

# **Advancing Affordable Housing Solutions in Lake County**

**A Summary of Philanthropic Strategies to Expand the Supply of Affordable Housing Throughout the County**



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## EXECUTIVE SUMMARY

In Lake County, Illinois, the demand and need for affordable housing continues to outpace its supply and development.<sup>1</sup> These needs disproportionately impact immigrants without documentation and mixed-status families who face barriers to accessing affordable housing programs, as well as households with low incomes that do not meet eligibility requirements to qualify for federal and state housing assistance. According to the National Low Income Housing Coalition, Illinois has a shortage of 288,917 affordable homes for low-income households.<sup>2</sup> The pandemic has only exacerbated these needs, as more households face housing insecurity than ever before. Families and individuals have been struggling to pay their rents or mortgages, along with covering the costs of other necessities. Recently, the problem has continued to worsen due to inflation, which has increased the cost of goods while wages have remained relatively stagnant. The pandemic also created new challenges with the development and preservation of affordable housing: supply chain disruptions, nonprofit workforce shortages, and increased prices of construction-related materials resulted in delays and increased costs for nonprofit affordable housing developers.<sup>3</sup>

Research on the causes and impacts of the current affordable housing shortage, interviews with experts in the field, and examinations of current funding mechanisms show that there are three high-impact opportunities for Lake County's philanthropic community to increase the availability of affordable housing: 1) optimizing land use policies; 2) investing in the development and preservation of affordable housing units; and 3) increasing access to credit and financial support for underserved communities.

Currently, the majority of Lake County's renters and a smaller group of Lake County's homeowners are cost-burdened—meaning they spend over 30 percent of their income on housing—indicating that there are not enough affordable options for residents to buy or rent. This shortage of affordable, stable housing has intergenerational impacts on families' employment, health, and education. Families without access to affordable housing are more likely to live in substandard housing or experience forced moves, leading to lost jobs, poor educational outcomes, and negative health impacts due to environmental hazards and toxic stress. Because housing is critically linked to these conditions and outcomes, increased access to affordable housing supports families' capacity to invest in themselves and change their life's trajectory. Indeed, families with low incomes who do have affordable housing are able to spend nearly five times as much on health care, 50 percent more on food, and twice as much on retirement savings compared to their peers who are cost-burdened by housing.<sup>4</sup> This illustrates that families with affordable and stable housing are better able to invest in other crucial aspects of their health, well-being, and prosperity.

The origins of the county's housing shortage are complex and varied. According to leading housing experts from Lake County, and Lake County Consortium's [\*2020 – 2024 Housing and Community Development Consolidated Plan\*](#), root causes include a lack of quality housing stock, limited financial support to individuals for acquiring affordable housing, restrictive land use policies that discourage affordable housing development, and residents' resistance to developing affordable housing in more affluent areas. Additionally, there is a lack of up-to-date, granular data on the affordable housing needs of the county's various demographics and municipalities, making it difficult for local government actors and philanthropic funders to strategically invest in solutions. Moreover, while there are several local nonprofit organizations that deeply understand the county's housing needs and are working to address them through housing development and advocacy, they lack the staff capacity and flexible funding needed to make larger-scale progress to expand accessible, affordable housing in Lake County.

Philanthropic capital has a critical role to play in addressing these challenges. Support for research and data collection can help donors and local governments better understand community-specific needs and develop strategies that target and maximize impact for the county's most marginalized populations and communities.

Philanthropic capital is also needed to channel fast and flexible cashflows to nonprofit housing developers. Doing so will help create and preserve homes for communities that face barriers to affordable housing due to state and federal eligibility requirements. By providing general operating support and pooling funding, donors can support the efforts of nonprofit organizations such as Community Partners for Affordable Housing (CPAH) and Transform Capital to optimize land use policy in Lake County, increase and rehabilitate the supply of affordable housing, and expand access to credit and financial supports for underserved communities.

