

City of Peoria Affordable Housing Plan



Submitted To:

Ms. Pat Landes
Neighborhood Development Commission
Affordable Housing Ad-Hoc Committee (AHAC)
Suite 402, 456 Fulton Street
Peoria, IL 61602

March 26, 2002

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Dear Ms. Landes:

S. B. Friedman & Company and Nechin Enterprises, Ltd. are pleased to submit this Affordable Housing Plan for the City of Peoria. We have enjoyed working with you on this project, and look forward to the opportunity to work with you again in the future.

Please contact us with any questions you may have.

Sincerely,

S. B. Friedman & Company

Stephen B. Friedman, AICP, CRE
President

Jill Steen, AICP
Project Manager

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1. Background & Introduction

S. B. Friedman & Company was engaged by the City of Peoria to review the City's affordable housing needs and programs and to prepare an affordable housing plan. The primary goals of the Affordable Housing Plan are to:

- Optimize the investment of entitlement funds;
- Leverage private and non-entitlement funds;
- Provide a mix of housing opportunities that meet the needs of the community;
- Create productive partnerships; and
- Preserve existing neighborhoods.

Our research and analysis includes the following:

- Evaluation of Household Trends;
- Assessment of Affordability and Occupancy;
- Review of Housing Quality;
- Evaluation of Neighborhood Competitiveness;
- Review of 2000 Entitlement Spending and Program Evaluation;
- Identification of Housing Issues and Gaps; and
- Preparation of Affordable Housing Strategies and Programs.

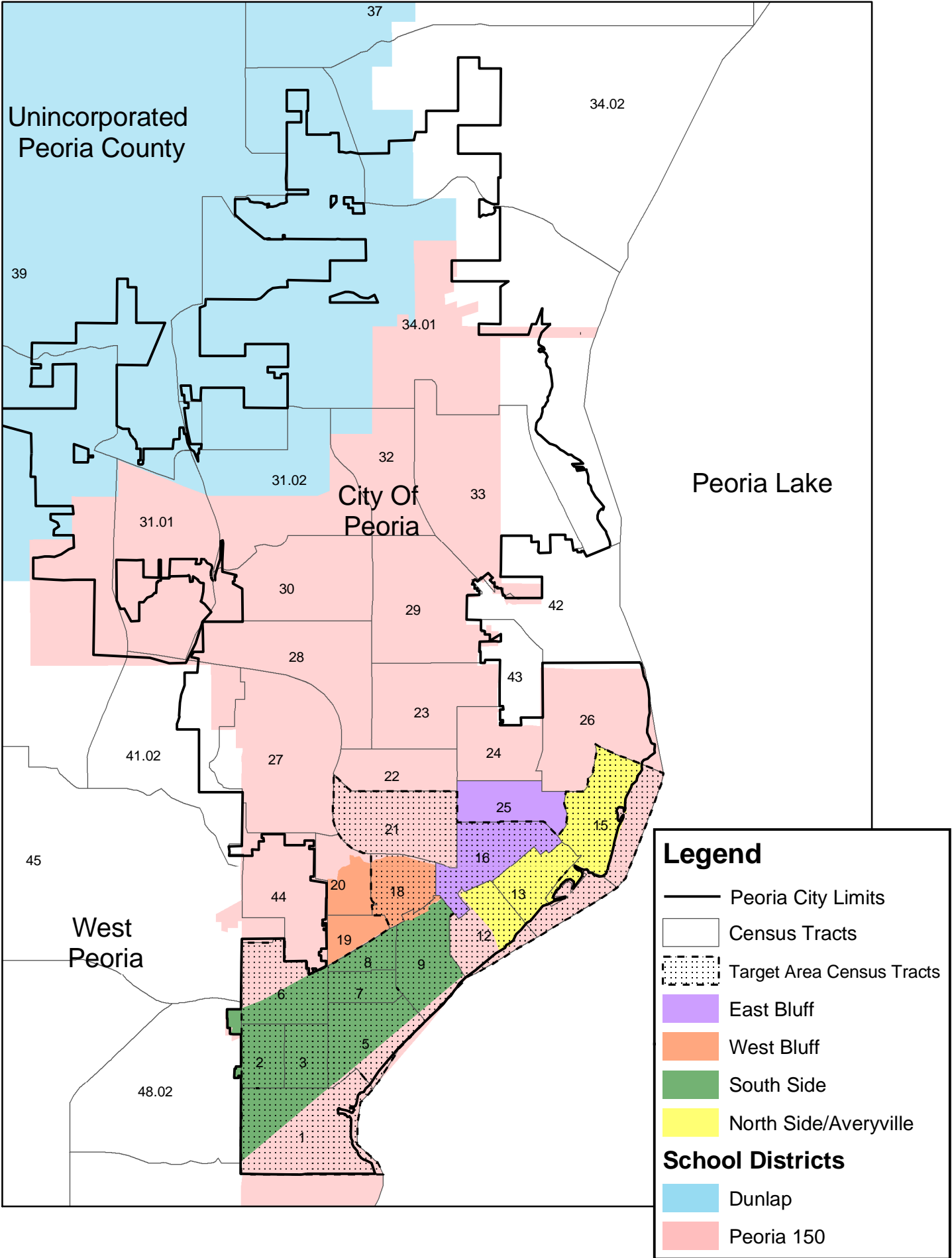
Our research was based on extensive interviews with representatives of the City, neighborhood organizations, housing providers, and financial institutions. Focus groups were held and two community input sessions conducted. In addition, data was obtained from the 2000 U. S. Census to the extent available, and from other data sources.

This document summarizes the key findings of our research and analysis of Peoria's need for affordable housing and the impact and leverage of existing programs funded with Federal Entitlement Funds (HOME and Community Development Block Grant). The final plan will be incorporated into the City's Consolidated Plan to guide future investment of Federal Entitlement dollars in affordable housing and neighborhoods in Peoria.

The map on the following page outlines the Target Area, which historically has been the focus of many of the City's affordable housing programs. This area includes those Census Tracts where 51% or more of the residents were low- to moderate-income according to the 1990 Census. Because 2000 Census data are not yet available at the tract level, the Target Area referred to in this report is the same as the 1990 area. It should be noted, however, that it is possible that the qualifying area has extended farther north to War Memorial Drive and therefore, the programs and strategies outlined in this report could be extended accordingly to include those areas.

For the purpose of this report, housing is considered to be "affordable" when total housing costs (including rent, utilities, mortgage payment, taxes, and insurance) are at or below 30% of annual household income. This is consistent with the Department of Housing and Urban Development's (HUD's) definition of affordable housing.

City of Peoria



2. Household Trends

Households are the basic unit of housing demand. The age, income, and other characteristics of households set the patterns of housing demand. Households at different stages of their lifecycles – represented by age – have different needs and capacities to pay for housing.

To establish a perspective on both historical change and absolute conditions, historical data and projections of households by age of householder and income level were obtained from Claritas, a nationally recognized data provider. Historical and projected household growth trends are summarized below with more detailed information discussed in subsequent sections of this report. The detailed tables upon which these observations are based are presented in **Appendix 1**.

Households and Household Income Trends

The total number of households in Peoria has been and is projected to remain stable between 1990 and 2006 at approximately 45,000. Within this apparent stability, a number of changes are occurring:

- Lower income households (under \$25,000 in constant 2001 dollars) are estimated to have declined from 15,700 to 14,400 (a decrease of 1,300 households) from 1990 to 2001 and are projected to decline further to 2006;
- Lower income households are disproportionately younger and older than moderate and upper income households;
- Middle-income households (\$25,000 to \$74,999) are stable in number and are projected to remain stable; and
- Affluent households (\$75,000-plus) have been increasing and are projected to continue to increase through 2006.

These changes are shown in **Chart 1 and 4** on the following pages and in more detail in the appendix.

Age Trends

There are also shifts in the age of Peoria's households, with the aging of the post-war baby boom cohorts resulting in a growth in late middle-age households:

- The number of younger households (households headed by someone under age 35) is estimated to have declined from 1990 to 2001 from 12,800 to 11,400 and is projected to continue to decline to 10,900 by 2006;

- Middle-aged households (households headed by someone age 35 to 54) are estimated to have grown by 2,500 to 17,900 in 2001 and are expected to stabilize in number through 2006; and
- Growth in households are projected to be concentrated in those headed by someone 55 to 64, reflecting the aging of the post-war baby-boom cohort. Senior headed households (65 and over) are projected to decline slightly in number.

This is shown in **Chart 2**.

Overall Trends

Overall, virtually all household growth is in households earning over \$75,000 per year that are headed by someone between the ages of 35 and 74. Lower-income households remain sizeable in number and percentage, but are declining slowly.

In 2001, lower income households are estimated to be concentrated among younger households (62% of households with a householder under 25 years of age) and older households (49% of households with a head over age 65), suggesting that housing affordability issues are more likely to affect these groups.

These trends are shown in **Charts 3 and 4** and in more detail in the appendix.

While the overall number of lower income households is not growing, their housing problems will remain significant due to supply and price characteristics discussed in subsequent sections of this report. The needs of the elderly and younger households are most significant. At the same time, it is important that the City recognize that it is also necessary to retain and attract the growth cohorts of affluent households headed by middle-aged and empty-nester householders to help to maintain fiscal and economic vitality. The affordable housing strategies discussed in this report attempt to address both of these issues.

Household Income and Age Charts
City of Peoria

Chart 1

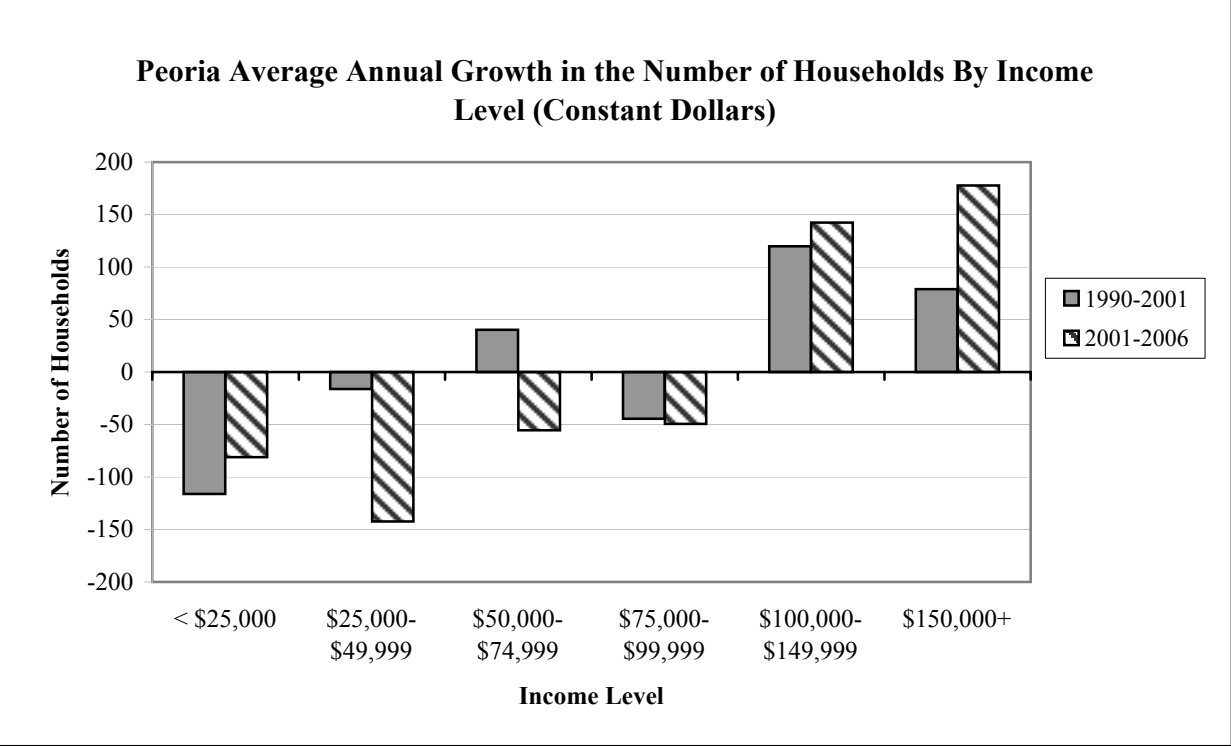
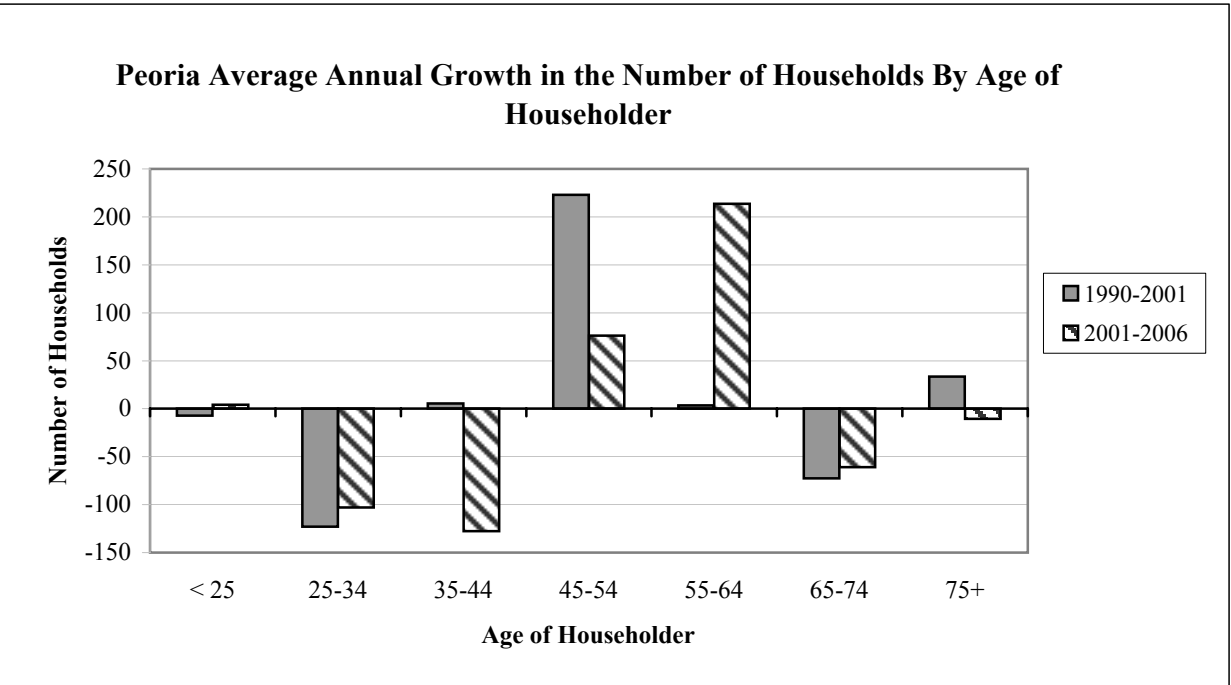


