



PY2019
Lake County Consortium
Affordable Housing
Project Guidelines

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1. Introduction

The PY2019 Lake County Affordable Housing Project Guidelines is intended to inform potential funding applicants of the many rules and regulations that accompany all funding sources and serve as a referral source to additional information. This guide is a summary and is by no means exhaustive. Recipients of Lake County Consortium funding are expected to be familiar with the federal regulations and abide by all local, state, and federal rules during the application process, for the duration of project activities, and throughout the period of affordability (as applicable). The Lake County Consortium includes Lake County, the City of Waukegan, and the City of North Chicago. The Consortium collaborates to distribute federal and local grant funds for the purposes of furthering the goals identified in the Lake County 5-Year Consolidated Plan. Lake County Community Development (LCCD) acts as the Consortium's lead entity.

2. Use of Affordable Housing Funds

The Lake County Consortium 5-Year Consolidated Plan

The current 5-year Consolidated Plan, the 2015 - 2019 Housing and Community Development Consolidated Plan, is available on the Lake County website at the following URL:

<https://www.lakecountyil.gov/1946/Consolidated-Plan>.

A. Goals

In addition to affirmatively furthering fair housing, Lake County's Consolidated Plan helps identify housing needs and use these identified needs to develop housing goals that are most relevant to the immediate needs of Lake County residents. The plan has 10 total goals, 3 of which are furthered with affordable housing projects and programs. All affordable housing projects must address at least one of the goals in bold below.

1. **Rehabilitate Existing Housing: Affordable & Special Needs: *To acquire and/or rehab existing buildings in order to provide a decent home and a suitable living environment for low-and moderate-income households and special needs populations.***
2. **Develop New Housing: Affordable & Special Needs: *To expand Lake County's affordable and mixed-income housing stock in order to provide a decent home and a suitable living environment for low and moderate income households and special needs populations. Activities may include providing infrastructure to new affordable and mixed-income housing.***
3. Assist People Without a Home: *To end homelessness in Lake County.*
4. **Subsidize Housing for Low/Mod Income Families: *To provide direct assistance to facilitate and expand homeownership among and/or to provide rental assistance to persons of low and moderate income.***
5. Provide Adequate Low/Mod Income Area Infrastructure: *To revitalize deteriorating or deteriorated neighborhoods, potentially assisting in paying assessments levied against properties owned and occupied by persons of low and moderate income to recover the capital cost for a public improvement.*
6. Revitalize Low/Mod Income Area Business Districts: *To alleviate physical and economic distress through the stimulation of private investment and community revitalization in areas with declining tax base. Activities may include providing infrastructure that benefits businesses such as improved water or sewer service in a business area.*

7. Assist People with Disabilities: *To provide both services to people with disabilities and accessibility modifications to the homes, facilities and workplaces of people with disabilities, including the elderly.*
8. Provide Welcoming Communities: *To foster welcoming, inclusive and neighborly suburban communities.*
9. Create Jobs for Low/Mod Income Workers: *To create or retain jobs for low- and moderate-income persons by providing assistance to small business incubators, small businesses and/or microenterprises.*
10. Provide Services for Job Stability: *To support low and moderate income workers in need of job training, of transportation for access to employment or of access to affordable, quality child care.*

Funding Sources

There are three sources of affordable housing funding in Lake County, including two federal sources and one local source. Federal housing funding is awarded by the U.S. Department of Housing and Urban Development (HUD), and includes both HOME Investment Partnerships Program (HOME) funding and Community Development Block Grant (CDBG) funding. Local housing funding is from Lake County and is called the Lake County Affordable Housing Program (LCAHP). Most rules and regulations detailed in these guidelines apply to all three funding sources; however, some funding sources have greater or lesser restrictions. If any portion of these guidelines indicate "LCAHP only," then that portion of the guidelines applies to LCAHP projects and is not applicable to other funding sources. The federal regulations that govern the HOME program are detailed in the Code of Federal Regulations in Title 24 Part 92, and can be found at the following URL: <https://ecfr.io/Title-24/pt24.1.92>. The federal regulations that govern the CDBG program are detailed in the Code of Federal Regulations in Title 24 Part 570, and can be found at the following URL <https://ecfr.io/Title-24/pt24.3.570>.

Definition of Housing

Affordable housing funding is only to be used for *permanent* housing, and may include single-family housing, permanent housing for eligible subgroups, transitional housing, single-room occupancy units, or group homes. Affordable housing funding **cannot** be used for temporary housing, such as student housing or half-way houses. Affordable housing funding also cannot be used for emergency shelters or facilities; however, these projects may be eligible to apply for funding under other Lake County funding sources such as Public Improvements or Human Services grants. All affordable housing funding must also be used for income eligible households. Income eligibility is determined by the total income of a household. HOME and CDBG-funded projects must be used only for households that fall at or below 80% of the Area Median Income (AMI) for Lake County. LCAHP-funded projects may assist households up to 100% AMI. The Area Median Income is determined by HUD and published annually. Lake County publishes an annual Income & Rent Limits document, which is available both on the table below and on the Lake County website at the following URL:

<https://www.lakecountyil.gov/DocumentCenter/View/12800/Income-and-Rent-Limits-PDF>.

Income Limits

Each household benefitting from affordable housing funding must qualify as income-eligible below the following income limits:

Income Limits¹

¹ Income limits for 30%, 50%, 60%, and 80% AMI as published by HUD. Income limits for all other income levels are calculated based on Very Low Income (50% AMI) limit.

