



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Bruce Walden, Chief Administrative Officer

FROM: Elizabeth Tyler, AICP, City Planner/Director

DATE: August 6, 2003

SUBJECT: AN ORDINANCE APPROVING AN AMENDMENT TO A CERTAIN URBANA HOME CONSORTIUM COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT WITH HOMESTEAD CORPORATION EADS AT LINCOLN (FY 2002-2003)
AND
AN ORDINANCE AUTHORIZING THE SALE OF CERTAIN REAL ESTATE (914 WEST EADS STREET)

Description

Included on the agenda for the August 11, 2003 meeting of the Urbana City Council Committee of the Whole is an amendment to the Eads at Lincoln Homebuyer Project and the related matter of conveying of 914 West Eads Street to Homestead Corporation. The amendment will provide resources to construct an affordable home at 914 Eads Street. The conveyance will give title of the property to Homestead to facilitate an additional homebuyer arrangement.

Issues

The issues are whether the Committee of Whole should recommend approval of a sale contract to convey (donate) 914 West Eads Street to Homestead Corporation and that the Eads at Lincoln Homebuyer Project should be amended in order to increase funding to construct an additional affordable home.

Background

On January 29, 2003, the City of Urbana entered into an agreement with Homestead Corporation to complete the Eads at Lincoln Homebuyer project. A copy of this agreement is attached.

The goal of this agreement was to complete the construction of homes in the Eads at Lincoln Subdivision.

At the time this agreement was prepared, it was understood that the Urbana School District 116 would construct an affordable house on 914 West Eads Street. Urbana had previously conveyed this

property to the District for the purpose of their construction trades program building an affordable house on this property.

Since that time the School District has determined it could not honor the land conveyance provision of building an affordable house on this property. In light of this, the District has conveyed 914 Eads Street back to the City of Urbana. The City currently holds title to this property.

In order to facilitate the completion of constructing homes in the Eads at Lincoln subdivision, staff proposes that 914 West Eads Street be conveyed to Homestead Corporation and their agreement be amended to facilitate the construction of an affordable house on this parcel and the completion of the Eads at Lincoln Subdivision.

Both Homestead and Grants Management Division staff believe that there are significant economies of cost and time to construct a house at 914 Eads Street while there is a contractor building identical homes in the area and project manager, versed with the requirements of the program, is involved.

The proposed contract and ordinance that would convey the property to Homestead is included as an attachment to this memorandum. The contract is similar to the contract used by the city to transfer other lots to Homestead. At the time of closing, a warranty deed from the city to Homestead would be placed in escrow, as would a quit claim deed from Homestead to the City. The escrow agent would release the deed to Homestead upon completion of a house on the subject property. In the event that Homestead does not construct a house on the subject property by March 31, 2004, the escrow agent would release the quit claim deed from Homestead to the City, thus returning the property to the City. Homestead intends to start construction immediately following the approval of this conveyance and amendment.

The HOME Program requires an "affordability period" during which time only low-income families may purchase and reside in the home. The affordability period for this property is 10-years based upon the development costs and homebuyer-subsidizes provided by the City. To ensure that the property remains affordable, a land-use restriction agreement will be signed between the homebuyer and the City. The agreement states that if the homebuyer sells the property within the 10-year affordability period, it may only be re-sold to another low-income family. If the second purchaser is not low-income, the City will be repaid a pro-ration share of their funds back.

At their July 22, 2003 regular meeting, the Community Development Commission recommended approval of the conveyance of 914 West Eads Street to Homestead Corporation and the amendments to the Eads at Lincoln CHDO Agreement with Homestead.

The following is an outline of the proposed amendments to the Community Housing Development Organization Agreement with Homestead Corporation Eads at Lincoln (FY 2002-2003):

Amendment Item 1.

Section 3 will be amended to reflect the additional allocation of \$39,800 in HOME funds for the project. This changes the total HOME investment from \$213,177 to \$252,977.

In that FY 2003-2004 HOME funds will be used for the project, reference is made to the \$89,600 in HOME funds budgeted for new housing construction, in this Program Year.

The number of donated lots will be increased from four (4) to five (5) and 914 West Eads will be added to the list of building sites.

Amendment Item 2.

Section 4 will be amended to reflect total HOME investment. An increase in funding in the amount of \$39,800 will change \$213,177 to \$252,977 and will increase the number of houses to be constructed from five (5) to six (6).

