

# Memorandum of Understanding

Between  
**City of North Chicago**  
and  
**Lake County, IL**

This Memorandum of Understanding (MOU) sets forth the terms and understanding between the City of North Chicago (North Chicago) and the County of Lake (Lake County) regarding the Program Year 2019 Community Development Block Grant (CDBG) funds.

## Background

The City of North Chicago (North Chicago) is undertaking a infrastructure improvement project consisting of sewer lining. North Chicago secured a grant of \$100,000 of CDBG 2019 funds from Lake County for sewer improvements.

A recommendation to grant North Chicago \$100,000 in CDBG 2019 funds has been approved by Lake County's Housing and Community Development Commission (HCDC). In an effort to maintain the proposed project schedule and maximize the number of days available in 2019 construction season for the project, North Chicago has requested an arrangement under which improvements may begin after the Lake County Board has approved the 2019 grant award but before the total CDBG award from U.S. Department of Housing and Urban Development (HUD) has been made available to Lake County.

## Pre-Award Cost

As CDBG is a formula-based entitlement program and Lake County will have a 2019 Action Plan in place as required by HUD as of May 14, 2019, under 24 CFR 570.200(h), Lake County is permitted by HUD to allow a CDBG subrecipient such as North Chicago to begin spending on CDBG projects prior to receipt of the CDBG award from HUD to Lake County:

*"Prior to the effective date of the grant agreement, a recipient may incur costs or may authorize a subrecipient to incur costs, and then after the effective date of the grant agreement pay for those costs using its CDBG funds, provided that: (i) The activity for which the costs are being incurred is included, prior to the costs being incurred, in a consolidated plan action plan...; (ii) Citizens are advised of the extent to which these pre-award costs will affect future grants; (iii) The costs and activities funded are in compliance with the requirements of this part and with the Environmental Review Procedures stated in 24 CFR part 58; (iv) The activity for which payment is being made complies with the statutory and regulatory provisions in effect at the time the costs are paid for with CDBG funds; (v) CDBG payment will be made during a time no longer than the next two program years following the effective date of the grant agreement or amendment in which the activity is first included; and (vi) The total amount of pre-award costs to be paid during any program year pursuant to this provision is no more than the greater of 25 percent of the amount of the grant made for that year or \$300,000."*

All of these criteria will be met.

## Purpose

While the incursion of costs by a CDBG sub-recipient prior to official award of CDBG funds by HUD to Lake County is allowable, to do so presents risks to North Chicago, the subrecipient. This document will detail the concerns (risks) associated with this order of events and outline the conditions under which North Chicago may begin incurring costs related to its 2019 CDBG project.

Concern 1:

The Lake County Board may vote to award North Chicago an amount of CDBG funds other than the \$100,000 recommended by the HCDC. The Lake County Board may also vote not to award North Chicago any funds for the 2019 CDBG program year. In this situation, North Chicago would be unable to have project costs reimbursed with CDBG 2019 funds. On May 14, 2019 the Lake County Board is scheduled to vote on the 2019 Action Plan which includes the HCDC’s recommended \$100,000 award to North Chicago.

Concern 2:

The CDBG 2019 grant funds provided to Lake County by HUD to be distributed to sub-grantees may be other than the amount expected. In such a situation, Lake County’s Housing & Community Development Commission may recommend that the Lake County Board adjust the amount of CDBG funds awarded North Chicago including a potential outcome wherein no funds are awarded to North Chicago in program year 2019. **In this situation, North Chicago would be unable to have any project costs reimbursed with CDBG 2019 funds in excess of the funds approved by the Lake County’s Housing & Community Development Commission.** HUD is expected to identify and make available Lake County’s 2019 CDBG amount by July of 2019.

**Agreement**

With this Memorandum of Understanding to be signed only after the Lake County Board vote on May 14, 2019, Lake County authorizes North Chicago to begin incurring expenses on sewer improvements **WITH THE UNDERSTANDING THAT REIMBURSEMENT OF THESE EXPENSES IS COMPLETELY DEPENDENT ON THE CDBG 2019 GRANT AWARD PROVIDED BY HUD** (anticipated July of 2019).

North Chicago understands:

- No monies will be reimbursed until Lake County receives the grant award from HUD for CDBG 2019 funds.
- CDBG 2019 funds available for reimbursement may not cover all of North Chicago’s project expenses.
- A CDBG 2019 grant amount other than the \$100,000 recommended to date may be available, including an outcome where no funds are awarded.

**Contact Information**

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Leon Rockingham, Jr., Mayor  
City of North Chicago

Date:\_\_\_\_\_

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Sandy Hart  
Lake County Board Chairman

Date:\_\_\_\_\_