



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Laurel Prussing, Mayor, City of Urbana

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

DATE: April 4, 2013

SUBJECT: **AN ORDINANCE APPROVING MODIFICATIONS TO THE CITY OF URBANA AND URBANA HOME CONSORTIUM FY 2011-2012 ANNUAL ACTION PLAN (Down Payment Program)**

Description

Included on the agenda of the April 8, 2013 meeting of the Committee of the Whole is an ordinance approving modifications to the Fiscal Year 2011-2012 Annual Action Plan to provide funding for a down payment assistance program for homebuyers purchasing in Urbana.

Background

Urbana staff has identified a need for homebuyer assistance in the community due to the loss of bond programs that had historically provided targeted assistance to Urbana neighborhoods. The *Assist Urbana* program has stalled for the past two consecutive calendar years due to a slow bond market and lender complications on the part of the Master Servicer. This program had previously assisted approximately 12 homebuyers in Urbana each year. The Illinois Housing Development Authority (IHDA) declined the City's offer for its annual bond cap allocation in 2012 and again in 2013 to finance the Mortgage Credit Certificate (MCC) program and is also no longer offering its IHDA First Time Homebuyers Program. Both programs had specifically assisted Urbana buyers when the City ceded its bond cap allocation.

While consideration was given to other potential programs, such as acquisition-rehabilitation, the City's current HOME funding pool available is not large enough to justify marketing and operating a one-time program that would ultimately assist a maximum of three homebuyers. Also taken into consideration was the possibility of applying for Federal Home Loan Bank (FHLB) down payment funds to allow the program to continue in the next buying season as well. However, this would require an initial startup of the program prior to seeking funding from the Federal Home Loan Bank of Chicago.

Staff has been tracking the Consortium's overall HOME Program commitments and has calculated that the City of Urbana is required to commit an additional \$117,000 by July 31, 2013 in order to

remain compliant with HUD's deadline. Champaign County and the City of Champaign have made arrangements for their respective contributions to the current fiscal year's commitment requirement. The proposed program would help to fulfill the unmet need for homebuyer down payment assistance and would allow the City to meet its commitment shortfall for this year.

Proposal

The proposed amendment would obligate the \$27,771 of previously unallocated funds, as well as \$72,229 originally set aside for housing rehabilitation, to a new homebuyer program to be called *Urbana Dream Down Payment*. Funds available for the downpayment program would total \$100,000 and are expected to help approximately 10-14 families.

Households with incomes at or below 80 percent of the Median Family Income (MFI) would be eligible for the program. Buyers would have to be preapproved for a fixed-rate loan by a lender in Champaign County before applying for the Down Payment Program and be willing to provide \$1,000 cash contribution at the time of closing. Funds would be provided to the homebuyer in the form of a forgivable loan of up to 10 percent of the purchase price, but no more than \$10,000 per household. The loan would be forgiven after the family had maintained the unit as its principal residence for five years.

Should a family choose to sell prior to the completion of the five-year affordability period, the City would recapture a prorated portion of proceeds from the sale based on the initial investment of each party. If the proceeds from the sale are not sufficient to return the full amount of City and homeowner investment, the proceeds would be distributed to the City and homeowner on a pro rata basis. If the proceeds from a sale during the affordability period exceed the total City and homeowner investment, the homeowner would retain the balance. In no case would a homeowner lose funds that he or she did not initially contribute to the purchase. In practice, this allows the homeowner a fair return on his or her investment while also allowing the City to recapture its initial investment from the sale.

Only homes purchased in Urbana would be eligible for the program funds. The unit would be required to be up to code prior to purchase, which would involve a City inspection and possible re-inspection to verify correction of any code deficiencies.

Approval of this amendment would allow the City to meet its commitment requirement at a faster rate than the current Housing Rehabilitation program allows funds to be expended and would ultimately assist a larger number of residents in the coming fiscal year.

At its March 26, 2013 regular meeting, the Urbana Community Development Commission forwarded the Ordinance with a unanimous recommendation for approval. Please see the attached unapproved minutes for discussion pertaining to the proposed Ordinance.

A public hearing regarding the proposed amendment is scheduled for 10 a.m. on April 5, 2013 in the City Council Chambers. Minutes will be available upon request at the Urbana City Council meeting on April 8, 2013.

Options

1. Approve the Ordinance Approving Modifications to the City of Urbana and Urbana HOME Consortium FY 2011-2012 Annual Action Plan.
2. Approve the Ordinance with changes.
3. Do not approve the Ordinance.

Fiscal Impacts

The proposed Annual Action Plan modification is programmatic and would not change the amount of grant funds received from the Department of Housing and Urban Development, nor would it affect the City's match requirement for HOME program funds.

Recommendation

Staff and the Community Development Commission recommend approval of the Ordinance Approving Modifications to the City of Urbana and Urbana HOME Consortium FY 2011-2012 Annual Action Plan (Down Payment Program).

