

NEIGHBORHOOD STABILIZATION PROGRAM

ADDENDUM TO THE 2008 HOUSING AND COMMUNITY DEVELOPMENT CONSOLIDATED ANNUAL ACTION PLAN

**LAKE COUNTY CONSORTIUM
LAKE COUNTY, ILLINOIS**

**NOVEMBER 18, 2008 (COUNTY BOARD APPROVAL)
MARCH 2015, 2017 & 2018 REVISIONS**

EXECUTIVE SUMMARY

OVERVIEW OF THE 2008 NSP PROGRAM

History

- On July 30th Congress passed and the President signed the Housing and Economic Recovery Act of 2008, which contained many different methods of Economic Stimulus packages.
- One such element was the announcement of \$3.92 billion in CDBG funds that would be awarded nation-wide under specific prescribed formulas and program requirements for the acquisition of vacant and foreclosed properties that can be acquired, rehabilitated and sold/rented as affordable housing for low-and moderate-income families.
- Lake County was informed on September 26th that it would receive \$4.6 million under the Neighborhood Stabilization Program (NSP) for which HUD statutory program requirements were issued on September 29th.

Purpose / Potential List of Eligible Activities

- Create financing mechanisms to purchase and redevelop abandoned and foreclosed upon homes and residential properties through soft-second loans, loan loss reserves and shared-equity loans.
- Purchase and rehabilitation of abandoned and foreclosed upon homes and residential properties to re-sell, rent or redevelop; homes must be purchased at a discount from the current market appraised value.
- Establish land banks of foreclosed upon homes.
- Demolish blighted structures.
- Redevelopment of demolished or vacant properties.
- Public services for Homebuyer Counseling to those benefitting from NSP funds; all homebuyers assisted are required to receive at least 8 hours of pre-purchase counseling from a HUD-approved housing counseling agency.
- Direct homeownership assistance (loan programs to purchase redeveloped homes).
- Foreclosure prevention and mortgage assistance are not eligible uses of NSP funds.

NSP Targeting

- Priority emphasis to those areas of greatest need (as determined under NSP formula):
 - greatest percentage of foreclosures,
 - highest percentage of homes financed by subprime mortgage related loans, and
 - identified as likely to face a significant rise in the rate of home foreclosures.
- 100% of funds used to serve households at or below 120% of area median income (for example a four person household having income at or below \$90,500).
- 25% of funds must benefit households at or below 50% of area median income (for example a four person household having income at or below \$37,700).

Timeline for Expenditure of NSP Funds

- Lake County must commit or obligate funds within 18 months; the sooner the better.
- All funds must be expended within four years from date of allocation.

Program Administration

- Up to 10% of the grant (\$460,080 in Lake County), plus 10% of future program income, for Lake County's Program Administration.
- NSP funded governmental and non-profit agencies can also charge program delivery costs as part of NSP funded activities.

Program Income

- Program income earned during the first 5 years must be used for the same type of activities.
- Program income received after 5 years must be returned to the US Treasury (although HUD can grant an exception).

2008 NSP Program Original Grant Allocation

Project Sponsor	Project Type	Consolidated Plan Goal #	NSP Original Amounts
Lake County Residential Development Corporation	NSP Rental Housing Program: Property Acquisition and Rehabilitation of Abandoned and Foreclosed Homes and Residential Properties for Permanent Rental of Single-Family Homes / Multi-Family Homes by Non-Profit Agencies	#1.3	\$1,262,200
Affordable Housing Corporation/ /North Chicago/Waukegan	NSP Single Family Housing Program: Property Acquisition and Rehabilitation of Abandoned and Foreclosed Homes and Residential Properties for Single Family Homes; Financing Mechanisms for Purchase and Redevelopment; First Time Homebuyer Assistance Program / Affordable Plus Mortgage Program; Homebuyer Housing Counseling Program	#1.3 #1.4 #1.5	\$2,878,520
Lake County CDBG-NSP Program	CDBG-NSP Program Administration	#3.5	\$460,080
Affordable Housing Corporation	Housing-related Inspections	#3.5	\$10,000
		TOTAL	\$4,600,800

NOTES REGARDING THE NSP PROGRAM FUNDING RECOMMENDATION TABLE

NOTE: NSP low-income formula calculated as $\$4,600,800 \times 25\% = \$1,150,200$ (later adjusted), for projects to purchase and redevelop abandoned and foreclosed upon homes or residential properties that house individuals or families whose income does not exceed 50 percent of area median income, distributed through a future RFQ competitive application process for non-profit rental agencies in keeping within the areas of greatest need as identified by Census Tract/Block Groups under the NSP Program.

NOTE: NSP administration formula calculated as $\$4,600,800 \times 10\% = \$460,080$, distributed between the Lake County project for general program administration (\$450,080) and the Affordable Housing Corporation project for Housing-related Inspections (\$10,000).

NOTE: The Affordable Housing Corporation's NSP Financing Mechanisms for Purchase and Redevelopment are shown at no cost. This is because they are a non-cash event as the post-acquisition and rehabilitation costs will be paid back to Lake County from secondary non-NSP lending sources for primary mortgages. Thus Lake County will be holding approximately 20% - 25% of the post-acquisition and rehabilitation cost as soft second non-cash liens securing the period of affordability.

