

# Demolition Funding Policy

*Procedures for documenting National Objectives and Continuing Obligations for demolition/clearance activities.*

**Effective Date:**

September 12, 2018

**Applicable Programs:**

CDBG, LCAHP

**Approved by:**

Lake County Housing and Community Development Commission

## Background

Lake County Community Development (LCCD) administers federal Community Development Block Grant (CDBG) and Lake County Affordable Housing Program (LCAHP) funds. Subrecipients of these funds are eligible to apply for CDBG & LCAHP funds for demolition/clearance activities. Eligible demolition/clearance activities must meet a U.S. Housing and Urban Development (HUD) National Objective. National Objectives for which demolition/clearance activities can be completed include:

- Low/Moderate Income Housing (LMH)
- Low/Moderate Income Area (LMA) Benefit
- Spot Blight (SBS)

## Policy

Due to the overwhelming need for affordable housing in Lake County and relatively small amount of public funding available for it, the Housing & Community Development Commission (HCDC) wants to insure that CDBG and LCAHP demolition funding does not unduly benefit market rate housing developers. This Demolition Policy outlines how demolition/clearance activities qualify for a National Objective and responsibilities and continuing obligations of subrecipients receiving demolition/clearance funds. The National Objective shall be determined by LCCD and the subrecipient during the application/scoring process prior to any funding award. As a result, applications utilizing the Low/Moderate Income Housing (LMH) National Objective have the opportunity to receive more points due to the continuing obligations of providing affordable housing units. Please see Exhibit A for specific examples in the scoring matrix.

National Objectives for which demolition/clearance activities can be completed include:

- Low/Moderate Income Housing (LMH)
- Low/Moderate Income Area (LMA) Benefit
- Spot Blight (SBS)

Below please find a detailed description of each.

### *Low/Moderate Income Housing (LMH)*

The LMH National Objective may be used when the end use of the property has been identified and includes providing housing for Low/Mod income households.

*Example: Demolishing an abandoned warehouse to make room for new apartments, where at least 51% of the units will be occupied by Low/Moderate income households at affordable rents.*

In order to meet the LMH National Objective, structures with one unit must be occupied by a Low/Mod income household. If the structure contains two units, at least one of the units must be occupied by a low/mod income household. Structures with three or more units must have at least 51% occupied by low/mod income households. Rental buildings under common ownership and management that are located on the same or contiguous properties may be considered as a single structure.

The continuing obligations for demolition/clearance activities utilizing the LMH National Objective include:

- 20-year period of affordability for all affordable housing units
- Maintaining the following documentation:
  - A copy of the written agreement with each landlord or developer receiving assistance indicating the total number of dwelling units in each multi-unit structure assisted and the number of those units which will be occupied by Low/Moderate income households after assistance.
  - Total cost of the activity.
  - For each unit claimed to be occupied by a Low/Moderate income household, the size and combined income of the household.
  - For rental housing only:
    - The rent charged (or to be charged) after assistance for each dwelling unit in each structure assisted; and
    - Information as necessary to show the affordability of units occupied (or to be occupied) by Low/Moderate income households.
  - Where applicable, information showing that the housing units assisted are under common ownership, management and located on the same or contiguous properties.

### *Low/Mod Income Area Benefit (LMA)*

The LMA National Objective may be used when the demolition/clearance activity will provide benefits to an area of which at least 35.58%<sup>1</sup> of the residents are Low/Mod income.

*Example: Demolishing a vacant structure and removing the debris to make a neighborhood park and playground serving a predominantly residential Low/Moderate income neighborhood.*

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<sup>1</sup> FY2018 Lake County Exception Criteria set by HUD on an annual basis and subject to change (section 05(c)(2)(A)(ii) of the Housing and Community Development Act of 1974).

The continuing obligations for demolition/clearance activities utilizing the LMA National Objective include maintaining the following documentation:

- Boundaries of the service area and the basis for determining those boundaries, and
- The percentage of Low/Moderate income persons in the service area and the data used for determining that percentage.

#### *Spot Blight Basis (SBS)*

The SBS National Objective may be used when the activity is undertaken to eliminate specific conditions of blight or physical decay on a spot basis not located in a designated slum or blighted area.

*Example Demolition of an abandoned and deteriorated structure located in an area that is not designated as a slum or blighted area.*

For a property to be considered eligible under this objective it must contain a combination of five or more of the following factors that are detrimental to the public safety, health, morals or welfare:

- (A) Dilapidation. An advanced state of disrepair or neglect of necessary repairs to the primary structural components of buildings or improvements in such a combination that a documented building condition analysis determines that major repair is required or the defects are so serious and so extensive that the buildings must be removed.
- (B) Obsolescence. The condition or process of falling into disuse. Structures have become ill-suited for the original use.
- (C) Deterioration. With respect to buildings, defects including, but not limited to, major defects in the secondary building components such as doors, windows, porches, gutters and downspouts, and fascia. With respect to surface improvements, that the condition of roadways, alleys, curbs, gutters, sidewalks, off-street parking, and surface storage areas evidence deterioration, including, but not limited to, surface cracking, crumbling, potholes, depressions, loose paving material, and weeds protruding through paved surfaces.
- (D) Presence of structures below minimum code standards. All structures that do not meet the standards of zoning, subdivision, building, fire, and other governmental codes applicable to property, but not including housing and property maintenance codes.
- (E) Illegal use of individual structures. The use of structures in violation of applicable federal, State, or local laws, exclusive of those applicable to the presence of structures below minimum code standards.
- (F) Excessive vacancies. The presence of buildings that are unoccupied or under-utilized and that represent an adverse influence on the area because of the frequency, extent, or duration of the vacancies.
- (G) Lack of ventilation, light, or sanitary facilities. The absence of adequate ventilation for light or air circulation in spaces or rooms without windows, or that require the removal of dust, odor, gas, smoke, or other noxious airborne materials. Inadequate natural light and ventilation means the absence of skylights or windows for interior spaces or rooms and improper window sizes and amounts by room area to window area ratios. Inadequate

sanitary facilities refers to the absence or inadequacy of garbage storage and enclosure, bathroom facilities, hot water and kitchens, and structural inadequacies preventing ingress and egress to and from all rooms and units within a building.

- (H) Inadequate utilities. Underground and overhead utilities such as storm sewers and storm drainage, sanitary sewers, water lines, and gas, telephone, and electrical services that are shown to be inadequate. Inadequate utilities are those that are: (i) of insufficient capacity to serve the uses in the redevelopment project area, (ii) deteriorated, antiquated, obsolete, or in disrepair, or (iii) lacking within the redevelopment project area.
- (I) Excessive land coverage and overcrowding of structures and community facilities. The over-intensive use of property and the crowding of buildings and accessory facilities onto a site. Examples of problem conditions warranting the designation of an area as one exhibiting excessive land coverage are: (i) the presence of buildings either improperly situated on parcels or located on parcels of inadequate size and shape in relation to present-day standards of development for health and safety and (ii) the presence of multiple buildings on a single parcel. For there to be a finding of excessive land coverage, these parcels must exhibit one or more of the following conditions: insufficient provision for light and air within or around buildings, increased threat of spread of fire due to the close proximity of buildings, lack of adequate or proper access to a public right-of-way, lack of reasonably required off-street parking, or inadequate provision for loading and service.
- (J) Deleterious land use or layout. The existence of incompatible land-use relationships, buildings occupied by inappropriate mixed-uses, or uses considered to be noxious, offensive, or unsuitable for the surrounding area.
- (K) Environmental clean-up. The proposed redevelopment project area has incurred Illinois Environmental Protection Agency or United States Environmental Protection Agency remediation costs for, or a study conducted by an independent consultant recognized as having expertise in environmental remediation has determined a need for, the clean-up of hazardous waste, hazardous substances, or underground storage tanks required by State or federal law, provided that the remediation costs constitute a material impediment to the development or redevelopment of the redevelopment project area.
- (L) Lack of community planning. The proposed redevelopment project area was developed prior to or without the benefit or guidance of a community plan. This means that the development occurred prior to the adoption by the municipality of a comprehensive or other community plan or that the plan was not followed at the time of the area's development. This factor must be documented by evidence of adverse or incompatible land-use relationships, inadequate street layout, improper subdivision, parcels of inadequate shape and size to meet contemporary development standards, or other evidence demonstrating an absence of effective community planning.
- (M) The total equalized assessed value of the proposed redevelopment project area has declined for 3 of the last 5 calendar years prior to the year in which the redevelopment project area is designated or is increasing at an annual rate that is less than the balance of the municipality for 3 of the last 5 calendar years for which information is available or is increasing at an annual rate that is less than the Consumer Price Index for All Urban

Consumers published by the United States Department of Labor or successor agency for 3 of the last 5 calendar years prior to the year in which the redevelopment project area is designated.

The continuing obligations for demolition/clearance activities utilizing the SBS National Objective include maintain the following documentation:

- A description of the specific condition of blight and how the property contains five or more of the above listed factors.

## Exhibit A

As stated above, the National Objective assigned to a request for demolition funding shall be determined by LCCD and the subrecipient during the application/scoring process prior to any funding award.

The selected National Objective impacts the amount of points available to an application. The table illustrates four specific scoring criteria in the Housing Programs scoring matrix that would be negatively impacted by demolition projects that don't result in the creation of affordable housing units:

Application Scoring Criteria	Interpretation of Scoring Criteria	Maximum Points Available		
		LMH	LMA	SBS
County Plan Goals	Addresses multiple Lake County HCDC consolidated Plan Goals.	5	2	2
Viability/Market Need	Proof that there is demand for the program. Favorable local market conditions.	15	6	6
Collaboration	Program involves local partners in public and/or private sector.	10	4	4
Housing Program Accessibility	Program is accessible in terms of population and geography.	30	0	0
SUBTOTAL		60	12	12

The reduction of 48 points available to projects utilizing LMA and SBS represents 15% of the total amount of available points (325).