**Figure 1. Three Strategies for Increasing Affordable Housing in Lake County**



As a first step, advocates can encourage local government leaders throughout the county to amend current land use policies to allow the government to zone more land for various types of affordable housing developments and enable developers to create multi-unit, mixed-use sites across the county. Advocates can also push local governments to create laws to preserve affordable housing in the future. Once municipalities change land use policies, developers can then create plans to acquire properties to rehabilitate current buildings or build new developments. After more developments are built—including more rental units and for-purchase homes—local financial institutions and organizations will need to develop and promote alternative financial supports to make the units accessible to communities that currently lack access to such supports or typical lending options. Though this affordable housing development framework happens in sequence, various players are already carrying out many components of this work at each stage of the sequence, to varying degrees, across the county. These efforts can happen concurrently, and funders can support any of these strategic interventions to positively impact supply and access to affordable housing. Below, we describe in detail each of these opportunities for philanthropic funders to help make headway toward expanding the availability of, and access to, affordable housing in Lake County.

# INTERVENTIONS AND OPPORTUNITIES FOR PHILANTHROPY TO EXPAND AFFORDABLE HOUSING IN LAKE COUNTY

1

Invest in the affordable housing advocates working to optimize land use in Lake County

## *The Challenge*

Lake County's 2014 and 2020 analyses of barriers to fair housing choice<sup>5</sup> identified zoning laws as a major impediment to the development of affordable housing. Regulations on land use and development—which are controlled by local governments—often restrict housing supply and thereby significantly inflate housing prices due to ever-growing demand. The impact of these regulations falls disproportionately on residents with low incomes, who spend a larger percentage of their income on housing and are more likely to rent than own their homes.

Land use and zoning regulations set mandatory parameters for uses (e.g., residential, commercial, mixed), types (e.g., single-family, multi-family), and sizes (e.g., minimum lot size) of developments. Zoning regulations often limit high-density or multi-family housing in favor of single-family homes,<sup>6</sup> which increases the land area of each property and limits the number of housing units that can be built. Similar zoning restrictions can be seen in wide streets, large minimum lot sizes, and significant minimum parking requirements. Together, land-use controls have been found to reduce housing supply and inflate housing prices by anywhere from 16 percent to 51 percent.<sup>7,8</sup> These regulations were a factor in the decisions of nearly three-fifths of Illinois developers who said they did not plan to develop affordable housing in the future, because the cost to develop and operate these developments would not enable affordable rental prices.<sup>9</sup>

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While advocates have had limited success introducing inclusive land use policies at the local level, such efforts are slowed by the unique policies and dynamics among each of Lake County's 46 municipalities. Moreover, local governments are unduly influenced by resistance from local homeowners who believe more housing developments will interfere or do away with their preferred open spaces and recreational land uses near their homes; what's more, these homeowners benefit from the increased property values a housing shortage produces.<sup>10,11</sup> To complement the slow yet needed efforts of working with municipal governments and residents to increase support for inclusive zoning policies, 501(c)(3) advocacy groups including Housing Opportunities & Maintenance for the Elderly (H.O.M.E) and Housing Action Illinois have made efforts to educate county- and state-level government officials about inclusive land use policies.<sup>12</sup> County and state government officials are typically less sensitive to the same concerns raised by local homeowners and local governments, so getting their buy-in is an important step in the process to push local governments to create land use policies more amenable to affordable housing development.

While other states' efforts to reduce exclusionary zoning have led to increased affordable housing, measures in Illinois have been limited due to the state constitution's home-rule provision, which allows eligible municipalities to exert control over their local zoning decisions, and—with few exceptions—supersede county and state law.

The Illinois Affordable Housing Planning and Appeal Act (AHPAA), which passed in 2004, attempted to establish a statewide baseline of affordable housing by requiring municipalities with more than 1,000 residents and less than 10 percent of housing rated “affordable” by the Illinois Housing Development Authority (IHDA) to prepare and adopt an affordable housing plan. The AHPAA further established a Statewide Housing Appeals Board (SHAB), which adjudicates appeals from developers whose proposals for affordable housing development in these non-exempt local governments (NELGs) were rejected due to exclusionary land use policies.<sup>13</sup>

According to the IDHA's most recent assessment in 2018, only 14 of the 46 NELGs submitted affordable housing plans,<sup>14</sup> with a majority—including Lincolnshire and Lake Bluff—citing they were exempt due to home rule.<sup>15</sup> The enforcement power of the review board was similarly questioned, leaving it unstaffed and unable to hear appeals. While pressure from affordable housing advocates led to a 2021 amendment to remove the home rule exception and increase enforcement, it is likely that more amendments will be needed for the AHPAA to effectively compel municipalities to reduce their exclusionary land use policies. Educating residents, organizations, and local governments on this need for more amendments can help build support for this statewide policy change.