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
30% AMI	\$17,800	\$20,350	\$22,900	\$25,400	\$27,450	\$29,500	\$31,500	\$33,550
50% AMI	\$29,650	\$33,850	\$38,100	\$42,300	\$45,700	\$49,100	\$52,500	\$55,850
60% AMI	\$35,580	\$40,620	\$45,720	\$50,760	\$54,840	\$58,920	\$63,000	\$67,020
80% AMI	\$47,400	\$54,200	\$60,950	\$67,700	\$73,150	\$78,550	\$83,950	\$89,400
100% AMI	\$59,300	\$67,700	\$76,200	\$84,600	\$91,400	\$98,200	\$105,000	\$111,700
120% AMI	\$71,160	\$81,240	\$91,440	\$101,520	\$109,680	\$117,840	\$126,000	\$134,040

CDBG Effective: June 1, 2018

HOME Effective: June 1, 2018

3. Project and Program Types and Descriptions

Eligible affordable housing activities are divided into two major categories: projects and programs.

A *project* is site-specific and typically involves the acquisition, rehabilitation, and/or new construction of housing. Projects can be homebuyer, rental, and/or lease-to-purchase projects. Please note that eligible projects can contain market rate units in addition to affordable units, provided that the number of affordable units is commensurate with the amount of affordable housing funding requested.

A *program* is a set of activities designed to provide assistance to income-eligible families where the beneficiaries determine the location of the activities. Examples of programs include homeowner occupied rehabilitation, homebuyer assistance, and tenant-based rental assistance.

*Projects (Homebuyer or Rental) Benefitting Households at or below 80% AMI**

- Acquisition, rehabilitation, resale
- Acquisition, new construction, resale
- Rehabilitation, resale
- New construction, sale
- Lease-purchase development (Homebuyer only)
- Infrastructure site prep for new housing (may be eligible)

*Programs Benefitting Households at or below 80% AMI**

- Homeowner Rehabilitation (Owner-Occupied Rehab)
- Homebuyer Assistance (Downpayment assistance)
- Tenant-Based Rental Assistance
- Housing Counseling (may be eligible)
- Foreclosure Prevention (eligible under LCAHP only)
- Rental Risk Mitigation Fund (eligible under LCAHP only)

*Activities that benefit households at 81-100% AMI are eligible under LCAHP only

4. Project Timeline

Absolutely no project can begin before Lake County Community Development (LCCD) completes an environmental review. This process takes 30 days *minimum*.

All affordable housing projects have strict deadlines. **Noncompliance with deadlines may result in the repayment of funds to Lake County Community Development and/or HUD.**

- **Initiation deadline: 6 months.** Once a recipient has signed their grant agreement with LCCD, the project must begin within 6 months.
- **Project completion deadline: 18 months.** Once a project has begun, the project must be complete within 18 months. The definition of project completion will vary by the project, but each have requirements that must be met and documents that must be submitted before a project can be considered complete.
- **Rental lease-up deadline: 6 months.** All rental units developed through rental activities must be leased to eligible households within 6 months of construction completion. After 6 months, recipients must submit a marketing plan to Lake County Community Development. If units are not rented within 18 months, the entire funding amount must be repaid to LCCD.
- **Homebuyer sales deadline: 9 months.** All homebuyer units developed through homebuyer activities must be sold to eligible households within 9 months of construction completion. Any units not sold will be converted to rental units. The recipient will be responsible for property management, including all Period of Affordability requirements associated with rental projects!
- **Lease-purchase sales deadline: 36 months.** All lease-purchase units developed through homebuyer activities must be under lease-purchase contracts with eligible households within 9 months of construction completion. All units under lease-purchase contracts must be sold to the homebuyer within 36 months of executing the lease-purchase contract, including transfer of title. Any units not sold will be converted to rental units. The recipient will be responsible for property management, including all Period of Affordability requirements associated with rental projects!

5. Project Financials

A. Payment

Recipients of Lake County Community Development affordable housing funds receive funding on a reimbursement basis. Recipients must pay for the costs associated with the project, then submit a voucher for reimbursement. A voucher template is available at the Lake County website at the following URL: <https://www.lakecountyil.gov/1930/Grantee-Information-Training>. All costs must be supported with documentation, including invoices and proof of payment.

Retainer

Throughout the construction period of a project, LCCD will withhold a 15% retainer from the total amount of funds allocated. Upon construction completion, the recipient may request the 10% Construction Completion Retainer. The final 5% of funds, the Beneficiary Retainer, may only be requested once the recipient has executed agreements (leases or sales contracts) with beneficiaries of all project units and has submitted all accompanying documentation to LCCD. This documentation may include completion reports, copies of homebuyer agreements or rental leases, or other documentation as applicable.

