

# Memorandum of Understanding

Between  
**Village of Lake Villa**  
and  
**Lake County, IL**

This Memorandum of Understanding (MOU) sets forth the terms and understanding between the Village of Lake Villa (Lake Villa) and the County of Lake (Lake County) regarding the Program Year 2016 Community Development Block Grant (CDBG) funds for which Lake Villa has applied.

## Background

The Village of Lake Villa is pursuing downtown streetscape renovation in several phases. Lake Villa secured a grant of \$99,200 of CDBG 2015 funds from Lake County for parking lot renovation that will be completed concurrently with streetscape renovation for which Lake Villa has applied for CDBG 2016 funds from Lake County.

A recommendation to grant Lake Villa \$95,000 in CDBG 2016 funds has been approved by Lake County's Housing and Community Development Commission (HCDC). In an effort to reduce costs by undertaking both projects jointly, Lake Villa has requested an arrangement under which streetscape improvement may begin after the Lake County Board has approved the 2016 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 2016 Action Plan in place as required by HUD as of March 8, 2016, under 24 CFR 570.200(h), Lake County is permitted by HUD to allow a CDBG subrecipient such as Lake Villa 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 Lake Villa, the subrecipient. This document will detail the concerns (risks) associated with this order of events and outline the conditions under which Lake Villa may begin incurring costs related to its 2016 CDBG project.

Concern 1:

The Lake County Board may vote to award Lake Villa an amount of CDBG funds other than the \$96,000 recommended by the HCDC. The Lake County Board may also vote not to award Lake Villa any funds for the 2016 CDBG program year. In this situation, Lake Villa would be unable to have streetscape improvement costs reimbursed with CDBG 2016 funds. On March 8, 2016 the Lake County Board is scheduled to vote on the 2016 Action Plan which includes the HCDC's recommended \$96,000 award to Lake Villa.

Concern 2:

The CDBG 2016 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 to Lake Villa including a potential outcome wherein no funds are awarded to Lake Villa in program year 2016. **In this situation, Lake Villa would be unable to have any streetscape improvement costs reimbursed with CDBG 2016 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 2016 CDBG amount by July of 2016.

**Agreement**

With this Memorandum of Understanding to be signed only after the Lake County Board vote on March 8, 2016, Lake County authorizes Lake Villa to begin incurring expenses on Cedar Avenue streetscape improvements as described in its 2016 CDBG application **WITH THE UNDERSTANDING THAT REIMBURSEMENT OF THESE EXPENSES IS COMPLETELY DEPENDENT ON THE CDBG 2016 GRANT AWARD PROVIDED BY HUD** (anticipated July of 2016).

Lake Villa understands:

- No monies will be reimbursed until Lake County receives the grant award from HUD for CDBG 2016 funds.
- CDBG 2016 funds available for reimbursement may not cover all rehabilitation expenses.
- A CDBG 2016 grant amount other than the \$95,000 recommended to date may be available, including an outcome where no funds are awarded.

**Contact Information**

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Karl Warwick, Village Administrator  
Village of Lake Villa

Date: 2/2/2016

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

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Aaron Lawlor  
Lake County Board Chairman