



## DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

*Grants Management Division*

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

**TO:** Elizabeth H. Tyler, AICP, City Planner/Director

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

**DATE:** May 22, 2003

**SUBJECT:** Second Amendment to an Urbana HOME Consortium CHDO Agreement  
(Homestead Corporation – Rental Project – FY2001-2002)

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### **Description**

Included on the agenda for the May 27, 2003 meeting of the Urbana Community Development Commission is a second amendment to an Urbana HOME Consortium CHDO Agreement between Homestead Corporation and the City of Urbana. The amendment would reduce the number of rental units Homestead will acquire from six (6) to four (4) units.

### **Issues**

The issue is whether the Community Development Commission should recommend the proposed second amendment to the Urbana City Council

### **Background**

In December 2001, the City of Urbana entered into a CHDO Agreement with Homestead Corporation to use \$16,770 in HOME CHDO funds and \$100,000 in Urbana HOME funds for the development of single-family rental properties within Urbana and Champaign by December 31, 2002. The agreement called for the acquisition of one (1) property in Champaign using the CHDO funds and two (2) in Urbana using the “Urbana funds”.

In December 2002, the City of Urbana amended the CHDO Agreement with Homestead Corporation. The amendment contained two (2) provisions.

1. Homestead Corporation was provided additional time to complete their purchase of single-family rental properties. The initial CHDO Agreement contained a termination date of December 31, 2002. The amendment provided a revised date of June 30, 2003.
2. The number of single-family homes to be purchased was increased from two (2) to six (6) single-family homes in Urbana.

To date, Homestead has purchased one (1) property in Champaign and four (4) in Urbana. There is \$35,350 of “Urbana funds” remaining to develop additional single-family rental properties within Urbana.

Homestead has indicated that the remaining funds are not sufficient to purchase two (2) additional units in Urbana to meet the provisions of the amended agreement. Homestead has indicated that their banking arrangements have been modified and are not as favorable as the arrangements that provided financing for the earlier purchases. The earlier acquisitions were structured as homebuyer-type mortgages and were provided favorable rates and down payment requirements.

Homestead has indicated that their new lender is viewing their rental property acquisitions as commercial loan activity and as such requires a higher down payment and less favorable interest rates. Further, because Homestead offers lower rents than what would they could collect, the lender has additional concerns about the viability of the business plan and therefore needs a larger down payment to make the loan bankable.

The above information was provided to the Community Development Commission at the April 22, 2003 meeting and a proposed second amendment to Homestead's CHDO Agreement would have changed the number of units to be purchased in Urbana from six (6) to five (5) single-family rental properties in Urbana by June 30, 2003.

However, after further consideration, Homestead determined that this arrangement was not appropriate. Since this was the case, staff did not forward that proposed second amendment to Council for consideration.

Now Homestead desires that the second amendment to their CHDO Agreement provide a reduction in units from six (6) to four (4) units and for the balance of funds, \$35,000, be returned to the Consortium's HOME account.

The reasons for this amendment are similar to those referenced above. Homestead believes that the local real estate market is becoming too expensive for their rental acquisition model to work effectively.

## **Options**

1. Recommend to City Council the proposed second amendment.
2. Recommend to City Council the proposed second amendment along with other amendments.
3. Do not recommend to City Council the proposed second amendment.

## **Fiscal Impacts**

This second amendment would not have any direct fiscal impact as these monies have been previously budgeted.

The balance of funds remaining in the project account (approximately \$35,000) will be returned the Consortium's HOME account and can be used for other projects.

## **Recommendations**

The HOME Consortium Technical Committee (Urbana, Champaign and Champaign County staff) has reviewed the request for the second amendment. The consensus of the Committee was that Homestead has exceeded the initial number of units to be purchased and recommended approval of the amendment.

Community Development staff recommend Community Development Commission approval of and recommendation of this amendment to the Urbana City Council.