### ***Current and Potential Solutions***

To address the issue of inequitable zoning laws at the state and local levels to ensure that land use is meeting the needs of all residents, advocates are taking the following steps:

#### *Educate local officials on the need for inclusive land use policies and updated building codes to expand and diversify the types of affordable housing developments being built*

Organizations such as CPAH are working to educate local officials and communities on the need to create inclusive housing ordinances across the county, which incentivize and/or require the production of affordable housing as part of private-sector development. These inclusive programs vary considerably in design and application, but many offer developers incentives such as tax breaks, expedited regulatory approval, density bonuses, and reduced minimum-parking requirements in exchange for including a certain percentage of affordable housing units in new developments.<sup>16, 17</sup> Density bonuses, which allow developers to build more housing units on a given site, distribute land and fixed construction costs among a greater number of profit-earning units and offset the lower rents from the affordable units. Reduced minimum-parking requirements similarly benefit developers by allowing them to allocate less space to parking lots and thereby build more residential units.

Inclusive housing ordinances have proven successful in attenuating local homeowner resistance to affordable housing projects by integrating affordable units into traditional market-rate developments.<sup>18,19</sup> Lake County municipalities including Highland Park and Lake Forest have already passed inclusive ordinances, with both offering density bonuses, waived application and inspection fees, and other incentives to developments with at least 15 to 20 percent affordable housing units.

Affordable housing can also be promoted through changed building codes and relaxed accessory dwelling unit regulations that decrease housing costs. Updating building codes can reduce the cost of construction, making it easier to build affordable housing. For example, modular construction—which standardizes off-site production of

“modules” containing walls, roofs, wiring, plumbing, etc. that are later assembled to form multi-unit developments on-site—can reduce construction costs by 40 percent. However, modular construction is not currently allowed in many Lake County communities.<sup>20</sup> More recently, municipalities including Oak Park, Park Forest, and Evanston have explored growing their housing supply by allowing single-family homes to add self-contained accessory dwelling units (ADUs) that can be rented out, but ADUs remain strictly regulated throughout Lake County.

### *Support statewide advocacy to enforce inclusive land use and zoning reforms.*

Affordable housing advocates—including H.O.M.E, Housing Action Illinois, and the IHDA—are working to educate state officials on the need to promote inclusive housing ordinances across all municipalities. In 2021, advocates were instrumental in the shaping and passage of the Illinois General Assembly’s HB2621, which amended the AHPAA to remove the home-rule exception and empower the state attorney general to enforce the act’s mandate; specifically, that all counties with whose affordable housing made up less than 10 percent of available inventory had to create and implement an affordable housing plan.<sup>21</sup> Advocacy by Gail Schecter, the executive director of H.O.M.E, specifically led to an additional amendment to require the timely appointment of individuals to fill vacancies on the State Housing Appeals Board, allowing it to hear developers’ appeals of municipal zoning regulations that reject affordable housing developments.

Statewide measures can also enable advocates to pursue policies in an environment less sensitive to localized opposition. Through HB2621, advocates were able to push for an opt-out property tax incentive for counties to create and preserve affordable rental homes.<sup>22</sup> The program calls for between 15 percent and 35 percent of a building’s units to be below the maximum rent,<sup>23</sup> offering compliant developments a reduced assessment value that can lower property tax bills, which can save them money over the long term. While property tax incentives struggle to pass at the county level, Lake County chose to remain in the program.

