

**Grantee: Lake County, IL**

**Grant: B-11-UN-17-0004**

**April 1, 2011 thru June 30, 2011 Performance Report**

**Grant Number:**

B-11-UN-17-0004

**Obligation Date:****Grantee Name:**

Lake County, IL

**Award Date:****Grant Amount:**

\$1,370,421.00

**Contract End Date:**

03/15/2014

**Grant Status:**

Active

**Review by HUD:**

Submitted - Await for Review

**QPR Contact:**

Jonathan Burch

## Disasters:

### Declaration Number

NSP

## Narratives

### Summary of Distribution and Uses of NSP Funds:

The Plan includes five separate activities:

- Administration -\$137,042;
- Activities in Waukegan -\$222,693 (2 areas of greatest need);
- Activities in North Chicago -\$178,155 (2 areas of greatest need);
- Activities in Lake County -\$489,925 (3 areas of greatest need); and
- Activities meeting the 25% Very Low Income Requirement -\$342,606.

The NSP 3 program will concurrently operate in Waukegan, North Chicago and Lake County. Within each of these activities, the program will address one target area at a time, moving on once the impact targets are met (e.g. NSP activities will not occur in Waukegan Area 2 until Waukegan Area 1 has been addressed). The order of implementation for each area of greatest need is based on local feedback on the preferred target areas. Activities meeting the 25% low income requirement can address any "active" area of greatest need. Permitted uses in each of the areas includes NSP Eligible Uses B, D, and E as appropriate.

### How Fund Use Addresses Market Conditions:

Lake County responded to the local market conditions by using a three step process to determine its areas of greatest need.

The first step in the planning process was to analyze how the NSP 1 target areas compared with the NSP 3 Need Scores and the County's current foreclosure data. The Lake County NSP 1 Plan called for the funding of eligible activities within the hatched areas shown on the NSP 1 Target Areas and Sites Map. These areas included substantial portions of five municipalities: Mundelein, North Chicago, Round Lake Beach, Waukegan and Zion.

HUD provides estimates of foreclosure need at the census tract level through "need scores." The scores range from 1 to 20, with a score of 20 indicating census tracts with the HUD-estimated greatest need for assistance. Seventy eight (78) of the three hundred and seventy eight (378) Census Tracts within Lake County contain need scores of 17 or higher, with most of these need scores located in the Waukegan, North Chicago, Zion and Round Lake areas (see NSP 3 Need Score Map). The NSP 3 Need Scores clearly overlap with the municipalities targeted through NSP 1.

With the help of the Lake County Planning Division, foreclosures between 1/1/2009 and 10/29/2010 and Sheriff's auctions between 12/1/2009 and 11/11/2010 were mapped. This data provided additional local information on the locations of foreclosures occurring in the past year. Based on the overlap between the NSP 1 target areas, the NSP 3 Need Scores and local foreclosure data, it was decided that the NSP 3 Plan should focus on the five primary municipalities identified in the NSP 1 Plan (Mundelein, North Chicago, Round Lake Beach, Waukegan and Zion).

The HUD focus on impact strengthens the decision to continue to focus on the five primary municipalities identified in the NSP 1 Plan. To measure impact, the HUD Need Score dataset also includes an estimate of the properties which the program will need to purchase in a given area to ensure that the NSP Program has a measurable impact. By ensuring that NSP 1 and NSP 3 target areas overlap, both rounds of NSP funding (the NSP 3 grant and the NSP 1 program income) can be brought to bear on each target area in succession to meet the impact goals. With only \$1.37 million in NSP 3 funding, it is important to augment these funds to ensure that the program can address as many areas as possible.

The second step in the planning process was to reach out to each of the five municipalities to determine the locally recommended boundaries for areas of greatest need within each community. Lake County Community Development staff met with representatives of each of the five municipalities to discuss the boundaries, providing local stakeholders with maps detailing NSP 3 Need Scores, locations of NSP 1 properties within the municipality and County foreclosure data. Based on these discussions, specific target areas within each municipality were determined along with recommended activities to occur within each area. Lake County staff also drove each area of greatest need to review the housing stock and ensure that the intended eligible uses could successfully be undertaken given HUD guidance on program design.

