



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Elizabeth H. Tyler, FAICP, Community Development Director

FROM: Kelly Hartford, Interim Manager, Grants Management Division

DATE: June 24, 2011

SUBJECT: AN ORDINANCE APPROVING AN AMENDMENT TO A COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT BETWEEN THE URBANA HOME CONSORTIUM AND HOMESTEAD CORPORATION OF CHAMPAIGN-URBANA (Affordable Homeownership Program FY 2008-2009)

AN ORDINANCE APPROVING AN AMENDMENT TO A COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT BETWEEN THE URBANA HOME CONSORTIUM AND HOMESTEAD CORPORATION OF CHAMPAIGN-URBANA (Affordable Homeownership Program FY 2009-2010)

Description

Included on the agenda of the June 28, 2011 Community Development Commission meeting are two ordinances approving amendments to Community Housing Development Organization agreements between the Urbana HOME Consortium and Homestead Corporation of Champaign-Urbana. The purpose of these Amendments is to modify the terms of each contract to accurately reflect the current intended use of funds and to articulate the expected goals and achievements therein.

Issue

The issue is whether the Community Development Commission (CDC) should forward the Ordinances approving the amendments to the Urbana City Council with a recommendation for approval.

Background

As part of the implementation of the City of Urbana and Urbana HOME Consortium Annual Action Plans for Fiscal Year (FY) 2008-2009 and FY 2009-2010, the Urbana City Council approved separate ordinances for the Homestead Corporation of Champaign-Urbana Affordable

Homeownership Program on July 7, 2008 and July 20, 2009.

Between the two agreements, a total of \$165,030 of HOME funds was allocated for the completion of five (5) affordable housing units in the Consortium-wide area. The FY 2008-2009 contract stipulated that a total of two (2) homes was to be built using funds in the amount of \$85,030, and a year later the FY 2009-2010 contract indicated that Homestead would build three (3) homes with a subsidy in the amount of \$80,000.

On May 13, 2011, Aaron Smith, Executive Director of Homestead, wrote HOME Consortium staff regarding the required number of units indicated in the two contracts (see attached). Mr. Smith notes that the total number of expected units would not be possible to market to low-income buyers with the funding made available for subsidy. Mr. Smith further indicates that he believed that the three units contained in the FY 2009-2010 agreement *included* the two units contained in the FY 2008-2009 agreement and were not in *addition to* the original two units, so that a total of three homes would be constructed. Mr. Smith also states that the language in the existing agreements commits Homestead to building more homes than will be possible with the current budget and is therefore requesting that the contracts be amended.

Historically, the City has subsidized the units at an average of \$50,000 per unit. The current per unit subsidy provided between the two contracts is only \$33,000. Market conditions have also rendered the need for additional subsidy in the past several years due to a tightened lending market. This has slowed the search for eligible homebuyers, as fewer households are able to secure a mortgage. While the amendments reflect a loss of two affordable units in the community, staff recognizes the need for the long term provision of affordable housing. Amending these contracts will make the proposed home construction projects more feasible financially and will allow Homestead to move forward with the current projects in a timely manner.

The attached amendments reflect a revised number of units to be produced, for a total of three (3) affordable housing units:

- The Agreement for FY 2008-2009 has been reduced to a **\$55,000** subsidy for the production of **one (1)** affordable unit (currently located at 1107 N. Gregory)
- The Agreement for FY 2009-2010 has been increased to a **\$110,030** subsidy for the production of **two (2)** affordable units (one located at 1109 N. Gregory, the other is yet to be identified)

These amendments allow for a \$55,000 per unit subsidy while maintaining Homestead's current contract obligation for the homes currently being built at 1107 N. Gregory Dr. and 1109 N Gregory Dr.

Options

1. Forward the Ordinances to City Council with a recommendation for approval.

2. Forward the Ordinances to City Council with a recommendation for approval with suggested changes.
3. Do not recommend that City Council approve the Ordinances.

Fiscal Impacts

There are no fiscal impacts incurred with the passing of these Ordinances. Funding for these projects was budgeted in the City of Urbana and Urbana HOME Consortium Annual Action Plans for FY 2008-2009 and FY 2009-2010. The total funding allocation between the two agreements remains the same.