B. Match

All affordable housing projects and programs must contribute 25% of the total HOME, CDBG, or LCAHP funding as “match.” Match is a permanent contribution or donation to affordable housing units that is not derived from a federal source. Owner equity or investment in the project does **NOT** count as match. Lake County affordable housing funding recipients typically use local donations of funding, land, or supportive services to meet their 25% match obligation. Types of eligible match include:

- Cash contributions from non-federal sources, including grants, deferred payment loans, and amortizing loans from:
 - State appropriations
 - State or local revenue
 - Housing trust funds
 - Foundation grants and private donations
 - Housing finance agency reserves
 - PI from HODAG or UDAG or RRP
 - Below-market interest rate loans
- Donations
 - Donated Land or Other Real Property
 - Donated site-prep/construction materials
 - Donated use of site prep/construction equipment
 - Donated or voluntary labor/professional services
- Foregone Taxes, Fees, and Charges
- On-site and off-site infrastructure
- Proceeds from Affordable Housing Bonds
- Sweat equity
- Direct costs of supportive services provided to HOME-assisted tenants during the period of affordability
- Homebuyer counseling

Please note that many of these match sources are only eligible under certain circumstances.

C. Subsidy Limits

In addition to underwriting all projects for financial feasibility, the Lake County Community Development must ensure that all affordable housing projects meet federal limits including maximum rent limits (rental only), maximum per-unit subsidies, and maximum homeownership value limits (homebuyer only).

Rent Limits

The rent limits are included in the Income & Rent Limits document, which is published annually and available on the Lake County website at the following URL: <https://www.lakecountyil.gov/DocumentCenter/View/12800/Income-and-Rent-Limits-PDF>. The Low HOME and high HOME rent limits are the maximum allowable rent that property managers of HOME-assisted rental units may charge tenants. The rent limits are assumed to include utilities. If utilities are not included, the maximum rent that can be charged is the rent limit minus the utility allowance, which is explained in further detail below. The rent limits change annually. The rent limits may decrease, and property managers may be required to decrease the rent they charge tenants in HOME units; however, the rent can never decrease below the rent approved at initial lease-up of the property. All property managers must submit a rent increase request to Lake County at least 45 days prior to increasing rent and may not increase rent until receiving written permission from the Lake

County Community Development. All property managers must also distribute notice to tenants at least 45 days prior to increasing rent.

Rent Limits							
	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6BR
Low HOME Rent	\$741	\$793	\$952	\$1,100	\$1,227	\$1,354	\$1,480
High HOME Rent	\$879	\$1,014	\$1,180	\$1,420	\$1,564	\$1,707	\$1,851
Fair Market Rent	\$879	\$1,014	\$1,180	\$1,501	\$1,794	\$2,063	\$2,332
50% Rent Limit**	\$741	\$793	\$952	\$1,100	\$1,227	\$1,354	\$1,480
65% Rent Limit**	\$959	\$1,029	\$1,237	\$1,420	\$1,564	\$1,707	\$1,851

Effective: June 1, 2018

Tenant paid utilities must be subtracted from the above rents to calculate the maximum allowable rents.

*** For Information Only: 50% and 65% Rent Limits are used only for projects funded with Low-Income Housing Tax Credits.*

Utility Allowance

Utility allowances must be calculated for any HOME-assisted rental units that do not include utilities in the rent charged. The purpose of calculating utility allowances is to ensure that housing is affordable for low income tenants. HUD determines what is an affordable housing cost for households of various income levels and publishes that as the Low HOME and High HOME rent limits listed above. Though these limits are called “rent limits,” these totals include all costs associated with housing, including the costs of rent *and* utilities. Any HOME-assisted rental units that do not include utilities must reduce the rent by the amount the tenant pays for utilities. As the amount the tenant pays for utilities cannot be known ahead of time, the property manager must calculate a fair “utility allowance” according to federal rules and deduct the utility allowance from the rent charged.

Prior to August 23, 2013, federally subsidized affordable housing rental units could use the local Public Housing Authority’s (PHA) utility allowance schedule to determine the utility allowance. Lake County Community Development-funded rental projects that were funded prior to August 23, 2013 may continue to use the utility allowance schedule of the local PHA (Lake County Housing Authority, North Chicago Housing Authority, or Waukegan Housing Authority). **Projects funded after August 23, 2013, must use the HUD Utility Schedule Model (HUSM) or another approved method to calculate the utility allowance annually.** The HUD Utility Schedule Model and instructions are available from the U.S. Department of Housing and Urban Development website at the following URL: <https://www.huduser.gov/portal/resources/utilallowance.html>. Rental projects must calculate the utility allowance annually, which may be a significant time commitment.

Per-Unit Subsidy

While all sources of affordable housing funding must invest only on a cost reasonable basis, the HOME program has explicit maximum per-unit subsidy limits. The HOME per-unit subsidy limits are included in the Income & Rent Limits document, which is published annually and available on the Lake County website at the following URL: <https://www.lakecountyiil.gov/DocumentCenter/View/12800/Income-and-Rent-Limits-PDF>. While the maximum per-unit subsidy is the absolute limit, a cost allocation process is used during underwriting to determine the amount of funding that is appropriate for each project. The majority of units will not qualify for an amount close to the HOME maximum subsidy limit.

The minimum subsidy per unit is \$1,000, with the exception of TBRA.

Maximum Per-Unit Subsidy – Section 234 x 2.4 (240% HCP)					
	0 BR	1 BR	2 BR	3 BR	4+ BR
Elevator Limits	\$144,050	\$165,134	\$200,801	\$259,774	\$285,149

Effective: November 7, 2017

Homeownership Value Limits (After Rehab Value)

To ensure that federal funds are being used appropriately on modest housing, HUD has maximum homeownership value limits which are the maximum allowable value of any unit developed with HOME funding. The limit is calculated by HUD as 95% of the median purchase price for similar units in the area, but the Lake County Consortium may publish their own limit with the Annual Action Plan. In the absence of a Lake County Consortium limit, all funding recipients must use the HUD-published limit. The homeownership value limits are included in the Income & Rent Limits document, which is published annually and available on the Lake County website at the following URL: <https://www.lakecountyil.gov/DocumentCenter/View/12800/Income-and-Rent-Limits-PDF>.