NSP1 Allocation W/Program Income (Revised March 2017)

Project Sponsor	Project Type	Consolidated Plan Goal #	NSP Original Amounts	W/ Program Income	November 2018 Revision
Community Partners for Affordable Housing	NSP Rental Housing Program: Property Acquisition and Rehabilitation of Abandoned	#1.3	\$1,262,200	\$1,466,276.25	<u>\$1,689,755.12</u>
Community Partners for Affordable Housing	<u>Redevelopment of Vacant properties for rental</u> <u>(Eligible Use E)</u>	#1.3		\$345,029.20	<u>\$340,048.00</u>
Community Partners for Affordable Housing / North Chicago / Waukegan	NSP Single Family Housing Program: Property Acquisition and Rehabilitation of Abandoned and Foreclosed Homes and Residential	#1.3 #1.4 #1.5	\$2,878,520	\$8,282,294.55	<u>\$8,128,849.77</u>
Community Development	NSP Program Administration	#3.5	\$460,080	\$500,000	<u>\$500,000</u>
Affordable Housing Corporation	Housing-related Inspections	#3.5	\$10,000	\$0	\$0
		TOTAL	\$4,600,800	\$10,593,600.00	<u>\$10,658,653</u>

Description of Key Projects

Lake County has a strong background in CDBG and HOME funded affordable housing practices through its strong expertise in federal and county funded first time homebuyer programs and various housing rehabilitation programs, which already incorporate housing counseling activities. Lake County's existing CDBG and HOME funded Homeowner Rehabilitation Program (for the 50 non-CDBG entitlement jurisdictions) is administered by the Affordable Housing Corporation of Lake County (AHC). North Chicago's existing CDBG and HOME funded Homeowner Rehabilitation Program is administered by the City of North Chicago. Waukegan's existing CDBG and HOME funded Homeowner Rehabilitation Program is administered by the City of Waukegan.

Lake County previously amended its Consolidated Plan and prior Action Plans to allow for NSP-type housing activities (May 25, 2005 and February 14, 2006 through Community Development

Commission approval and County Board approval for the acquisition and rehabilitation of vacant, abandoned, or foreclosed properties, respectively). Lake County already has an established Lending Pool Consortium of area bankers. Accordingly, new additional CDBG funding under the Neighborhood Stabilization Program allows for greater coordination of previously separated housing activities through the development of a quick concise specific NSP program balanced against Lake County housing needs.

Therefore, as much as possible, Lake County would like to use its **existing housing partners to expand its current housing activities under the Neighborhood Stabilization Program**.

The Housing and Economic Recovery Act (July 2008) requires that NSP funds be distributed to the areas of greatest need based on three NSP specific program need categories. In response to HUD's NSP "expedited program implementation" strategy, Lake County has established this NSP Addendum to "establish the needs, target the geographical areas, and limit the eligible uses of NSP funds" in response to the NSP statutory program requirements. Accordingly, priority emphasis and consideration will be provided to those geographic areas of Lake County showing the greatest need, including those:

- with the greatest percentage of home foreclosures.
 - Under the NSP Program, HUD's Estimated Foreclosure Rate model has identified areas of Lake County having the highest percentage of foreclosures measured by HUD's estimated number of foreclosure starts over 18 months through June 2008 divided by HUD's estimated number of mortgages, per HUD's NSP foreclosure data table for the State of Illinois, as having a foreclosure rate above 5.1%;
- with the highest percentage of homes financed by subprime mortgage related loans.
 - Under the NSP Program, HUD's model has identified areas of Lake County with the highest percentage of homes financed by a subprime mortgage, as having at least 25% high cost loans as a percent of conventional loans made between 2004 and 2006 from Home Mortgage Disclosure Act data where the rate spread is 3 percentage points above the Treasury security of comparable maturity; and/or
- identified as likely to face a significant rise in the rate of home foreclosures.
 - Under the NSP Program, HUD's model has identified areas of Lake County likely to face a significant rise in the rate of home foreclosures, as having a high risk factor for foreclosure or abandonment based on a ranking of 8 or above on a scale of 1 to 10 where 10 indicates that the area is in the highest 10 percent of risk nationwide for foreclosure and abandonment based on the combination of HUD's foreclosure risk estimate and USPS residential vacancy rate.

HUD allows NSP recipients to identify other local identifiers of concern. Lake County will also consider other non-NSP stipulated need categories, such as:

- the number and rank of home foreclosures within Lake County municipalities, as identified by the Woodstock Institute.

Lake County will need to provide priority emphasis and consideration to those abandoned and foreclosed properties that are located within these areas of greatest need. At the present time it appears as though the following communities have the highest number of foreclosures:

- Mundelein
- North Chicago
- Round Lake Beach
- Waukegan

- Zion

At the present time it appears as though the following communities have the highest foreclosure rate per 1,000 owner-occupied units (exclusive of those communities listed above):

- Round Lake
- Round Lake Park
- Round Lake Heights
- Hainesville

NSP funded acquisition and rehabilitation of abandoned and foreclosed upon homes and residential properties will occur in one or more of the following ways:

- NSP Rental Housing Program: Property Acquisition and Rehabilitation of Abandoned and Foreclosed Homes (Eligible Use B) ---\$1,466,276, increased with program income to \$1,689,755.12
 - Remaining to disperse: 2105/2107 Georgetown Lane, Waukegan --- \$427,555.12
- NSP Redevelopment of Vacant Properties (Eligible Use E) ----\$345,029.20, decreased to \$340,048.00
 - Remaining to disperse: 1235 Victoria, North Chicago --- \$340,048.00
- NSP Single Family Housing Program: Property Acquisition and Rehabilitation of Abandoned and Foreclosed Homes (Eligible Use B) ---\$8,282,294.55, decreased to \$8,128,849.77
- NSP Program Administration \$500,000