The developer fee will be \$5,000, which will be paid at the time the house is transferred to the homebuyer. This is \$2,000 less than the \$7,000 paid under the agreement. Staff and Homestead believe that this is appropriate considering that all parties expect that the construction of this additional house to be a very straightforward process.

The management fee will be \$1,000, which will be paid in two (2) installments. This is \$1,000 less than the \$2,000 paid for each house under the agreement.

Downpayment assistance will be increased by \$18,000. Changing the amount from \$83,000 to \$101,000. The sliding scale of downpayment assistance will remain.

However, a provision will be made to provide as much \$9,500 in additional HOME subsidy in order to make up for the loss of Federal Home Loan Bank and Department of Commerce and Economic Opportunity financial assistance. These downpayment subsidies might be difficult to access in that one house may not make a competitive application for these sources of assistance.

However, there is a provision to reduce the additional \$9,500 by the amount of other downpayment assistance that the Homestead Corporation and the homebuyer might secure. Staff suggests this provision to provide the homebuyer a downpayment assistance arrangement that is equitable with the other five Eads at Lincoln homebuyers, without providing too much subsidy.

Amendment Item 3.

Section 5 is amended to increase the number of units from five (5) to six (6).

Amendment Item 4.

Exhibit 3 is amended to account for the additional \$39,800 in HOME funds. The following is summary of adjustments:

Construction + 27,500 (\$18,000 & \$9,500 downpayment assistance)

Professional Fees	+	6,000	(\$5,000 development fee & \$1,000 A/E services)
Management Fees	+	1,000	
Escrow Services	+	500	
<u>Financing</u>	+	<u>4,800</u>	
TOTAL		\$39,800	

The project completion date is identical to the termination date of the agreement, March 31, 2004.

Options

1. Recommend approval of An Ordinance Approving an Amendment to a Certain Urbana HOME Consortium Community Housing Development Organization Agreement With Homestead Corporation Eads at Lincoln (FY 2002-2003) and An Ordinance Authorizing the Sale of Certain Real Estate (914 West Eads Street).
2. Recommend approval of An Ordinance Approving an Amendment to a Certain Urbana HOME Consortium Community Housing Development Organization Agreement With Homestead Corporation Eads at Lincoln (FY 2002-2003) AND An Ordinance Authorizing the Sale of Certain Real Estate (914 West Eads Street), with additional changes to Urbana City Council.
3. Do not recommend approval of An Ordinance Approving an Amendment to a Certain Urbana HOME Consortium Community Housing Development Organization Agreement With Homestead Corporation Eads at Lincoln (FY 2002-2003) AND An Ordinance Authorizing the Sale of Certain Real Estate (914 West Eads Street)

Fiscal Impacts

These proposed changes would not have any direct fiscal impact as funds have been previously budgeted and are available to address expenses associated with the provisions of this amendment.

Specifically funding will come from the FY 2003-2004 HOME budget. The 2003-2004 Annual Action Plan provides \$112,704 for new housing units.

This project would use \$39,300 from this account leaving a balance of \$73,404.

Homestead returned \$35,000 in HOME funds from their previous rental acquisition project. This funding could be used reallocated to the FY 2003-2004 HOME budget for a new affordable housing project and would help to off-set the expenses associated with developing the additional unit at 914 West Eads Street.

This property transfer would be completed at no cost to Homestead, other than costs to record the deeds with Champaign County. The city would receive no payment for the parcel.

Disposition of the parcel would eliminate lot maintenance costs currently incurred by the Community Development Block Grant Program. The house constructed at this site would generate real estate taxes and is expected to have a positive effect on values of surrounding properties.

Recommendations

Community Development staff recommend that the Urbana City Council Committee of the Whole recommend approval of An Ordinance Approving an Amendment to a Certain Urbana HOME Consortium Community Housing Development Organization Agreement With Homestead Corporation (Eads at Lincoln / FY 2002-2003)

and

An Ordinance Authorizing the Sale of Certain Real Estate (914 West Eads Street)

Memorandum Prepared By:

**Bob Grewe, AICP
Manager, Grants Management Division**

Attachments:

AN ORDINANCE APPROVING AN AMENDMENT TO A CERTAIN URBANA HOME CONSORTIUM COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT WITH HOMESTEAD CORPORATION (EADS AT LINCOLN (FY 2002-2003)

AMENDMENT TO CERTAIN URBANA HOME CONSORTIUM COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT HOMESTEAD CORPORATION EADS AT LINCOLN (FY2002-2003)

