using the Program for that property.

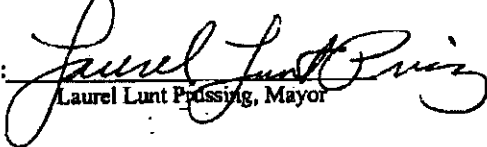
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11. Termination and Amendments: This Agreement may be terminated, abandoned or amended upon mutual agreement to reflect changed conditions or considerations.

12. Notices: All notices hereunder shall be in writing and shall be served personally, by registered mail or certified mail to the parties listed below at the addresses set after their names, or to other such addresses as shall be agreed upon.

DATED at Urbana, Illinois, this \_\_\_\_ day of \_\_\_\_\_, 2008.

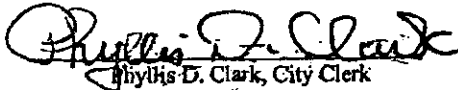
CITY OF URBANA, ILLINOIS

BY:   
Laurel Lunt Prussing, Mayor

URBANA DEVELOPMENT GROUP

BY:   
(title) president

ATTEST:

  
Phyllis D. Clark, City Clerk

ATTEST:

  
(secretary)



## DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

*Administrative Division*

# Urbana Development Group Loan Guaranty Program Guidelines

As Amended  
September 2016

The City of Urbana has engaged in many activities related to neighborhood preservation and stabilization. One such strategy is to support local community development corporations through the provision of loan guarantees for qualified purchases. The first such Corporation to utilize this program is the Urbana Development Group (UDG). The UDG is a not-for-profit community development corporation with the following mission: **“The Urbana Development Group is a not-for-profit agent of change whose purpose is to promote vibrant, economically diverse, and stable neighborhoods through the preservation and revitalization of our built environment and through controlled growth.”** To accomplish this mission, the Urbana Development Group will purchase properties, primarily in the residential portions of West Urbana and Historic East Urbana, with the intention of rehabilitating those properties and marketing them for sale as single family, owner-occupied homes. Through these efforts, the Urbana Development Group hopes to promote neighborhood stabilization, historic preservation, home ownership, and reinvestment in the community, which is consistent with the City of Urbana 2005 Comprehensive Plan.

In order to support the Urbana Development Group’s activities, the City has created a loan guaranty program. The City will provide a lending institution a partial loan guaranty for funds lent to the Urbana Development Group to facilitate the purchase and renovation of structures in the City of Urbana. This program may also be utilized by other qualifying community development corporations.

### Guidelines:

The City will guaranty up to 25% of the appraised value of a property being considered for acquisition to an amount up to \$85,000. No more than three individual properties may utilize this support at any given time.

The proposed acquisition should be within the residential or mixed use portions of the West Urbana and Historic East Urbana neighborhood and should be a residential or commercial property that can reasonably be converted to a use consistent with City zoning for the district.

To avoid a conflict of interest, the program may not be utilized for properties in which a UDG Board Member, or their family members ~~or associates~~ personally owns or has a personal interest, unless explicitly excepted by an Agreement with the City.

The program may not be utilized for properties with any current or pending legislative action before any City board, commission, or City Council or for any property for which there is a current

legal complaint involving the City. Waivers may be required for properties undergoing legislative action by the City within the 18 months prior to an anticipated purchase by the UDG.

Any proposed property acquisition must meet the mission of the Urbana Development Group as established in the Group's By-Laws and Articles of Incorporation (Attached).

On a regular basis, or upon request of the Mayor, the Urbana Development Group will provide the City a periodic report on the Group's activities, including a presentation before Urbana City Council, a statement of financial activity, and a report on programmatic activities.

The board of the Urbana Development Group will include a non-voting ex officio member from Urbana Community Development staff, whose purpose shall be to inform the Board of any City regulatory or policies issues pertaining to an anticipated purchase. Each request for use of the Loan Guaranty shall be reviewed by Urbana Community Development staff for compliance with the Program Guidelines and with the terms of the Agreement between and the City.

#### **Process:**

Prior to any request for loan guaranty support, a representative of the Urbana Development Group shall schedule a meeting with City staff regarding the potential property acquisition to review conformity to the program and to identify any issues with respect to compliance with City policies and regulations and to avoid any conflicts of interest with previous or pending City actions.

Negotiations with the current property owner and pre-approval from a lending institution shall take place prior to the loan guaranty support.

Information to be provided in order to use the City's Loan Guaranty Program shall include:

- A cover letter identifying the subject property and outlining the amount of City guaranty necessary to obtain financing. This cover letter should also include a narrative on the purpose of this particular acquisition, including project goals, what the Urbana Development Group is trying to accomplish, and how the acquisition fits within the Group's mission.
- A letter of commitment from a lending institution for the subject property.
- A generalized breakdown of necessary improvements and costs to renovate the structure.
- An appraisal of the subject property, if available.
- Title Commitment, if available.
- Purchase Contract, if available.
- Financial information sufficient to show ability to make payments on the loan for the property.
- Agreement by lending institution to alert the City in the event of any late or missed loan payments.

Upon review and approval of the request, City staff will prepare the loan guaranty documents with the participating lending institution. A mortgage shall also be prepared and duly recorded in order to protect the City's interests in the event of a default. Upon closing, an authorized representative of the City of Urbana will execute the necessary loan guaranty documents.