



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Laurel Lunt Prussing, Mayor

FROM: Elizabeth H. Tyler, AICP, Director, Community Development Services

DATE: October 4, 2007

SUBJECT: **AN ORDINANCE APPROVING AND AUTHORIZING THE EXECUTION OF AN AMENDMENT TO AN URBANA HOME CONSORTIUM COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT (Urban League of Champaign County Development Corporation Lease-Purchase Program FY 2006-2007)**

AN ORDINANCE APPROVING AND AUTHORIZING THE EXECUTION OF AN AMENDMENT TO AN URBANA HOME CONSORTIUM COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT (Urban League of Champaign County Development Corporation Lease-Purchase Program FY 2007-2008)

Description

On the agenda for the October 8, 2007 meeting of the Urbana City Council Committee of the Whole are Ordinances Authorizing the Execution of Amendments to Urbana Home Consortium Community Housing Development Organization Agreements with Urban League of Champaign County Development Corporation (ULCCDC) for the Lease-Purchase Program Fiscal Year 2006-2007 and Fiscal Year 2007-2008.

The ULCCDC submitted a letter dated August 8, 2007 to the Urbana HOME Consortium requesting a reduction of the period of affordability for the Lease-Purchase Program from ten (10) years to five (5) years. In order to comply with the HOME Program affordability requirements, the amount of financial assistance to each buyer would also need to be reduced from \$20,000 to \$14,999, which is the maximum assistance that can be provided to a recipient for a five-year affordability period.

Issues

The issue is whether the Urbana City Council should approve the ordinances.

Background

In August of 2004, the Urbana City Council asked staff to research increasing the affordability period of Urban League's Lease-Purchase Program from five (5) to ten (10) years in order to make affordable owner-occupied housing available for a longer period of time. The ULCCDC was concerned that an increase in the affordability period would affect the Urban League's ability to successfully market the Program.

ULCCDC staff felt that potential clients would be hesitant to participate in a homebuyer program that had a financial penalty if they need to move during the longer affordability period. The HOME Consortium and ULCCDC made the requested adjustments to the FY 2005-2006 Lease-Purchase Program for a ten-year affordability period. To address the ULCCDC marketing concern, the amount of assistance was increased to \$20,000 for each project to help make the Program more attractive to potential buyers.

The current ULCCC request is based on the fact that the extended affordability period is having a negative impact on the program. Prior to FY 2005-2006, the Lease-Purchase Program placed 41 families into homes having affordability periods of five years. Since the inception of the ten-year affordability period, only four (4) Lease-Purchase Projects have been undertaken. These projects used funds allocated in FY 2005-2006 Annual Action Plan. HOME funds for the Lease-Purchase Program in the amounts of \$80,000 and \$40,000 respectively, have been allocated in FY 2006-2007 and 2007-2008 Annual Action Plans.

The ULCCDC estimates that, over the past three years, approximately 20 potential clients declined the opportunity to participate in the Lease-Purchase Program due to the length of the affordability period. ULCCDC staff believes many of these homebuyers would eventually want to move to larger homes as their families grow. Many had jobs with the potential to earn more money and would likely use the program to acquire a starter home. As their salaries increase, they could sell the starter home and upgrade, which would be more difficult to accomplish with the longer affordability period.

The Lease-Purchase Program uses HOME Program funds allocated from Community Housing Development Organization (CHDO) fifteen percent (15%) reserve. Timely expenditure of funds that is required by HUD for the HOME program includes CHDO projects such as the Lease-Purchase Program. At the Urbana HOME Consortium Technical Committee meeting on August 23, 2007, representatives from the City of Champaign and Champaign County indicated their support for reducing the Lease-Purchase affordability period to five years.

Reducing the affordability period requires that the amount of down payment assistance also be reduced from \$20,000 to \$14,999 to comply with HOME regulations. The total amount allocated to the Lease-Purchase Program in FY 2006-2007 and FY 2007-2008 is \$120,000, which would have provided assistance to six clients. Decreasing the amount of assistance and reducing the affordability period would add two affordable homeownership opportunities and increase the number of clients assisted to eight.

At its August 24, 2007 meeting, the Community Development Commission (CDC) reviewed the request from the ULCCDC to reduce the Lease-Purchase affordability period from ten years to

five years. As a result of the review, the CDC asked staff to prepare the necessary amendments to the Lease-Purchase Program agreements for FY 2006-2007 and FY 2007-2008.