The final step in the planning process was the compilation of the recommended areas of greatest need for each municipality and the determination of how to organize these areas as part of a holistic plan. The NSP 1 program informs the tiered approach proposed in this Plan. Four organizations are responsible for implementing the County's NSP 1 Plan. The cities of North Chicago and Waukegan administer NSP 1 within the boundaries of each city. The Affordable Housing Corporation of Lake County (AHC) is responsible for implementing the County's program in the remainder of Lake County. The County's fourth partner, Lake County Residential Development Corporation (LCRDC), was selected through an RFP process to rehabilitate an 18 unit apartment complex in Zion that will address the 25% low income requirement. The NSP 3 Plan mirrors this structure and results in a tiered approach.

### **Ensuring Continued Affordability:**

The long-term affordability requirements will be the HOME program standards at 24 CFR 92.252(a), (c), (e), and (f), and 92.254. Additionally, the Resale and Recapture provisions outlined in the Lake County Consortium's Annual Action Plan apply to NSP assisted foreclosed and rehabilitated properties.

NSP-assisted units must remain affordable for the following terms (based on the average subsidy per unit). Enforcement of the affordability period will be through mortgage and deed restrictions.

- Rehabilitation of less than \$15,000 5 years
- Rehabilitation of \$15,000 - \$40,000 10 years
- Rehabilitation of \$40,000 + 15 years

If NSP funds assist a property that was previously assisted with HOME funds, but on which the affordability restrictions were terminated through foreclosures or transfer in lieu of foreclosure, the NSP recipient must revive the HOME affordability restrictions for the greater of the remaining period of HOME affordability or the continuing affordability requirements of the NSP program.

### **Definition of Blighted Structure:**

A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare. The objectively determinable signs of deterioration shall be the same as that found in the local ordinances which govern the area of greatest need in which the activity is occurring.

### **Definition of Affordable Rents:**

Per the NSP requirements, Lake County must define "affordable rents" and the continued affordability standards and enforcement mechanisms that it will apply for each/all of its NSP activities. Lake County adopts the HOME program standards at 24 CFR 92.252(a), (c), (e), and (f), and 92.254.

### **Housing Rehabilitation/New Construction Standards:**

Per the NSP requirements, any rehabilitation of an abandoned or foreclosed home or residential property shall be to the extent necessary to comply with applicable laws, codes, and other requirements relating to housing safety, quality, and habitability, in order to sell, rent or redevelop such homes and properties. More specific requirements include:

- All gut rehabilitation or new construction (i.e., general replacement of the interior of a building that may or may not include changes to structural elements such as flooring systems, columns or load bearing interior or exterior walls) of residential buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes.
- All gut rehabilitation or new construction of mid -or high-rise multifamily housing must be designed to meet American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent (which is the Energy Star standard for multifamily buildings piloted by the Environmental Protection Agency and the Department of Energy).
- Other rehabilitation must meet these standards to the extent applicable to the rehabilitation work undertaken, e.g., replace older obsolete products and appliances (such as windows, doors, lighting, hot water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers and dishwashers) with Energy Star-46 labeled products.
- Water efficient toilets, showers, and faucets, such as those with the WaterSense label, must be installed.
- Where relevant, the housing should be improved to mitigate the impact of disasters (e.g., earthquake, hurricane, flooding, fires).

As identified within the 2010-2014 Housing and Community Development Consolidated Plan, "substandard conditions" is defined as "quality of housing not in compliance with local housing code or Federal Housing Quality Standards (HQS), whichever is stricter." Substandard condition but suitable for rehabilitation is defined as "quality of housing with deficiencies economically feasible to correct." Housing, in substandard condition but suitable for rehabilitation, can be repaired according to local building codes and HQS and then be returned to the housing stock as safe, decent and sanitary.

