



Affordable Housing Corporation of Lake County

August 10, 2016

Mr. Ray Rose  
Chairman, Housing and Community Development Commission  
c/o Community Development Department  
500 W. Winchester Road, Unit 101  
Libertyville, IL 60048

**RE: Application for the Community Development Block Grant Program**

Dear Chairman Rose & Community Development Team:

Please find the enclosed funding request of \$125,000 from the Affordable Housing Corporation of Lake County in response to your request for CDBG proposals. This project will help launch a best-practice, interjurisdictional collaboration to address housing needs in the Villages of Round Lake, Round Lake Beach, Round Lake Heights, Round Lake Park and Hainseville. We are deeply grateful for Lake County's past support, and hope to continue this partnership to bring much-needed housing service to our County's residents.

Please let me know if I can provide you with anything further. On behalf of our Board of Directors and the clients we serve, thank you for your consideration of this request.

Sincerely,

Robert Anthony  
Chief Executive Officer

**1. Describe in detail the activity for which you are requesting funds. Please include detailed location information, where available, and photos and maps where applicable.**

Beginning in the fall of 2014, the communities of Hainesville, Round Lake, Round Lake Beach, Round Lake Heights and Round Lake Park began working collaboratively with the Chicago Metropolitan Agency for Planning (CMAP) to complete a “Homes” plan as part of CMAP’s *Homes for a Changing Region* initiative. The initiative provides technical assistance to municipal leaders by researching



housing issues, gathering key data and working with community leaders to develop long-term collaborative housing plans. The Affordable Housing Corporation of Lake County (AHC) as well as representatives the Lake County Community Foundation, Mano a Mano Family Resource Center, Lake County Community Development and other community stakeholders also participated in the best-practice community planning process.

In July 2016, the participating municipalities (the “Round Lake cluster”) completed the regional *Homes* plan after nearly two years of research, community meetings and strategic planning. The plan identifies five key community goals related to (i) housing, (ii) communication with immigrant populations and (iii) access to good jobs. The first recommendation of the plan is to, “*Partner to target the application of public, non-profit, and private resources toward supporting the rehabilitation or reconstruction of dilapidated units.*” According to the plan, the most widely shared challenge facing communities in the Round Lake cluster concerns the need to rehabilitate older, abandoned or vacant homes. CMAP reports that the issue “arose in every of one of the separate conversations conducted with each community, as well as a challenge that all five municipalities eagerly discussed together in project steering committee meetings and with other stakeholders in a workshop held mid-way through the project.”

Overall, the Round Lake communities offer a wide range of housing options and are located near important job centers in Grayslake and Gurnee. They also offer important rail links which provide direct connection to employment centers in Lake County, Cook County, and downtown Chicago. The communities offer lakes and recreational opportunities as well, which are attractive to families of all age ranges. However, many homes in the cluster were originally built as summer residences for vacationing Chicago residents. These homes were gradually converted to year-round homes but often in an ad-hoc, non-permitted manner. As a result, a significant portion of the cluster’s housing stock is dilapidated and/or requires substantial rehabilitation and upgrades to meet today’s year-round standards. In addition, the

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cluster continues to struggle with reverberations from the housing market collapse. The share of sales that are distressed remain elevated in relation to other areas in the County and the cluster has a higher rate of foreclosure filings and bank-owned properties.

Municipalities in the Round Lake cluster have proven to be committed to the collaborative planning effort, but they find it extremely difficult to identify financial resources to address their housing problems, particularly when dealing with funding cuts and delays associated with the State budget impasse. By working together, municipal leaders hope to increase their capacity to attract federal, state and private resources and assemble an interjurisdictional effort that amplifies the potential return on investment in each community to benefit the entire cluster. In order to accomplish this, municipal partners agreed to focus their efforts within the boundaries of Round Lake School District 116. The school district boundaries (see attachment A) incorporate parts of each municipality and, in most cases, represent the areas of greatest housing need. This application serves as a launching pad to begin implementing



the collaborative *Homes* plan and aims to use CDBG dollars to leverage additional investment in the communities that are participating in this best-practice interjurisdictional effort.

The *Homes* plan identifies “the rehabilitation or reconstruction of dilapidated units” as the greatest need for participating communities. This “launch” project will acquire, rehabilitate and re-sell a minimum of ten dilapidated, vacant and/or foreclosed single family homes in the collaborative target area defined by the boundaries of School District 116. AHC secured funding through the National Foreclosure Settlement (NFS) program to complete five homes in the target area. However, those funds are only allowed to be used in the portion of the target area that falls within the borders of Round Lake Beach. CDBG funds will be used to acquire, rehabilitate and re-sell an

additional five units within the target area but outside the municipal boundaries of Round Lake Beach in order to involve other municipal partners (Hainesville, Round Lake, Round Lake Park and Round Lake Heights). AHC’s rehab work follows the Lake County Rehab Standards and incorporates as many energy efficiency improvements as possible such as low flow water fixtures, high-efficiency mechanicals, low- or no-VOC paints and stains, efficient lighting and other improvements to improve health and reduce operating costs.