Recommendation

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

Memorandum Prepared By:

**Jen Gonzalez
HOME Grant Coordinator
Grants Management Division**

Attachments:

1. AN ORDINANCE APPROVING AN AMENDMENT TO A COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT BETWEEN THE URBANA HOME CONSORTIUM AND HOMESTEAD CORPORATION OF CHAMPAIGN-URBANA (Affordable Homeownership Program FY 2008-2009)
2. AN AMENDMENT TO A COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT BETWEEN THE URBANA HOME CONSORTIUM AND HOMESTEAD CORPORATION OF CHAMPAIGN-URBANA (Affordable Homeownership Program FY 2008-2009)
3. AN ORDINANCE APPROVING AN AMENDMENT TO A COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT BETWEEN THE URBANA HOME CONSORTIUM AND HOMESTEAD CORPORATION OF CHAMPAIGN-URBANA (Affordable Homeownership Program FY 2009-2010)

4. AN AMENDMENT TO A COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT BETWEEN THE URBANA HOME CONSORTIUM AND HOMESTEAD CORPORATION OF CHAMPAIGN-URBANA (Affordable Homeownership Program FY 2009-2010)
5. *Letter from Homestead Corporation of Champaign-Urbana Executive Director Aaron Smith dated May 13, 2011.*

ORDINANCE NO. _____

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

(Affordable Homeownership Program FY 2008-2009)

WHEREAS, on July 7, 2008, the Urbana City Council passed Ordinance No. 2008-07-069, an Ordinance Approving and Authorizing the Execution of an Urbana HOME Consortium Community Housing Development Organization Agreement (Homestead Corporation of Champaign-Urbana - Affordable Homeownership Program, FY 2008-2009); and

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 and the City of Urbana HOME Consortium FY 2010-2014 Consolidated Plan*.

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 agreement between the Urbana HOME Consortium and Homestead Corporation of Champaign-Urbana (Affordable Homeownership Program FY 2008-2009), 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 AGREEMENT BETWEEN THE URBANA HOME CONSORTIUM
AND HOMESTEAD CORPORATION OF CHAMPAIGN-URBANA**

(Affordable Homeownership Program FY 2008-2009)

This Amendment is made this ____ day of _____, 2011, between the CITY OF URBANA, an Illinois Municipal Corporation, acting as lead entity for the Urbana HOME Consortium (hereinafter the “**GRANTOR**”), and **Homestead Corporation of Champaign-Urbana**, 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 Partnerships (hereinafter “HOME”) Program funds in the name of the Urbana HOME Consortium under provision of Title II of the Cranston-Gonzalez 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, 2008 and ending June 30, 2009 to increase affordable housing opportunities for low-income residents of Urbana, Champaign, and unincorporated Champaign County; and

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

WHEREAS, on July 7, 2008 the Urbana City Council passed Ordinance No. 2008-07-069 approving and authorizing the execution of an Urbana HOME Consortium Community Housing Development Organization Agreement (Urbana HOME Consortium Community Housing Development Organization Developer Agreement Homestead Corporation of Champaign-Urbana – Affordable Homeownership Program FY 2008-2009); and

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

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

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

The GRANTOR agrees to provide the DEVELOPER an amount not to exceed **\$55,000** from its Federal Fiscal Year FY 2008-2009 HOME Community Housing

Development Organization (CHDO) set-aside to be used for related development function and providing down payment assistance to low- to moderate-income households for the homeownership opportunities.

- 2) The DEVELOPER and GRANTOR agree that ARTICLE I: HOME REQUIREMENTS, Section 1: Use of Funds, subpart b.) is changed as follows:

The DEVELOPER shall provide the grantor with the budget and financial projection for each home from the preliminary budget for the construction of one (1) house as provided in "Attachment 3" or in a similar document format as approved by the GRANTOR

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

The DEVELOPER shall own or purchase the real property for the Project in the following location: One (1) in Champaign, IL, Urbana, IL or unincorporated areas of Champaign County, IL

- 4) The DEVELOPER and GRANTOR agree that ARTICLE I: HOME REQUIREMENTS, Section 3: HOME Project Requirements, is changed as follows:

The Grantor shall provide HOME funds not to exceed \$55,000 in accordance with 24 CFR 92.205(b) for eligible costs as described in 24 CFR 92.206 and 92.207.