AN ORDINANCE AUTHORIZING THE SALE OF CERTAIN REAL ESTATE (914 WEST EADS STREET)

CONTRACT FOR THE SALE OF REAL ESTATE (914 WEST EADS STREET)

URBANA HOME CONSORTIUM COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT HOMESTEAD CORPORATION EADS AT LINCOLN (FY2002-2003)

ORDINANCE NO. 2003-08-083

AN ORDINANCE AUTHORIZING THE SALE OF CERTAIN REAL ESTATE

(914 West Eads Street)

WHEREAS, Subsection (a), entitled "Sale of real estate," of Section 2-118, entitled "Purchase, sale, lease, etc., of real estate," of the Code of Ordinances, City of Urbana, Illinois, provides that any real estate owned by the City of Urbana may be sold in any manner prescribed by the City Council in an ordinance authorizing such sale; and

WHEREAS, the requirements of said Subsection (a) of Section 2-118 for a public hearing and for the required notice for such public hearing do not, pursuant to the terms thereof, apply to the sale of residential property acquired under the Community Development Program; and

WHEREAS, the City Council now desires to sell the real estate commonly known as 914 West Eads Street, which said property has heretofore been acquired under the Community Development Program, in accordance with said Subsection (a) of Section 2-118 and the policy heretofore established with respect thereto; and

WHEREAS, the City Council expressly finds and declares that said real estate is not needed for governmental purposes or proprietary activity of the City of Urbana; and

WHEREAS, the City Council finds that donating said real estate be beneficial to the clients of the Homestead Corporation of Champaign-Urbana by allowing them construction sites within the Eads at Lincoln Subdivision.

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

Section 1. That the said real estate be donated to the Homestead Corporation of Champaign-Urbana for use in their Eads at Lincoln Program.

Section 2. That the said real estate disposition be completed by September 30, 2003.

Section 3. That the Mayor of the City of Urbana, Illinois, be and the same is hereby authorized to execute all necessary deeds and documents required for the lot dispositions on behalf of the City of Urbana, Illinois.

This Ordinance is hereby passed by the affirmative vote, the "ayes" and "nays" being called of three-fourths (3/4th's) of the members of the City Council of the City of Urbana, Illinois, at a regular meeting of said City Council.

PASSED by the City Council this ____ day of _____, 2003.

AYES:

NAYS:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this ____ day of _____, _____.

Tod Satterthwaite, Mayor

CONTRACT FOR SALE OF REAL ESTATE

This Contract made and entered into this _____ day of _____, 2003 by and between the City of Urbana, Illinois, a municipal corporation of the State of Illinois (hereinafter referred to as the City as Seller, and the Homestead Corporation of Champaign-Urbana, an Illinois not-for-profit corporation (hereinafter referred to as Homestead as Buyer).

WITNESSETH:

IT IS MUTUALLY UNDERSTOOD AND AGREED BETWEEN THE PARTIES HERETO as follows:

1. Sale. The City agrees to sell and convey, and Homestead agrees to buy, the following described parcel of real estate (hereinafter referred to as "Subject Property"):

Lot 2 of Eads Third Subdivision, as shown on a plat dated September 20, 1995 and recorded October 27, 1997 in Plat Book "CC" at Page 128, as Document Number 95R23332, in the Office of the Recorder of Deeds, Champaign County, Illinois;

PIN: 91-21-07-278-011

more commonly known as 914 West Eads Street, Urbana, Illinois

2. Purchase Price. City agrees to convey title to Subject Property for One Dollar (\$1.00) and other consideration as described herein.
3. Evidence of Title. Within a reasonable time, the City shall select and deliver one of the following to Homestead as evidence of title:
 - a. A copy of a title insurance policy issued to the City in connection with acquisition of Subject Property by the City; the City warrants that it has done nothing to encumber Subject Property since its acquisition of Subject Property; or
 - b. A commitment of title insurance issued by a title insurance company regularly doing business in Champaign County, committing the company to issue a policy in the usual form insuring title to Subject Property in Homestead's name for the amount of the City's purchase price or the minimum amount of title insurance, whichever is greater.

Permissible exceptions to title shall include only the lien of general taxes; zoning laws and building ordinances; easements, apparent or of record, which do not underlie the improvements, if any; and covenants and restrictions of record which are not violated by the existing improvements or the present use of the Property and which do not restrict reasonable use of the Property.

Homestead shall point out in writing to City within a reasonable time after receipt of the evidence of title any objections which Homestead may have thereto and unless so pointed out the evidence of title shall be conclusively presumed to be accepted by Homestead.