This project will accomplish the following goals which are consistent with both the *Homes* plan and the housing priorities identified in the current and prior Lake County Consolidated Plans: (i) rehabilitate dilapidated properties, (ii) improve the local housing stock, (iii) provide safe, decent and affordable housing for low-income households, and (iv) catapult the collaborative *Homes* plan from words on paper into real, tangible results in order to build momentum and help participating municipalities leverage additional dollars to more fully implement the plan and sustain a longer-term, collaborative interjurisdictional effort.

## 2. Why is this project needed today?

After completing the plan, the municipal collaboration is at a critical juncture where it must ensure that interjurisdictional momentum is not lost and that the plan is translated into funding and community impact. The project is also timely because CDBG funds can be combined with NFS funds which are available until June 2017. This creates a unique opportunity to launch the collaborative plan, build momentum and use CDBG and NFS dollars to leverage additional funds to sustain a longer-term community partnership.

## 3. Who will be served by this project?

CDBG funds will serve low-income Lake County households that earn less than 80% of the area median income. Homebuyers are often low-income renters, regional workers who cannot afford housing, single-parent households, persons with disabilities and seniors. Most homes will have at least 3 bedrooms in order to accommodate larger families. All homebuyers will be required to complete pre-purchase education and counseling in order to prepare for successful, responsible homeownership.



## 4. Why are CDBG funds needed for this project? What other funding sources have been solicited?

As described above, CDBG funds can be combined with NFS funds to launch the collaborative *Homes* plan. However, NFS funds can only be used in the portion of the target area that falls within the municipal boundaries of Round Lake Beach. CDBG funds will be used in the remaining parts of the strategic target area (areas within the boundaries of School District 116 but outside the municipal boundaries of Round Lake Beach). NFS funds can serve as committed match for the overall program. The collaboration intends to use the combination of NFS dollars and CDBG funds to demonstrate local support and leverage additional funding to continue expanding and sustaining the municipal partnership.

## 5. Any construction contract over \$2,000 will be subject to federal Davis Bacon Prevailing wage and Section 3 requirements. How do you plan to meet these requirements?

It was our understanding that Davis Bacon Prevailing Wage requirements do not apply to CDBG-funded rehabilitation of residential structures containing less than eight units. Under this project, we intend to apply for funding to acquire and rehabilitate five units. However, if Davis Bacon Prevailing Wage requirements do apply, AHC has experience administering both Federal and State Prevailing Wage projects as well as Section 3 requirements. AHC's list of pre-approved contractors include contractors who have experience and the capacity to

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handle the administrative burden associated with submitting certified payroll sheets, etc... AHC's existing NFS funding is subject to Illinois Prevailing Wage.

**6. Please indicate how this project will be completed by April 30, 2018, including a proposed schedule for this project.**

AHC is already conducting acquisition/rehabilitation/resale work in the portion of the target area that falls within the borders of Round Lake Beach. Our systems, policies and procedures are well established. CDBG funds can be implemented in the remaining portion of the target area as soon as funds are available. AHC has the demonstrated capacity to successfully implement the project on time and on budget; we have completed over 65 homes in the past 4 years. Below is a proposed schedule for the CDBG-funded units.

<u>Outcome Indicator</u>	<u>Date</u>
Acquire first 3 homes:	11/15/2016
Complete rehab of first 3 homes:	03/31/2017
Sell first 3 homes:	06/01/2017
Acquire last 2 homes:	06/01/2017
Complete rehab of last 2 homes:	09/01/2017
Sell last 2 homes:	12/31/2017

**7. Please attach a proposed budget for this project.**

See attachment B.