Chart 2



Source: Claritas and S. B. Friedman & Company

Chart 3

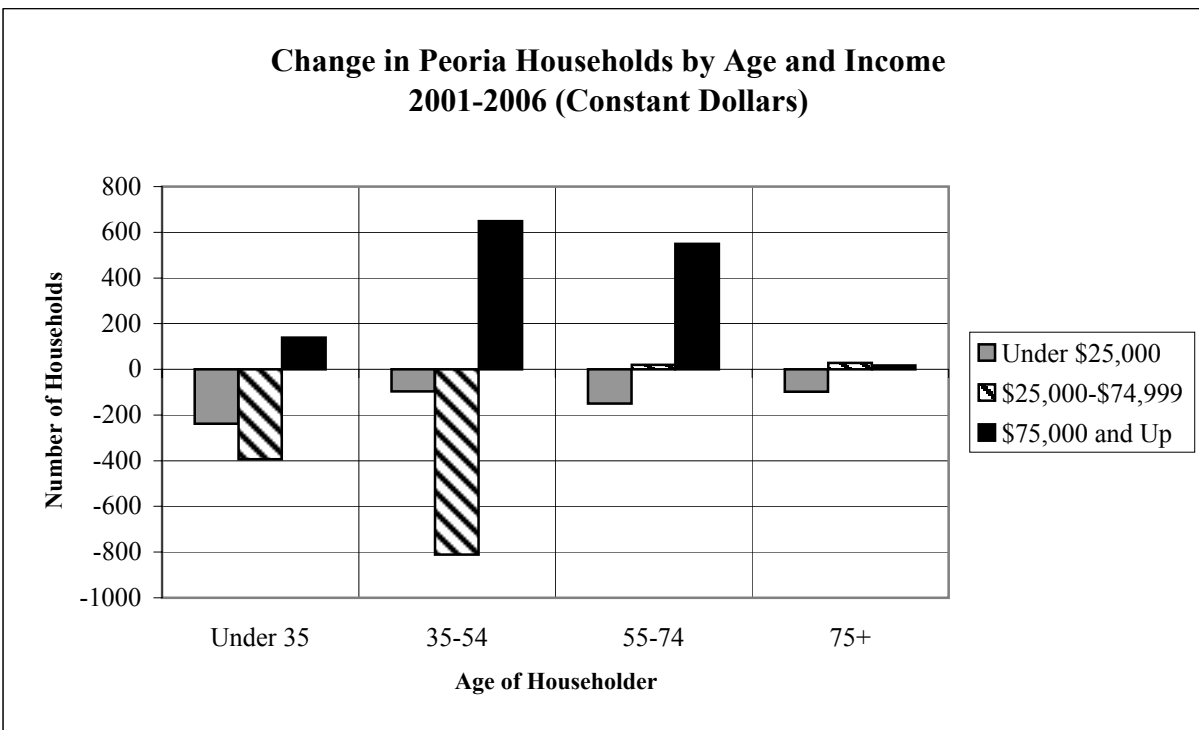
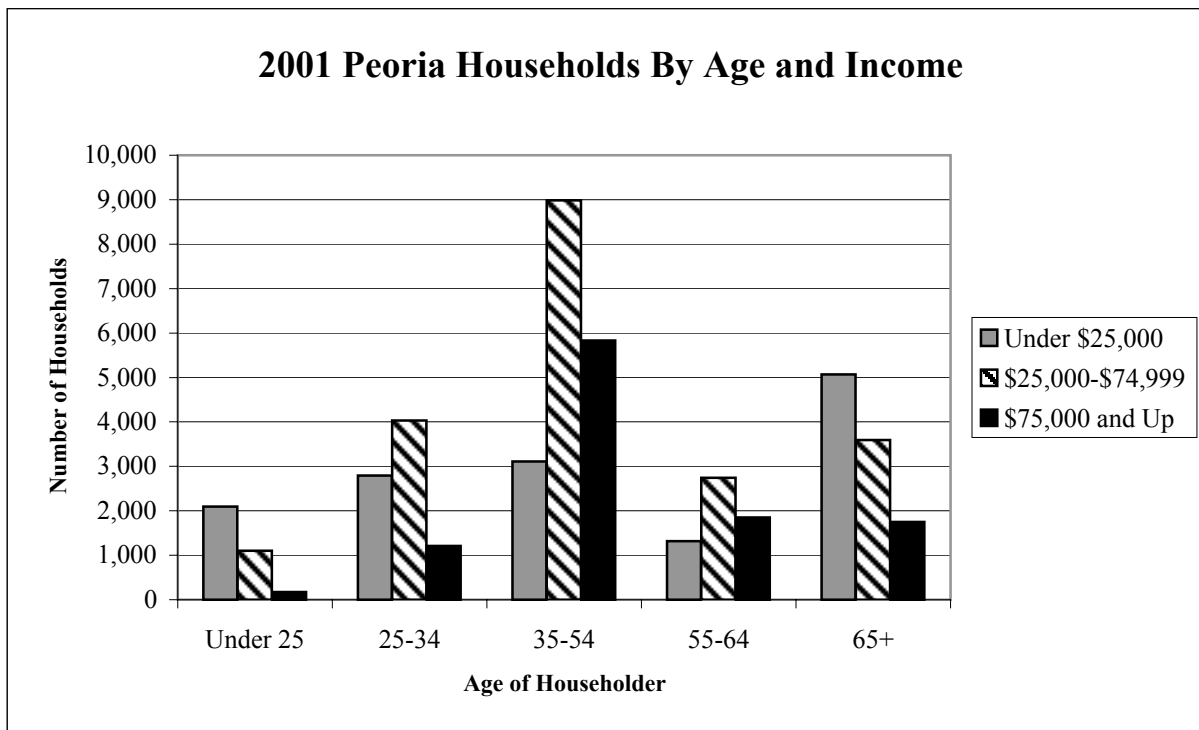


Chart 4



Source: Claritas and S. B. Friedman & Company

3. Affordability and Occupancy

This section of the report evaluates the affordability of housing in Peoria for owners and renters and estimates the surplus/deficit of affordable for-sale and rental housing in the market. Key 2000 U.S. Census data are not yet available so estimates of housing units by value and households by income and tenure have been made using data from Claritas and other sources. A more detailed analysis will be possible once 2000 Census data are available. More detailed back-up tables for this analysis can be found in **Appendix 2**.

Home Ownership Rates

Homeownership rates within the City of Peoria were cross tabulated with income levels, and compared to statewide and U. S. rates to determine whether or not it lags in homeownership. 2000 Census data confirm that Peoria falls behind the State of Illinois and the U. S. in home ownership, as shown in **Table 1** below:

Table 1: 2000 Households by Tenure

	United States	%	Illinois	%	Peoria	%
Owner-Occupied	69,815,753	66.19%	3,088,884	67.27%	26,996	59.73%
Renter-Occupied	35,664,348	33.81%	1,502,885	32.73%	18,203	40.27%
Total	105,480,101	100.00%	4,591,769	100.00%	45,199	100.00%

However, the percentage of Peoria residents owning their home increased by 3 points between 1990 and 2000, as shown in **Table 2**:

Table 2: Household Growth

	1990	%	2000	%	% Change
Owner-Occupied	25,423	56.53%	26,996	59.73%	3%
Renter-Occupied	19,553	43.47%	18,203	40.27%	-3%
Total	44,976	100.00%	45,199	100.00%	Negligible

Given the assumption that households with incomes under \$25,000 are more likely to be renters, the percent of renter-occupied households should approximate the proportion of households earning under \$25,000 per year, and the percent of owner-occupied households should approximate the proportion of households earning \$25,000 per year and over.

Based on 2000 census data, it is estimated that 29% of all U.S. households have annual household incomes below \$25,000 and 34% of households are renters. In Peoria, 32% households earn less than \$25,000 per year, while 40% of households are renters. Therefore, it appears that the homeownership rate in Peoria falls slightly behind that of the U. S., even when considering income levels.

Interviews suggest that the low homeownership rate in Peoria may stem from a loss of confidence as a result of past economic dislocations, such as the reduction of employment at Caterpillar in the 1980s and other economic shocks. Another reported obstacle to

homeownership is poor credit. As 2000 Census data become available, further analysis of the characteristics of renters with incomes sufficient to support homeownership will be possible.

Affordability of Housing for Potential Owners

To determine whether or not sufficient affordable owner-occupied housing units exist in the market to serve low- to moderate-income households, the total number of households with incomes between \$25,000 and \$50,000 were compared to the total number of housing units that would be affordable to households in this income range. The lower end cut-off of \$25,000 was identified as the level at which a household has sufficient resources to support homeownership, including mortgage, principal, interest, taxes, and insurance, as well as maintenance costs. As a practical matter, we are aware that the ability to afford ownership also varies with family size and other factors. There are many existing owners with incomes below this threshold, and other households with good credit also may qualify. The upper end income cut-off of \$50,000 was set because these households would be able to afford new market-rate housing located in the greater Peoria area.

Using data from Claritas (because Census data are not yet available), it is estimated that approximately 15,000 good quality housing units in the City are valued at a level that would be affordable to households earning \$50,000 or less. These units are valued between \$30,000 and \$125,000. Housing units valued less than \$30,000 were not included because, based on our survey of the housing stock discussed in Chapter 4 of this report, such units are more likely to be in poor condition and, for the most part, would be considered to be undesirable investments due to the likelihood of poor structural conditions and other problems. The upper end value of \$125,000 was calculated to be affordable to households earning \$50,000, as follows:

Annual Income:	\$50,000
Income Available for PITI*	\$14,000 (@28% of income)
Less Estimated Insurance Pmt.	(\$500)
<u>Less Estimated RE Taxes</u>	<u>(\$2,800)</u>
Income Available For Mortgage	\$10,700
Supportable Mortgage (8%, 30 yrs.)	\$121,600
<u>Plus 3% Down Payment</u>	<u>\$3,800</u>
Total Affordable House Price	\$125,400

**PITI=Principle, Interest, Taxes, and Insurance*

According to Claritas data, there are approximately 15,000 owner-occupied housing units in Peoria valued between \$30,000 and \$125,000, compared to the 12,300 households that could afford to buy this price of housing unit. Therefore, it appears that a surplus of approximately 2,700 owner-occupied housing units that are affordable exist at this level, as shown in **Table 3**.

Table 3: 2000 Housing Units and Households

Income Range	# of HHs	Affordable Housing Value	# of Units	Surplus Units
\$25,000 to \$35,000	5,340	\$30,000 to \$60,000	5,874	
\$35,000 to \$50,000	6,927	\$60,000 to \$90,000	5,084	
		\$90,000 to \$125,000	4,001	
\$25,000 to \$50,000	12,267	\$30,000 to \$125,000	14,959	2,692

Often, when lower-priced units are available in the market, homebuyers tend to “buy down.” So even though households earning between \$25,000 and \$35,000 could afford housing units up to \$90,000, these buyers would be likely to be among those purchasing \$30,000 to \$60,000 units. **Table 4** shows the surplus of units in the market assuming that the lower income households would purchase the lower priced units. This analysis shows that there are approximately 5,300 households with incomes between \$25,000 and \$35,000 and approximately 5,800 units valued between \$30,000 and \$60,000, for a surplus of approximately 500 units. In addition, there are approximately 9,000 units valued between \$60,000 and \$125,000 that would be affordable to 6,900 households earning between \$35,000 and \$50,000, for a surplus of approximately 2,200 units in this price bracket.

Table 4: 2000 Housing Units and Households (Assuming Households Buy Down)

Income Range	# of HHs	Affordable Housing Value	# of Units	Surplus Units
\$25,000 to \$35,000	5,340	\$30,000 to 60,000	5,874	534
\$35,000 to \$50,000	6,927	\$60,000 to \$125,000	9,085	2,158

Overall, based on this analysis, it appears that there is sufficient housing that is affordable to those who wish to be owners. Housing units seem to be available at significantly less than the maximum affordable levels for moderate-income homeowners. No doubt, mismatches exist between the types of housing units found and particular households; but in aggregate, there does not appear to be a shortage of housing in the market affordable to low- and moderate-income homebuyers. However, it is important to note that the vacancy rate for owner housing is low at 2%. This is typical of owner-oriented housing nationally, but could result in some difficulty in obtaining a suitable house at a particular time.

Affordability of Housing for Renters

To assess the potential gap in the market for rental housing, the total number of affordable rental units was compared to the total number of households most likely to rent, as shown in **Table 5**.

- Based on the 2000 U.S. Census, there are approximately 20,000 rental-housing units in Peoria, of which 10% are vacant, for a total of 18,000 renter-occupied housing units.

Table 5
Supply and Demand - Renter-Occupied Housing Units
City of Peoria

Rental Units	
Total Rental Units	20,293
Vacancy Rate [1]	10.3%
Vacant Rental Units	2,090
Total Renter-Occupied Units [1]	18,203

Units Under Fair Market Rents	
% Under FMR [2]	40.0%
Total Units Under FMR	8,117
Total Households Under FMR [3]	7,843
Difference, Total Units and Households Under FMR	274

Affordable Units	
Public Housing Units	
Total Public Housing Units [4] (Including Hope VI)	1,430
Vacant Public Housing Units (Vacant - No Waiting List) [5]	(449)
Total Occupied Public Housing Units	981
Scattered Site Units	
Total Scattered Site Units [4]	89
Section 8 Units	
Total Project-Based Sect. 8 Units [4]	1,801
Total Section 8 Vouchers in Mrkt. [4]	1,582
IHDA Units	
Total IHDA Affordable Units [6]	1,389
Total Affordable Units	5,842
Total Households Under FMR Income Requirements [3]	7,843
Difference, Subsidized Units and Households Under FMR	(2,001)

[1] U. S. Census Bureau, 2000 Census

[2] HUD's Fair Market Rent (FMR) is based on rents at or below the 40th percentile for standard quality rental units

[3] Based on age and income estimates from Claritas

[4] Master Spread Sheet data provided by the City of Peoria

[5] Report provided by the City of Peoria of vacant, underutilized Public Housing Units (some of which are uninhabitable, under utilized, or awaiting restoration)

[6] Illinois Housing and Development Authority (IHDA) totals as of November 2001, excluding Section 8

- To be eligible for Section 8 Vouchers, rental-housing units must rent for less than the Fair Market Rent (FMR). FMR is defined by HUD as the dollar amount below which 40% of the standard quality rental housing units rent. Based on this definition, it is estimated that there are approximately 8,100 housing units in Peoria that rent at or below FMR (40% of 18,000).
- Using HUD rent and income guidelines, Claritas' data of households by income level, and 1990 Census data of households by family size, adjusted to 2000 numbers, it is estimated that there are approximately 7,800 households in Peoria at or below the income level at which the FMR is affordable. Therefore, there appears to be a slight surplus of approximately 300 units at or below FMR. Detailed information on income levels, rents, and households by household size can be found in **Appendix 2**.

