

Grant Funding Allocation Policy

Procedures for Maintaining Effective Annual Action Plans & Handling Slow-Spending Grants in Adherence with Federal and Local Compliance Requirements

Effective Date:

October 10, 2018

Applicable Programs:

CDBG, ESG, HOME, LCAHP

Approved by:

Housing & Community Development Commission

Background

The grant funding administered by Lake County Community Development (LCCD) requires prudent administration and timely spending to meet federal compliance requirements. This *Grant Funding Allocation Policy* streamlines the way funds are both allocated from new funding sources (e.g. program income) and reallocated from slow-spending grants & troubled/canceled projects on a timely and consistent basis. Prior to the effective date of this policy, initial allocations were made in the annual funding process and reallocations/shifts were made on a sporadic basis by Housing & Community Development Commission (HCDC) actions (e.g. Scope Change, Funding Shifts, Action Plan Amendments, etc.).

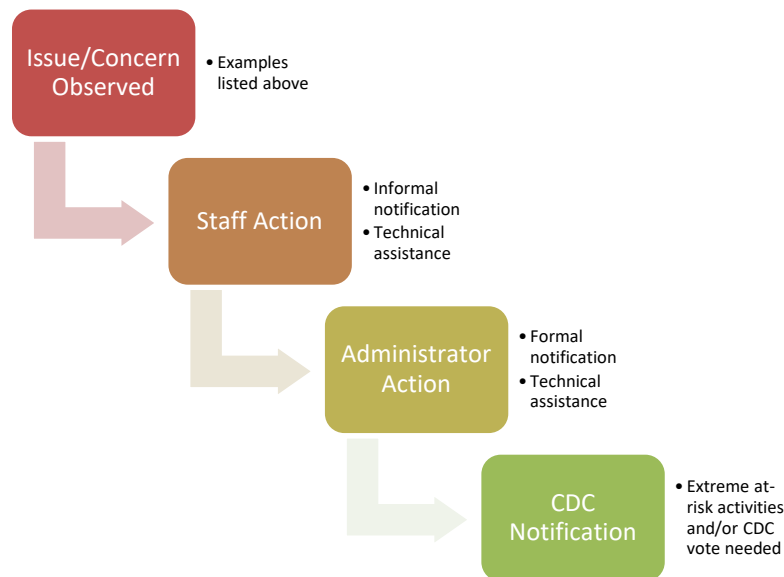
This policy sets the expectation that HCDC be asked to make (re)allocation decisions only three times per year, including the annual application funding round. With the advent of this policy, allocations will continue to occur primarily in the annual application funding process and reallocations will be clustered into replacement projects/programs already approved by Lake County Board (LCB) in order to meet federal spending timeliness requirements. This process must take place as efficiently, predictably and transparently as possible.

Funding Sources

Community Development & Housing Grant funds to be allocated according to this policy are limited to Lake County Affordable Housing Program (AHP) and federal Community Development Block Grant (CDBG), HOME Investment Partnership (HOME) and Emergency Solutions Grant (ESG) – and are derived from three potential sources:

1. **Source #1: Annual grant allocations & program income**
2. **Source #2: Voluntary Reallocation:** If the subrecipient requests a project or scope change, staff will reallocate funds according to the process herein.
3. **Source #3: Involuntary Reallocation:**
 - As defined in the *Grant Performance Update Policy* (approved July 2014), potential issues with grants that could trigger compliance problems include:
 - Breach of grant agreement / contract
 - Past vouchering of expenses that are not eligible for federal reimbursement
 - Failure to resolve documented compliance problems
 - Failure to initiate project within 12 months of executed grant agreement

- Failure to counter sign and return, fully executed, a County-signed grant agreement within 45 days of County signature
 - Material underperformance
 - Substantial organizational or governance problems for the manager of the project or program, such as resignation by over half of the board members or directors
 - In some instances, issues may arise from County action or the influence of outside circumstances, such as market-driven factors.
- If the subrecipient does not cooperate with resolving the issues for which the project or program was placed in a Grantee Performance Update, staff will present due cause to the HCDC for it to vote to void previous funding approval and/or grant agreement(s)¹. In the *Grant Performance Update Policy*, the steps are illustrated below:



This graphic was initially established in the *Grant Performance Update Policy*. This *Grant Funding Allocation Policy* details the final HCDC Notification process and resulting re-allocation of funds.