>As stated within the Consolidated Plan - Needs Section for Lake County's Housing Rehabilitation Goal:

>"Although the majority of Lake County's housing stock is in generally good condition, pockets of substandard housing exist throughout the County, especially in low-income areas. Rehabilitation of both rental and ownership units are needed to improve these units to decent, safe and sanitary condition. In addition, the acquisition and rehabilitation of existing residential properties creates opportunities to increase the supply of affordable rental and ownership units."

>Use of NSP-funding for the acquisition and rehabilitation of vacant and foreclosed properties for (future) income eligible occupants will assist in this effort.

### **Vicinity Hiring:**

The heightened Section 3 requirements will be met through the following activity specific measures:

- Through the low-income component of its NSP 1 program, Lake County's partners have complied with existing Section 3 requirements, including soliciting Zion-based contractors as part of bid packages for project work. Similarly, Lake County will require that any user of the 25% funds identify and solicit local contractors employing individuals within the targeted area and will provide a preference for contractors who address the heightened Section 3 requirement.
- AHC currently operates a housing rehabilitation program which utilizes local contractors who draw workers from throughout Lake County.

A preference for contractors who employ workers from within the area of greatest need will be fostered by the inclusion of such targeted employment as a criterion in the bidding process.

- The City of North Chicago currently operates a housing rehabilitation program which utilizes local contractors who draw workers from the City of North Chicago. A preference for contractors who have or will employ workers from within the areas of greatest need will be fostered by the inclusion of such targeted employment as an aspect of the bidding process.
- The City of Waukegan currently operates a housing rehabilitation program which utilizes local contractors who draw workers from the City of Waukegan. A preference for contractors who have or will employ workers from within the areas of greatest need will be fostered by the inclusion of such targeted employment as a criterion of the bidding process.

**Procedures for Preferences for Affordable Rental Dev.:**

Lake County will show a preference for the dual requirements for targeting to low-income households and for the preference for the development of rental units through Activity NSP3-1. The relationship between the use of these funds and their impact on a target area will be addressed through the application process for the funds. This process will require that applicants explain how the inclusion of low income housing, whether rental or for-sale, fits in as part of the overall NSP plan for a given area of greatest need. As part of the application process, a preference shall be made for rental housing developments provided that the proposed rental housing fits within the overall plan to stabilize a given target area.

**Grantee Contact Information:**

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<b>Overall</b>	<b>This Report Period</b>	<b>To Date</b>
<b>Total Projected Budget from All Sources</b>	N/A	\$1,370,421.00
<b>Total CDBG Program Funds Budgeted</b>	N/A	\$1,370,421.00
<b>Program Funds Drawdown</b>	\$0.00	\$0.00
<b>Program Funds Obligated</b>	\$137,042.00	\$137,042.00
<b>Program Funds Expended</b>	\$0.00	\$0.00
<b>Match Contributed</b>	\$0.00	\$0.00
<b>Program Income Received</b>	\$0.00	\$0.00
<b>Program Income Drawdown</b>	\$0.00	\$0.00

**Progress Toward Required Numeric Targets**

<b>Requirement</b>	<b>Required</b>	<b>To Date</b>
<b>Overall Benefit Percentage (Projected)</b>		0.00%
<b>Overall Benefit Percentage (Actual)</b>		0.00%
<b>Minimum Non-Federal Match</b>	\$0.00	\$0.00
<b>Limit on Public Services</b>	\$205,563.15	\$0.00
<b>Limit on Admin/Planning</b>	\$137,042.10	\$0.00
<b>Limit on State Admin</b>	\$0.00	\$0.00

**Progress Toward Activity Type Targets**

<b>Activity Type</b>	<b>Target</b>	<b>Actual</b>
<b>Administration</b>	\$137,042.10	\$137,042.00

## Progress Toward National Objective Targets

National Objective	Target	Actual
NSP Only - LH - 25% Set-Aside	\$342,605.25	\$342,606.00