Memorandum Prepared By:

**Jen Gonzalez, Grants Coordinator
Grants Management Division**

Attachments:

- (1) **AN ORDINANCE APPROVING MODIFICATIONS TO THE CITY OF URBANA AND URBANA HOME CONSORTIUM FY 2011-2012 ANNUAL ACTION PLAN (Down Payment Program)**
- (2) City of Urbana and Urbana HOME Consortium Proposed Amendments to Annual Action Plan FY 2011-2012 (Down Payment Program)
- (3) *Unapproved minutes from the March 26, 2013 regular meeting of the Urbana Community Development Commission*

ORDINANCE NO. 2013-04-029

**AN ORDINANCE APPROVING MODIFICATIONS TO THE CITY OF URBANA AND URBANA HOME
CONSORTIUM FY 2011-2012 ANNUAL ACTION PLAN
(Down Payment Program)**

WHEREAS, the City of Urbana has been designated an entitlement city under the Federal Housing and Community Development Act of 1974, as amended, and as such is eligible for Community Development Block Grant (hereinafter "CDBG") and Home Investment Partnerships Funds (hereinafter "HOME") funds upon proper submittal being made to the United States Department of Housing and Urban Development (hereinafter "HUD"); and

WHEREAS, the Urbana City Council previously approved Ordinance No. 2011-04-023 authorizing submittal to HUD of the Annual Action Plan for FY 2011-2012 that included a proposed budget for the HOME Program, and HUD subsequently approved said Annual Action Plan; and

WHEREAS, on March 15, 2013, the City of Urbana published on the City website a notice of a 30-day public review period regarding said proposed budgetary amendment to the Annual Action Plan; and

WHEREAS, on April 5, 2013 the Grants Management Division of the Community Development Services Department of the City of Urbana, as lead entity for the Urbana HOME Consortium, held a public hearing on the proposed amendment; and

WHEREAS, at its March 26, 2013 meeting, the Urbana Community Development Commission recommended approval of the amendment to the Urbana City Council; and

WHEREAS, the City Council now finds it necessary and appropriate to further amend the City of Urbana and Champaign/Urbana/Champaign County HOME Consortium Annual Action Plan for FY 2011-2012.

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

Section 1. That the City of Urbana, as lead entity for the Urbana HOME Consortium, hereby approves the amendment to the City of Urbana and Champaign/Urbana/Champaign County HOME Consortium Annual Action Plan for FY 2011-2012, in substantially the same form as such amendment is referenced in the attachment hereto.

Section 2. That the Mayor of the City of Urbana is hereby designated as the authorized representative of the City of Urbana to take any action necessary in conjunction with said attached amendment to the Annual Action Plan for FY 2011-2012, and any prior approved Annual Action Plan or Amendment, including, without limitations, to execute any documents necessary to commit applicable HOME funds to the projects, submittal of the Annual Action Plan Amendment to the HUD Regional Field Office and provision of such additional information as may be required.

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

City of Urbana and Urbana HOME Consortium



Proposed Amendments to Annual Action Plan FY 2011-2012 *(Down Payment Program)*

Prepared by:
City of Urbana
Community Development Services
Grants Management Division
400 South Vine Street
Urbana, IL 61801
217.384.2447

Approved by Urbana City Council Ordinance No. _____

**PROPOSED AMENDMENT TO CITY OF URBANA & URBANA HOME CONSORTIUM
FY 2011-2012 ANNUAL ACTION PLAN**

The City of Urbana proposes to amend the HOME Program budget for the FY 2011-2012 Annual Action Plans (AAP) to re-allocate HOME funding to a Downpayment Assistance Program.

The amendment proposes to re-allocate \$27,771 in funds listed as unobligated for FY 2011-2012, as well as to reallocate \$72,229 originally set aside for Homeowner Rehabilitation to the Downpayment Assistance Program for a total Downpayment Assistance Program fund of \$100,000.

URBANA HOME CONSORTIUM PROPOSED HOME AMENDMENT:

<u>Urbana HOME Consortium HOME Budget</u>	<u>Current</u>	<u>Proposed Amended</u>
Unobligated Funds FY 2011-2012	\$ 27,771.00	-0-
Owner-Occupied Housing Rehab FY 11-12	\$129,755.00	\$ 57,526.00
FY 11-12 Downpayment Program	-0-	\$ 100,000.00

Following is the HOME Program language and/or budget changes for the FY 2011-2012 Annual Action Plan (page 46)

1. Owner-Occupied Housing Rehabilitation

Funds will be allocated for the rehabilitation of one to two (1-2) units, including grants and deferred-payment loans in the amount of \$12,500-\$28,000 per household that are intended to address code deficiencies, major renovation needs, relocation expenses and lead-based paint concerns.

\$57,526 (\$14,382 Match Required)

Goal 1, Strategy 1 & 2; Goal 2, Strategy 1-4 & 6

Citation – [24 CFR 92.206(a)(2)]

Environmental – Assessment Required

Recapture

Following is the HOME Program language and/or budget changes for the FY 2011-2012 Annual Action Plan (page 47)

3. Down Payment Assistance Program

Funds will be allocated for a down payment assistance program benefiting low-income residents purchasing single-family homes in Urbana. Forgivable loans will assist with down payment and closing costs up 10 percent of the purchase price, but no more than \$10,000 per household. Approximately 10-14 households will be assisted. Units must be up to code at the time of sale and will require a City inspection. The homebuyer will be required to maintain the home as his or her principal residence for the full five-year affordability period.

\$100,000 (\$25,000 Match Required)

Goal 1, Strategy 1 & 2; Goal 2, Strategy 1-4 & 6

Citation – [24 CFR 92.206(a)(2)]

Environmental – Assessment Required

Recapture