Policy

As mentioned above, the intention of this Policy is to allocate housing & community development grant funds as efficiently, predictably and transparently as possible.

Goals

1. **Goal #1: Efficiency** – This allocation process will take place a maximum of three times per 12-month period, including the annual application process, at HCDC meetings.
2. **Goal #2: Predictability** – After an Annual Action Plan (AAP) for the U.S. Department of Housing & Urban Development (HUD) is created by the HCDC and approved by the Lake County Board, real-world factors may cause project changes, many of which impact the AAP. This *Grant Funding Allocation Policy* is designed to help LCCD meet federal spending timeliness requirements while absorbing project changes resulting from real-world factors such as:

¹ Subject to the terms of the Grant Agreement(s)

- Project award (or lack thereof) of large housing subsidy (i.e. Low Income Housing Tax Credits)
 - Project scheduling problems (e.g. missing the construction season)
 - Project budget adjustments resulting from a number of potential changes including:
 - Final known funding sources and amounts
 - Final approved scope of work
 - Actual contractor bids and final development budget
 - Negotiated factors such as the number of HOME units resulting from a project
3. **Goal #3: Transparency** – Actions taken according to this Policy are ensured transparency with both the public and key stakeholders due to requirements for a public hearing in Lake County’s *Citizen Participation Plan (CPP)*, triggered in the following instances:
- Introducing a project not originally listed in AAP; OR
 - Removing a project from AAP, unless decision to do so is that of the sub-recipient; OR
 - Changing the budget,² location,³ or beneficiaries⁴ of a project by more than the thresholds defined in the CPP and footnoted here.

Changes below the thresholds defined here require neither an Action Plan substantial amendment nor a public hearing per the *Citizen Participation Plan* but will be made public according to the HCDC’s *Grant Performance Update Policy*.

(Re)allocation Protocol

A maximum of three times per year, the HCDC will vote to approve grant (re)allocations that seek to meet federal spending timeliness and compliance requirements while balancing two priorities:

- ❖ **Addressing major community development and housing needs** takes time and the HCDC often selects for Lake County Board (LCB) approval the impactful, major community development & housing projects that may take several years to reach fruition.
- ❖ **Maintaining strong community impact with consistent spending rates** requires steady flows of grant funding to LCB-approved housing & community development projects and programs.

In order to achieve this balance, this Policy establishes several protocols adhering to the above two priorities:

- ❖ **Address major community development and housing needs** by staying the course with approved major housing & community development projects until they are no longer feasible.
 - In anticipation of project attrition, make initial funding commitments to a greater number of major community development & housing projects than can actually be funded. This would be accomplished by making initial commitments at a smaller dollar amount than would be needed in the long-term. (When projects don’t move forward, other previously approved projects may be eligible for an award increase per the “Ongoing” funding recommendation process defined below.)
 - Respond to major project schedule & budget changes with (re)allocation;
 - Budget as many dollars as possible in each annual funding application round so that additional major housing & community development projects can be approved.

² More than 25% change in project budget (Per CPP)

³ Change in project location outside the original census tract block group in which project was located (Per CPP)

⁴ Decrease in number of beneficiaries by more than 25% (Per CPP)

- ❖ **Maintain strong community impact with consistent spending rates by** investing in LCB-approved housing & community development projects and programs that have the capacity and proven ability to spend the additional funds in the next six to nine months with certainty. Going forward, these projects and programs will be approved as “Ongoing” funding recommendations for each funding application round containing CDBG, HOME, ESG or AHP dollars.

As a result of an annual funding round, housing & community development projects/programs can be contained in both the initial AAP and “Ongoing” recommendations. In cases when “Ongoing” project funding recommendations are not available, “Ongoing” programs will be identified with target “ongoing” funding amounts in each funding application round. Eligible programs must have the capacity to spend target amounts of additional grant funds in the next six to nine months and be proven pre-approved housing & community development programs or models such as:

- Owner-occupied rehabilitation housing programs
- Down-payment assistance housing programs
- Community Land Trust housing model
- Small business loan funds
- Rapid rehousing & homelessness prevention

Only when the program has a small backlog of unspent grant funds (less than six months of past spending remaining to be spent) will it be eligible.

