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TO: Finance & Administration Committee
Health & Community Services Committee

FROM: Brenda O'Connell, Community Development
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Background

Under the Consolidated Appropriation Act, 2021, Lake County was awarded \$20,646,762.50 to support housing stability throughout the COVID-19 pandemic. These Emergency Rental Assistance (ERA1) funds were administered through the Lake County Federal Emergency Rental Assistance (FERA) Program. FERA provided up to 12 months of rental assistance to low-income renters affected by COVID-19. An additional allocation of \$16,336,816.90 of Emergency Rental Assistance (ERA2) was awarded to Lake County through the American Rescue Plan Act (ARPA). ERA2 funds were also used to administer the FERA program.

FERA operated from April 5, 2021, through June 30, 2022. During that time, over \$32,000,000 in direct assistance was provided to over 4,000 households. The success of the FERA program was acknowledged by the U.S. treasury and as a result, Lake County was awarded an additional \$425,767.74 (ERA1) and \$108,169.66 (ERA2). Lake County was able to expend the entirety of ERA1 funds prior to the 12/29/2022 deadline. Lake County currently has \$1,201,771 of unspent ERA2 funds. The deadline to obligate ERA2 funds is 9/30/2025.

The one-time nature of the ERA funding demanded a strategy to “sunset” to the program in a gradual, low-impact fashion. Lake County appropriated additional ARPA funds for the Lake County Rental Assistance (LCRA) and Lake County Eviction Prevention Program (LCEPP). LCRA was developed as a step down from FERA, providing smaller amounts of assistance while LCEPP is designed to address the specific needs of renters facing eviction. LCRA closed on 6/30/2023 and provided \$1,200,000 of assistance to 290 of households. LCEPP continues to operate and through a partnership with the 19th Circuit Court’s Mediation Program, LCEPP has been extremely successful in promoting housing stability and avoiding evictions.

Eligible Activities

The statute establishing ERA2 provides that a grantee may use any of its ERA2 funds that are unobligated on October 1, 2022, for “affordable rental housing and eviction prevention purposes,” serving very low-income families¹ However, prior to obligating any funds for such purposes, the grantee must have obligated at least 75% of the total ERA2 funds allocated to it for financial assistance to eligible households, eligible costs for housing stability services, and eligible administrative costs.

¹ As defined in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b))

Eligible affordable rental housing activities include:

- the construction, rehabilitation, or preservation of affordable rental housing projects serving very low-income families; and
- the operation of affordable rental housing projects serving very low-income families that were constructed, rehabilitated, or preserved using ERA2 funds.

Recommendation

Housing affordability is a well-documented issue of concern for Lake County. The recently adopted Lake County Strategic Plan identifies the strategy to *“Work with the county’s stakeholder community to increase the supply of affordable housing.”* A housing analysis completed for Lake County estimates that by 2027 Lake County will need 1,200 affordable senior units and 6,700 affordable units for families. (Kretchmer, 2023). The same study concludes that, *“high construction costs and interest rates, only the higher income areas can support the rents needed to finance market-rate apartments. Public incentives of varying degrees are needed to make developments financially feasible in most locations”.*

Lake County administers existing programs designed to address housing affordability issues. Community Development staff annually allocate approximately \$2.5M of funds toward affordable housing. Funding decisions are made through an application process in which applications are scored and ranked. The available funding is not sufficient to address the need.

The availability and flexibility of the ERA2 funds provide the County with an opportunity to address an important need. Two applications submitted for Program Year 2024 (PY24) funding have been identified as aligning with ERA2 eligibility and the County’s affordable housing goals. Both projects have existing, Lake County Board (LCB), approved funding commitments.

Applicant	Project	Existing County Commitment
Housing Opportunity Development Corporation	Midlothian Manor Apartments	\$341,862 ²
Lincoln Avenue Capital	Starling Senior Apartments	\$400,000 ³

The PY24 applications for both projects have been scored and meet the minimum scoring for additional funding. Staff recommends allocating the balance of available ERA2 funds to support both projects as detailed below. The proposed recommendations align with Housing and Community Development Commission (HCDC) Grant Funding Allocation Policy by addressing priority housing needs and staying the course with approved major housing projects until they are no longer feasible.

Applicant	Project	Prior County Commitment	ERA2 Recommendation	Total County Commitment
Housing Opportunity Development Corporation	Midlothian Manor Apartments	\$341,862 \$140,091	\$801,771	\$941,862
Lincoln Avenue Capital	Starling Senior Apartments	\$400,000	\$400,000	\$800,000

² Lake County Board approval on 7/12/22 (\$241,462) and 5/9/23 (\$100,000).

³ Lake County Board approval on 5/9/23