The proposed ordinances and agreement amendments were presented to CDC for review and recommendation at its September 25, 2007 meeting. There was discussion as to whether it is advisable to reduce the amount of assistance below \$14,999 in order to increase the total number of families that could be assisted. Staff stated that the Lease-Purchase Program assists a subset of the target population that generally does not meet qualifications of other homeownership programs, typically persons with poor credit history who have difficulty being approved for home loans. Maximizing the dollar amount of assistance allowable under the HOME Program regulations (\$14,999 for the proposed five-year affordability period) helps to bridge the financing gap between an affordable mortgage for a low-income client and the appraised value of a home. This amount has proven to be very effective over the history of the Lease-Purchase Program. In addition, reducing the amount of assistance would also change the loan-to-value ratio that is critical to whether or not the lender will qualify the applicant for permanent financing. The Community Development Commission agreed that providing \$14,999 per unit, the maximum allowed for the Lease-Purchase Program by HOME regulations for an affordability period of five-years, is the best approach.

Options

1. Approve the Ordinances authorizing the execution of amendments to the Urbana HOME Consortium Community Housing Development Agreements with the Urban League of Champaign County Development Corporation for the Lease-Purchase Program FY 2006-2007 and FY 2007-2008.
2. Approve the Ordinances with changes.
3. Do not approve the Ordinances.

Fiscal Impacts

There would be no fiscal impact to the city budget. Funds for the Urban League of Champaign County Development Corporation Lease-Purchase Program were allocated in the FY 2006-2007 and FY 2007-2008 Annual Action Plans and are included in the City of Urbana budget.

Recommendations

These ordinances were reviewed by the Community Development Commission at their September 25, 2007 meeting. The CDC voted unanimously to forward the ordinances to the City Council with a recommendation for approval. Staff recommends approval of the ordinances.

Memorandum Prepared By:

Janel D. Gomez
Grant Coordinator

Attachments:

AN ORDINANCE APPROVING AND AUTHORIZING THE EXECUTION OF AN AMENDMENT TO AN URBANA HOME CONSORTIUM COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT (Urban League of Champaign County Development Corporation Lease-Purchase Program FY 2006-2007)

AN AMENDMENT TO A COMMUNITY HOUSING DEVELOPMENT ORGANIZATION DEVELOPER AGREEMENT BETWEEN THE URBANA HOME CONSORTIUM AND THE URBAN LEAGUE OF CHAMPAIGN COUNTY DEVELOPMENT CORPORATION (Lease-Purchase Program FY 2006-2007)

AN ORDINANCE APPROVING AN AMENDMENT TO AN URBANA HOME CONSORTIUM COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT (Urban League of Champaign County Development Corporation Lease-Purchase Program FY 2007-2008)

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ORDINANCE NO. 2007-10-112

AN ORDINANCE APPROVING AN AMENDMENT TO AN URBANA HOME CONSORTIUM
COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT

(Urban League of Champaign County Development Corporation Lease-Purchase
Program FY 2006-2007)

WHEREAS, The City Council of the City of Urbana, Illinois, has found and determined that execution of the attached Amendment to a Community Housing Development Organization Agreement is desirable and necessary to carry out one of the corporate purposes of the City of Urbana, to wit: implementation of Strategies and Objectives to Address the Affordable Housing Needs of Low and Moderate Income Households described in the City of Urbana and *Urbana HOME Consortium Consolidated Plan for Program Years 2005-2009*,

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

Section 1. That AN AMENDMENT TO A COMMUNITY HOUSING DEVELOPMENT ORGANIZATION DEVELOPER AGREEMENT BETWEEN THE URBANA HOME CONSORTIUM AND THE URBAN LEAGUE OF CHAMPAIGN COUNTY DEVELOPMENT CORPORATION (Lease-Purchase Program FY 2006-2007), in substantially the form of the copy of said Amendment 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 Amendment as so authorized and approved for and on behalf of the City of Urbana, Illinois.