Summary

By allocating and reallocating funds according to the protocol described in this policy, LCCD will be able to balance the two priorities listed above in the most efficient, predictable, and transparent way possible.

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October 18, 2019

TO: Lake County Housing & Community
Development Commission (HCDC)

FROM: Jodi Gingiss, Community Development
Administrator

RE: Identifying Key Projects in Support of 2020-24 ConPlan Strategic Goals

Last summer, the HCDC hosted two public hearings on Lake County's draft 2020-24 Consolidated Plan ("ConPlan") for submission to the U.S. Department of Housing & Urban Development. This ConPlan will govern the spending of HUD grant dollars in Lake County over the next five years. The public and HCDC demonstrated support for the following priority needs and focused goals:

PRIORITY NEEDS	GOALS
End Homelessness Inclusive Growth ² Housing Accessibility Borderless Transit	Improve Homeless Crisis Response System ¹ Assist Persons with Special Needs Maximize Affordable Housing Prioritize Pathways for Upper Economic Mobility ²

These goals and needs were identified through public hearings, community consultations and agency surveys. They leverage excellent work done previously by transit-focused and regional planners. These needs and goals intentionally echo and build on each other: Inclusive growth requires accessible, affordable housing AND pathways for economic mobility. Increasingly borderless transit makes housing in affordable areas a better option for getting to work and services. Ending homelessness requires helping people with special needs and providing service-enriched affordable housing.

This ConPlan is focused on achieving tough goals with many natural barriers such as lack of funding, community resistance and stigma, and 444 square miles of farm, recreational, industrial, and residential land³ settled in both suburban and urban patterns.

Addressing these problems requires new partners, new agency capacity and new project sites that can come together over the next five years to achieve these ConPlan goals. As the most impactful community development and affordable housing activities often involve a very lengthy project timeline, the HCDC may opt for early identification in 2020 of larger strategic, multi-staged projects which may span the length of the upcoming Con Plan cycle.

¹ Based on the Gap Analysis authored by CSH and presented to the HCDC on June 12, 2019.

² Based on needs identified in the regional plan, OnTo 2050, authored by the Chicago Metropolitan Agency for Planning and presented to the HCDC on May 15, 2019.

³ Plus 935 square miles of water.

To identify HUD-eligible new project development (e.g. mixed-income housing) or new service creation/expansion (e.g. mobile homeless outreach), staff recommends the HCDC *make early flexible commitments to strategic partners selected through a call for five-year projects* in ways that assist in the creation of the new development or service. This approach is common among counties and cities that identify impactful community projects addressing priority needs in the five-year planning process. Early grant funding commitments allow implementation partners to plan new projects/service expansion and to raise funds necessary to bring strategic solutions to Lake County. Advance commitments are allowed by HUD when identified in a five-year Consolidated Plan developed with the community and taken through the public process that occurs at HCDC meetings.

Lake County is looking for partners (local government, government agencies and social service agencies) to respond to a Call for Key Projects and Proven Programs to help make substantial progress towards its ConPlan goals to:

1. Improve Lake County's homeless crisis response system
2. Assist Persons with Special Needs
3. Maximize Affordable Housing
4. Prioritize Pathways for Economic Mobility

In the development of the ConPlan, the following potential new key projects⁴ have been identified:

- New/improved points of entry into the homeless crisis response system⁵
- New housing solutions for the homeless crisis response system
- Affordable housing development
- In Target Areas⁶ Only: Adaptive Reuse of Commercial Sites & Other Placemaking Opportunities

This Call includes a Call for Proven Programs⁴ in Support of 2020-24 ConPlan Goals in order to reduce the application burden on agencies that apply for HUD funding annually for successful programs.⁷

To demonstrate support of our partners, in 2020 Lake County intends to identify the primary potential recipients of Community Development Block Grant (CDBG) and HOME grant funds for the HUD Consolidated Plan (ConPlan) period 2020-24. Early identification of potential CDBG/HOME recipients comes with collaboration and support from Lake County. Actual funding awards will be made one year in advance via the creation of the Annual Action Plan (AAP).

