



*APPROVED by CD Commission 9-28-04*  
**MINUTES**  
**COMMUNITY DEVELOPMENT COMMISSION**  
**Tuesday, August 24, 2004, City Council Chambers**

**Call to Order:** Chairperson Cobb called the meeting to order at 7:04 p.m.

**Roll Call:** Connie Eldridge called the roll. A quorum was present.

**Commission Members Present:** Fred Cobb, Robert Lewis, Theresa Michelson, Joanna Shisler, Anne Heinze Silvis, Umesh Thakkar, Dennis Vidoni

**Commission Members Absent:** Chris Diana, Nancy Quisenberry

**Others Present:** Bob Grewe and Connie Eldridge, Community Development Services.

**Approval of Minutes:** *Chairperson Cobb asked for approval or corrections to the July 27, 2004 minutes. Ms. Eldridge noted the following typographical corrections: Page 2, fourth paragraph, insert the word "be" so the sentence reads "The future plan will not be much different..." Page 3, seventh paragraph, second line, change the word "transcends" to "encompasses." Page 3, eighth paragraph, third sentence should read, "Because Urban League has a HUD-certified credit counseling program, it has received funding." Commissioner Lewis moved to approve the corrected minutes, and Commissioner Thakkar seconded the motion. The motion carried unanimously.*

**Petitions and Communications:** None.

**Staff Report:** Mr. Grewe distributed information on the Downtown Urbana Sweetcorn Festival, the American Dream Downpayment Initiative (ADDI), and Grants Management Division project updates.

The Eads at Lincoln Completion Celebration was held on August 19. The project, which began in 1992, built 35 affordable homes in the neighborhood. The City of Urbana, Department of Housing and Urban Development (HUD), Illinois Housing Development Authority (IHDA), Illinois Center For Citizen Involvement (ICFCI), and Homestead Corporation had a role in making this a successful neighborhood redevelopment project.

Get the Lead Out (GLO) – The Illinois Department of Public Health is providing \$12,000 in additional funding to the City of Urbana to address lead-based paint during housing rehabilitation. Staff has identified two families with children who will benefit.

Staff is continuing to work on the Consolidated Annual Performance Evaluation Report (CAPER).

City staff will attend training on funding programs from the Federal Home Loan Bank.

Mr. Grewe reviewed the Urbana HOME Consortium's new homebuyer program, the American Dream Downpayment Initiative (ADDI), and reviewed HUD's eligibility guidelines. The HOME Consortium will require that a homebuyer provide 1% of the purchase price, which will be used for downpayment assistance. ADDI will provide a deferred loan of 5% of the purchase price, not to exceed \$10,000. The HOME Consortium considered providing different loan amounts but felt the percentage of the mortgage loan was the most equitable. ADDI can be combined with other downpayment assistance. However, this assistance may not go beyond third position.

Another HUD requirement is that the home being purchased cannot have recently housed a tenant. If the house was not owner-occupied before the sale, the seller must provide an affidavit that the house was not leased six months prior to the sale. The purpose is to prevent a seller from removing tenants in order to sell the house.

Applicants must attend both homebuyer education and home maintenance courses. Staff must confirm the home is within a geographical area, and the home may be inspected during the affordability period. An applicant must obtain a fixed rate mortgage from a Community Reinvestment Group lender, and the Annual Percentage Rate (APR) may not be more than 2.5% above the current IHDA rate.

Noting that a homebuyer could have an interest rate of 8% with this program, Commissioner Vidoni felt the total interest seemed high and asked about the rationale. Mr. Grewe said this concept was taken from other cities' models for ADDI and asked if Commissioner Vidoni preferred to keep the interest rate closer to the IHDA rate. Commissioner Silvis added this was an upper limit and felt a borrower would not necessarily have this rate. Chairperson Cobb suggested a lender would charge a higher interest rate to accept a riskier loan, thus helping homebuyers who would not qualify for a lower rate. Commissioner Vidoni was concerned that an 8% interest rate was high. Commissioner Lewis wondered about the impact on the number of people served. He said the goal should be to serve the maximum number of people. Mr. Grewe will check with the lenders.