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

AYES:

NAYS:

ABSTAINS:

Phyllis D. Clark, City Clerk

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

Laurel Lunt Prussing, Mayor

**AN AMENDMENT TO A COMMUNITY HOUSING DEVELOPMENT
ORGANIZATION DEVELOPER AGREEMENT BETWEEN THE URBANA
HOME CONSORTIUM AND THE URBAN LEAGUE OF CHAMPAIGN
COUNTY DEVELOPMENT CORPORATION**

(Lease-Purchase Program FY 2006-2007)

This Amendment is made this _____ day of _____, **2007**, between the CITY OF URBANA, an Illinois Municipal Corporation, acting as lead entity for the Urbana HOME Consortium (hereinafter the “**GRANTOR**”), and **the Urban League of Champaign County Development Corporation**, an Illinois Not-For-Profit Organization (hereinafter “**DEVELOPER**”).

WITNESSETH:

WHEREAS, the City of Urbana, the City of Champaign, and Champaign County have been jointly designated as a Participating Jurisdiction by the U.S. Department of Housing and Urban Development (hereinafter “HUD”) for purposes of receiving HOME Investment Partnership (hereinafter “HOME”) Program funds in the name of the Urbana HOME Consortium under provisions of Title II of the Cranston-Gonzales National Affordable Housing Act of 1990, as amended (42 U.S.C. 12701 *et seq.*) (hereinafter the “National Affordable Housing Act”); and

WHEREAS, the Urbana HOME Consortium has received HOME Program funds from HUD for the period beginning July 1, 2006, and ending June 30, 2007, to increase affordable housing opportunities for low-income residents of Urbana, Champaign, and unincorporated Champaign County; and

WHEREAS, the GRANTOR, as the administrator of a HOME Program, has authority of the under the provisions of the HOME Program to amend the HOME Agreements; and

WHEREAS, on May 7, 2007 the Urbana City Council passed Ordinance No. 2007-05-039 approving a Community Housing Development Organization Agreement (Urban League Of Champaign County Development Corporation -- Lease-Purchase Program, FY 2006-2007).

WHEREAS, the City and the DEVELOPER desire to amend said Agreement to clarify certain conditions,

NOW, THEREFORE, for and in consideration of the premises and of the mutual covenants and agreements herein contained, the parties agree to the following changes to the Agreement:

- 1) The DEVELOPER and CITY agree that ARTICLE I: HOME REQUIREMENTS Section 1: Use of HOME Funds, c) is changed as follows:

“DEVELOPER shall own or purchase the real property for the PROGRAM in the following locations: two (2) units in the City of Champaign, two (2) units in the City of Urbana, with the option that the properties be located in the unincorporated area of Champaign County. Additional real property purchased or owned for the PROGRAM may be located in any area within the Urbana HOME Consortium boundaries including the City of Champaign, the City of Urbana and unincorporated areas of Champaign County.”

- 2) The DEVELOPER and the CITY agree that all references to the ten year duration of the period of affordability or affordability period throughout the Agreement are hereby changed to a five year duration for the period of affordability or affordability period as they are referred to throughout the Agreement, including, but not limited to, the following specific areas of the Agreement:

- a) ARTICLE I: HOME REQUIREMENTS
Section 2: Affordability

- b) Attachment 4a: Urban League Lease-Purchase Program
REAL ESTATE INSTALLMENT CONTRACT FOR
LEASE-PURCHASE PROGRAM
4. Forgivable Grant

- c) Attachment 5: Mortgage and Note
URBANA HOME CONSORTIUM INDIRECT HOMEBUYER
ASSISTANCE - Urban League Lease-Purchase Program

- 3) The DEVELOPER and CITY agree that the maximum amount of HOME funding provided for each Lease Purchase Program assisted unit shall not exceed \$14,999.00. The DEVELOPER and CITY agree that the Sample Documents provided as Attachments to the Agreement shall be modified accordingly to reflect the maximum amount of assistance of \$14,999.00.

- 4) The Developer and City agree that any balance of HOME funds remaining upon completion of Developer’s purchase of at least five properties for use in the PROGRAM may be combined with FY 2007-2008 HOME funds allocated to the PROGRAM in order to further the goals of the PROGRAM.

All other provisions of said Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals, and have caused this instrument to be executed by their duly authorized officials and corporate seals affixed hereto, all on the day and year first above written.

CITY

SUBGRANTEE

By: _____
Mayor

By: _____

Date: _____

Attest: _____

Attest: _____

SEAL