**Memorandum Prepared By:**

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

## **Attachments:**

- (1) An Urbana HOME Consortium Community Housing Development Organization Agreement Homestead Corporation – Rental Project (FY2001-2002) dated December 19, 2001.
- (2) An Amendment to a Certain Urbana HOME Consortium Community Housing Development Organization Agreement Between the City of Urbana and Homestead Corporation (Rental Project – FY2001-2002)
- (3) A Second Amendment to a Certain Urbana HOME Consortium Community Housing Development Organization Agreement Between the City of Urbana and Homestead Corporation (Rental Project – FY2001-2002)
- (4) An Ordinance Approving A Second Amendment To A Certain Urbana HOME Consortium Community Housing Development Organization Agreement Between The City Of Urbana and Homestead Corporation (Rental Project – FY2001-2002).

NOTE

The following documents are not available electronically:

(1) An Urbana HOME Consortium Community Housing Development Organization Agreement Homestead Corporation – Rental Project (FY2001-2002) dated December 19, 2001.

(2) An Amendment to a Certain Urbana HOME Consortium Community Housing Development Organization Agreement Between the City of Urbana and Homestead Corporation (Rental Project – FY2001-2002)

If you desire a hard copy of these documents, please contact:

Bob Grewe

City of Urbana

400 S. Vine Street

Urbana, IL 61801

217.384.2441 phone

217.384.2367 fax

[bpgrewe@city.urbana.il.us](mailto:bpgrewe@city.urbana.il.us) e-mail

**SECOND AMENDMENT  
TO A CERTAIN URBANA HOME CONSORTIUM  
COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT  
BETWEEN THE CITY OF URBANA AND HOMESTEAD CORPORATION  
(Rental Project – FY2001-2002)**

THIS AGREEMENT is made this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between the City of Urbana, an Illinois Municipal Corporation, acting as lead entity for the Urbana HOME Consortium (hereinafter the "City"), and the Homestead Corporation, an Illinois Not-For-Profit Organization (hereinafter "Homestead").

WITNESSETH

WHEREAS, the Congress of the United States has enacted the Cranston-Gonzales National Affordable Housing Act of 1990 which created the HOME Investment Partnerships Program (hereinafter the "HOME Program") to provide funds to states and local governments for affordable housing assistance; and

WHEREAS, the City of Urbana, the City of Champaign, the Village of Rantoul and unincorporated Champaign County have been jointly designated as a Participating Jurisdiction by the U.S. Department of Housing and Urban Development for purposes of receiving HOME Program funds in the name of the Urbana HOME Consortium (hereinafter the "HOME Consortium"); and

WHEREAS, the Urbana City Council has adopted a Consolidated Plan for Program Years 2000-2004 which budgets \$1,036,000 in HOME Consortium funds for the year beginning July 1, 2001, and ending June 30, 2002 in accordance with an Intergovernmental Agreement Concerning Administration of a Champaign/Urbana/Rantoul/Champaign County HOME Investment Partnerships Consortium executed by Mayor Tod Satterthwaite on behalf of the City on July 7, 1999 (hereinafter the "Intergovernmental Agreement"); and

WHEREAS, on December 19, 2001, the City and Homestead entered into an Urbana HOME Consortium Community Housing Development Organization Agreement (hereinafter the "CHDO Agreement"), through which the City allocated \$116,770 of FY2001-2002 HOME Consortium funds to Homestead for the development of 2 single-family houses in Urbana and 1 single-family houses in Champaign for rent to very low- and low-income families; and

WHEREAS, on December 16, 2002, Urbana City Council approved an Amendment to the CHDO Agreement to change the termination date from December 31, 2002 to June 30, 2003 and changed the number of number of single family houses in Urbana from two (2) to six (6); and

WHEREAS, due to a change in the financing of rental properties, the City and Homestead now desires to make a second amendment to the CHDO Agreement to reduce the number of rental properties that Homestead is required to purchase.

NOW, THEREFORE, for and in consideration of the premises and of the mutual covenants and agreements herein contained, the parties agree as follows.