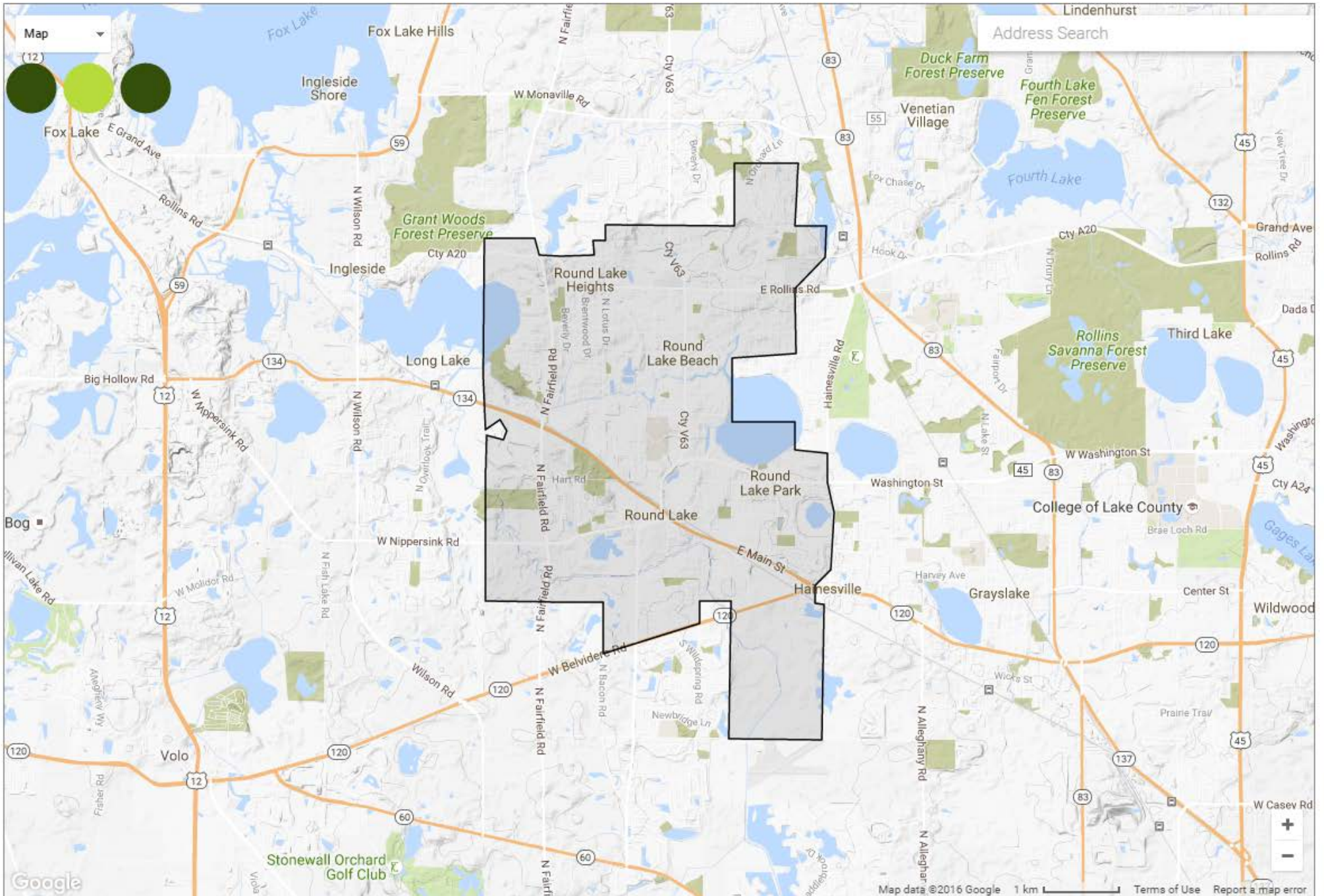
**8. If you are a developer or nonprofit agency, please attach:**

- **Agency Audit** – See attachment C.
- **Certification of non-profit status** – See attachment D.
- **Articles of Incorporation** – See attachment E.
- **Copy/summary of non-discrimination policy** – See attachment F.
- **Organizational chart** – See attachment G.
- **Proof of registration at [www.sams.gov](http://www.sams.gov)** – See attachment H.

**9. Please explain the extent to which your proposed activity will serve residents at or below the CDBG-eligible income levels.**

All CDBG-funded properties will serve low-income households that earn less than 80% of the area median income.





**Round Lake Cluster *Homes* Plan Budget**

	TOTAL (10 Units)	\$ COST PER UNIT
<b>ACQUISITION</b>		
Purchase of Land		
Purchase of Existing Building	\$640,000	\$64,000
Other Expenses		
Sub Total	\$640,000	\$64,000
<b>HARD COSTS</b>		
Site Work		
Demolition		
Rehabilitation/Construction	\$750,000	\$75,000
General Requirements		
Contractor/Overhead/Profit		
Construction Contingency		
Other (list on separate sheet)		
Sub Total	\$750,000	\$75,000
<b>DEVELOPMENT EXPENSES</b>		
Architect Fee – Design		
Architect Fee – Supervision		
Engineering Fees		
Survey	\$3,000	\$300
Legal Fees	\$7,500	\$750
Accounting Fee		
Sales/Marketing		
Other Professional/Fees (list)		
Appraisal	\$3,000	\$300
Market Study		
Environmental Report	\$6,000	\$600
Title & Recording Expenses	\$30,000	\$3,000
Permit Fees	\$7,500	\$750
Relocation Expenses		
Construction Property Taxes	\$15,000	\$1,500
Construction Insurance	\$10,000	\$1,000
Construction Interest	\$20,000	\$2,000
Construction Yard Maintenance	\$5,000	\$500
Construction Utilities	\$3,000	\$300
Bond Premium		
Real Estate Taxes (Construction)		
Other Financing Costs (list)		
Real Estate Taxes Escrow		
Insurance Escrow		
Developer's Fee	\$100,000	\$10,000
Sub Total	\$210,000	\$21,000
<b>TOTAL PROJECT COSTS</b>	<b>\$1,600,000</b>	<b>\$160,000</b>

<b>Funding Source</b>	<b>Total (10 Units)</b>	<b>Per Unit</b>
Sales Proceeds	\$1,350,000	\$135,000
National Foreclosure Settlement Funds	\$125,000	\$12,500
Lake County CDBG	\$125,000	\$12,500
<b>TOTAL</b>	<b>\$1,600,000</b>	<b>\$160,000</b>