### Overall Progress Narrative:

Due to the HUD monitoring scheduled to take place at the end of July, Lake County has held off initiating new activities under NSP 3 until it receives the results of this monitoring. With positive feedback from HUD, Lake County will begin implementing NSP 3 in the next quarter. In the meantime, efforts to finalize the structure for homebuyer assistance along with improved monitoring and reporting systems are changes that will be used both for NSP 1 and NSP 3 (in fact many of these changes are implemented with the rollout of NSP 3 in mind). With the generation of program income from NSP 1 by the City of Waukegan and AHC, the County will begin working with these subrecipients in the upcoming quarter to find sites within the overlapping NSP 1 and 3 target areas.

### Project Summary

Project #, Project Title	This Report Period	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
9999, Restricted Balance	\$0.00	\$0.00	\$0.00
NSP3 -1, NSP3 25%	\$0.00	\$342,606.00	\$0.00
NSP3 -2, NSP3 Housing Rehabilitation	\$0.00	\$890,773.00	\$0.00
NSP3 -3, NSP3 Admin	\$0.00	\$137,042.00	\$0.00

### Activities

**Grantee Activity Number:** NSP3 -3

**Activity Title:** Lake County NSP3 Administration

**Activity Category:**

Administration

**Activity Status:**

Under Way

**Project Number:**

NSP3 -3

**Project Title:**

NSP3 Admin

**Projected Start Date:**

03/15/2011

**Projected End Date:**

03/15/2014

**Benefit Type:**

N/A

**Completed Activity Actual End Date:**

**National Objective:**

N/A

**Responsible Organization:**

Lake County CD Division

**Overall**

**Apr 1 thru Jun 30, 2011**

**To Date**

<b>Total Projected Budget from All Sources</b>	N/A	\$137,042.00
<b>Total CDBG Program Funds Budgeted</b>	N/A	\$137,042.00
<b>Program Funds Drawdown</b>	\$0.00	\$0.00
<b>Program Funds Obligated</b>	\$137,042.00	\$137,042.00
<b>Program Funds Expended</b>	\$0.00	\$0.00
<b>Match Contributed</b>	\$0.00	\$0.00
<b>Program Income Received</b>	\$0.00	\$0.00
<b>Program Income Drawdown</b>	\$0.00	\$0.00

**Activity Description:**

These funds will be used primarily for the general management, oversight and coordination of the Community Development Block Grant funded Neighborhood Stabilization Program. A portion of these funds will also be used for planning costs in connection with the development and certification of this Plan, the development of various performance report documents, and the development of continued application procedures in addition to general NSP project and program management activities. In addition, some of these funds may be used for special planning studies (if needed or requested). These funds will also be used to provide technical assistance for prospective CDBG funded NSP eligible local governments and/or non-profit agencies, NSP related training/workshops, and review of NSP funded project performance. Included as project administration activities is the County-wide standardization of NSP-related costs for:

- Contracted title services to identify/confirm post-foreclosure ownership (1 per house estimated at \$100 each);
- Appraisal services for post-foreclosure Fair Market Value determinations and post-rehabilitation housing purchase valuations (2 per house estimated at \$300 each);
- Legal representation to ensure NSP-required program and legal compliance during the acquisition of foreclosed properties for upfront legal costs (estimated at \$1,000 per house) and at each post-rehabilitation closing (1 per house estimated at \$350 each); and
- Contracted title services to identify/confirm post-closing NSP-required low and moderate income ownership, including NSP household eligibility and NSP period of affordability restrictions (1 per house estimated at \$100 each).

**Location Description:**

NA

**Activity Progress Narrative:**

## Accomplishments Performance Measures

No Accomplishments Performance Measures found.

## Beneficiaries Performance Measures

No Beneficiaries Performance Measures found.

## Activity Locations

No Activity Locations found.

## Other Funding Sources Budgeted - Detail

No Other Match Funding Sources Found

### Other Funding Sources

Amount

No Other Funding Sources Found

Total Other Funding Sources

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