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: _____
Laurel Lunt Prussing, Mayor

By: _____

Date: _____

Date: _____

Attest: _____
City Clerk

Attest: _____

ORDINANCE NO. _____

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

(Affordable Homeownership Program FY 2009-2010)

WHEREAS, on July 20, 2009, the Urbana City Council passed Ordinance No. 2009-07-088, an Ordinance Approving and Authorizing the Execution of an Urbana HOME Consortium Community Housing Development Organization Agreement (Homestead Corporation of Champaign-Urbana - Affordable Homeownership Program, FY 2009-2010); and

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 and the City of Urbana HOME Consortium FY 2010-2014 Consolidated Plan*.

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 agreement between the Urbana HOME Consortium and Homestead Corporation of Champaign-Urbana (Affordable Homeownership Program FY 2009-2010), 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 AGREEMENT BETWEEN THE URBANA HOME CONSORTIUM
AND HOMESTEAD CORPORATION OF CHAMPAIGN-URBANA**

(Affordable Homeownership Program FY 2009-2010)

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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 Partnerships (hereinafter “HOME”) Program funds in the name of the Urbana HOME Consortium under provision of Title II of the Cranston-Gonzalez 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, 2009 and ending June 30, 2010 to increase affordable housing opportunities for low-income residents of Urbana, Champaign, and unincorporated Champaign County; and

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

WHEREAS, on July 20, 2009 the Urbana City Council passed Ordinance No. 2009-07-088 approving and authorizing the execution of an Urbana HOME Consortium Community Housing Development Organization Agreement (Urbana HOME Consortium Community Housing Development Organization Developer Agreement Homestead Corporation of Champaign-Urbana – Affordable Homeownership Program FY 2009-2010); and

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

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

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

The GRANTOR agrees to provide the DEVELOPER an amount not to exceed **\$110,030** from its Federal Fiscal Year FY 2009-2010 HOME Community

Housing Development Organization (CHDO) set-aside to be used for related development function and providing down payment assistance to low- to moderate-income households for the homeownership opportunities.

- 2) The DEVELOPER and GRANTOR agree that ARTICLE I: HOME REQUIREMENTS, Section 1: Use of Funds, subpart b.) is changed as follows:

The DEVELOPER shall provide the grantor with the budget and financial projection for each home from the preliminary budget for the construction of two (2) houses as provided in "Attachment 3" or in a similar document format as approved by the GRANTOR

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

The DEVELOPER shall own or purchase the real property for the Project in the following location: Two (2) in Champaign, IL, Urbana, IL or unincorporated areas of Champaign County, IL

- 4) The DEVELOPER and GRANTOR agree that ARTICLE I: HOME REQUIREMENTS, Section 3: HOME Project Requirements, is changed as follows:

The Grantor shall provide HOME funds not to exceed \$110,030 in accordance with 24 CFR 92.205(b) for eligible costs as described in 24 CFR 92.206 and 92.207.

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: _____
Laurel Lunt Prussing, Mayor

By: _____

Date: _____

Date: _____

Attest: _____
City Clerk

Attest: _____



306 W. Griggs Street Urbana, IL 61801
Phone 217.328.9373 Fax 217.344.3327

May 13, 2011

Jennifer Gonzalez
HOME Coordinator
City of Urbana – Community Development Services
Grants Management Division
400 South Vine Street
Urbana, IL 61801

Dear Ms. Gonzalez:

I request an amendment to HOME agreements FY 0809-HC-CD and FY 0910-HC-CD. Agreement FY 0809-HC-CD granted \$85,030 to Homestead Corporation for the construction of two (2) new single-family homes within the Consortium area. Agreement FY 0910-HC-CD granted \$80,000 to Homestead Corporation for the construction of three (3) new single-family homes within the Consortium area. Taken together the agreements as written indicate that the total amount of the two grants, \$165,030, is intended for the construction and sale of five (5) new single-family homes. The amendment we request is that the total amount of the two agreements taken together, \$165,030, should instead go toward **the construction of a total of three (3) new single-family homes, NOT five (5) new single-family homes.**