Depending on the type of project, the “value” of a unit in a project is determined by the sales price of that unit or the estimated after rehab value.

HOME Homeownership Value Limits (95% Rule)				
	1-unit	2-unit	3-unit	4-unit
Existing Housing	\$214,000	\$274,000	\$331,000	\$410,000
Newly Constructed Housing	\$249,000	\$319,000	\$386,000	\$478,000

Effective: April 1, 2018

Application Production Workbook

All affordable housing application for development projects requires a housing production workbook. There are two housing production workbooks, one for projects that involve the development of homebuyer units and one for projects that involve the development of rental units. This workbook is necessary for Lake County Community Development to conduct the underwriting and subsidy layering process required by federal regulations.

Environmental Review & Inspections

Absolutely no project can begin before Lake County Community Development (LCCD) completes an environmental review.

6. Project Requirements

Overall, the sponsors of affordable housing projects and programs must adhere to federal requirements that govern all aspects of the project from the early stages until well after construction is complete and units are rented or sold. Section A below contains a list of federal requirements that apply to affordable housing projects.

A. Federal Requirements

The following federal requirements apply to all Lake County Consortium affordable housing projects and programs:

- *Nat'l Environmental Policy Act (NEPA) (24 CFR Part 58)*
- *Federal uniform administrative requirements (2 CFR Part 200)*
- *HOME (24 CFR Part 92) or CDBG (24 CFR Part 570)*

Portions of the above federal requirements that are most salient to recipients of affordable housing funds are discussed in further detail throughout this document; however, recipients of funds must adhere to federal requirements beyond those discussed in these guidelines. The following list includes federal requirements that will apply to applicants but which are not discussed elsewhere in this document:

- No Lobbying
- Audit
- Records Access
- Conflict of Interest
- Drug Free Workplace
- Contract Work Hours & Safety Standards Act
- Copeland "Anti-Kickback" Act
- Fair Housing & Equal Opportunity

Details regarding the above federal requirements will be present in affordable housing project grant agreements, as applicable.

B. Construction Requirements

i. Lake County Consortium Property Rehabilitation Standards

All affordable housing projects must adhere to Lake County Consortium Property Rehabilitation Standards, which are available on the website at the following URL: <http://www.lakecountyil.gov/1930/Grantee-Information-Training>. To ensure adherence to rehab standards, all projects are subject to three types of inspections by Lake County during project construction:

- Initial inspection (mentioned below and ordered upon issuance of NTP; see *Section 6.C. Reporting Requirements*)
- Progress inspection
- Final inspection

Findings of noncompliance during any inspection may require additional inspections.

ii. MBE/WBE

It is the policy of Lake County Community Development that Minority Owned Business Enterprises (MBE) and Women Owned Enterprises (WBE) have equal access to business opportunities resulting from LCCD-funded projects. When reviewing project applications, LCCD will consider the extent to which the applicant incorporates MBE/WBE into the scope of the project. At a minimum the applicant must ensure nondiscrimination in contract awards and make a good faith, comprehensive, and continuing effort to provide opportunities to MBE/WBE. Recipients of LCCD funds will be required to identify all MBE/WBE utilized on their project and document efforts in obtaining bids, price quotes or proposals from MBE/WBE.

iii. Davis Bacon (Federal Labor Standards)

CDBG - The Davis-Bacon Act (40 USC, Chapter 3, Section 276a-276a-5; and 29 CFR Parts 1, 3, 5, 6 and 7) is triggered when construction work over \$2,000 is financed in whole or in part with CDBG funds. It

requires that workers receive no less than the prevailing wages being paid for similar work in the same area. Davis-Bacon does not apply to the rehabilitation of residential structures containing less than eight units or force account labor (construction carried out by employees of the grantee).

HOME - Any HOME project for the construction of affordable housing with 12 or more units assisted with funds made available under this subtitle shall require that not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis Bacon Act (40 U.S.C. 276a-276a-5), shall be paid to all laborers and mechanics employed in the development of affordable housing involved, and participating jurisdictions shall require certification as to compliance with the provisions of this section prior to making any payment under such contract.

Davis Bacon wage rates are available at the following URL: <https://www.wdol.gov/dba.aspx>

iv. Illinois Prevailing Wage Act

In addition to adhering to all federal guidelines, contractors must also adhere to the Illinois Prevailing Wage Act (820 ILCS 130/.01-12). The Illinois Prevailing Wage Act (IPWA) identifies minimum wages for laborers, workers and mechanics who perform work on public works projects.