It is possible that a portion of the units that are affordable to households at or below FMR incomes are currently being rented by households with higher incomes. As mentioned previously, it is common for households of higher incomes to spend much less than 30% of their income on housing costs. Therefore, as a second analysis, we compared the number of subsidized housing units available in the market to the overall number of households with income levels at or below FMR income limits. This is shown in **Table 5**.

Based on data for the City and the Illinois Housing Development Authority (IHDA), it is estimated that there are approximately 5,800 households that may be receiving some sort of housing assistance. These include occupied Peoria Housing Authority (PHA) units, Section 8 units, Section 8 vouchers, and IHDA assisted units. We have attempted to eliminate double counts, but due to data limitations there may still be some overlap between categories of assistance.

Based on the previous estimate of approximately 7,800 households in Peoria under FMR income requirements, it appears that there may be approximately 2,000 households unable to find housing within affordability guidelines. There is currently a waiting list of more than 500 households for PHA units or vouchers, which partially substantiates this conclusion. Given the distribution of rents and incomes in the marketplace, it is possible that some of the estimated 2,000 underserved renter households may have found housing units within the general market at or below affordability guidelines (30% of income), but until 2000 Census data becomes available, it will not be possible to calculate precisely how many low- to moderate-income households are paying more than 30% of their income in housing costs.

Overall, it appears that there may be a gap in the market for affordable rental housing units and a surplus of affordable for-sale housing units in Peoria. As 2000 Census data become available, the dimensions of this problem can be evaluated more closely, but at this time it appears that affordable rental housing may be a more significant housing problem in Peoria than affordable for-sale housing. It is likely that a significant portion of this problem impacts the elderly because the lower-income households tend to be disproportionately over the age of 65 and are typically one- and two-person households.

4. Housing Quality

Housing quality has been reported as being a significant issue in Peoria. To understand the dimensions of the problem, code violation data were analyzed, and an exterior visual survey of the housing stock south of War Memorial Drive was completed. Since the application of building, housing and environmental codes over time impacts overall quality, interviews with code enforcement officials and others were conducted so as to understand the code enforcement process in Peoria.

Housing Quality Windshield Survey

A windshield survey of Peoria's housing stock was completed in the neighborhoods south of War Memorial Drive. A sample of housing of typical quality and style was photographed to represent the range of housing types and conditions found in the various neighborhoods throughout the area. A sample of pictures of good-quality housing stock can be found on the next page of this report. For the representative housing units, corresponding market values as determined by the Peoria County Assessor's Office were obtained to compare housing conditions to market values:

- Most of the housing surveyed in neighborhoods south of War Memorial Drive along the Bluffs appeared to be of good or adequate quality, while the quality of housing generally was lower in the South Side and North Side neighborhoods.
- Some portions of the Target Area contain very attractive houses that in some cases have been renovated by market-rate buyers. In other areas within the Target Area, the housing stock could be very attractive to market-rate buyers with rehabilitation and other neighborhood improvements.
- Based on the windshield survey and value research, housing units with implicit market values below \$30,000 tend to be smaller and in greater disrepair than those above \$30,000. Starting at \$30,000, many existing houses appeared to be sound and marketable based on exterior inspection.

Housing values also tend to vary by neighborhood. Generally housing values in the south part of the Target Area are lower than in other neighborhoods farther north. Similar houses also tended to be more expensive outside the Target Area (to the north) than within. Overall, the housing stock presents a wide variety of relatively low-priced housing, confirming that the quality level of much of the housing that is affordable to moderate-income households (as defined earlier) appears to be suitable for continued use and rehabilitation.

Nonetheless, the sub-set of housing that has deteriorated or otherwise appears to be of lower quality remained of concern and therefore we attempted to understand the nature of quality problems within the housing stock. This had to be based on anecdotal and other partial data due to the absence of any systematic survey of housing quality and characteristics, and the lack of data from the 2000 Census (which will only provide limited data on quality in any case).

**Sample Housing Stock
South of War Memorial Drive**



Code Enforcement Process

Because application of codes should impact quality, we reviewed the basic codes in use and process of enforcement. Peoria currently uses the BOCA National Building Code for new construction and rehabilitation standards; the BOCA Property Maintenance Code for existing structures and yard maintenance; and a rental registration code for all rental properties, which focuses on basic health and life-safety issues.

The City's code enforcement activities are carried-out by the City's Property Maintenance Division. The City consists of 12 code enforcement districts, and each district has a code enforcement inspector assigned to and responsible for enforcement within that district. Code inspections typically originate from: 1) the code enforcement inspector's ongoing inspection of his or her district, 2) citizen complaints, 3) systematic inspection of a Focus Block or target neighborhood as identified by the Neighborhoods staff, or 4) rental registration.

Currently, the City's Property Maintenance Division is funded by \$500,000 from CDBG entitlement funds. This was roughly one-third of the Division's 2001 total budget. Predominantly, Peoria's code enforcement activities and actions focus on the area south of War Memorial Drive, especially within the Target Area, including the North and South Side Neighborhoods, and the East, Central, and West Bluff Neighborhoods.

Housing violations that result from inspections typically result in an initial warning. If the violation is not abated within a specified period of time, a housing notice is issued. Housing notices immediately result in a case hearing with an Administrative Hearing Officer. If the violation is not abated prior to the hearing date, the Hearing Officer will either outline a scope of work with specified time parameters and/or will issue a fine.

Environmental violations as the result of inspection typically result in an initial warning, followed by a notice to abate the problem. If the problem is not properly abated within a specified period of time, a ticket is issued. If the problem continues, the City issues a work order and hires a contractor to perform the abatement. The cost of the work order, including a \$60 administration fee is billed to the property owner. The City has the right to place a lien the property if it does not receive payment for work performed.

Based on interviews with City staff, it is common for property owners to request and be granted a continuance by the Hearing Officer. Although hard data does not exist to substantiate this, it was reported to often lead to code violations going unabated for a period of time. In addition, application of codes under the rental registration program is limited to life-safety issues and basic heating and plumbing facilities. It does not require meeting all applicable codes or minimum property standards which otherwise would be required to rent under housing assistance programs.

Code Violations

Code violations are one way to quantify the conditions and quality of Peoria's older housing stock. Available code violation data were obtained from the City. We were able to sort the data

to determine the number of separate addresses and selected other information. This data source could be mined more extensively to obtain a greater understanding of housing conditions.

We found that in 2001 there were over 9,800 housing violations recorded. Approximately 1,600 separate addresses received at least one type of housing violation. Approximately 670 (42%) of these locations were either rental apartment buildings or detached single-family homes rented out as apartments, which were inspected under the rental registration program.

The most significant and common code violations appear to be related to basic life-safety and housing quality issues such as inadequate electrical, heating, or water heating facilities; inadequate bathroom facilities; or inadequate water supply facilities. However, it also has been reported that there exists a good deal of antiquated wiring (knob and tube) and obsolete heating equipment, which reflects a low level of investment and housing that does not meet contemporary standards, even if technically it still meets code.

Energy Efficiency

Beyond the requirements of existing codes for existing housing, energy inefficiency emerged as a major housing issue during the 2000 to 2001 winter. While the code for new construction contains industry-standard insulation and systems requirements, most of the housing in Peoria was built before such codes were in place. In the 2000 to 2001 winter, high energy bills were reported to result in both rental and ownership delinquencies.

It does not appear that current housing rehabilitation programs require that houses be brought up to contemporary energy efficiency standards, nor is there a specific energy code triggered by substantial rehabilitation. Currently, Peoria does not require specified energy-efficiency and weatherization standards in code enforcement beyond a heating system that can adequately heat a home to 65 degrees.

It is now widely believed among housing professionals in Peoria that there is a need for higher energy efficiency and weatherization standards for housing rehabilitation, including better insulation, window, and heating system efficiency requirements to help provide for long-term value and sustainability in existing housing.

Lead-Based Paint

Lead-based paint abatement also has emerged as a critical issue with Peoria's housing stock because much of it, especially housing in the target areas, is older and contains levels of lead based paint on woodwork and walls. While lead-based paint has long been an issue in older housing, new HUD requirements necessitate full abatement of all lead-based paint if federally funded rehabilitation equals or exceeds \$25,000. Since Peoria funds rehabilitation with federal HOME and CDBG funds, significant rehabilitation is subject to the new rules.

Abatement of lead-based paint is reported to typically increase the costs of rehabilitation by \$8,000 or more, making rehabilitation projects more disruptive and difficult as well as more costly. However, a current pilot study will help establish the cost and difficulty of complying with the new rules.

Overall Housing Quality in Target Areas

Within the target areas there is a wide range of housing by type and quality. Due to data limitations the overall quality cannot be characterized systematically. Much of Peoria's older housing remains viable and marketable, beginning at prices as low as \$30,000. There also is some housing that is of a quality that could attract market-rate buyers looking for renovation opportunities (as has occurred in Randolph-Roanoke and the Cottage District). However, a substantial amount of housing is below contemporary standards in terms of energy efficiency, mechanical systems, presence of lead-based paint, and other housing attributes. In addition, there are some code violation data and anecdotal information that both suggest that conditions are worse in rental housing throughout the Target Area.

5. Neighborhood Competitiveness

Housing conditions and cost reflect only part of the issue of providing a “decent house in a suitable living environment” (1949 Federal Housing Act). Providing a suitable living environment and retaining middle-income households in the older areas of the City requires that neighborhoods be competitive as to their livability and housing investment security. This section of the report reviews the various characteristics of neighborhood competitiveness, including growth in housing values, neighborhood amenities, crime, school quality, concentration of poverty, and investment activity.

For-Sale Housing

Multiple Listing Service (MLS) data was obtained for the Tri-County Region, the City of Peoria, and the Target Area Census tracts. As shown in **Table 6**, the average sales prices for 1990, 1995, and 2000 were lower for Peoria than for the region as a whole, but overall growth rates for Peoria were relatively similar to those for the region for all periods evaluated.

Average sales prices for those MLS areas encompassing the Target Area Census tracts were much lower than the average sales price for Peoria as a whole; in some instances, they were less than half those for Peoria as a whole. However, growth in housing values in the Target Area were typically the same or slightly higher than those for the City of Peoria as a whole. In all periods evaluated, growth rates were the same or higher than the Consumer Price Index (CPI), indicating some positive market conditions for attracting investment.

New Residential Development

The majority of new residential market-rate development that has occurred in the City has either occurred in Growth Cell One or the Weaver Ridge area. The lowest-priced housing developed in Growth Cell One started at approximately \$120,000, a level affordable to moderate-income households. The balance of development ranged in price from \$150,000 to over \$800,000. The average sales price for a single-family home in the Weaver Ridge area was above \$250,000.

Generally, sales prices for new market-rate housing are higher than housing values in the Target Area of the City. In some areas the lowest-priced market-rate single-family home is more than four times the average housing value in the Target Area. The low values of existing single-family homes makes the development of new in-fill market-rate housing infeasible in most of the Target Area. The only new housing that has been developed in the Target Area has been deeply subsidized. The two major new construction projects under construction in the Target Area include the River West Hope VI and the rent-to-own housing currently being developed by PCCEO. Both of these projects have been supported at least in part by Section 42 Low Income Housing Tax Credits.

Table 6
Multiple Listing Service (MLS) Data for 1990, 1995, and 2000
Region, City of Peoria, and Target Areas

Residential Units (Single-Family)		1990		1995		2000		CAGR AVG Sales Price			CAGR Consumer Price Index (CPI)		
		Avg Sale Price	Avg List Price	Avg Sale Price	Avg List Price	Avg Sale Price	Avg List Price	1990-1995	1995-2000	1990-2000	1990-1995	1995-2000	1990-2000
Region		\$62,358	\$64,400	\$84,977	\$88,400	\$102,524	\$106,796	6%	4%	5%	3%	3%	3%
City of Peoria		\$59,592	\$61,600	\$76,032	\$81,400	\$90,551	\$94,324	5%	4%	4%	3%	3%	3%
Target Areas (MLS Areas 8, 9, 10)	Tract 1	\$15,700	\$17,600	\$24,800	\$27,700	\$25,593	\$28,124	10%	1%	5%	3%	3%	3%
	Tract 2	\$15,700	\$17,600	\$24,800	\$27,700	\$25,593	\$28,124	10%	1%	5%	3%	3%	3%
	Tract 3	\$15,700	\$17,600	\$24,800	\$27,700	\$25,593	\$28,124	10%	1%	5%	3%	3%	3%
	Tract 5	\$15,700	\$17,600	\$24,800	\$27,700	\$25,593	\$28,124	10%	1%	5%	3%	3%	3%
	Tract 6	\$15,700	\$17,600	\$24,800	\$27,700	\$25,593	\$28,124	10%	1%	5%	3%	3%	3%
	Tract 7	\$15,700	\$17,600	\$24,800	\$27,700	\$25,593	\$28,124	10%	1%	5%	3%	3%	3%
	Tract 8	\$15,700	\$17,600	\$24,800	\$27,700	\$25,593	\$28,124	10%	1%	5%	3%	3%	3%
	Tract 9	\$15,700	\$17,600	\$24,800	\$27,700	\$25,593	\$28,124	10%	1%	5%	3%	3%	3%
	Tract 11	\$15,700	\$17,600	\$24,800	\$27,700	\$25,593	\$28,124	10%	1%	5%	3%	3%	3%
	Tract 12	\$28,600	\$30,700	\$39,700	\$42,700	\$48,633	\$51,737	7%	4%	5%	3%	3%	3%
	Tract 13	\$28,600	\$30,700	\$39,700	\$42,700	\$48,633	\$51,737	7%	4%	5%	3%	3%	3%
	Tract 14	\$28,600	\$30,700	\$39,700	\$42,700	\$48,633	\$51,737	7%	4%	5%	3%	3%	3%
	Tract 15	\$28,600	\$30,700	\$39,700	\$42,700	\$48,633	\$51,737	7%	4%	5%	3%	3%	3%
	Tract 16	\$28,600	\$30,700	\$39,700	\$42,700	\$48,633	\$51,737	7%	4%	5%	3%	3%	3%
	Tract 18	\$39,300	\$41,100	\$56,000	\$57,400	\$69,973	\$73,656	7%	5%	6%	3%	3%	3%
	Tract 19	\$39,300	\$41,100	\$56,000	\$57,400	\$69,973	\$73,656	7%	5%	6%	3%	3%	3%
	Tract 20	\$39,300	\$41,100	\$56,000	\$57,400	\$69,973	\$73,656	7%	5%	6%	3%	3%	3%
	Tract 21	\$39,300	\$41,100	\$56,000	\$57,400	\$69,973	\$73,656	7%	5%	6%	3%	3%	3%
	Tract 22	\$39,300	\$41,100	\$56,000	\$57,400	\$69,973	\$73,656	7%	5%	6%	3%	3%	3%
	Tract 23	\$39,300	\$41,100	\$56,000	\$57,400	\$69,973	\$73,656	7%	5%	6%	3%	3%	3%
	Tract 24	\$28,600	\$30,700	\$39,700	\$42,700	\$48,633	\$51,737	7%	4%	5%	3%	3%	3%
	Tract 25	\$28,600	\$30,700	\$39,700	\$42,700	\$48,633	\$51,737	7%	4%	5%	3%	3%	3%

Source: Multiple Listing Service and S. B. Friedman & Co.