Mr. Grewe reviewed the ADDI application, which was modeled after the City of Champaign's earlier homebuyer program that used HOME and IHDA funds. In addition to completing a checklist, lenders must verify income and provide a copy of the sales contract. Purchase price and income limits are based on HUD guidelines.

The ADDI flyer includes a list of lenders who have participated in other first-time homebuyer programs over the years. The flow chart indicates the responsibilities of the buyer, lender and HOME Consortium.

The FY 2004-2005 Annual Action Plan will not need to be amended since ADDI was already included. Mr. Grewe noted that the City of Urbana received a HUD grant agreement that included ADDI funds.

Referencing recent HUD changes for public housing, Commissioner Lewis inquired about using a voucher in conjunction with this program. Mr. Grewe responded that the City's Annual Action Plans includes HUD's requirement to promote programs to persons receiving assistance and to

those living in manufactured housing. City staff will work with the Housing Authority to distribute posters and flyers to their residents.

Commissioner Michelson asked about including 50% Median Family Income (MFI) on the ADDI application. Mr. Grewe replied that the ADDI mortgage would take third position at closing only if the household's MFI was under 50%. Commissioner Thakkar noted the table did not indicate this. Mr. Grewe added there was a threshold limit for mortgages and subordinations.

Commissioner Shisler asked about the source of the ADDI funds. Mr. Grewe answered that ADDI funds were created from unallocated funds at the national level. The Federal government recaptured the funds and created the ADDI program. The City of Urbana did not have these funds before this program. There are certain rules that apply to FY 2003 funds that do not apply to FY 2004 funds. Commissioner Shisler asked about fund availability and time to spend the funds. Mr. Grewe replied that the funds would be immediately available when the ADDI program is opened. She inquired why the City of Urbana had a different percentage of funding than the City of Champaign. Mr. Grewe answered that these percents represent HUD's proration of HOME funds. Commissioner Lewis suggested including this information on the program summary.

In response to Commissioner Thakkar, Commissioner Silvis was concerned with adding the 50% MFI limit because it was related to creation of the loan document. She noted that homebuyers would be eligible if their household income was at 80% MFI or below. If this information was included, more detailed information would be required on mortgage positions, which could be confusing for a first-time homebuyer. Commissioner Silvis commented that the information should be used to attract people to the program and describe eligibility. Commissioner Thakkar suggested providing this information in a different document. In response to Commissioner Thakkar, Mr. Grewe said the brochure was on the city's website.

Commissioner Thakkar requested clarification about the term "affordability." Mr. Grewe explained that HUD regulations specify if the City of Urbana or HOME Consortium invests \$14,999 in funds or less, the home must be affordable for five years. If the owner sells within this five year affordability period, the owner must sell to another low-income person. If the owner cannot find another low-income household, the owner must repay some of the proceeds from the investment.

Mr. Grewe noted that the home must be the homebuyer's principal place of residence or resale/recapture provisions would apply. Commissioner Michelson added that the requirement for the principal place of residence should come before the requirement to sell the home to another low-income household.

In response to Commissioner Michelson, Mr. Grewe noted the reference to manufactured housing was from HUD regulations and referenced purchasing property for a manufactured house.

Rather than using "LBP," Commissioner Thakkar suggested spelling out lead based paint. Commissioner Lewis said it was important to spell out acronyms before using them since many people are not familiar with the language.

In reply to Commissioner Shisler, Mr. Grewe said the lenders receive the ADDI applications and eligibility information. The City of Urbana will review the lender's documentation.

Commissioner Thakkar suggested the City of Urbana highlight new documents that are added to the website. Mr. Grewe said staff is considering creating an independent website for the HOME Consortium. The ADDI brochure would then be on this site. Commissioner Lewis commented that it would be important for each HOME entity to have a link to the HOME Consortium website.

Mr. Grewe noted this homebuyer program was a new effort by the Federal administration. It was not clear if HUD would provide funds for next year. Commissioner Shisler wondered if HUD would take back the funds if they were not used. Mr. Grewe answered yes; HUD allows five years for the funds to be expended before recapture. Chairperson Cobb asked if the HOME Consortium would receive \$70,000 each year. Mr. Grewe felt it was possible. The lenders are excited about ADDI because they see a need for first-time homebuyer assistance due to rising interest rates.