The IPWA requires that identified Illinois prevailing wages must be honored throughout the course of a project, even if that minimum wage changes during the course of a project schedule. To that end, eligible wages must be the higher of either the determined Davis-Bacon wages or Illinois prevailing wages throughout the course of a project, as described in the respective acts. The current effective Prevailing Wage rates can be found on the Illinois Department of Labor website at the following URL: <https://www2.illinois.gov/idol/Laws-Rules/CONMED/Pages/Rates.aspx>.

v. Section 3

Any contract receiving direct federal financial assistance from the Department of Housing and Urban Development (HUD) is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, U.S.C. 1701u. Section 3 requires that to the greatest extent feasible, opportunities for training and employment be given lower income residents of the project area and contracts for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by, persons residing in the area of the project. All applicants will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of Housing and Urban Development and all applicable rules and orders of the Department. Recipients of LCCD funds will be required to identify all Section 3 Businesses utilized on their project and document efforts in obtaining bids, price quotes or proposals from Section 3 Businesses. HUD maintains a Section 3 Business Registry and is available online at the following URL: <https://portalapps.hud.gov/Sec3BusReg/BRegistry/What>

vi. Lead-Based Paint Testing

All housing projects are subject to the Code of Federal Regulations found at 24 CFR Part 35 concerning testing, prohibition, and abatement of lead-based paint in federally-assisted housing. The applicant is responsible for assuring that appropriate testing, mitigation and hazard clearances are performed on the property. Housing units constructed prior to January 1, 1978 require that they be tested by persons having been trained and certified by the Illinois Department of Public Health (IDPH). The amount of Federal funds applied to the project shall determine the level of assessment, treatment and/or abatement.

C. Reporting Requirements

i. During Rehabilitation / Construction

- Prior to Site Acquisition,² developer shall provide to Lake County Community Development (LCCD):
 - Property address
 - Environmental condition reports, especially lead-based paint inspection results
 - Scope of work³ & cost estimate⁴
 - Proof of other funding sources
 - Appraisal/comps
 - Timeline
- Lake County shall provide Notice to Proceed (NTP) approval and order INITIAL INSPECTION
- Upon acquisition, developer will work with LCCD to record County's land use restrictions (LURA) on the property while it is under development with **affordable housing funding**.
- During the acquisition and construction period, developer can request reimbursement, given adequate progress and documentation, on a regular basis.
- It is typical to request reimbursement for each property in tandem with the required County inspections:
 - Initial inspection (mentioned above and ordered upon issuance of NTP)
 - Progress inspection
 - Final inspection
- Prior to obtaining contractor BIDS, developer shall:
 - Adjust scope of work as necessary to meet local codes, ordinances, ERR issues and the Lake County Consortium Rehabilitation Standards
 - Request review of bid packet by County for compliance with federal requirements
 - Obtain MBE/WBE and Section 3 contractor lists from LCCD
- During Construction, Developer shall:
 - Notify LCCD if the project falls out of compliance with the approved NTP budget and/or schedule;
 - Schedule LCCD for required labor compliance review(s)
 - Provide LCCD with copies of any changes in project inspection reports, building permits, subcontractor contracts and payments, plans, specifications
 - Review/refresh its affirmative marketing plan and/or tenant selection plan with LCCD
 - Be responsible for determining eligibility of:
 - Homebuyers according to Lake County Homebuyer Policy: Underwriting, Lending and Refinancing Guidelines.
 - Renters according to HUD Rental Limits.

ii. Selling or Renting to Project Beneficiary

- PRIOR to SALE or RENTAL of unit(s), developer shall submit to LCCD for homebuyer/renter approval:
 - Developer or AHCLC⁵ documentation that the homebuyer or renter is an eligible beneficiary with an annual income, adjusted for family size, below income limits based on third-party sources and/or employer verification
 - Proof that any homebuyer has completed housing counseling program
- Immediately after sale/rental of each unit of housing, developer must submit to LCCD:

² Or before choice-limiting action (contractual commitment) by Developer in regards to development/rehab

³ In adherence with Lake County Consortium Rehabilitation standards

⁴ Each budget will be analyzed by PJ for cost reasonableness, reasonable fees, adequate project financing, HOME funding gap, reasonable sales prices and projections, adequate construction costs, and financing

⁵ Affordable Housing Corporation of Lake County can provide income verification to other developers for a fee

- Either the RENTAL or HOMEOWNER REHAB Set-Up & Completion Form
- Copies of signed homebuyer agreements or leases
- Original mortgage and promissory note to be recorded as long-term lien

iii. After Activity Completion

- Sponsors, developers, and property owners/managers **must retain records for 5 years after the period of affordability is complete.**
- After the rental of each unit of housing, the owner must submit to LCCD:
 - Annual Compliance Documentation (as applicable, throughout the period of affordability; see *Section 6. D. Rental Housing and Group Home Requirements Annual Compliance Documentation* below)
- After the sale of each unit of housing, the owner must submit to LCCD:
 - Principal Residency Requirement documentation (as applicable, throughout the period of affordability; see *section E. iii. Annual Reporting Requirements* below)

D. Rental Housing and Group Home Requirements

Beneficiary Income Limits & Income Targeting

All affordable housing projects that develop rental housing, including group homes, are subject to rules regarding the income limits of tenants (project beneficiaries). Developments are required to set-aside a predetermined portion of units (HOME-assisted units or HOME units) that are reserved for low-income tenants throughout the period of affordability (see *Section E. Long-Term Requirements* below). Smaller developments, such as scattered-site developments, may be 100% HOME-assisted, while larger developments may have a small number of HOME-assisted units that are a portion of the total units in the development. The portion of HOME units in a large development is determined during underwriting.