Crime

Crime is a major issue facing Peoria as a whole, especially the Target Area neighborhoods. Based on the available data shown in **Table 7**, approximately 74 % of all reported crime in 2000 occurred in areas south of War Memorial Drive, including 100% of all reported murders committed in the City. The perception of crime is a major deterrent for those looking to buy a home or invest in the City of Peoria.

The Peoria Police department currently is working on a program of “government” policing in which several units of government and public service agencies will work in tandem to deal with multiple issues facing a particular neighborhood. As part of the program, officers will be assigned to the same beat for at least a year to develop relationships with area residents, community groups, and businesses. A lieutenant will be assigned to a specific zone and will be held accountable for taking the necessary steps whenever a crime occurs in their zone.

Concentration of Public and Assisted Housing

The City of Peoria collected and mapped data on all affordable housing units in the City by Census tract. **Table 8** shows that approximately 69% of all public and assisted housing is concentrated in the Target Area Census tracts. The concentration of affordable housing can have a negative impact on quality of life and housing values for the surrounding neighborhood, and can adversely impact the opportunities of those lower income persons who live in affordable housing as measured by school performance and employment.

Schools

At the very least, there is a perception that schools within the City’s School District 150 are less desirable than those within the Dunlap School District to the north. The location of the Growth Cell areas of the City within the Dunlap School District is a major reason for the marketability and attractiveness of these areas compared to the rest of the City of Peoria. Signage for development in these areas explicitly markets the Dunlap schools as a selling point. Realtors and other real estate professionals interviewed expressly noted that locating within the Dunlap School District was a key factor in many of their clients’ home purchase decisions. The perceived poor quality of School District 150 compared to alternative school district was a repeated concern among home owners and City residents.

Specific school performance data within the City’ School District 150 was not obtained and compared to the Dunlap School District to assess school quality. However, regardless of whether or not performance within the district is poor, the perception that the school district is of poor quality is enough to make those parts of the City served by that district a less desirable place to live and raise a family.

Table 7
Reported Crime by District for Year 2000
City of Peoria

Police District	Murder	Criminal Sexual Assault	Robbery	Aggravated Assault	Burglary	Theft	Motor Vehicle Theft	Arson	Total	%
1	0	9	19	137	43	351	29	1	589	6%
2	2	14	18	43	56	221	25	1	380	4%
3	3	10	31	105	213	557	64	2	985	10%
4	2	9	70	300	414	796	259	28	1,878	19%
5	1	13	36	181	134	287	73	9	734	7%
6	0	3	6	48	6	77	5	0	145	1%
8	1	5	51	257	213	152	152	14	845	8%
10	1	11	45	150	228	650	11	10	1,106	11%
11	1	12	25	89	157	427	65	5	781	8%
12	0	13	17	66	113	297	49	6	561	6%
13	0	6	9	67	113	260	36	3	494	5%
14	0	5	9	20	85	438	19	1	577	6%
15	0	1	3	31	46	215	11	3	310	3%
16	0	4	6	30	132	470	36	4	682	7%
17	0	0	0	2	3	11	1	0	17	0%
18	0	1	5	24	38	151	12	0	231	2%
19	0	1	5	24	38	151	12	0	231	2%
Total	11	108	336	1,437	1,989	5,160	830	86	9,957	100%

Summary

S. of War Memorial	11	90	299	1,239	1,534	3,464	703	75	7,415	74%
N. of War Memorial	0	18	37	198	455	1,696	127	11	2,542	26%

Source: Peoria Police Department and *S. B. Friedman & Company*

Table 8
Public and Assisted Housing Distribution by Census Tract
City of Peoria

Census Tract	Section 8 Vouchers	% By Census Tract of Total Sect 8 Vouchers	Project Based Section 8	% By Census Tract of Total Sect 8 Projects	Scattered Sites	% By Census Tract of Total Scatter Sites	Public Housing	% By Census Tract of Total Public Housing	IHDA Affordable Units	% By Census Tract of Total IHDA Units	All Affordable Units	% By Census Tract of All Affordable Units
Tract 1	20	1%	0	0%	0	0%	447	31%	0	0%	467	7.42%
Tract 2	67	4%	0	0%	2	2%	314	22%	0	0%	383	6.09%
Tract 3	94	6%	0	0%	4	4%	0	0%	0	0%	98	1.56%
Tract 5	46	3%	100	6%	9	10%	0	0%	16	1%	171	2.72%
Tract 6	92	6%	80	4%	4	4%	0	0%	0	0%	176	2.80%
Tract 7	48	3%	0	0%	1	1%	0	0%	92	7%	141	2.24%
Tract 8	35	2%	0	0%	0	0%	0	0%	142	10%	177	2.81%
Tract 9	110	7%	350	19%	0	0%	153	11%	185	13%	798	12.68%
Tract 12	11	1%	0	0%	0	0%	219	15%	24	2%	254	4.04%
Tract 13	74	5%	0	0%	17	19%	0	0%	0	0%	91	1.45%
Tract 15	45	3%	0	0%	0	0%	0	0%	0	0%	45	0.72%
Tract 16	157	10%	0	0%	1	1%	101	7%	7	1%	266	4.23%
Tract 18	84	5%	0	0%	5	6%	0	0%	169	12%	258	4.10%
Tract 19	9	1%	0	0%	0	0%	0	0%	0	0%	9	0.14%
Tract 20	7	0%	0	0%	0	0%	0	0%	0	0%	7	0.11%
Tract 21	131	8%	718	40%	0	0%	0	0%	0	0%	849	13.50%
Tract 22	21	1%	0	0%	0	0%	0	0%	0	0%	21	0.33%
Tract 23	10	1%	0	0%	4	4%	0	0%	0	0%	14	0.22%
Tract 24	37	2%	0	0%	0	0%	0	0%	0	0%	37	0.59%
Tract 25	107	7%	0	0%	0	0%	0	0%	2	0%	109	1.73%
Tract 26	8	1%	0	0%	0	0%	0	0%	0	0%	8	0.13%
Tract 27	34	2%	418	23%	5	6%	196	14%	68	5%	721	11.46%
Tract 28	7	0%	69	4%	7	8%	0	0%	0	0%	83	1.32%
Tract 29	3	0%	0	0%	6	7%	0	0%	103	7%	112	1.78%
Tract 30	4	0%	0	0%	0	0%	0	0%	0	0%	4	0.06%
Tract 31.01	47	3%	0	0%	0	0%	0	0%	65	5%	112	1.78%
Tract 31.02	3	0%	0	0%	2	2%	0	0%	0	0%	5	0.08%
Tract 32	9	1%	0	0%	0	0%	0	0%	0	0%	9	0.14%
Tract 33	1	0%	0	0%	0	0%	0	0%	0	0%	1	0.02%
Tract 34.01	108	7%	36	2%	0	0%	0	0%	0	0%	144	2.29%
Tract 41.01	62	4%	0	0%	0	0%	0	0%	180	13%	242	3.85%
Tract 41.02	71	4%	0	0%	22	25%	0	0%	256	18%	349	5.55%
Tract 44	20	1%	30	2%	0	0%	0	0%	20	1%	70	1.11%
IHDA Scattered Sites - No Location Available									60	4%	60	0.95%
Total	1,582	100%	1,801	100%	89	100%	1,430	100%	1389	100%	6291	100%

Other Public Services and Infrastructure

Other neighborhood amenities, such as the Peoria Library System and Park District provide a range of public services and are viewed favorably. Notably, the Peoria Park District recently was recognized with a national award. However, based on field observation and interviews, the basic infrastructure of streets, sidewalks, gutters, and curbs could be improved in some areas, as could landscape and street trees.

Conclusions

Overall, if Peoria's Target Area neighborhoods are to compete with the balance of the City and the region, it is important to improve overall neighborhood quality and livability. The parks and library system are important assets in enhancing neighborhood quality. However, addressing the perception and reality of crime and the performance and reputation of the schools are both important. Additionally, the concentration of affordable housing into areas that already suffer from a lack of investment only continues to reduce those areas' attractiveness. Conversely, development of mixed-income communities brings opportunities to lower income households while balancing the City's population. In order to make an area attractive to developers, lenders, and homebuyers, a priority must be placed on enhancing the overall livability of neighborhoods and promoting those amenities that make a community more attractive place to live and raise a family.

6. 2000 Spending and Program Evaluation

To assess the overall effectiveness of the City's current programs and expenditures, data regarding the City's entitlement fund allocations and expenditures were evaluated, and other performance measures of leverage were obtained to the extent that the data were available. This section of the report summarizes the City's current spending on housing and neighborhood activities.

Entitlement Fund Allocation and Expenditures

The City of Peoria's Community Planning and Development (CPD or Entitlement Fund) allocations by program for 2000, 2001, and 2002 are as follows:

Table 9

Program	2000	2001	Est. 2002*
CDBG	\$2,449,000	\$2,551,000	\$2,577,000
Home	\$1,051,000	\$1,172,000	\$1,165,000
ESG	\$85,000	\$87,000	\$87,000
Total	\$3,585,000	\$3,810,000	\$3,829,000

Source: Annual Allocation Reports From HUD for 2000 and 2001 and City of Peoria's Budget Estimate

According to 2000 data reported in the City's Consolidated Annual Performance and Evaluation Report (CAPER), which is the most recent year for which an annual report has been completed, the City's expenditure of entitlement dollars (Including CDBG, Home, and ESG) is as follows:

Table 10: 2000 Expenditures		
Housing Programs		
City	\$753,000	28%
Sub-Recipients	\$513,000	19%
Total	\$1,266,000	47%
HOME Counseling	\$4,000	<1%
Neighborhood/Infrastructure (Incl. Code Enforcement --\$ 455,000)	\$519,000	19%
Public Services	\$447,000	17%
Administrative/Staffing	\$432,000	16%
Total Expenditures	\$2,668,000	100%
Total Entitlement Fund Allocation	\$3,585,000	
Carry Over To 2001	\$917,000	\$26%
Source: 2000 CAPER, and <i>S. B. Friedman & Company</i>		

While this gives a general overview of the order of magnitude of the City's expenditures by program and type of community investment, it may not be an accurate accounting of actual

expenditures of 2000 HUD allocations because City expenditures on housing programs in any given year will include funding carried over from prior years. Further detail of spending by program is provided in **Table 11**.

Within this funding, there are six main housing and rehabilitation programs that are currently or have recently been administered by the City. These include:

- **Housing Improvement Loan Program (HILP).** Provides up to \$25,000 in assistance for interior and exterior housing rehabilitation, of which the first \$15,000 is forgivable. The remaining project cost of up to \$10,000 is borrowed and repaid over ten years at 0% interest if the homeowner stays in the home.
- **Emergency Housing Improvement Loan Program (EHILP).** Provides emergency assistance up to \$2,500 in the form of a forgivable loan of the total project cost to address health and safety issues not covered by homeowners insurance.
- **Exterior Targeted Rehabilitation Assistance Program (Extra).** Provides assistance of up to 80% or 90% of project costs (depending on income) up to a maximum cost of \$5,000. Funding is a grant to the property owner, which is paid out by the City at the time the work is completed by an approved contractor.
- **Roof Repair Program (No Funding For 2000).** Offers assistance of up to \$8,000 for roof repairs/replacement. The first \$4,000 is a forgivable loan over four years if the property stays in the home during that period of time. The remaining cost is repaid over five years at 0% interest.
- **Purchase/Rehab (or Revolving Loan if Partnered With a Nonprofit Rehabber).** The City (or not-for-profit partner) acquires and rehabilitates property and sells the property to a mortgage eligible, low- to moderate-income homebuyer. The maximum project cost is \$95,000, of which hopes to recapture 60% upon sale.
- **Down payment Assistance (Started in 2002).** The City will provide a grant of up to \$1,000 to low- to moderate-income homebuyers as down payment assistance.

All of these programs are for homeowners. In prior years the City had funded a Rental Rehab program, but the program was discontinued several years ago.

Program Performance

In reviewing existing programs, we were interested in evaluating such factors as leverage of private funds, number of units assisted, average levels of assistance, and recovery/default rates on loan programs. There is no comprehensive data available to allow assessment of all of these measures. The limited information that could be obtained is presented in **Table 12**.