Commissioner Vidoni inquired if there were other funds available in the Consolidated Plan for homebuyer assistance. Mr. Grewe replied the City of Urbana is not doing a direct homebuyer plan. The closest is Urban League's Lease Purchase Program. However, the City of Urbana pledges its bond cap for homebuyer assistance (*AssistUrbana* and IHDA HELP).

**Old Business:** None.

**New Business:** **Neighborhood Organization Grant (NOG) Agreements: Historic East Urbana Neighborhood Association (HEUNA), United Citizens and Neighbors (UCAN), Ecological Construction Laboratory (E-CO Lab), Eads Street Development Corporation –** Chairperson Cobb inquired as to the overall objective of these agreements. Mr. Grewe responded that City Council has adopted the Annual Action Plan, which will fund these organizations. It has been the practice to bring the NOG agreements to the Community Development (CD) Commission for review.

In response to Chairperson Cobb, Mr. Grewe said the only change was that, due to reduced funding, only HEUNA would receive Community Development Block Grant (CDBG) funds. The other NOGs are receiving funding from the Neighborhood Improvement Fund (NIF) and Community Development Sink Funds. Also, the NOGs would receive \$1,250 rather than \$2,500 due to reduced funding. The agreements are standard, with Attachment C reflecting the funding differences. Only HEUNA's agreement includes references to Federal requirements. However, City Council requested that language from the City's Human Rights Ordinance be included in the agreements that did not receive Federal funding.

Commissioner Vidoni asked if the NIF and CD Sink Funds were under the CD Commission's purview. Mr. Grewe answered yes; the NIF funds are from the Neighborhood Improvement Program. Chairperson Cobb said that it was good for the CD Commission to consider issues that affect the CD target area.

Mr. Grewe reviewed the typographical errors that Commissioner Michelson had noted.

Commissioner Michelson asked about the term “to build capacity” and requested a quick review of each Attachment C. Mr. Grewe reviewed HEUNA’s scope of service. With last year’s NOG funding, HEUNA developed brochures for the neighborhood, created a website, etc. This was a good example of a neighborhood organization building capacity. Mr. Grewe added that developing capacity meant different things to different organizations. Although there are NOG guidelines, these have been broadly interpreted.

Chairperson Cobb mentioned earlier discussions about helping a neighborhood organization get on its feet so it could become self-sustaining. After receiving a certain amount of help, a neighborhood organization should sustain itself. Commissioner Silvis added that neighborhood organizations progress along a development cycle and may require different types of investments. For example, E-CO Lab is just now applying for its 501(c)3 status. Mr. Grewe noted that HEUNA used its first NOG for 501(c)3 status.

Mr. Grewe reviewed UCAN’s scope of service. UCAN uses newsletters to keep neighbors informed and expand ways to bring neighbors together.

E-CO Lab will use funds to apply for 501(c)3 status and conduct workshops on sustainable housing. E-CO Lab is interested in affordable housing design that incorporates passive solar provisions.

Eads Street Development Corporation will use its funds to operate an office. Mr. Grewe noted that John L. Johnson had been involved in affordable housing for many years and was interested in creating a new organization to pursue affordable housing. Commissioner Michelson noted that the Eads Street Development Corporation did not have a mission statement and asked about its scope of service. Chairperson Cobb requested that Mr. Grewe ask Mr. Johnson to indicate the ultimate objective of the Eads Street Development Corporation. Mr. Grewe agreed this should be clearly spelled out.

Mr. Grewe clarified that the CD Commission was recommending the format, language and content of the NOG agreements. Commissioner Vidoni asked what kind of clarification the CD Commission was seeking. Commissioner Michelson answered that the scope of service seemed to flow from the purpose of the organization. The Eads Street Development Corporation agreement did not have a scope of service. Commissioner Thakkar remarked that Mr. Johnson probably knew what he planned to do but did not include it in the application.

*Commissioner Vidoni moved to recommend to City Council approval of all Neighborhood Organization Grant (NOG) Agreements, with the amendment that the Eads Street Development Corporation submit a mission statement. Commissioner Michelson seconded the motion. The motion carried unanimously.*

**Adjournment:** Chairperson Cobb adjourned the meeting at 8:08 p.m.

Recorded by Connie Eldridge