1. Section 5 of the CHDO Agreement is hereby amended to read as follows.

Homestead agrees to utilize \$116,770 in HOME funds pledged by the city and \$4,193 in match funds provided by Homestead to acquire and rehabilitate four (4) single-family homes located in Urbana, Illinois and one (1) single-family home located within Champaign, Illinois for rent to very low- and low-income households.

2. The remaining funds budgeted for Homestead Corporation's Rental Project – FY2001-2002 (approximately \$35,000) will be returned to the Consortium's HOME account.
3. All other provisions of said CHDO 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 OF URBANA**

BY: \_\_\_\_\_

ATTEST: \_\_\_\_\_

**HOMESTEAD CORPORATION**

BY: \_\_\_\_\_

ATTEST: \_\_\_\_\_

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE APPROVING A SECOND AMENDMENT TO A CERTAIN URBANA HOME  
CONSORTIUM COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT  
BETWEEN THE CITY OF URBANA AND HOMESTEAD CORPORATION

(Rental Project - FY2001-2002)

WHEREAS, the City of Urbana, the City of Champaign, the Village of Rantoul, and Champaign County have been jointly designated as a Participating Jurisdiction by the U.S. Department of Housing and Urban Development (hereinafter "HUD") for the purpose of receiving HOME Investment Partnership (hereinafter "HOME") Program funds in the name of the Urbana HOME Consortium; and

WHEREAS, the Urbana HOME Consortium received HOME Program funds from HUD for the period beginning July 1, 2001, and ending June 30, 2002; and

WHEREAS, the Urbana City Council has adopted a Consolidated Plan for Program Years 2000-2004 (hereinafter the "Consolidated Plan") which budgeted \$1,036,000 in Urbana HOME Consortium funds for the period beginning July 1, 2001, and ending June 30, 2002, including \$155,400 set aside for use by Community Housing Development Organizations (hereinafter "CHDOs") in accordance with an Intergovernmental Agreement Concerning Administration of a Champaign/Urbana/Rantoul/Champaign County HOME Investment Partnerships Consortium executed by Mayor Tod Satterthwaite on behalf of the City on July 7, 1999 (hereinafter the "Intergovernmental Agreement"); and

WHEREAS, the Consolidated Plan promotes expansion of rental housing opportunities for low-income households; and

WHEREAS, Homestead Corporation (hereinafter "Homestead") was designated as a recipient of CHDO funds for the Urbana HOME Consortium for FY2001-2002; and

WHEREAS, Homestead has fulfilled all HOME Program requirements necessary to be certified as a CHDO; and

WHEREAS, Homestead was awarded FY2001-2002 Urbana HOME Consortium funds through an *Urbana HOME Consortium Community Housing Development Organization Agreement - Homestead Corporation - Rental Project - FY2001-2002* (hereinafter the "CHDO Agreement") to develop two (2) single-family houses in Urbana and one (1) single-family house Champaign, Illinois, for rent to very-low and low-income households (hereinafter the "Project"); and

WHEREAS, the CHDO Agreement has been amended to require six (6) single-family houses in Urbana; and

WHEREAS, due to a change in the financing of rental properties, the City and Homestead now desires to make a second amendment to the CHDO Agreement to reduce the number of rental properties that Homestead is required to purchase; and

WHEREAS, the City has the right and authority, pursuant to both the HOME Program and the Intergovernmental Agreement to reduce the number of units to Homestead for the Project.

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

Section 1. That the City of Urbana, acting as lead entity for the Urbana HOME Consortium approves a *Second Amendment To A Certain Urbana HOME Consortium Community Housing Development Organization Agreement Between The City Of Urbana And Homestead Corporation, Rental Project (FY2001-2002)*, a copy of which is attached hereto and incorporated herein by reference, and authorizes the Mayor of the City of Urbana to execute the same on behalf of the City of Urbana.

PASSED by the City Council this \_\_\_\_\_ day of \_\_\_\_\_,  
\_\_\_\_\_.



AYES:

NAYS:

ABSTAINS:

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

APPROVED by the Mayor this \_\_\_\_\_ day of \_\_\_\_\_,  
\_\_\_\_\_.

\_\_\_\_\_  
Tod Satterthwaite, Mayor