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Memorandum

To: Community Development Commission

From: Joel Williams, Community Development Administrator
Megan de Mejía, Senior Planner

Re: Lake County Affordable Housing Program (AHP) – Proposed Application Process

The Health & Community Services (HCS) Committee of the Lake County Board has charged the Community Development Commission (CDC) with the responsibility of reviewing applications for funding under the Lake County Affordable Housing Program (AHP). The CDC's Affordable Housing Application Review Committee (ARC) met on March 26 to develop application criteria for the AHP.

AHP is intended to be more flexible and responsive to market conditions than federal funds, as its stated purposes are to:

- fund innovative affordable housing activities that can provide future policy direction;
- locate projects in areas where little or no affordable housing currently exists;
- fill a housing and/or financial gap that is not being provided elsewhere;
- provide assistance to affordable housing developers and potential homeowners.

Furthermore, AHP funds can be used to assist households up to 100% of the Area Median Income (currently \$74,800 for a family of four), as opposed to the federal programs' limitation of 80% (\$60,650).

Proposed Use of Funds

The Affordable Housing ARC (Carol Calabresa, Kitty Cole, David Northern and Janet Swartz) recommended three categories of applications which are not currently eligible or funded with HOME funds. Staff then developed a recommended funding amount for each category. Rather than a wide open application process, the call for projects this year will consist of a "set-aside" for each category. Therefore, applicants for one category will compete with applicants within that same category.

The categories and recommended funding amounts are:

Tenant Based Rental Assistance (TBRA) - \$100,000

Tenant Based Rental Assistance (TBRA) was recently added to the 2010-2014 Consolidated Plan as an eligible activity for HOME funds. However, using HOME funds for TBRA has many strings and caveats. Additionally, the actual operation/administration of a TBRA program must come from sources other than HOME. The ARC recommended using AHP funds and implementing a more common-sense program with reasonable regulations, including allowable operating costs.

Staff determined that \$100,000 would be a reasonable amount for a TBRA program based on the past use of TBRA under the 2005-2009 Consolidated Plan. Furthermore, a well-designed program will ultimately result in returned funds that can be recycled for further benefit.

Foreclosure Prevention - \$50,000

Foreclosure prevention is not eligible under the HOME or CDBG programs; however, the Affordable Housing ARC identified it as a need in Lake County. The ARC discussed both counseling and direct financial assistance. It was determined that direct financial assistance would either be infeasible to administer or would prove unhelpful. Furthermore, the Illinois Hardest Hit Fund provides adequate resources to assist those that would benefit from direct financial assistance. Foreclosure prevention counseling, however, has proven beneficial in the past, but many of the funds that had been dedicated to it have dried up.

Staff determined that \$50,000 would be a reasonable amount for a foreclosure prevention program based on an approximate cost of 1 FTE counselor.

Energy Efficiency and Weatherization - \$150,000

Energy efficiency and/or weatherization improvements to affordable housing are not eligible under the HOME or CDBG programs unless they are tied to other rehabilitation work. However, the Affordable Housing ARC identified this as an unmet need that is an alternative way to make housing more affordable, in line with the AHP's stated purposes. For this category of funds, a preference will be given to projects that are for affordable rental housing.

Staff determined that \$150,000 would be a reasonable amount for projects in this category based on discussions with other providers of similar service.

Standard HOME-Eligible Projects – Balance of Funds

Demand for HOME funds consistently outweighs the supply. Therefore, the balance of AHP funds can be used for projects that would otherwise be eligible under the HOME program; furthermore, use of AHP funds will expand the pool of potential beneficiaries to include those making up to 100% of the area median income.

Eligible activities include: downpayment assistance; housing rehabilitation; new construction of affordable housing units; acquisition of units to make them affordable.

Timeline

Staff developed the following timeline for the application process:

- May 9 – training workshop and release of application materials
- May 23 – deadline for Letter of Intent
- June 15 – deadline for Application
- June 27 – Affordable Housing ARC reviews applications; makes recommendations to CDC
- July – post-award training workshop for grantees
- August 1 – start of program year (coincides with beginning of second quarter of HOME PY)

Desired Action

Staff requests that the Community Development Commission authorize a call for projects based on the above funding categories and timeline.