Therefore, statewide measures provide the ability to promote inclusive zoning across all municipalities while being less sensitive than county or municipal governments to localized opposition. As such, it is important that local nonprofit organizations and county government agencies such as the Lake County Community Development agency work in tandem with state advocates to ameliorate exclusionary land use and zoning practices.<sup>24</sup>

### ***Philanthropy’s Potential Role***

At the state level, donors can support organizations that engage in statewide, nonpartisan advocacy—organizations like Housing Action Illinois, the Chicago Area Fair Housing Alliance, and Housing Choice Partners—to build on their recent momentum to shape new affordable housing legislation. By way of example, future initiatives that state officials can learn about (or that funders could help develop education on) could include creating:

- **Lower barriers for review board appeals.** To avoid hesitancy on the part of developers who are worried about alienating local officials, the SHAB could automatically appeal any NELG decision to reject an affordable housing project, rather than requiring the developer to initiate the process.
- **Expedited affordable housing permitting.** This proposal—which advocates, researchers, and the IHDA alike have long supported—would require local governments to approve or deny any application containing affordable housing units within a specified time period. This will incentivize developers to include affordable housing in their developments to save time and money awaiting permitting approval, while preventing local governments from using the permit process to delay or prevent the development of affordable housing.



At the county level, donors can partner with Lake County governments to develop a system of incentives to encourage constituent suburb localities, especially NELGs, to accept local technical assistance from the Chicago Metropolitan Agency for Planning (CMAP), the Metropolitan Mayors Caucus, the Metropolitan Planning Council, Business and Professional People for the Public Interest (BPI), and other entities that can help municipalities develop and implement their affordable housing strategies to reach the 10 percent affordable housing supply minimum as required by the AHPAA.<sup>25</sup> For examples of this work, see the project from the Chicago Metropolitan Agency for Planning called [Homes for a Changing Region](#), a collaboration between municipal officers, their staff, and community residents.<sup>26</sup>

Donors could further support Lake County local governments by working to establish a county-wide “Inclusionary Zoning Administration” to relieve constituent municipalities’ administrative load. In its [Policy Focus Report on Inclusionary Housing](#), the Lincoln Institute of Land Policy lists more than a dozen major tasks involved in administering these ordinances, from communicating program requirements to developers and property managers, to setting affordable rents, to recertifying annual income of tenants.<sup>27</sup> These may be too demanding for individual suburban governments, and initial support from donors to implement the tasks involved with administering inclusionary housing ordinances could enable Lake County to take on this responsibility.

At the municipal level, donors can invest in dedicated staff and resources for affordable housing advocacy organizations such as CPAH and Lake County United to build support for inclusionary zoning policies within each Lake County municipality. In addition to housing organizations like CPAH, gaining the support of grassroots organizations such as Mano a Mano, the Farmworkers and Landscaper Advocacy Project, and the Boys & Girls Club is vital to building community will. These grassroots community organizations will be able to supplement the grassroots advocacy work being done by housing experts and build power for the affordable housing movement for those at the top and on the ground.

Philanthropists can further deploy their social capital and social networks to gain access to donated land and educate leaders of local governments across the county about the benefits of land use policies that increase affordable housing supply. Donors can support conducting a comprehensive survey of housing developers to get feedback that would help each municipality identify its most significant regulatory barriers to affordable housing. Similarly, philanthropists can support broader-level research to collect local data on communities most in need of affordable housing. Donors can connect universities with local organizations such as CPAH to collect data on affordable housing gaps and track progress over time.

## 2

### Invest in the development, preservation, and rehabilitation of affordable housing units to increase supply

#### *The Challenge*

As mentioned above, Lake County needs an increased supply of rental and residential affordable housing units *across* the county, and the rehabilitation and preservation of existing affordable housing units.<sup>28</sup> Currently, most of Lake County’s affordable housing units are concentrated in Waukegan, Zion, and North Chicago, where much of the housing stock was built before 1970—making it more susceptible to safety and health hazards such as broken boilers, mold and mildew, rodent infestations, and faulty electrical wiring. Additionally, the concentration of affordable housing in these areas is the result of federal funding formulas that incentivize development in

dense urban environments, rather than suburban areas like Lake Forest. The county's housing leaders and experts also point out that the county's more affluent suburban areas are prone to a "Not In My Backyard" (NIMBY) attitude toward affordable housing. The wide range of local cultures and attitudes toward affordable housing development in the county's various jurisdictions has created barriers for expanding the areas in the county in which affordable housing can be developed.