It should be noted that, by design, these housing programs are focused on homeowners, with no City entitlement fund expenditures going to support rental housing in general (although the City

Table 11: 2000 Entitlement Fund Budget and Expenditures By Program

	CDBG		HOME		ESG		TOTAL	
	Budget	Expenditures	Budget	Expenditures	Budget	Expenditures	Budget	Expenditures
HUD Allocations	\$ 2,449,000		\$ 1,051,000		\$ 85,000		\$ 3,585,000	
Housing Rehab/Production Programs								
City Housing Programs								
HILP	\$ -	\$ -	\$ 398,868	\$ 412,704	\$ -	\$ -	\$ 398,868	\$ 412,704
Emerg. HILP	\$ 38,628	\$ 38,117	\$ -	\$ -	\$ -	\$ -	\$ 38,628	\$ 38,117
Extra	\$ 240,000	\$ 120,000	\$ -	\$ -	\$ -	\$ -	\$ 240,000	\$ 120,000
Roof	\$ 160,000	\$ 170,099	\$ -	\$ -	\$ -	\$ -	\$ 160,000	\$ 170,099
Purchase/Rehab	\$ 117,751	\$ 11,931	\$ -	\$ -	\$ -	\$ -	\$ 117,751	\$ 11,931
Total City Programs	\$ 556,379	\$ 340,147	\$ 398,868	\$ 412,704	\$ -	\$ -	\$ 955,247	\$ 752,851
Sub-Recipients								
EBNHS-CHDO and Other	\$ 18,500	\$ 18,500	\$ 157,800	\$ -	\$ -	\$ -	\$ 176,300	\$ 18,500
PCCEO-CHDO and Other	\$ 10,000	\$ 10,000	\$ 120,000	\$ 30,603	\$ -	\$ -	\$ 130,000	\$ 40,603
YWCA	\$ 14,324	\$ 14,324	\$ 60,676	\$ 60,676	\$ -	\$ -	\$ 75,000	\$ 75,000
World Changers	\$ 34,000	\$ 8,638	\$ -	\$ -	\$ -	\$ -	\$ 34,000	\$ 8,638
Common Place HIP & Emergency	\$ 71,499	\$ 47,399	\$ -	\$ -	\$ -	\$ -	\$ 71,499	\$ 47,399
Christmas In April	\$ 35,000	\$ 23,215	\$ -	\$ -	\$ -	\$ -	\$ 35,000	\$ 23,215
West Bluff NHS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PHA: Hope VI	\$ 170,000	\$ 170,000	\$ 130,000	\$ 130,000	\$ -	\$ -	\$ 300,000	\$ 300,000
Total Sub-Recipients	\$ 353,323	\$ 292,072	\$ 468,476	\$ 221,279	\$ -	\$ -	\$ 821,799	\$ 513,351
Total Housing Rehab/Production Programs	\$ 909,702	\$ 632,219	\$ 867,344	\$ 633,983	\$ -	\$ -	\$ 1,777,046	\$ 1,266,202
Home Ownership								
Counseling	\$ -	\$ -	\$ 11,604	\$ -	\$ -	\$ -	\$ 11,604	\$ -
Downpayment Assistance	\$ -	\$ -	\$ 60,000	\$ 4,000	\$ -	\$ -	\$ 60,000	\$ 4,000
Total Home Ownership	\$ -	\$ -	\$ 71,604	\$ 4,000	\$ -	\$ -	\$ 71,604	\$ 4,000
Neighborhood/Infrastructure								
Neighborhood Associations: Various	\$ 52,488	\$ 32,525	\$ -	\$ -	\$ -	\$ -	\$ 52,488	\$ 32,525
City of Peoria								
Code Enforcement	\$ 525,000	\$ 455,107	\$ -	\$ -	\$ -	\$ -	\$ 525,000	\$ 455,107
Accessory Demolition	\$ 30,000	\$ 17,115	\$ -	\$ -	\$ -	\$ -	\$ 30,000	\$ 17,115
Graffiti Removal	\$ 6,000	\$ 1,628	\$ -	\$ -	\$ -	\$ -	\$ 6,000	\$ 1,628
Focus Block Plans	\$ 3,000	\$ 80	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ 80
Focus Block Program	\$ 2,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ 1,000
Paint	\$ 20,000	\$ 11,098	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 11,098
Sub-Total City of Peoria	\$ 586,000	\$ 486,028	\$ -	\$ -	\$ -	\$ -	\$ 586,000	\$ 486,028
Total Neighborhood/Infrastructure	\$ 638,488	\$ 518,553	\$ -	\$ -	\$ -	\$ -	\$ 638,488	\$ 518,553
Public Services								
Non-Profits: Various	\$ 367,350	\$ 362,867	\$ -	\$ -	\$ 85,000	\$ 84,333	\$ 452,350	\$ 447,200
Administration/Staff Training								
Program Administration	\$ 90,469	\$ 89,218	\$ 15,839	\$ 5,707	\$ -	\$ -	\$ 106,308	\$ 94,925
Staffing: Permanent	\$ 400,000	\$ 305,774	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ 305,774
Workforce Development/Training (Intern)	\$ 22,500	\$ 22,500	\$ -	\$ -	\$ -	\$ -	\$ 22,500	\$ 22,500
Other: Commission Support, Eval Project, Web	\$ 11,300	\$ 8,523	\$ -	\$ -	\$ -	\$ -	\$ 11,300	\$ 8,523
Total Administration	\$ 524,269	\$ 426,015	\$ 15,839	\$ 5,707	\$ -	\$ -	\$ 540,108	\$ 431,721
Unallocated	\$ -	\$ -	\$ 89,524	\$ -	\$ -	\$ -	\$ 89,524	\$ -
Unobligated	\$ 8,691	\$ -	\$ 6,689	\$ -	\$ -	\$ -	\$ 15,380	\$ -
Total Unallocated/Unobligated	\$ 8,691	\$ -	\$ 96,213	\$ -	\$ -	\$ -	\$ 104,904	\$ -
Total	\$ 2,448,500	\$ 1,939,654	\$ 1,051,000	\$ 643,689	\$ 85,000	\$ 84,333	\$ 3,584,500	\$ 2,667,676

Source: City of Peoria CAPER 2000, and B. Friedman & Company

Table 12: Leverage Of Current Programs

2000 CAPER Report

Housing Program	City Expenditure	Units Served	City \$ Per Unit
<u>City Programs</u>			
HILP	\$ 276,252	19	\$ 14,540
Emerg. HILP	\$ 66,043	22	\$ 3,002
Extra Roof	(Combined With Roof Program Below) \$ 166,199	85	\$ 1,955
<u>Sub Recipients</u>			
EBNHS-CHDO and Other			
PCCEO-CHDO and Other	\$ 30,603	2	\$ 15,302
World Changers	\$ 2,493	17	\$ 147
Common Place HIP & Emergency	\$ 39,277	11	\$ 3,571
Christmas In April	\$ 13,215	15	\$ 881

Source 2000 Caper, Page 46, and B. Friedman & Company

Purchase Rehab/Revolving Loan Program

Program	Address	Date		Acquisition	Rehab Cost	Sale Price	City	
		Started	Ended				Investment	Loss
Acquisition & Rehab	1807 N Bigelow	10/17/2000	NA	\$ 11,420.50	\$ 53,031.04	For Sale	\$ 64,451.63	
Acquisition & Rehab	1713 N Bigelow	2/26/2001	NA	\$ 15,315.00	\$ 48,505.14	N/A	\$ 63,820.15	
CHDO New Const EBNHS	1817 New York	9/27/2001	2/1/2002	NA	\$ 80,545.00	\$ 55,000.00	\$ 80,545.00	\$ 25,545.00
Revolving Loan to NH	907 W Columbia Ter	10/2/1999	4/27/2001	\$ 55,000.00	\$ 23,000.00	\$ 45,000.00	\$ 78,000.00	\$ 33,000.00
Revolving Loan to NH	603 W Columbia Ter	10/19/1999	5/17/2001	\$ 47,000.00	\$ 35,802.34	\$ 48,000.00	\$ 82,802.34	\$ 34,802.34
TOTALS				\$ 128,735.60	\$ 240,883.52	\$ 148,000.00	\$ 369,619.12	\$ 93,347.34

Source: City of Peoria

did assist the Hope VI project which includes rental units). Also by design, the programs are primarily structured as grants or a mix of grant, and no interest, forgivable loans that require very little matching private investment. The HILP program does require repayment, as did the roof repair program, which has been discontinued.

The following observations can be made based on the information in **Table 12**:

- Based on limited data contained in the 2000 Caper Report, the City has spent between \$2,000 and nearly \$15,000 per housing unit on rehabilitation activities, and according to data obtained from the City, the City has invested a total of \$94,000 on three of the five purchase rehab projects, which likely will not be recouped.
- The purchase/rehabilitation program allows up to \$95,000 to be spent on acquisition and rehabilitation, with only a 60% return on the sale, for an overall subsidy of 40% of project cost. There has been some difficulty in selling units at the desired level because the price of the homes required for the City to achieve a return exceeds the market value of the homes.
- The default rates on two of the City's rehabilitation loan programs are as follows:
 - HILP-28% (Total Number of Loans Issued=105)
 - Roof Repair-20% (Total Number of Loans Issued=20)
- Approximately 50% of the City's annual Entitlement Fund expenditures are spent on housing production and rehabilitation activities (\$1.3 million). Of this, approximately \$800,000 (60%) is spent on rehabilitation programs administered by the City and approximately \$500,000 (40%) is passed through to sub-recipients for their housing programs.
- The remaining expenditures beyond housing production and rehabilitation activities is split somewhat evenly between Neighborhood/Infrastructure Improvements, Public Services, and Administration and Staffing, with approximately \$450,000 being spent annually on each. The Neighborhood/Infrastructure category primarily consists of code enforcement, and relatively little is spent on physical improvements.
- Approximately 25% of the total HUD Entitlement Fund award (\$900,000) was carried over for use in 2001, suggesting capacity to increase program levels.
- Based on interviews with housing providers, focus groups, and program records, a small number of not-for-profit groups were identified that receive entitlement dollars annually, including PCCEO, EBNHS, Common Place, and West Bluff NHS.
- The City functions as the primary funder with limited involvement of financial institutions. A key exception is the Home Ownership Made Easy program which links to available financing programs in local institutions and using IHDA programs.

- There were two Community Housing Development Organizations (CHDOs) in 2000. However, one of them, EBNHS, lost its CHDO designation in early 2002. Given the size and diversity of the Target Area, the number of CHDOs seems too limited.

Overall, the structure of the design of the programs results in limited leverage of matching, private investment. The number of partnerships with CHDOs and other community groups seems rather limited, and the overall scale of activity appears to be below that which could be supported by available funds.

7. Summary of Trends, Issues, and Gaps

The Affordable Housing Plan should address the following key trends, issues, and program gaps identified through our analysis:

Household Trends

- Increasing number of affluent households;
- Slight decline in lower income households;
- Low-income households are still a high percentage of overall households at 31%; and
- Low-income households that are disproportionately headed by householders over 65 or under 25.

Affordability and Occupancy

- Owner-occupied households enjoy reasonable affordability with units starting as low as \$30,000, and appearing to be serviceable; and
- There are approximately 2,000 renter households that may be unable to find housing within affordability guidelines.

Housing Quality

- Apparent key issues are: inadequate electrical, heating, and plumbing facilities; energy efficiency; and lead based paint;
- Overall, much of the housing stock in the Target Area appears to be structurally sound and serviceable; and
- Some housing is of a quality that could attract market-rate buyers interested in renovation.

Neighborhood Competitiveness

- The concentration of low-income households in the Target Area is too great;
- There is a need for coordinated infrastructure investment throughout the Target Area;
- While housing prices are low, they have been keeping up with inflation, even in the Target Area;
- Perception of crime and school quality within District #150 negatively affects the attractiveness of Target Area neighborhoods; and
- The library system and park district are viewed favorably and are assets.

2000 Spending and Program Evaluation

- Current programs are geared toward homeowners, not renters;
- The City has been functioning as the primary funder of housing rehabilitation activity, with little or no leverage of private investment;

- Currently, there are a limited number of non-profit organizations through which the City leverages its housing efforts; and
- There appears to be limited involvement of financial institutions in City-funded housing programs.

8. Potential Strategies and Programs

The overall goal of HUD's Community Development Entitlement Programs is to develop viable urban communities by providing safe, decent, affordable housing in a suitable living environment and expanding economic opportunities principally for low- and moderate-income persons. Based on this overall goal and the specific needs and gaps found in Peoria, *S. B. Friedman & Company* and Nechin Enterprises, Ltd. have outlined housing and neighborhood development activities in three broad areas: 1) Neighborhood Stabilization, 2) Total Quality Management of Existing Housing Stock, and 3) Leveraging Resources For Affordable Housing Development and Investment.

Neighborhood Stabilization

Housing quality and neighborhood quality are closely related. Over time, it is critical that Peoria's older neighborhoods retain and attract those who can afford market-rate options as well as reduce the concentration of lower income households. Key elements of neighborhood stabilization include:

1. Support Neighborhood Organizations

City support is suggested for a strong network of neighborhood organizations that covers the entire Target Area, including the Bluff, Valley, and North Side. These may include block clubs and broader groups. A Target Area neighborhood congress or umbrella organization also might be considered for coordinated neighborhood development and advocacy.

The neighborhood organizations should function and be modeled after some of the more active existing neighborhood groups. They should focus on identifying key neighborhood projects, advocacy for capital spending, support of community policing efforts, housing code reporting and advocacy, neighborhood promotion, and community-building activities. These organizations also may be involved in housing production, rehabilitation, homeownership programs and counseling, and could be or have affiliated Community Development Corporations (CDCs) or Community Housing Development Organizations (CHDOs).

Smaller volunteer organizations might be created with shared administrative staff and other support funded by the City.

2. Employer-Assisted Housing

The Bluff neighborhoods and the downtown area would benefit from an effort to encourage those who work in these areas to also live there. The hospitals, universities, and downtown businesses employ a diverse workforce with a variety of housing needs – both ownership and rental. While some institutions have tried some variations of an employer-assisted housing program in the past and profess no current interest, we believe they should be tried again. Key elements include down payment assistance, rehabilitation loan funds, counseling, and technical assistance. Potential sources of funding include credit unions and donations tax credits. The Chamber of Commerce might be enlisted to lead the exploration and organization of such efforts.

The Federal National Mortgage Association (FNMA or Fannie Mae) offers assistance to businesses in creating Employer Assisted Housing (EAH) Plans, which may be targeted to all employees, or specific types of employees (non-management staff or first-time homebuyers), and may include all homes or homes that meet specific criteria, such as homes located in specific neighborhoods. Fannie Mae works with businesses and lender-partners in matching the best EAH structure to support employee needs and community strategies. Some of the programs are grants, forgivable loans, deferred or repayable loans, matched savings, interest rate buy-downs, shared appreciation, and homebuyer education.