The City shall have a reasonable time to cure any objections actually interfering with or impairing the merchantability of the title to Subject Property. If the City is unable to cure such objections and is unable to procure a title policy insuring over such objections, then Homestead shall have the option to terminate the Contract.

The evidence of title and title insurance shall be at the sole expense of the City.

4. Conveyance. The City agrees to convey Subject Property to Homestead by good and sufficient Warranty Deed, subject to current taxes, covenants, conditions, restrictions, easements apparent or of record, and to all applicable zoning laws and ordinances. No legal right, title, or interest, except as Contract Purchaser, in the Subject Property or any improvements thereon, shall vest in Homestead until delivery of said Warranty Deed to Homestead in the manner and under the conditions prescribed herein.
5. Escrow. At the time the City delivers a Warranty Deed to Homestead to convey title in Subject Property to Homestead, a Quit-Claim Deed from Homestead in favor of the City shall be placed in escrow with _____ (hereinafter referred to as "Escrow Agent").

In the event that Homestead causes construction of a single-family residence on Subject Property and Homestead obtains a Certificate of Occupancy for said residence from the Urbana Building Safety Division on or before March 31, 2004, or on or before the date established in any modification of this Contract, the Escrow Agent shall destroy said Warranty Deed and give Homestead written assurance of such destruction.

In the Event that Homestead has not started construction of a single-family residence on Subject Property as of March 31, 2004, or as of the date established in any modification to this Contract, the Escrow Agent shall release said Warranty Deed to the City. It is understood and agreed that in such event City shall assume all obligations under any existing construction money mortgage.

In the event that Homestead has begun construction of a single-family residence on Subject Property as of March 31, 2004, or as of the date established in any modification to this Contract, but has not obtained a Certificate of Occupancy for said residence as of that date, or as of the date established in any modification to this Contract, the City retains the right to pay Homestead, in care of the Escrow Agent, an amount equivalent to the value of improvements in place on Subject Property as of March 31, 2004, or as of

the date established in any modification to this Contract, taking credit against said amount for any outstanding liens or encumbrances, including the balance due on any construction mortgage against Subject Property, said liens including real estate taxes prorated up to the date the City assumes possession under this paragraph. Said value shall be certified to both Homestead and the City by an architect licensed by the State of Illinois, doing business in Champaign County, Illinois and mutually acceptable to Homestead and the City. The Escrow Agent shall deliver said payment to Homestead and release said Warranty Deed to the City.

6. Taxes and Assessments. City shall pay all special assessments confirmed prior to the date of this Contract and real estate taxes assessed against Subject Property for 2003 payable in 2004 up to the date of possession. Homestead shall pay all special assessments and real estate taxes assessed against Subject Property after the date of possession

Homestead shall promptly pay all bills for utilities and taxes associated with Homestead's possession and use of Subject Property, including but not limited to water, gas, electric, recycling, cable television, sewage treatment, and sewer benefit taxes.

7. Condition of Subject Property. Homestead agrees to accept Subject Property in its "as-is" condition, and the City disclaims all warranties express or implied as to the condition of Subject Property.
8. Compliance with Development Codes. Any residence constructed pursuant to this Contract shall be constructed in accordance with all applicable land development, zoning, and building codes of the City of Urbana, Illinois, and with any and all covenants recorded for the subdivision in which Subject Property is located. Homestead shall be responsible for obtaining and paying for all permits required under said codes.
9. House Design. Any residence constructed pursuant to this Contract shall be compatible in design and quality of construction with houses constructed within the Eads 1st Subdivision, Urbana, Illinois. Prior to issuance of any building permit by the Building Safety Division of the City of Urbana, Illinois, the Grants Management Division Manager of the Department of Community Development Services of the City of Urbana, Illinois, acting on behalf of the City, may request alterations to the proposed house design so as to comply with this Section.
10. Use of Subject Property. The primary purpose of Homestead activities undertaken pursuant to this Contract shall be construction of a single-family residence for sale to a low-income household through Homestead's Homeownership Program on each of the

individual tracts of land as identified in Section 1. Homestead shall ensure a safe working environment for construction at all times.