The need for additional affordable rental units is especially pronounced in Lake County, where 50 percent of renters are cost-burdened (i.e., these households allocate more than 30 percent of their income to housing expenses).<sup>29</sup> As a result, these households may not have enough to spend on other necessities. Additionally, households making more than 30 percent of the area's median income (AMI) are less likely to receive public housing vouchers, making this population even more vulnerable to being cost burdened. For example, consider a family of two that is making \$30,000—this is more than 30 percent of Lake County's AMI of \$25,000 for a family of two. At the lower end of the pricing spectrum, a typical one-bedroom rental in Lake County costs approximately \$1,100 per month, meaning the family must spend \$13,200 on rent per year—or 44 percent of their annual income on rent, leaving them with very little money for other household necessities such as utilities, transportation, and food.<sup>30, 31</sup>

As such, new affordable housing units should be inclusive of, and therefore have a high potential to benefit, households making above 30 percent of the area's median income, because these families face heightened barriers. Additionally, immigrants without documentation and mixed-status families also face undue burdens: they are barred from certain affordable housing opportunities and face restrictions that make it difficult for them to buy homes. The Federal Housing and Community Development Act of 1980 deems immigrants without documentation ineligible for Public Housing, Housing Choice Vouchers, and Section 8 project-based rental assistance.<sup>32</sup> This leaves mixed-status households with fewer and more dangerous housing options, such as an uninsulated garage, which one local nonprofit provider told us they found a family living in during the middle of winter.

Another challenge to affordable housing development is the time it takes to apply and get approved for federal and state funding. This can hinder the ability of affordable housing providers to remain competitive in the pursuit of land to develop and homes to renovate or preserve. According to one housing expert, it can take up to two years for nonprofit developers to obtain state financing options to find and acquire a site to build on, but the current property owners of the site typically do not want to wait two years to sell their property. The graphic below shows the basic process for developers to build affordable housing units, demonstrating the various stakeholders and multiple points of approval needed throughout the process.





Community Partners for Affordable Housing (CPAH) uses the CLT model throughout Highland Park and Lake Forest, which has created long-term affordable housing throughout these neighborhoods. According to one local housing expert, CLTs work best where the cost of land is high, because that is often where it isn't profitable for developers to build affordable housing for low-income households. Expanding this model throughout Lake County can help address the racial wealth and homeownership gaps by providing more opportunities for low-income households to build equity and intergenerational wealth. This is why it is important to ensure land trust organizations have a constant source of funding to enable their operations to be stable and sustainable.<sup>37</sup>

*Advance the acquisition of affordable housing units that use lease-to-own strategies to promote homeownership.*

Lease-to-own agreements enable households that cannot afford upfront down payment and closing costs to live in a home that they can buy into over time. A lease-to-own agreement is generally structured as a rental agreement wherein the tenant has the option to purchase the home from a CLT after a predetermined amount of time. Because these homes are managed by a CLT, they are sold below market value, and residents can apply a portion of the rent they've paid over the lease period toward the eventual down payment.

A leading example of this model in action is the Lease Purchase Flagship Program carried out by the Cleveland Housing Network (CHN), a nonprofit affordable housing developer and housing service provider. This program uses a mix of public and private funding sources to acquire and rehabilitate single-family homes, which it then leases to low-income households for 15 years. Then, it sells the homes to tenants for the amount of debt remaining. Thus far, CHN's program has developed over 2,189 homes and transitioned 80 percent of tenants from leasing to owning those homes, with almost all maintaining their housing stability after homeownership.<sup>38</sup> Under this program, properties remain rentals for 15 years and are rented to low-income tenants earning less than 60 percent of the area median income. CHN also gives tenants a credit of \$1,000 toward the home purchase for every year they reside in the unit, up to \$10,000. Additionally, low-income buyers can sometimes qualify for down payment assistance through other local, nonprofit, or state funds.