3. Home Ownership Support

Increasing homeownership among those who can afford it (those with roughly over \$20,000 to \$25,000 in household income depending on household size) remains important. In addition to employer-assisted homeownership programs, the Home Ownership Made Easy (HOME) program, emergency repair assistance, and other financing programs, the City could establish a Value Insurance program to address nervousness about housing values and loss of investment in certain areas of the City, as discussed below. (Please note that we recognize that there are many homeowners in Peoria with lower incomes than the \$20,000 suggested as the cut-off. We are not suggesting that these existing owners not be assisted, but rather suggest that the City should focus its future efforts on households that have a level of income that will allow them to more easily handle the ongoing responsibilities of home ownership.)

4. Value Insurance

Value insurance programs “guarantee” that a homeowner will not lose value on a home purchased in specific areas of the City by providing resources for reimbursement of any loss in housing value at the time of resale. A municipality or a non-profit neighborhood group through the creation of a fund typically establishes this type of program. These funds have taken the form of voluntary pay-ins or special service areas (authorized only for Chicago at this time). However, a fund could potentially be supported by a Foundation, major employers/institutions in the area, or by the City. The homeowner typically is not guaranteed a gain in housing value, but is protected against loss of equity at the time the homeowner sells the home.

This program removes one of the key barriers to investment in disadvantaged neighborhoods and could be used with other homebuyer assistance and mortgage insurance programs to encourage homeownership in certain targeted areas of the City. For example, HUD offers FHA Mortgage Insurance (Section 223 (e)) to low- to moderate-income homebuyers to protect lenders against the risk of default on mortgages to finance the purchase, rehabilitation, or construction of housing in older, declining, but still viable urban areas where requirements for other mortgage insurance cannot be met.

5. Coordinated Infrastructure Investment

Capital spending on streets, sidewalks, street trees, lighting and other basic facilities should be concentrated to maximize impact and expedite the enhancement of the basic appearance of the Target Area neighborhoods.

6. Coordinated Public Services

Efforts on the part of the police department, library, park district, and schools to provide high-quality services should be coordinated. Among other issues, 7AM to 7PM children's activities using school, library and park resources may help to address certain perceptual issues as well as attract stable, middle-income families to live in the Target Area neighborhoods. Such programs would provide a unique and higher quality of life for moderate-income households and create a competitive advantage for the neighborhoods in which the programs were available. In the Target Area tracts, such efforts could be supported by CDBG funds and available to households of all income levels, while elsewhere in the City such funds would need to be targeted only to low-moderate income households.

Total Quality Management of Existing Housing

A culture needs to be established in which poor housing quality is not acceptable and in which housing standards are enforced systemically. No matter where in the system (building permit, code violation) and whether owner or renter, a higher standard of housing quality needs to be established and achieved. Key elements include:

1. Comprehensive Review of Codes Impacting Housing Quality

While codes for new construction follow national norms, there will need to be an exploration of what requirements can be systematically applied retroactively, upon rehabilitation, sale, or change of occupancy. The goal would be to apply something like the HUD Section 8 standards to all units, particularly rental units. These might include:

- Energy Code
- Rehabilitation Code
- Appearance Code

These would supplement the BOCA Property Maintenance Code that currently is being used to address housing quality issues in Peoria. The City will need to consult with legal counsel to establish a comprehensive set of codes and to determine which codes can be retroactively imposed and how. Further, there is likely to be a good deal of sensitivity on the subject, requiring a process of consensus-building.

2. Systematize Enforcement of Housing Standards

The permitting process, rental registration, normal inspection process, Section 8 inspections, and city financial assistance programs all provide intervention opportunities to initiate enforcement of housing quality standards. Processes and priorities might be reviewed to strengthen enforcement and ensure consistency. Many communities require occupancy permits to be obtained whenever there is a sale or a change in occupancy, including rental properties, and a condition of being granted an occupancy permit is code inspection and compliance. This is something that could potentially be considered for Peoria. The City also may be able to require

renewal occupancy permits every certain number of years to allow for interior inspections and enforcement of codes.

3. Provide Targeted Financing for Retroactive Code Provisions

As will be further discussed, rehabilitation loan programs should provide additional assistance to address housing quality and long-term viability issues as a condition to funding other rehabilitation. We recognize that the complexities added by the new lead-based paint requirements must be addressed in detailed program designs.

4. Establish a Housing Advocacy Program

One of the roles the neighborhood organizations can play is to identify housing problems and code issues, bring forward complaints, and then follow-up during the legal or administrative review process. The presence of neighborhood activists at hearings can help to ensure that repeat complaints are addressed.

5. Encourage Complaints and Protect Complaining Tenants, and Provide Appropriate Procedures to Support Landlords Seeking to Evict Destructive Tenants

A landlord-tenant ordinance establishing the rights and responsibilities of both parties may be helpful.

6. Expand Home and Apartment Maintenance Courses and Home Improvement Fairs

The City could expand existing programs and support additional programs by neighborhood organizations, CHDOs, and industry groups such as home remodeling contractors, realtors, lenders, and home centers.

7. Coordinate Infrastructure Investment

Please see the Neighborhood Stabilization section of this report.

8. Support and Expand Neighborhood Clean-Up, Green-Up Programs

Provide seeds, plants and instruction for residents to use on their property and help organize, in conjunction with neighborhood organizations, systematic spring and fall clean-up campaigns

Leverage Resources For Affordable Housing Development and Investment

In order to maximize investment in housing, particularly for housing production and rehabilitation to meet Peoria's housing needs and gaps, the City has recognized the need to leverage other available resources. Given the mix of housing issues noted, rental housing needs to receive greater attention in addition to the continuing efforts to increase homeownership and rehabilitate owner-occupied housing. Available non-City resources include private financing by homeowners and rental property owners, other governmental programs such as tax credits and housing bonds, the efforts of developers in new and/or rehabilitated housing, and lending by

banks and other financial institutions, non-profit organizations, foundations, and businesses, and major employers.

CITY'S ROLE

It is our recommendation that the City's affordable housing program be used to fill financing "gaps" in the development and rehabilitation of housing, as well as to assist homebuyers and renters with housing costs. Conceptually, City funds should be linked both to new construction and rehabilitation projects sponsored and/or developed by homeowners, rental property owners, developers of for-sale housing, rental housing developers, and not-for-profit housing development organizations. To the extent possible, City funds in support of ownership, development and rehabilitation should be "nested" with private financing through private lender loan origination, packaging, and servicing of "layered" financing that uses City funds as grants or lower interest loans within the context of a larger project. Supplemental homebuyer and rental assistance should be used to assist households in matching their resources with available units.

The City's orientation would be one of partnership with the private and not-for-profit institutions with responsibility for housing in the private sector. The City would seek to encourage the involvement of other participants, both for-profit and not-for-profit. The City's role changes from being the primary funder (using entitlement funds) to 1) being the funder of last resort; 2) supporting CHDOs and other not-for-profit CDC-type organizations; 3) encouraging private developers with various tools and incentives; and 4) serving as administrator of a limited number of assistance programs.

FUNDING SOURCES

In addition to the City's annual Entitlement Funds, the City could consider leveraging funding from other sources. In some cases, the City could pursue the funds; in others, the City would market the availability of the funds to not-for-profit and for-profit developers to pursue. The specific use of the funds should be earmarked to the specific programs based on the requirements of the funding sources and the proposed structure of each of the programs.

- **Corporate Funds** - To a limited extent, the City could consider leveraging its corporate funds to support its affordable housing programs. However, if the City considers using its own corporate resources, it should be structured in a way where the City gets repaid, possibly with a profit.
- **Foundations** – corporate, bank, financial institution, insurance company, family and other foundations all are potential sources of funding for affordable housing. Each donor has its own application process and application due dates. For the most part, only not-for-profit organizations can apply, but the project can be a joint venture or partnership between a not-for-profit and a for-profit developer or the City.
- **Employer-Assisted Housing/Employer Donations** – As discussed previously, some of major employers in the City may be interested in implementing an employer-assisted housing program, which could provide grants for closing costs, pre-purchase and pre-certification programs to be held at the place of employment, down payment assistance,

equity loans, and first and second mortgages to certain categories of employees or to employees who choose to live within specified areas of the City. It also is possible that even if some of major employers in the City do not wish to administer their own housing program, they may be interested in donating money to various not-for-profit groups that support neighborhood revitalization, housing rehabilitation, new construction, and provision of affordable housing for the neighborhood in which it operates.

- **Donation Tax Credit** – This is a new state-administered tax credit program recently passed by the Illinois Legislature which can assist not-for-profit housing developers to raise equity for their development projects. For this program, a not-for-profit organization would secure donations from private citizens, organizations, corporations or others, in the form of cash or convertible securities or goods, such as a car, building or other item of value. The donation is valued and the donor receives a certificate of credit that can be applied to its State Income Tax liability. The donor also may deduct the donation on its federal income tax return.
- **Low Income Housing Tax Credits (Section 42)** – Administered through IHDA, this program can be used to provide equity to a housing developer through the sale of tax credits to individuals and corporations. Banks often buy the credits individually or through a pool and apply these credits to their Community Reinvestment Act (CRA) obligations. The equity is generally coupled with a first mortgage from a conventional lender and often other “soft second” mortgages from Home Funds or other funds. The scheduled rents are based on the federal formula (by family size) and are affordable to households at 40% to 60% of median with layered financing.
- **Illinois Housing Development Authority Low Income Trust Fund Loan** – This loan is available to for-profit and not-for-profit developers in support of the provision of affordable for-sale and rental housing for very-low and low-income families. Applications are accepted two to four times per year and the maximum award is \$750,000 per project. The funds are structured as a loan with a negotiated annual payment, and the remainder due when the property is sold or ceases to serve very-low and low-income families.
- **Federal Home Loan Bank, (FHLB) Affordable Housing Program (AHP)** – The Federal Home Loan Bank offers a \$500,000 grant to support the development of affordable housing. These grants are available to for-profit and not-for-profit developers, provided certain conditions of occupancy are met.

PROGRAM INITIATIVES

It is our recommendation that seven programs to increase leverage be considered by the City:

- 1) Lender-Based Rehabilitation Financing;
- 2) New Infill Housing Development or Acquisition-Rehabilitation;
- 3) New Rental Housing Development;
- 4) Creation of CHDOs and Other Nonprofit Housing Organizations;
- 5) Shallow Rental Assistance;

- 6) Continued Support of Home Ownership Made Easy (HOME) and Related Programs; and
- 7) Emergency Homeowner Assistance.

Based on the review of these programs by the Affordable Housing Ad-Hoc Committee, the following three programs were identified as priority programs for implementation: Lender Based Rehabilitation, New Rental Housing, and Emergency Homeowner Assistance.

This section of the report outlines the possible parameters of each of the programs in terms of requirements, target markets, administration, and the type and mix of City assistance that should be considered. The specific design of each of the programs would need to be worked out in more detail with the various housing partners (nonprofits, lenders, developers, etc.). The specific pools of City money that would be used for each of the programs would also need to be determined as part of detailed program design based on the specific requirements of each of the sources of funding (CDBG, Home, ESG, etc.). Specific program examples in other cities are located in **Appendix 3**.

1. Lender-Based Rehabilitation Financing (Owner Occupied and Rental Housing)

The basic premise behind a lender-based program is to involve private lenders in rehabilitation financing. The City's existing rehabilitation loan programs would be consolidated, restructured, and made available as gap financing as part of a total loan package for rehabilitation by homeowners or investor-owners of rental property. The amount of the public assistance would be based on the overall project cost and either the borrower's income or the property's income. Code improvements would receive priority for City funds, including the recommended energy code. Depending on the extent of rehabilitation, lead-based paint compliance may be required and should be included as part of the overall project to be financed. Financial institutions and/or not-for-profits would be used to help market loans, package the financing, perform underwriting, and service the loans.

Parameters of City Assistance

- Eligible activities could range from targeted rehabilitation projects (i.e., roof repair, heating/plumbing systems) to comprehensive rehabilitation projects;
- Assistance for all rehabilitation projects should first address code compliance (including Energy Codes and life-safety codes), lead-based paint compliance, and then other housing rehabilitation needs/desires. When a building code violation is issued, the violator would be notified of the program. The cost of any required code compliance and lead-based paint mitigation should be included in the overall development cost and financing structure of the project;
- For owner-occupied units located in the Target Area or that have low- to moderate-income homeowners, a portion of the assistance could be a grant as an incentive. For example, 50% of the first \$10,000 of rehabilitation could be a recoverable grant (not to exceed \$5,000 per unit). A junior mortgage would be placed on the property and would be forgiven over a 5-year period and the grant would be recovered by the City if the property were sold within that period of time; the recovery rate would be a subject of

further program design, but might be set at 50% of any gain in value up to the unforgiven grant amount.

- For single-family rental properties located in the Target Area, 50% of the first \$10,000 of rehabilitation could be a recoverable grant from the City (not to exceed \$5,000) as an incentive for rehabilitation. For multi-family investment properties located in the Target Area, the City could offer \$2,500 per unit up to 50% of the total rehabilitation cost. A junior mortgage lien would be placed on the property and would gradually dissipate over a five-year period. The grant would be recovered by the City if the property is sold within that period of time unless the new owner agreed to continue to rent the units at levels affordable to low- and moderate-income households (essentially below HUD's Fair Market Rents);
- The remaining project financing could include a combination of equity from the property owner, conventional loans, federally insured mortgages, and low- or zero-interest loans. The maximum loan amount of financing available to the project would be set as a certain percentage of the "as completed" market value of the housing unit less outstanding mortgages. Homeowners could be encouraged to refinance any outstanding conventional first mortgages to take advantage of currently low interest rates, which would allow the homeowner to support a larger second mortgage;
- All work should be performed in a manner that is consistent with all City codes, including the recommended Energy Code and Rehabilitation Code. More stringent HUD Housing Quality Standards should be imposed upon landlords where possible.