Any conditional reservation of five-year funding for key projects will be subject to HUD's annual entitlement process, Applicant progress toward project feasibility, Lake County board approval and compliance requirements such as environmental review and expenditure deadlines. Building projects with federal funds bring innumerable requirements including state & federal prevailing wages, so please confer with Lake County Community Development staff for budgeting purposes.

⁴ Eligible Expenses include: Acquisition (of land or building), Demolition/Clearance, Rehabilitation, New Construction (Facilities and/or Housing) and Microenterprise Assistance.

⁵ As identified in the CSH Gap Analysis of the Homeless Crisis Response in Lake County (www.lakecountyhomeless.org)

⁶ Fox Lake, Mundelein, North Chicago, Round Lake area, Waukegan & Zion

⁷ Proven programs such as Downpayment Assistance, Homeownership Prevention, Owner-Occupied Rehab, Pay for Success: Permanent Supportive Housing, Rapid Rehousing and Small Business Microloans.

Technical assistance will be made available for selected Key Projects in Support of the 2020-24 ConPlan.

Advance commitments to large, strategic ConPlan projects may result in uneven timing of expenditures that must be balanced with HUD's annual grant expenditure timing requirements. Some funding sources require annual application rounds, which will continue.⁸ Project spending (or lack thereof) can be balanced by program spending, which is more consistent, as approved by the HCDC in its Grant Funding Allocation Policy. Staff proposes that gaps in spending also be filled through a limited version of HCDC's current annual application process (outlined in accompanying memo).

⁸ Emergency Solutions Grant (ESG) and Video Gaming Revenue (VGR) grants will still be offered through annual application rounds (in the case of VGR as proscribed in Lake County VGR Fund Policy).



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October 23, 2019

Memorandum

To: Housing and Community Development
Commission

From: Community Development Staff

Re: Program Year 2020 Annual Application Round

Lake County Community Development (LCCD) staff is proposing the immediate release of applications for community development projects to be funded during Program Year 2020 (PY20). Funding sources for potential projects include both federal and local funding. Federal funding sources include; Community Development Block Grant (CDBG), Home Ownership Made Easy (HOME) and Emergency Solutions Grant (ESG). Local funding sources include Video Gaming Revenue (VGR) and Lake County Affordable Housing Program (AHP) funds.

PY20 is first year of a new five-year Consolidated Plan (ConPlan). In order to ensure a timely application process, staff proposes proceeding with the 2020 Annual Application Round in advance of final approved of the ConPlan by the County Board (consistent with previous HCDC practice). Final award decisions for the Annual Application Round will follow ConPlan approval in May 2020. In an effort to achieve the goals detailed in the draft ConPlan (previously discussed by the HCDC), LCCD staff is proposing the following changes to the annual applications:

Human Services Application

ESG – No major changes, annual applications for services and operations of emergency shelter programs.

VGR – No major changes, annual applications for gambling addiction services, non-clinical gambling addiction and other behavioral health services.

CDBG Public Services (PS) – Annual applications are limited to requests for funds to purchase adaptive equipment for persons with special needs and transit funding projects initiated by the Paratransit Lead Agency Working Group¹.

Affordable Housing Application

CDBG, HOME and AHP –The annual application will focus on the acquisition of stand-alone, discrete affordable housing projects. All affordable housing *programs*² would be approved on a multiyear basis and no affordable housing programs would be part of the annual application.

Public Improvements Application

CDBG – The annual application would be limited to facility enhancements for organizations assisting persons with special needs and small business development activities.

¹ <https://www.lakecountyil.gov/3770/Paratransit-Market-Study>

² A program is a set of activities designed to provide assistance to income-eligible families where the beneficiaries determine the location of the activities. Examples of programs include homeowner occupied rehabilitation, homebuyer assistance, and tenant-based rental assistance.