The reason for our request is that this would be more accurate in terms of what we originally applied for when we submitted our request for additional funds for the FY 0910-HC-CD Agreement. I have attached our request letter from February 2009 as a reference. We originally requested the FY 0809-HC-CD funds for the construction of two (2) new single-family homes, assuming a lower level of homebuyer subsidy would be required to make the projects affordable to the available target buyers. During the period of completing the Douglass Park In-fill homes in 2008 and 2009 we realized that additional homebuyer subsidy would be required for future projects. Consequently, we requested additional funds in FY 0910 to both provide additional subsidy for the two (2) projects covered by FY 0809-HC-CD and to be able to construct a third home, one (1) additional project, with a sufficient amount of subsidy to attract a homebuyer. The FY 0910-HC-CD funds we received were accepted with the belief that they would supplement the funds we received in FY 0809-HC-CD, and allow us to do one (1) additional project, bringing the total to three (3) new homes. Somewhere in the process of pursuing our funding applications and entering into agreements that distinction seems to have been lost in the contract language, and this was not caught by Homestead staff in review of the agreements. As written the agreements commit us to spend the funds on a total of five (5) homes, which as our projects are currently budgeted will not be possible. We would not be able to provide sufficient subsidy to make the homes affordable to our target buyers. Our prolonged search for homebuyers over the last year and half has shown that our anticipation that much greater subsidies would be required to make homes affordable has held true. Although we now have some potential buyers for the two lots we currently have in Urbana, they would require the amount of subsidy we budgeted assuming we would be constructing a total of three (3) new homes. We will not be able to provide sufficient subsidy to those buyers and or do any additional projects if we have to use the funds we currently have, \$165,030, to construct a total of five (5) homes, rather than three (3).

If you have any questions regarding our request for an amendment to our current HOME agreements, please feel free to contact me at 217-328-9373.

Sincerely,

Aaron P. Smith
Executive Director
Homestead Corporation of Champaign-Urbana

Encl: Letter from February 6, 2009



306 W. Griggs Street Urbana, IL 61801
Phone 217.328.9373 Fax 217.344.3327

February 6, 2009

John A. Schneider
Urbana HOME Consortium
c/o City of Urbana, Grants Management Division
400 South Vine Street
Urbana, IL 61801

COPY

Dear Mr. Schneider,

On January 8, 2009, the Homestead Corporation of Champaign-Urbana submitted a FY2009-2010 HOME Funding Application requesting \$40,000 in HOME CHDO Reserve Project funding from the Urbana HOME Consortium to construct and sell two new single-family homes in Urbana as part of the Homestead Corporation's Affordable Homeownership Program. If approved the funds would be added to the \$85,030 allocated in FY2008-2009 for the construction of two new single-family homes in Urbana. The reason for the requested additional funds is to expedite the sale and construction of the homes in the current market by providing a sufficient amount of financial subsidy. The homes we have completed most recently have required on average \$60,000 in total subsidies in order to make them affordable to our clientele who are generally between 50% and 60% AMI. We anticipate that the total amount of subsidy necessary will have to increase to \$65,000 per home in order to accommodate increased construction and development costs. In addition, we are requesting that the Urbana HOME Consortium allocate an additional \$40,000 in HOME funds on top of what we have already requested in order to increase the number of homes planned for construction from two to three.

Homestead recently requested the donation of two lots owned by the City of Urbana at 1107 and 1109 North Gregory for the construction of two new homes. Since submitting our grant application we have been informed of the availability of another lot in the City of Champaign at 1304 Williamsburg to which the City of Champaign has allocated \$12,500 in HOME funding for lot acquisition. Originally the lot had been set aside for the Urban League of Champaign County to develop. Due to the Urban League's closing, the City of Champaign is now under a deadline to develop the lot since HOME funds were used to acquire the lot. Homestead Corporation would like to work with the City of Champaign by also developing that lot in addition to developing the Gregory lots in Urbana.

Therefore, Homestead is requesting the Urbana HOME Consortium consider allocating up to another \$40,000 in HOME funding (in addition to the request submitted by Homestead for \$40,000 in CHDO project funds for FY2009-2010) which will provide the needed assistance to construct and sell two new single-family homes at 1107 and 1109 North Gregory in Urbana and one new single-family home at 1304 Williamsburg in Champaign. This would bring our total request for FY2009-2010 HOME CHDO project funds up to \$80,000.

Homestead will provide matching funds from a FHLB AHP grant and a DCEO Energy Efficiency grant for which we are applying, and from the value of land donations. Please feel free to contact me for further clarifications regarding my request. We appreciate your assistance and look forward to working with the Urbana HOME Consortium to increase the supply of good-quality affordable housing in Urbana and Champaign.

Sincerely,

Aaron Smith
Executive Director