Rental units are designated as High HOME or Low HOME units, which determines both the level of rent charged (see *Rent Limits* below) and the income levels of eligible applicants. At initial lease-up, all prospective tenants must be “income-qualified” with a review of their income and assets. High HOME units may only be rented to tenants with household incomes at or below 80% of the Area Median Income (AMI) (See *Section 2. Use of Affordable Housing Funds Income Limits* above) while Low HOME units may only be rented to tenants with household incomes at or below 50% AMI. The process for determining household income is proscribed by HUD and explained in *Compliance in HOME Rental Projects: A Guide for Property Owners* available at the following URL:

https://www.hud.gov/sites/documents/19760_2009HOMERENTALPO.PDF⁶. Group homes are not designated as either High HOME or Low HOME units; therefore, the income limits for tenants of group homes may vary and is determined in the grant agreement between LCCD and the project sponsor.

All tenants must be income-qualified annually (recertified) and source documentation must be maintained for 5 years past the period of affordability. Additionally, tenant information must be submitted to Lake County Community Development annually (see *Annual Compliance Documentation* below). All tenants must be income-eligible at initial lease-up, but tenant income may change while they are in the unit. If tenant income changes, the tenant is never asked to leave the unit; however, the property manager must take a series of corrective steps to ensure that they maintain the predetermined mix of High HOME and Low HOME units as listed in their grant agreements. If this

⁶ Please note that *Compliance in HOME Rental Projects* was published in 2009. HUD may have issued guidance that supersedes *Compliance in HOME Rental Projects* for some topics.

situation occurs, the property manager must be in communication with LCCD to approve the method of correction.

In addition to reserving High HOME and Low HOME units for households that meet income requirements, all affordable housing projects are subject to the Program Rule and the Project Rule. The Program Rule requires 90% of households assisted with HOME to have incomes at or below 60% AMI. The Project Rule applies to any project with 5 or more HOME-assisted units and requires projects to have at least 20% of units occupied by households at or below 50% AMI (with Low HOME rent).

Rent Limits

While beneficiary Income Limits determine who the units can be rented to, Rent Limits determine the rent that can be charged. The number of High HOME or Low HOME units in an affordable housing project is designated in the grant agreement. Property managers may charge up to the limits, minus utility allowances, associated with the type and size of the unit. These limits are published annually (See *Section 5.C. Subsidy Limits* above).

Group homes are not designated as either High HOME or Low HOME units and may charge Fair Market Rent (FMR) associated with the unit size. The FMR must be split equally among all members of the group home. This means that the property manager must charge each tenant their “fair share” of the rent, which will be a different amount depending on if the room is shared.

For single-room occupancy (SRO) units, the rent varies according to the facilities (food preparation and/or sanitary) available in the room. For more information on allowable SRO rents, see *Compliance in HOME Rental Projects: A Guide for Property Owners*, available at the following URL: https://www.hud.gov/sites/documents/19760_2009HOMERENTALPO.PDF⁷.

Lease Requirements

Property owners and managers of units assisted with affordable housing funding must adhere to federal requirements regarding lease terms and tenant selection criteria throughout the period of affordability. For more information on any of the lease requirements below, see *Compliance in HOME Rental Projects: A Guide for Property Owners*, available at the following URL: https://www.hud.gov/sites/documents/19760_2009HOMERENTALPO.PDF.

- **1-Year Lease Term:** Affordable housing funds are for permanent housing, and all rental units subsidized with affordable housing funds must offer, at minimum, lease terms of 1-year. If owners and tenants mutually agree to lease terms of less than 1-year, the property manager must have written documentation in the tenant file. Written permission must be signed by the tenant and must indicate that the tenant understands they have the right to a 1-year lease and would prefer a shorter lease term.
- **Lease Provisions:** To protect low-income tenants, HUD has a list of required and prohibited lease provisions. Additionally, leases must clearly state that owners or managers cannot terminate a lease without good cause. In the event an owner does terminate a lease, the landlord must provide the tenant with thirty-day written notice.
- **Affirmative Marketing and Tenant Selection Criteria:** Affordable housing owners and managers must have tenant selection policies that are fair and equitable. Tenant selection policies and procedures must be approved by Lake County Community Development; additionally, all applicants must submit an affirmative marketing plan.

⁷ Please note that *Compliance in HOME Rental Projects* was published in 2009. HUD may have issued guidance that supersedes *Compliance in HOME Rental Projects* for some topics.

- **Violence Against Women Act (VAWA):** The Violence Against Women Act is a U.S. federal law and applies to all recipients of federal housing dollars committed on or after December 16, 2013. Tenants who reside in housing assisted with affordable housing funding are eligible for the Lake County VAWA Policy and Emergency Transfer Plan. In addition to agreeing to abide by the provisions of the policy, property managers must provide notice to tenants. For more information, view the plan at the following URL: <http://www.lakecountyil.gov/DocumentCenter/View/19836/VAWA-Policy--Emergency-Transfer-Plan-PDF>.

Annual Compliance Documentation

All rental projects must submit annual compliance documentation throughout the period of affordability (See *Section E. Long-Term Requirements* below). All properties must submit the Annual Income Certification & Rental Compliance Log and the Property Standards Certification. Projects with 10 or more HOME units must also submit an annual Financial Report. LCCD sends electronic communications to property owners annually to request annual compliance documents. Property owners/managers are expected to submit the documents by the due date. Failure to submit compliance documentation may result in corrective action. Property owners and managers should anticipate dedicating staff time to the submission of annual compliance documentation.

