



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Elizabeth Tyler, AICP, City Planner/Director

FROM: John A. Schneider, Manager, Grants Management Division

DATE: September 21, 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 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 September 25, 2007 agenda of Urbana Community Development Commission 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 FY 2006-2007 and FY 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 10 years to 5 years. Also, 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 Community Development Commission should forward the Ordinances to the Urbana City Council with a recommendation for approval.

Background

At its August 24, 2007 meeting, the Community Development Commission (CDC) reviewed the request from the ULCCDC to reduce the affordability period to five years. 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 ULDCDC 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 that a contributing factor is that 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 client assisted to eight.

Options

1. Forward the Ordinances to the Urbana City Council with a recommendation for approval.
2. Do not recommend approval of the Ordinances.
3. Provide other recommendations regarding the Lease Purchase Program.

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

Staff recommends that the Community Development Commission forward the Ordinances to Council with a recommendation for approval.

Memorandum Prepared By:

**John A. Schneider, Manager
Grants Management Division**

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)

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ORDINANCE NO. _____

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 FY2006-2007)

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