

AFFORDABLE HOUSING CORPORATION OF LAKE COUNTY

LIBERTYVILLE, ILLINOIS

Summary

Revitalizing existing housing stock is often overlooked as an important affordable housing strategy. The Affordable Housing Corporation of Lake County launched an acquisition and rehabilitation program for 50 for-sale, single-family homes in its service area, supported with \$2 million from the National Foreclosure Settlement. The nonprofit seeks derelict, vacant properties for acquisition, rehabilitates them, and sells them to income-qualified buyers. This conversion of an eyesore to an asset not only reclaims an abandoned property but contributes to the stabilization of the entire neighborhood.

Dealmakers

- Partnership with local government for political and financial support
- A revolving loan fund
- Ability to absorb a higher-than-usual level of risk to renovate the most derelict, vacant units
- Neighborhood stabilization

Overview

Location	Village of Mundelein and Village of Round Lake Beach, Lake County (Chicago metro area)
Project Type	Acquisition, rehabilitation, and resale
Developer	Affordable Housing Corporation of Lake County
Contributing Partners	Village of Mundelein Village of Round Lake Beach
Housing Type	Single-family detached
Units	50
Development Costs	\$8 million
Development Timeline	2012: National Foreclosure Settlement awarded 2013: Program started 2017: All 50 homes completed
Funding Sources	National Foreclosure Settlement Line of credit, Village of Mundelein Line of Credit, Village of Round Lake Beach
Website	http://ahclc.org/homes_for_sale.html

Development Partners

Affordable Housing Corporation of Lake County (AHCLC)

AHCLC seeks to increase and preserve affordable housing via services and partnerships that serve consumers and communities. AHCLC's programs help Lake County residents rent, buy, repair and save their home from foreclosure. The organization also works with community leaders and elected officials to design programs, policies and strategies that further affordable housing for their communities and Lake County as a whole.

Village of Mundelein and Village of Round Lake Beach

Partnering with each of these local governments has provided important financial and political support for AHCLC's acquisition, rehabilitation, and resale program. The villages have each helped to direct the selection of properties to be served by the program. They have also approved a line of credit to assist with AHCLC's acquisition of the units.

Planning and Policy

AHCLC's project for the acquisition, rehabilitation, and resale of 50 vacant or abandoned homes to income-qualified households was launched in 2013. Focusing on the Villages of Mundelein and Round Lake Beach, the properties for rehabilitation are prioritized according to need and property selection is often done in coordination with local municipalities. AHCLC also considers proximity to jobs, schools and business areas. As of October 2016, 30 of the 50 homes had been completed. The acquisition of all 50 homes is expected to be completed by June 2017.

Lake County, population 703,910 (2015) is in the greater Chicago metro area, in northeastern Illinois. Lake Michigan is to the east, Wisconsin to the north and the City of Chicago to the south. The county spans rural, urban, and suburban communities, as well as supporting a tourist economy. The County comprises 448 square miles on land, plus 920 square miles of water, much of it in Lake Michigan. The median household income is \$77,873, and the median housing value is \$247,300.

The Village of Mundelein had a population of 31,582 in 2015. The median household income is \$78,635 and the median housing value was \$225,000, according to the 2010–2014 American Community Survey.

The Village of Round Lake Beach had a population of 27,852 in 2015. The median household income is \$61,113, and the median housing value was \$131,000, according to the 2010–2014 American Community Survey.

The project was launched with the help of a \$2 million National Foreclosure Settlement (NFS) grant awarded in late 2012. The NFS was established when officials from 49 states and the federal government struck a \$25 billion deal with five of the country's biggest banks in February, 2012, to resolve allegations that Bank of America Corp., Wells Fargo & Co., JPMorgan Chase & Co., Citigroup Inc., and Ally Financial, Inc. had deceived homeowners and broken laws when pursuing foreclosure.



Photo Courtesy of Affordable Housing Corporation of Lake County

“Mundelein and Round Lake Beach stepped forward to be part of this program. Their support and interest to do this was critical to rehabbing the homes and revitalizing the neighborhood.”

Rob Anthony

Executive Director, Affordable Housing Corporation of Lake County

AHCLC submitted a successful proposal for a share of the state’s one-time pool of \$70 million of NFS funds, allocated by the Illinois attorney general. Targeted to support revitalization efforts and housing counseling for Illinois communities burdened by vacant and abandoned properties and foreclosures, this funding was designed to complement and supplement other foreclosure response efforts using nationally recognized, innovative housing strategies.

Several policy measures are part of the implementation of the AHCLC program. While zoning was not an issue for the rehabilitation efforts, the final product does have to meet or exceed local and state safety codes. To purchase the rehabilitated homes, eligible buyers must certify their intent to be owner-occupants (rather than investors), and household income must be less than 120 percent of the median family income. Home buyer education and counseling may be required.

AHCLC’s income limits for homebuyers as of June 2016:

Household Size	1	2	3	4	5	6	7	8
120 percent Median Family Income	\$64,680	\$73,920	\$83,160	\$92,280	\$99,720	\$107,160	\$114,480	\$121,920

Guidelines are determined by HUD and are adjusted annually.

Site Development

The NFS funds are the most recent infusion to AHCLC’s established acquisition, resale, and rehabilitation program in a region that was hard hit by recessionary foreclosures. At the peak of the recession, Lake County experienced 4,000 annual filings for foreclosure. As this figure has decreased to about 1,500 per year, the climate for acquiring foreclosures also changed, with lower supply, more investors, and higher prices.