Lake County Community Development holds an Annual Income Compliance Workshop once annually to help property owners and managers understand the submission requirements. The slides from the latest Annual Income Compliance Workshop is available on the Lake County website at the following URL: <http://www.lakecountyil.gov/1930/Grantee-Information-Training>.

- **Annual Income Certification & Rental Compliance Log**

The Log contains information regarding the household income and rent charged for all HOME-assisted units. The purpose of the log is to ensure that tenants meet income requirements and rents charged are within proscribed limits. While source documentation is not submitted with the logs, source documentation must be kept in tenant files at the property management offices for review during on-site monitoring.

- **Property Standards Certification**

The Property Standards Certification asks property owners to certify that the property continues to meet local and federal property standards and has no outstanding violations. The purpose of the certification is to ensure the property is habitable.

- **Financial Report**

The financial report provides information regarding the financial viability of the property. The purpose of the report is to help identify issues that might require intervention to ensure the viability of the project throughout the period of affordability.

Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA)

The URA is a federal law that protects residents from displacement. While the URA applies to all jurisdictions that distribute federal funds, including the Lake County Consortium, it is Lake County Policy to not accept any affordable housing applications that would trigger the URA.

E. Long-Term Requirements (Period of Affordability)

i. Period of Affordability Duration

In order to ensure that affordable housing funding is going towards units that will remain affordable in the long term, all affordable housing projects and programs are subject to a “period of affordability” based on the nature of the project and amount of funding expended. If the unit does not maintain compliance throughout the period of affordability, the unit is considered “ineligible” and the entire funding must be repaid. Please note that the period of affordability is applicable regardless of the type of assistance provided; grants and loans both incur a financial investment and therefore incur the period of affordability that accompanies the investment.

The duration of the period of affordability is determined according to the chart below:

<u>HOME Assistance Amount per Unit</u>	<u>Minimum Period of Affordability in years</u>
Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000	15
Any amount spent on new construction on rental housing	20

The period of affordability does not begin until the project is complete and the project sponsor has submitted all required documents to Lake County Community Development.

For programs that assist homebuyers and homeowners, such as downpayment assistance or owner-occupied rehab programs, the beneficiary must remain in the home throughout the period of affordability (Principal Residency Requirement).

For projects that create rental units, the unit must remain affordable throughout the period of affordability and can charge rents only up to the affordable limits published by HUD annually. For projects that create homebuyer units, the original beneficiary must remain in the home throughout the period of affordability. In some cases, the home may be sold to another income-eligible buyer; however, these types of scenarios require all options to be established in the grant agreement beforehand.

ii. LURA and Mortgage

To ensure compliance with the agreed-upon terms throughout the period of affordability, Lake County Community Development records restrictive covenants on all subsidized properties. Failure to comply with the terms of the restrictive covenants may result in repayment of the affordable housing funds or other corrective actions. Depending on the type of project or program, LCCD may use a combination of Land Use Restriction Agreements, Mortgages, and Promissory Notes. These documents are recorded or amended at key milestones throughout the project.

iii. Annual Reporting Requirements

For annual reporting required for rental properties throughout the period of affordability, please see *Section 6.D. Rental Housing and Group Home Requirements Annual Compliance Documentation* above.

For homebuyer properties, the beneficiaries of affordable housing funds are expected to remain in the property as their principal residence throughout the period of affordability. The process for confirming residency varies by project and is designated in the grant agreement and/or restrictive documents (LURA/Mortgage) placed on the property.

iv. Ongoing Inspections

Rental properties assisted with affordable housing funding are expected to maintain habitability standards throughout the period of affordability. Lake County Community Development will conduct ongoing inspections periodically throughout the period of affordability to ensure the property is up to habitability standards. Additionally, the property owner or manager must submit a property standards certification annually with annual compliance reporting materials (see *Section 6.D. Rental Housing and Group Home Requirements Annual Compliance Documentation* above).

Ongoing inspections are separate from “initial,” “progress,” and “final” inspections that occur during project construction, and only begin after the project construction is complete and the period of affordability has begun. Ongoing inspections will occur at least once every three years but may be as often as once per year. The frequency of inspections is determined by a risk rating; properties that repeatedly pass inspections may be inspected less frequently in the future, while properties with repeated deficiencies may be inspected more frequently. Deficiencies found by the inspector must be addressed by the property manager or owner. In order to ensure deficiencies are corrected, LCCD may require the property to be re-inspected or may accept evidence (e.g. invoices from contractors) that corrections have been made. Prior to inspections, LCCD staff will contact the property manager and schedule the visit.

v. On-Site Monitoring

Rental properties assisted with affordable housing funding and the organizations that sponsor the project are also subject to on-site monitoring throughout the period of affordability. On-site monitoring of property management offices ensure that information submitted on annual documentation (see *Section 6.D. Rental Housing and Group Home Requirements Annual Compliance Documentation* above) aligns with tenant records. On-site monitoring of organization offices ensure that the rental property remains viable and is not in danger of becoming “ineligible” during the period of affordability. As with inspections, on-site monitoring will occur at least once every three years but may be as often as once per year. Prior to on-site monitoring visits, LCCD staff will contact the organization to schedule the visit and communicate the documents that will be reviewed.