11. Limitation on Subsequent Sale of Subject Property. Any residence constructed by Homestead on Subject Property pursuant to this Contract must subsequently be sold by Homestead only to a family having income at or below 80 percent of median family income for Champaign County based on household size. Applicable income limits are those certified by the Grants Management Division Manager of the Department of Community Development Services of the City of Urbana, Illinois, acting on behalf of the City, to be in effect at the time Homestead accepts a household into its Homeownership Program. Homestead shall keep record of compliance with this Section on file for inspection by representatives of the City and the U.S. Department of Housing and Urban Development.

To the extent allowable by law, the deed transferring title in Subject Property from Homestead to the initial purchaser shall include a provision restricting subsequent sales of Subject Property to households having income at or below 80 percent of median family income for a period of five (5) or ten (10) years from the date of the deed transferring title from Homestead, depending upon the amount of financial assistance provided the homebuyer. Said deed restriction shall not apply in the event of possession by a financial institution as a result of foreclosure proceedings.

12. Property Maintenance. Homestead agrees to keep Subject Property properly mowed and free of excess vegetation and debris at all times. Homestead shall neither suffer nor commit any waste on or to Subject Property. Homestead agrees to promptly respond to any notices received from the City of Urbana, Illinois, with regard to violation of the City's nuisance codes and to promptly correct any violation cited by said City. Homestead shall promptly pay all bills or charges incurred for materials, services, labor, or other like items which may create encumbrances against Subject Property.
13. Construction Schedule. Homestead agrees to construct a single-family residence on Subject Property such that a Certificate of Occupancy is issued for the newly constructed residence by the Urbana Building Safety Division on or before March 31, 2004, or on or before the date established in any modification to this Contract.
14. Storage of Building Materials. Building materials needed to construct any residence pursuant to this Contract shall be stored within property lines and shall not be placed in the public right-of-way.
15. City Held Harmless. Homestead agrees to indemnify and hold the City, its officers, agents, and employees, harmless for any liability or damages of any nature or kind

concerning undertaking of any activity pursuant to this Contract, including reasonable attorneys' fees incurred in defending against any such claim.

16. Assignment. Homestead shall not assign this Contract without prior written consent of the City to such assignment; provided, however, that the City shall not unreasonably withhold such consent and further provided that no such assignment shall act as a discharge or release of Homestead's liability under this Contract.
17. Possession. City shall deliver possession of Subject Property to Homestead concurrently with closing of this transaction to be held on or before September 30, 2003.
18. Default. If Homestead fails to perform any obligation imposed upon it by this Contract, the City may serve written notice of default upon Homestead and if such default is not corrected within ten (10) days thereafter, this Contract shall terminate. In the event of failure of the City to perform obligations imposed upon it by this Contract, Homestead may terminate this Contract upon similar notice served upon the City and similar expiration of time period. The foregoing remedies in the event of default are not intended to be exclusive, and the parties shall have the right to all other lawful remedies, including specific performance. Default by the City or Homestead shall entitle the non-defaulting party to claim as damages all reasonable costs, attorneys' fees, and expenses in connection with enforcement of this Contract.
19. Notices. Any notice required under this Contract to be served upon the City or Homestead shall be personally delivered, or shall be mailed by certified mail to such parties at the address shown herein following their signatures, or at such other place as the parties may from time to time designate in writing.
20. Modification. No modification or extension of this Contract shall be effective unless in writing and executed by the parties hereto.
21. Terms Binding. All terms of this Contract shall be binding upon the heirs, legatees, devisees, representatives, and assignees of the parties.
22. Insurance. Upon issuance of a building permit for construction of a single-family residence on Subject Property, Homestead shall provide and shall keep in force during the remainder of the term of this Contract a policy of builder's risk insurance, including fire and extended coverage and vandalism and malicious mischief coverage, in an amount not less than the anticipated market value of the completed residence. This policy shall

contain a provision that no termination of coverage or change of policy shall be effective without first giving ten (10) days advance written notice to the City.

Upon closing of this transaction and for the duration of this Contract, Homestead shall provide and maintain general liability insurance in the minimum amount of \$100,000 naming the City as an additional insured thereunder. The original of each insurance policy shall be deposited with the Escrow Agent. Copies of the policies shall be issued to the City upon request.

IN WITNESS WHEREOF, the parties have executed this Contract as of the day and year first above written.

SELLER:

City of Urbana, Illinois
400 South Vine Street
Urbana, Illinois 61801

BY: _____
Tod Satterthwaite, Mayor

ATTEST: _____
Phyllis D. Clark, City Clerk

BUYER:

Homestead Corporation of C-U
306 West Griggs Street
Urbana, Illinois 61801

BY: _____

ATTEST: _____