AHCLC partnered with the Villages of Mundelein and Round Lake Beach—two communities that had been among the hardest hit by the foreclosure crisis—for the NFS-funded acquisition and rehab program. These local governments had also been involved previously with a similar AHCLC program funded by the federal Neighborhood Stabilization Program. AHCLC teams with the municipalities to identify priority candidates for rehabilitation, often seeking the most challenging properties. These may be acquired via foreclosure or sheriff’s sales, directly from lenders via the National Community Stabilization Trust, directly from the county when it has taken possession for unpaid back taxes, or the Multiple Listing Service.

AHCLC is also exploring the acquisition of homes under the Illinois Abandoned Housing Rehabilitation Act. This law allows nonprofit organizations to take temporary possession of abandoned housing and to rehabilitate the property. If the owner does not step forward to reclaim the property within two years, the nonprofit may take ownership of the property and the property must be used for affordable housing for at least ten years.

Public Outreach

Local support for the program has been a crucial part of its success. In addition to municipalities making lines of credit available, they have waived or reduced building permit fees and reduced or waived liens on the properties.

AHCLC posts a sign in the yard of a home under rehabilitation about the work in progress to share the news about the property. When complete, the resulting newly renovated and occupied home often inspires other neighbors on the block to invest in upgrades to their homes.



Photo Courtesy of Affordable Housing Corporation of Lake County

Design

AHCLC typically purchases a distressed property that may have been vacant for years. These homes are often considered the “worst of the worst,” with significant structural issues, such as collapsed roofs, mold, water infiltration, or foundation cracks. Many require environmental remediation.

Homes are often completely gutted and refurbished with new windows and doors, new appliances, improvements to electrical and plumbing, and new furnace and air conditioning.

AHCLC rehabilitates these former eyesores to become aesthetically pleasing homes that are in move-in condition, with all major structures and systems safe, sound and code-compliant. The overhaul of the home creates not only an attractive home and a new opportunity for homeownership, it helps revitalize the neighborhood with quality housing.

Financing

AHCLC’s overall financing for the 50 homes targeted for this project is \$8 million—\$2 million from the NSF funds, with \$6 million in sales proceeds that are recycled back into the program to create a revolving loan fund.

The villages that AHCLC works with for this program have each approved a line of credit that allows the nonprofit to borrow up to \$200,000 at a time to purchase local homes for the organization to fix up and resell. These loans are interest-free, as long as AHCLC repays it within 12 months. After that, the annual interest rate is four percent.

When a specific house has been selected for purchase, AHCLC examines closely what it will cost to rehabilitate the property. The program is structured to absorb losses of up to \$40,000 per unit. While a typical home buyer or developer would have difficulty getting financing to purchase



Photos Courtesy of Affordable Housing Corporation of Lake County

Here is an example of a property rehabilitated in this program.

Address	427 E Courtland St., Mundelein, Ill.
Description	3 beds, 2 baths 1,104 square feet 7,383 square-foot lot Located .6 mile to elementary school and .7 mile to Metra transit station.
Summary of Rehab Work	<ul style="list-style-type: none"> • Replaced part of the foundation and installed foundation piers • New kitchen • New baths • Refinish hardwood floors • Replaced windows • Replaced doors • Repaint • New appliances • Electrical and plumbing improvements • New furnace and air conditioning
Acquisition Price (June 2015)	\$80,000
Rehab Costs	\$87,500
Carrying Cost	\$15,500
Total Cost	\$183,000
Sales Price (October 2016)	\$171,200 (also provided buyer with \$3,000 closing cost credit)
Total Subsidy	\$14,800 (\$183,000 + \$3,000 – \$171,200)



these derelict homes, this program subsidy helps AHCLC absorb the risk of rehabbing a deteriorated property. The actual subsidy for most transactions is closer to \$14,000.

Marketing

To sell a rehabilitated home, AHCLC posts a sign on the property, advertises it on its website, and works with area brokers. The low-end home prices open the market to households who might not otherwise have been able to afford to purchase a home. The high quality of the renovation and new mechanicals means that the homes can be expected to have minimal maintenance for several years.

Eligible households must earn no more than 120 percent of the median family income. Homebuyers also receive financial counseling and education as part of the program. Other AHCLC programs offer home buyers assistance with downpayments and closing costs.

The price points for the rehabilitated homes, positioned at the low end of the local market, are offering affordable options in an affluent county. Home prices have been increasing, a positive sign in neighborhoods that had been experiencing decline or stagnation. However, the increase in home values has been gradual, and gentrification seems to be a low risk.

“We go after the worst property and leverage that. The typical developer doesn’t have the flexibility to lose money on the property.”

Michael Mader

Director of Real Estate Services, Affordable Housing Corporation of Lake County

“It’s important to start with a good team: a nonprofit and a municipality with a desire to help the neighborhood.”

Rob Anthony

Executive Director, Affordable Housing Corporation of Lake County

Observations and Lessons Learned

Greater risk delivers greater reward. Budgeting generously for up to \$40,000 potential loss on a property allows AHCLC to take the risk of purchasing and completely renovating the worst property on the block. Most other investors would not be able to risk this kind of loss, and the property would remain derelict.

Municipalities are important partners. Municipal support for the program has provided not only financial assistance but invaluable political support that has moved the projects forward.

A little goes a long way. The AHCLC program is structured to leverage the rehabilitation of a single home to support the stabilization of an entire neighborhood. When distressed homes are renovated and sold to owner-occupants, property values increase, and neighborhoods are revitalized.

This document is a portion of NAHB's report
How Did They Do It? Discovering New Opportunities for Affordable Housing.

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How Did They Do It?

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for Affordable Housing

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