7. Application

A. Overview and Timeline

Milestone	Due Date or Meeting Date
Pre-Application Workshop	9/28/2018 3:30pm
Application Available	9/28/2018
Letter of Intent Due	10/12/2018
Application Due	12/12/2018

Advisory & Recommendation Committee Meeting	1/16/2019
Housing and Community Development Commission Public Hearing 1	February (date TBD)
Housing and Community Development Commission Public Hearing 2	March (date TBD)
Lake County Board Meeting	April (date TBD)

B. Application Scoring

The tables below describe the criteria used to score affordable housing applications. There is a scoring matrix applicable for housing *programs* and a scoring matrix applicable to housing *projects*. Applications that score below 70% will not be recommended for funding. Applications scoring 70% or more will be considered eligible for funding but are not guaranteed to be recommended for funding. The Lake County Consortium reserves the right to consider factors other than those listed in the Scoring Criteria.

Projects that score over 70% are eligible to receive a bonus of 5 points per HOME rental unit and 5 points per HOME supportive housing unit.

Application Scoring Criteria - Housing Programs

There are different scoring criteria for housing programs (this page) vs. housing projects (next page):

	PROGRAM SCORING CRITERIA	Max Score	Multiplier	Max Points	Notes
1	County Plan Goals	5	1	5	Addresses multiple Lake County Housing & Community Development Consolidated Plan Goals
2	Community Revitalization	5	2	10	Furtheres the implementation of other local or regional community plans
3	Geographic Priorities	5	3	15	Addresses North Chicago, Waukegan and/or Lake County Consolidated Plan Geographic Priorities
4	Viability/Market Need	5	3	15	Proof that there is demand for the program. Favorable local market conditions
5	Collaboration	5	2	10	Program involves local partners in public and/or private sector
6	Program Accessibility	5	6	30	Program is accessible in terms of population and geography
7	Agency Operating Capacity	5	5	25	Overall agency capacity (Board of Directors, financial management, etc.)
8	Agency Program Admin Capacity	5	6	30	Agency capacity to manage, implement, evaluate program
9	Program Feasibility	5	7	35	Overall programmatic and financial feasibility
10	Compliance	5	4	20	Capability to comply with Federal requirements including past experience
11	Financial Evaluation	5	12	60	Review of finances for agency and program. Funds committed.
12	Leveraged financing	5	5	25	Review of leveraged finances. LC funds are not sole financing
13	Match (HOME Only)	5	5	25	Review of HOME match
14	Cost reasonableness	5	6	30	Review of cost according to the requirements of the applicable funding program. Reasonable, allocable, allowable
15	Fees/Program Delivery	5	3	15	Review of the reasonableness and eligibility of fees/delivery
				350	

Application Scoring Criteria - Housing Projects

	PROJECT SCORING CRITERIA	Max Score	Multiplier	Max Points	Notes
1	County Consolidated Plan Goal	5	1	5	Addresses multiple Lake County Housing & Community Development Consolidated Plan Goals
2	Community Revitalization	5	2	10	Furtheres the implementation of other local or regional community plans
3	Geographic Priorities	5	5	25	Addresses North Chicago, Waukegan and/or Lake County Consolidated Priority Areas
4	Neighborhood Analysis	5	5	25	Provides housing units that meet neighborhood needs; Contributes to local diversity of housing choice while also fitting into neighborhood. ConPlan notes need for 3 bedrooms or larger.
5	Viability/Market Need	5	3	15	Proof of demand for the project. Favorable market conditions for lease up or resale.
6	Collaboration	5	2	10	Project involves local partners in public and/or private sector
7	Accessible Units	5	2	10	Units accessible to people with disabilities/limitations
8	Developer Capacity - Overall	5	4	20	Experience level of developer overall, including management experience, financial and procurement controls
9	Developer Capacity - Project S	5	6	30	Project-specific capacity of development team
10	General Contractor Experience	5	2	10	Level of experience of general contractor in managing this type of project and requirements or previous experience managing general contractor
11	Site Control	5	5	25	Clear control of the site (ownership, lease) [N/A for CHDO Pre-Development Loan]
12	Local Amenities	5	1	5	Access to amenities both public (parks/library) and private (retail/medical)
13	Project Adaptability	5	2	10	Ability to convert to other use
14	Project Leverage	5	5	25	Review of leveraged finances. LC funds are not sole financing
15	Project Feasibility & Readiness	5	6	30	Overall project feasibility & readiness
16	Financial Evaluation	5	12	60	Review of finances for agency and project. Funds committed.
17	Long-Term Compliance/Period	5	8	40	Rental: Agency experience with income and rent compliance (record-keeping, tenant mgmt, meeting affordability period); Homebuyer: Sound real estate legal documents; annual certification of principal residence; long-term affordability mechanism
18	Fees/Program Delivery	5	3	15	Review of the reasonableness and eligibility of fees/delivery
	HOME ONLY				
19	Match (HOME Only)	5	5	25	Review of HOME match
	CONSTRUCTION ONLY				
20	Construction costs per HUD m	5	6	30	Review of cost according to the requirements of the applicable funding program. Reasonable, allocable, allowable
21	Zoning	5	2	10	Site zoned for requested use
22	MBE/WBE	5	1	5	Capability to comply with Federal requirements including past experience
23	Section 3	5	1	5	Capability to comply with Federal requirements including past experience
	RENTAL ONLY				
24	Operating/Project Reserves	5	4	20	Sufficient to support long term success of project
				465	

For PROJECTS that meet the minimum eligibility threshold and are worthy of funding, BOTH of the following potential bonuses are available:
 Rental Housing BONUS: 5/HOME unit Supportive Housing BONUS: 5/HOME unit