Illustrative Financing Scenarios

1) Homeowner Rehabilitation Assistance-Complete First Mortgage Refinance:

Annual Family Income-Family of Four:	\$25,000
Income Available For Mortgage (@22%)	\$5,500

	A	B
Mortgage Terms	<u>@6.5%, 30 Yrs.</u>	<u>@8.5%, 30 Yrs</u>
Maximum Affordable Mortgage:	\$72,521	\$59,600
Total Rehabilitation Cost	\$45,000	\$50,000
Less City Recoverable Grant	(\$5,000)	(\$5,000)
Net Rehabilitation Cost to be Financed	\$40,000	\$45,000
Outstanding Existing Mortgage (Assumed):	\$20,000	\$25,000
Total Net Rehabilitation Cost:	<u>\$40,000</u>	<u>\$45,000</u>
Total New Mortgage Needed	\$60,000	\$70,000
As Completed Appraised Value of Property	\$55,000	\$55,000
Supportable Mortgage-Insured Lender (@97%)	\$53,350	\$53,350

Total Mortgage Needed	\$60,000	\$70,000
Less Conventional Mortgage	<u>\$53,350</u>	<u>\$53,350</u>

Additional Assistance Needed:	\$6,650	\$16,650
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Supportable Second Mortgage:

Income Available For Mortgage Payments	\$5,500	\$5,500
<u>Less First Mortgage Payment</u>	<u>(\$4,085)</u>	<u>(\$4,964)</u>
Cash Available for Second Mortgage:	\$1,415	\$536

Needed Second Mortgage	\$6,650	\$16,650
Supportable Second Mortgage:	\$9,284	\$3,517
@ Terms:	10 yrs, 8.5%	10 yrs., 8.5%

Additional Assistance Needed:	\$0	\$13,133
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Notes and Assumptions:

1. The mortgage interest rate and term in **Example A** is based on low-income borrower at IHDA's rate or a comparable program. **Example B** assumes that the borrower is ineligible to borrow at lowest rate and would be required to take out a first mortgage at the then current terms.
2. A Second Mortgage from the City could carry an interest rate and term which could match the conventional financing terms or could be a lower interest/zero interest rate loan payable monthly depending on project cost and income of applicant. In **Example A**, the borrower potentially could support a second mortgage from the City at 8.5% interest over 10 years and repay the City the entire amount of the project. In **Example B** the homeowner could only support \$3,517 at 8.5%, over 10 years. The City most likely would need to provide additional assistance of \$13,133 to the homeowner, which could be structured as a no interest loan due at sale.

2) Homeowner Rehabilitation Assistance-Rehabilitation Financing Only

Annual Family Income-Family of Four:	\$25,000
Income Available For Mortgage (@22%)	\$5,500

Existing Mortgage Terms	<u>@7.5%, 30 Yrs</u>
Original Balance and Payment	30,000/\$2,540
Existing Mortgage Balance:	\$25,000

Total Rehabilitation Cost	\$27,500
<u>Less City Grant</u>	<u>(\$5,000)</u>
Net Rehabilitation Cost to be Financed	\$22,500

As Completed Appraised Value of Property	\$55,000
Total Supportable Financing @ 90%)	\$49,500
Available Financing Capacity	\$24,500
Rehabilitation Financing Needed	\$20,000
Supportable Second Mortgage:	
Income Available For Mortgage Pmts.	\$5,500
Less First Mortgage Pmt.	(\$2,540)
Cash Available for Second Mortgage:	\$2,960
Needed Second Mortgage	\$22,500
Supportable Second Mortgage:	\$19,422
@ Terms:	10 yrs., 8.5%
Additional Assistance Needed (Gap):	\$3,078

Notes and Assumptions

1. This example assumes that the homeowner finances only the cost of the rehabilitation, and does not refinance the first mortgage.
2. The gap financing could be structured as a no-interest loan forgivable over a ten-year period, with the City recapturing it from the increased value of the property upon resale within that time period up to the amount of the second mortgage.

Administrative Options

There are several options that could be used to administer a lender-based rehabilitation program. Three possible administrative options are: A) by a community lending department within a financing institution, B) through a multi-institutional lending consortium, and C) through one or more designated not-for-profit organizations.

A. Community Lending Institution

This program would be administered within a community lending department of a financial institution. The purpose of the department would be to intake, review and analyze loan applications for rehabilitation projects in certain geographic areas or for borrowers that would not typically qualify under the normal financing standards. Applications would be taken for owner-occupied and rental properties. A community lending department would have special criteria on which to base its review of the project, such as:

- Lower loan to value ratios: typically 1.2 or 1.25; lowered to 1.1;
- Lower interest rates;

- Longer mortgage terms;
- Fewer points and fees; and
- Possibly lower underwriting standards – where the financial institution may take more risk or use additional insurance programs to manage credit risk.

Each loan would be reviewed and analyzed according to its individual merits, as well as its potential impact on the community and neighborhood. In exchange for making these loans, the financial institution receives CRA credit and the financial institution would receive administrative and servicing fees.

How the program could work:

1. A homeowner or investor-owner makes an application for a loan for rehabilitation.
2. The lending institution undertakes a basic review of the application including all of the due diligence items normally reviewed for a real estate loan.
3. If the project qualifies for complete financing on its own merits, the bank makes the loan including the grant portion to come from the City. However, if a financing gap is determined between the amount of first (or second) mortgage the applicant can support and the amount of money needed to complete the project, the bank recommends the project to the City or to a local not-for-profit that has funds to administer.
4. An application is filed with the appropriate “gap” lender (City or not-for-profit) who does not have to undertake significant due diligence because it has already been completed by the bank except to determine which funds to be used in financing the “gap.”

A determination is made as to the best type of financing to give the applicant, which could include a recoverable or forgivable grant, a zero- or low-interest second (and possibly a third) mortgage, or equity participation.

In the case of larger projects (say a single owner rehabilitating 20 or more units), the “gap” financier may recommend that the applicant seek funds from additional sources, such as: the Illinois Housing Development Authority (IHDA), the Federal Home Loan Bank (FHLB), or a foundation.

The conventional loan would be decreased to an affordable level by providing the secondary and/or tertiary financing. The City or not-for-profit would support the application and assist the borrower to locate technical assistance.

5. When the financing package is complete, the construction or rehabilitation begins. The conventional lender would undertake approving the paper work and making the payouts. The City would be responsible for monitoring construction and ensuring that the various codes are being met. A junior mortgage lien would be

placed on the property to ensure that the City or not-for-profit recaptures its loan or recoverable grant as specified in the financing documents.

6. After the work is completed and the final closing has been held, the bank would service the loan and would collect and distribute to the City or not-for-profit their repayments. The bank would receive a fee for the service and would monitor the loan on an on-going basis.

B. A Lending Consortium

In order to share or spread the risk of making loans in distressed areas or to borrowers that have credit issues, several financial institutions could create a loan pool with each institution depositing a share in proportion to its share of the aggregate deposits. The consortium could be operated within one of the institutions or by a separate organization that could be created. In addition to the deposits of the member banks, the organization could seek additional funds from other providers, such as foundations or major employers in the area. The consortium would work much like the single bank model described above, but would be able to undertake riskier loans because the risk would be shared.

C. Lending Program Within Established Not-For-Profit Organizations

Create a program where banks and other real estate lenders work with one or more not-for-profit organizations to market, originate, and package rehabilitation financing. The agency would provide technical assistance to the applicant to complete the necessary paperwork and work with the City to process the secondary financing. In addition to the traditional due diligence performed by conventional lenders, the nonprofit would:

- Provide credit counseling, where needed;
- Provide homeownership or renter classes;
- Oversee construction or rehabilitation;
- Provide money management classes;
- Provide referrals to other agencies if required; and/or
- Other optional roles, such as monitoring, serving, or possibly direct lending.

After the lending package has been completed, the organization could monitor and service the loan(s) or turn these tasks over to the lender that provided the first mortgage funds. The loan servicer would collect a service fee. Because the bank has ultimate responsibility to its depositors and shareholders, it may be unwilling to allow others to service the loans.

Program Examples

Information on similar programs for the following communities is provided as an appendix:

- Macon, GA
- Baton Rouge, LA

- Milwaukee, WI
- City of New Orleans-Partnership with financial institution for rehabilitation loans for homeowners.
- Waukesha County, WI-Lending consortium
- Charleston, SC: Charleston Bank Consortium

2. New Rental Housing Development (Including Seniors)

The City would seek additional developers of rental housing for general and/or for specific sites. This process might include the effort to obtain Hope VI for Harrison Homes, and also for other projects. City resources including entitlement (HOME) funds, and TIF could be used to leverage tax credits, IHDA Trust Fund, DCCA, and FHLB funds in support of developers who build affordable housing.

Scattered Site Affordable Rental Units

For scattered site, infill rental projects, the City could encourage not-for-profit and for-profit developers to apply for tax credits for financing for single-family homes or other small buildings. These affordable rental properties could be managed by an approved management company which could also be a designated not-for-profit. For these projects a lease/purchase arrangement maybe set up (similar to PCCEO's lease-purchase program), where after fifteen years, the tenant could become a homeowner. Scattered site units should be focused as much as possible outside of the Target Area to disperse the concentration of affordable housing to other areas of the City. The City could solicit a developer or developers to City-owned sites, and could donate the land at no cost to the developer.

Affordable Units Within Market Rate Apartment Projects

The City would encourage developers of market-rate apartment projects to include a percentage of the units for low- and moderate-income households. This could be encouraged by assisting these developers with the packaging of requests for assistance (e.g., tax credits; IHDA Trust Fund; Federal Home Loan Bank). This would overcome the developer's lack of familiarity with such programs and the relatively high cost and complexity of seeking assistance for only a portion of the units in a project. One possible incentive is to provide upfront grants in the amount of \$5,000 to \$10,000 per affordable unit to help defray the added legal fees and other costs associated with applying for public financing for the affordable units.

To facilitate the development of affordable new rental housing within market-rate projects, the City would need to establish a relationship with private developers. The City would identify the developers that are active in the market through building permits and other sources and could meet with them individually or conduct a developer conference to review the incentives and programs available to build affordable units. The City would work with these developers by identifying available funding sources, providing technical assistance in completing applications, and providing incentives to encourage developers to include affordable units as part of their market-rate projects

Affordable Senior Housing

The City should encourage and support the development of high-quality affordable senior housing. The programs that are available to developers are as follows:

- **Section 42 Tax Credits**-The program provides equity to a housing developer through the sale of tax credits to individuals and institutions. The equity is generally coupled with a first mortgage from a conventional lender. The scheduled rents are based on the federal formula to be affordable to lower income seniors (40 to 60% of median). Layered financing can be used to reach the target income groups and appropriate rents for the market. Other sources of financing include the Low Income Housing Trust Fund, the Federal Home Loan Bank, or other sources, which could be used either instead of or in addition to CDBC or HOME funds.
- **Section 202**-Seniors with a very-low or low income (defined as less than 50% of the area median) are eligible to live in housing built under Section 202 of the National Housing Act. Not-for-profit developers with 501 (C) (3) designation apply for funding for specific projects under the NOFA application process. For an application to be approved, the development must have the support of the local community, the project and application must conform to the local Consolidated Plan, and there must be a demonstrated need for the housing through waiting lists and other housing demand and demographic information. Federal representatives and local leaders are important to the process and must endorse the effort.

HUD provides construction financing at no interest to the developer. When the project is completed, a mortgage is written that is secured by the property. The mortgage is forgiven over a 40-year period provided the housing is used for the purpose designated – affordable housing for low-income seniors. Each resident in a Section 202 building pays 30% of his or her income for rent. HUD provides a PRAC (Project Rental Assistance Contract) that covers the difference between the income generated by the residents and the certified operating costs of the project. HUD monitors the “loan” while a management agent provides management services.

- **Supportive Housing/Medicaid**- A program of the Illinois Department of Public Aid uses the Medicaid waiver to provide supportive services to seniors to prevent or forestall nursing home placement. A resident in a supportive housing facility spends 30% of income on rent up to a scheduled rent level. All but \$90 of the remainder of his/her income is allocated to the service component, that includes: three meals per day, assistance with the Activities of Daily Living (ADL's), laundry and homemaking services, medicine reminders and transportation to medical and other appointments. Projects of this type have been funded conventionally, with tax credits and under the Section 202 program.

The City should encourage developers and nonprofits to take advantage of these programs for the provision of affordable housing for seniors. As part of the process, the City could provide sites,

or additional funding through the use of entitlement funds or other funds, as well as offer support to the applicant through the application process.

Support Peoria Housing Authority

The City should work with and provide assistance to the Peoria Housing Authority to improve existing public housing units, as well as to assist the Housing Authority in obtaining Hope VI funding for the redevelopment of Harrison Homes. Currently, there are approximately 449 units of public housing that are vacant. Of this, approximately 180 units are uninhabitable at Harrison Homes, 60 units are vacant at Pennsylvania Terrace, and the remaining 209 units are other vacant units at Harrison Homes. Currently, there is no waiting list for either Pennsylvania Terrace or Harrison Homes. The City should work with the PHA to improve the existing public housing stock through Hope VI, rehabilitation of existing public housing buildings to prevent them from going into disrepair, or for other improvements to keep these units marketable in the affordable housing mix.

3. Assist in Funding of New In-Fill Housing and Acquisition-Rehabilitation of Existing Housing (Not-For-Profit and For-Profit Developers, and Potential Homebuyers)

Funds can be used to reduce the price of new construction or acquisition/rehab of existing housing units to the levels supported by the values of surrounding homes and the income of the buyer. Therefore, a subsidy to reduce the selling price to appraised market value would work as an inducement to a buyer to buy a new or rehabilitated home. This addresses a typical buyer's concern that their house not be substantially more costly than surrounding homes and the problem of obtaining an appraised value substantially above that of surrounding homes for financing purposes. The intent is to encourage new and substantially rehabilitated housing in areas with low market values but generally viable markets. Since typical new and fully rehabilitated houses cost a minimum of \$80,000 to \$100,000 and typical resale houses in Peoria's older neighborhoods may sell for \$55,000 to \$75,000, a maximum subsidy of \$25,000 in the form of a forgivable junior mortgage is suggested as an inducement.

For acquisition/rehabilitation projects, vacant and for-sale homes would be targeted to avoid costly relocation expenses. City-owned vacant land could be used for new construction, or dilapidated structures could be acquired through condemnation, demolished, and transferred to developers.

Program Parameters

- Eligible activities would include acquisition, rehabilitation/new construction, marketing, and standard development fees/developer profit. The cost of any required lead-based paint mitigation, Energy Code compliance, and all other code compliance should be included in the overall development cost and financing structure of the project.
- City-owned vacant land and homes could be used, or the City could purchase and demolish dilapidated homes and offer the land to developers for new infill housing. Other sources of land and houses include: HUD, Veteran's Administration (VA), the County, estate sales, bank Real Estate Owned (REO) properties, and donations from individuals.

Acquisition and donation of any City-owned land should be included in the financing structure of the project (total project cost) so that the City can track its overall contribution to the project and get reimbursed for as much of the subsidy as possible.

- A City grant could be given to the developer as an incentive to complete the new construction or rehabilitation project (our example below assumes a grant of \$7,500 is given to the developer; however, this could be set higher or lower than this amount). This grant would be included in the overall project financing structure and could be released to the developer upfront, with a payback provision if the project is not completed, or at some other point in the development process.
- The housing developer would obtain conventional construction financing for the remaining development costs (which would be ‘taken-out’ by the homebuyer’s financing).
- A mix of down payment assistance, grants, and low interest loans could be used to subsidize low- to moderate-income homeowners to afford these homes. The assistance could include a low-interest, federally insured first mortgage, as well as a forgivable second mortgage loan from the City, which would be amortized and forgiven over ten years, recaptured at sale, or left in place for a subsequent qualified buyer.
- All rehabilitation and new construction work should be performed in a manner that is consistent with all City codes, including the recommended Energy Code and Rehabilitation Code. More stringent HUD Housing Quality Standards should be imposed where possible.
- Various mortgage and insurance programs are available to assist homebuyers and not-for-profit investors to purchase and rehabilitate homes up to the FHA loan limits, including 203 (k) Mortgages, which are used in conjunction with FHA Section 203 (k) mortgage insurance, and Title I Home Improvement Loans, which are used in conjunction with FHA Title I Mortgage Insurance.
- Fannie Mae also offers a Developer Mortgage designed for developers/rehabbers experienced in property renovation to purchase homes in need of repair or renovation at owner-occupant interest rates and loan-to-value ratios based on the “as completed” value of the property. The homebuyer could then assume the loan from the developer.
- Other mortgage insurance programs through FannieMae and FHA provide mortgage products and insurance for credit risk borrowers and for investment in underserved areas.

Sample Financing Scenario-New Construction

Total Development Cost to Developer:	\$80,000 (Assumes Free Land)
<u>Appraised Value of House (@110% of Existing Houses):</u>	<u>\$55,000</u> (Assumed Sales Price)

Total Subsidy Needed:	\$25,000
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Grant to Developer:	\$7,500
<u>Forgivable 2nd Mortgage on House:</u>	<u>\$17,500</u>
Total Subsidy	\$25,000
Total Project Cost:	\$80,000
Sources of Funds:	
Grant to Developer:	\$7,500
<u>Homebuyer Financing:</u>	
Down Payment Equity (3% of \$55,000)	\$1,650
Supportable First Mortgage (based on Appraisal)	\$53,350
<u>Forgivable 2nd Mortgage on House:</u>	<u>\$17,500</u>
Total Sources of Funds	\$80,000

Notes and Assumptions:

1. This example is based on a new infill housing project. The example and financing mix would be similar for a purchase-rehabilitation project, where the total project cost would include both property acquisition and rehabilitation.
2. A first mortgage amount of \$53,350 is affordable to a homebuyer with an annual household income of \$22,565, based on 8.5% interest rate over 30 years, and 22% of income used to support mortgage costs.
3. In cases where the Appraised Value of the House is higher than the \$55,000 shown, a portion of the \$25,000 maximum subsidy could be used to subsidize a lower income homebuyer. For example, if the market value of the home was \$70,000, the developer would receive the \$7,500 grant, a homebuyer earning \$25,000 per year could support a first mortgage of approximately \$59,000, homebuyer equity would be \$2,100 (3% of appraised value of house), and the remaining \$11,400 gap could be filled with a second mortgage of \$11,400. The second mortgage would be forgivable over 10 years and the City could recapture up to 50% of appreciation in property value up to the outstanding second mortgage amount if the property is sold before that period of time.
- 4) This program should be used in neighborhoods where existing home values /appraised values limit the needed maximum subsidy to the \$25,000 level. In areas where the market value of the home would require more than a \$25,000 subsidy to reach market values, the City should consider using a tax credit, lease-purchase program in partnership with a local not-for-profit, which would own and lease the property to a homebuyer.

Program Administration

The City should take the lead role in administering the program. The City would market the program to potential developers and not-for-profits and would work with lenders to do the

construction loans. The City's CHDOs and HOME office would work to qualify potential homebuyers.

How the Program Could Work

1. The City could identify land or houses to be redeveloped as part of the program and could offer the land to developers. The City could take an active role in soliciting developers by issuing an RFP for development on one or more sites, or could offer the property to nonprofit organizations covering the area in which the property is located. Both for-profit and non-profit developers would also be able to bring forth projects on their own or in partnership to participate in the program.
2. For both vacant land and existing structures, the City would perform due diligence on the property that they have acquired, including environmental studies and soils testing, land clearance, and preparing the site for development. Prior to acquisition of properties for the purchase/rehabilitation program, the City would send an inspector to the house to survey the condition of the home, determine the scope of work that would be required consistent with all building codes, and estimate the cost and financial feasibility of the project. If it is found that the cost of the rehabilitation exceeds the demolition and new construction costs, the City should clear the land, prepare it, and offer it to developers.
3. For new construction, City-owned properties would be given or sold to a developer for a nominal fee on the condition that it is developed for a specific purpose designated by the City (i.e., single-family homes, low- to moderate-income owner-occupied).
4. The City would accept and review developer applications, perform due diligence, and review design/rehabilitation work along with consulting architects. The program should be flexible enough to permit expansion of the basic house design to accommodate large families, a family with a member who has special needs, and some modifications in finishes for families with more disposable income.
5. The total development cost is estimated based on projected construction costs, City construction standards, and a fair market profit to the developer.
6. As an alternative to conventional construction financing, entitlement funds could be made available to the developer for construction. (This should be made available to build a model, in the case of new construction, with little or no interest charged during the marketing period. A Section 108 CDBG float loan would be an interesting vehicle for this program). Where other interim financing is required, the City could be the interim lender, charging a lowered interest rate.
7. The City through its existing HOME program would work to match specific homeowners with new/rehabbed housing in the market. Working with the participating lenders, the City could pre-qualify a pool of homebuyers for participation in the program.
8. Selected lenders would review the loan applications and determine the exact subsidy needed by an eligible family. Arrangements would be made to build or rehab the house

and the subsidy provided at closing. The bank that provides the first mortgage would service the loan.

Program Examples

Augusta, GA-Housing Rehab and Infill Housing

4. Emergency Homeowner Assistance

Emergency home repair funds need to remain available to support very low- and low-income (at or below 60% of median) homeowners and others in clear emergencies. Limits should be raised to a level that reflects actual cost experience with the types of repairs covered (furnaces, plumbing, electrical, etc.). This program could continue to be administered by the City or cooperatively with not-for-profit agencies.

- Eligible activities would include small emergency housing repairs that must be addressed to make the unit habitable, such as furnace replacement, heating/cooling, plumbing, and electrical repairs.
- Where possible HUD Housing Quality Standards should be used to define the types of repairs to address the conditions that render a unit “uninhabitable” for the purpose of the program.
- Maximum project costs should be raised from the City’s current \$2,500 cap because according to interviews with rehabilitation specialists, this amount is not sufficient for certain repairs that are needed. The maximum funding amount should be set above the typical cost for the most extensive housing repair that would be allowed under the program.
- Assistance could include low-interest loans and recoverable grant financing for low- and moderate-income homeowners, earning 60% of median household income or less, where there is an emergency or a short-term credit problem but there is an ability to repay the funds. Very low-income households would be eligible for grants or recovery upon sale.

The City or a not-for-profit organization would write scope of work and solicit bids from contractors. As the work is completed the City would monitor construction quality and code compliance and would pay the contractor directly.

5. Encourage CHDOs and Other Not-For-Profit Organizations

Expanding the role of not-for-profit participants also is important. Entitlement funds can be used for organizational support and capacity building to enable more such organizations to undertake projects and/or partner with for-profit developers. Each project then would be financed through the appropriate mix of conventional and governmental sources, calling upon private equity and debt as well as other sources, such as foundations.

6. Shallow Rental Assistance

There is currently a waiting list of households for project based public housing and Section 8 vouchers. Based on our cursory review of the list, many of the households have incomes that are extremely low. A portion of HOME funds could be used to provide rental assistance to those renter households with incomes between 40% and 50% of median to enable them to afford units at or below HUD FMR guidelines and which meet Section 8 standards. These subsidies might range from \$100 to \$200 monthly and could be managed to help shift the highest income Section 8 vouchers holders to the City's program and reserve the Section 8 vouchers to lower income households, thereby indirectly encouraging the federal government take a larger share of the subsidy burden.

This program would be administered by the City or in conjunction with the Section 8 voucher program. A major impediment for this program is the continuing nature of the subsidy. Also, the income of some participants may not increase equally with the rent, often creating a need for additional subsidy. Therefore, the incomes of the voucher holders (both Section 8 and City) need to be evaluated annually against HUD's fair market rents.

How the program would work:

1. Establish a fund to provide the subsidies. Some communities use tax income from gasoline, real estate transfer tax or license and permitting fees. It would need to be from a source that could be used on an annual recurring basis in order to continue the program.
2. Develop an application for both individuals and landlords to complete to determine eligibility for subsidy. It may be politic to establish a maximum number of units that can be assisted in any property and to encourage landlords with properties in non-low-income areas to apply for funds.
3. The assistance could be portable or attached to a property or a combination. There are pros and cons to each. Portable subsidies would allow tenants access to more neighborhoods while building-based subsidies insure the continuation of affordable units.
4. Based on the amount of subsidy available and the number of income eligible tenants, an account at a local bank would be established. This facility would create a program wherein the designated amount would be deposited to the landlord's bank (either the landlord recipient or the landlord of the unit leased by the eligible tenant) every month.

Program Examples

Nashville, Tennessee-Rental Assistance Program

7. Continued Support of Home Ownership Made Easy (HOME) and Related Programs

The City should continue to support and expand the Home Ownership Made Easy Program. The program could be strengthened with such additions as encouraging lenders to use FHA programs intended to help address poor credit, and continued homebuyer and home maintenance

education. Other programs that could be used to assist existing homeowners as well as new homeowners include:

- Illinois League of Financial Institutions' Affordable Housing Down Payment Plus Program;
- "It Takes A Home to Raise a Child", through the Department of Commerce and Community Affairs, assists renters who are at risk of losing their home. There also is a similar program for owners pending in legislation;
- The FHA mortgage programs offer mortgage insurance for credit risk homebuyers; and
- Others to be determined

9. Implementation/Next Steps

Based on our analysis of the City of Peoria's housing needs and gaps, five priority actions have been identified for implementation of the recommended affordable housing policies and programs. These actions may cut across several strategy areas.

- 1. Task Force on Organizational and Neighborhood Group Roles.** The City should create a task force to focus on establishing a comprehensive, citywide structure of not-for-profit housing and neighborhood organizations. The agenda for this task force would include:
 - Define current capacities, responsibilities and service areas of existing not-for-profits and neighborhood groups in providing affordable housing and improving neighborhoods in order to meet Peoria's overall affordable housing and neighborhood needs;
 - Review and re-define role of the Neighborhood Development Commission, and/or explore the potential for an umbrella organization to coordinate the various initiatives and groups toward a common vision; and
 - Establish a process and resources to build the capacities of certain not-for-profit housing agencies to become Community Housing Development Organizations (CHDOs) to help carry out the programs of the affordable housing plan.
- 2. Housing Quality Initiative.** The City should take the lead in a comprehensive review its current building codes and enforcement procedures to identify where more stringent codes can be adopted and enforced as an initial step in achieving total quality management of housing. This may include:
 - Assess potential for adoption of additional codes, including Rehabilitation Code, Energy Codes, and more stringent HUD Housing Quality Standards, including a legal review of retroactive application of new codes and standards;
 - Evaluate potential for adopting occupancy permit program;
 - Consider task force of landlords and tenant associations to explore the potential in adopting a landlord-tenant ordinance; and
 - Establish a system that allows and encourages neighborhood groups to actively get involved in the code enforcement process, such as reporting violators and participating in the hearing process.
- 3. Establish Financial Partnerships and Leverage.** Create a task force of financial institutions and not-for-profits to design the specific parameters of the leverage programs, including:

- Identifying those financial institutions which are willing to and have the capacity to participate in the program;
 - Defining roles and responsibilities of the financial institutions, the City, and not-for-profits in marketing and administration of the programs;
 - Update the analyses of housing demand and existing housing stock characteristics when 2000 Census data are available at the Census tract level;
 - Design the specific parameters and target areas for each of the suggested programs; and
 - Develop and implement specific rules and procedures for leverage rehabilitation loans.
4. **Institute a Multi-Agency Neighborhood Stabilization Effort.** The City should take a leadership role in bringing together city agencies, the schools, parks, library district and appropriate community-based groups to develop a coordinated service strategy including:
- Strategies to address real and perceptual issues such crime and school quality;
 - The creation of a neighborhood-based capital improvement plan and budget with neighborhood groups, to include public infrastructure, sidewalks, street trees, and lighting;
 - Work within the framework of the homeownership made easy program to offer home repair/maintenance training, life skills workshops, and financing seminars; and
 - Explore potential role of major employers in neighborhood stabilization activities, including volunteer activities and sponsorship (neighborhood clean-up, tutoring, etc.), financial resources, and employer assisted housing programs.
5. **Administrative Restructuring.** Redefining the roles of the lending institutions, community groups, and neighborhood groups, and offering new housing policies and programs will require the City to re-evaluate its current structure and administrative procedures. This City will need to explore:
- Staffing needs, and redefined or refined roles and responsibilities;
 - New/revised reporting systems to capture performance data to measure the effectiveness of new and existing housing programs funded by the City;

- Need for additional staff person to be to seek additional funding from governmental and non-governmental sources, and establish liaison with developers;
- Expanded staff support for HOME to support expanded educational programming to include home repair and maintenance in addition to home-ownership counseling; and
- Refine City budget to be consistent with the designed programs, and roles and responsibilities of City departments, nonprofits, and participating banks.

LIMITATIONS OF OUR ENGAGEMENT

Our report is based on estimates, assumptions and other information developed from research of the market, knowledge of the industry, and meetings during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the report. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the report or to reflect events or conditions that occur subsequent to the date of the report. These events or conditions include without limitation economic growth trends, governmental actions, additional competitive developments, interest rates and other market factors. However, we are available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed affordable housing development strategy for the City of Peoria.

Our report is intended solely for your information and should not be relied upon by any other person, firm or corporation or for any other purposes. Neither the report nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan or other agreement or any document intended for use in obtaining funds from individual investors.

We acknowledge that our report may become a public document within the meaning of the freedom of information acts of the various governmental entities. Nothing in these terms and conditions is intended to block the appropriate dissemination of the document for public information purposes.

***Appendix 1: Household Trends
Back-Up Tables***

***Appendix 2: Affordability and Occupancy
Back-Up Tables***

Appendix 3: Program Examples