Organizations such as CPAH are developing plans to create a similar model in Illinois. Through fast and flexible philanthropic capital, CPAH and other organizations can introduce this model in Lake County, which would give low-income communities the opportunity to build wealth.

*Develop a Housing Accelerator Fund to streamline financing so affordable housing providers can acquire land and buildings and propel critical housing across the finish line.*

According to a nonprofit housing developer in Lake County, acquiring funding to purchase land or rehabilitate existing homes to use for affordable housing can take a significant amount of time. According to the Metropolitan Planning Council, an urban planning research and policy organization in Chicago, "the total estimated development cost per affordable housing unit is approximately \$290,000, including acquisition, rehabilitation, and soft costs such as insurance, utilities, and legal fees for a nonprofit housing organization."<sup>39</sup> While federal and state programs such as the Low Income Housing Tax Credit (LIHTC) program and Community Development Block Grants (CDBG) help offset those costs, there can still be a gap in funding, depending on how many units are being developed. The time it takes to secure public and private funding to meet 100 percent of the costs needed to acquire and/or develop affordable housing can leave nonprofit developers, such as Mercy Housing without the capital needed to compete with for-profit developers.

To reduce the time it takes for nonprofit developers to attain funding, San Francisco developed the Housing Accelerator Fund (HAF), which has raised almost \$330 million. The HAF operates as an independent nonprofit that aims to provide streamlined funding to housing developers to increase the speed at which they can acquire and develop land and homes. The HAF uses public and private sources of funding to provide loans to nonprofit housing developers. As these developers repay the loans, the HAF puts those funds back into the pool of funding to support future housing projects. By providing funds quickly, the HAF allows affordable housing developers to invest at the same speed as for-profit land developers and investors. This model is also effective at financing specific types of affordable housing, such as workforce housing, which is typically challenging to finance

because working households don't often meet the low-income threshold needed to qualify for federal and state funding. As such, nonprofit developers often struggle to secure the capital needed to build workforce housing. But the flexibility of a Housing Accelerator Fund's acquisition and rehabilitation loan terms can allow developers to build market-rate housing, and then reserve a specified percentage for middle-income workforce households.

## STORY OF IMPACT: MIXED-INCOME HOUSING IN SAN FRANCISCO

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"Historically, financing a building meant for occupancy by 'middle-income' households has been nearly impossible, since these residents' incomes are too high to qualify for state and federal subsidies but too low to cover the high costs of construction. The shortage of affordable housing for our critical workforce continues to grow.

HAF is using capital supplied by philanthropists to address financing gaps for workforce and middle-income housing, a market segment that has historically received less financial support from city and state sources. With the power of funds from philanthropists like Jeremy Liew and Rane Lan, HAF made a loan to Tenderloin Neighborhood Development Corporation to move forward a SoMa (South of Market) district project that will create 203 new affordable homes. Over 50% of these homes will be reserved for middle-income and workforce households."

*Source: The San Francisco Housing Accelerator Fund*

### ***Philanthropy's Potential Role***

To support the advancement of the solutions above, Lake County donors can convene with governmental partners such as the Lake County, North Chicago, and Waukegan Public Housing Authorities, and the Lake County Community Development Office to create a housing accelerator fund in Lake County. These governmental and nonprofit organizations will be able to develop a fund that will be well coordinated to fill in the gaps that public funding does not cover. For example, this fund can provide grants to cover "soft costs" such as market studies, traffic studies, and engineering and architectural reports that are difficult to obtain from governmental sources. Ultimately, this will provide affordable housing developers such as Renew Communities, Habitat for Humanity, Mercy Housing, Brinshore Development, and DeBruler with fast, flexible capital to buy land and buildings to preserve and create more affordable housing.

However, it's important to note that the housing accelerator fund had been operating at a time of historically low interest rates. As interest rates have jumped and continue to increase, the cost of construction and the cost of taking on long-term debt (such as a mortgage to acquire an existing home) will rise. In order to make this model sustainable, donors need to commit to providing below-market-rate loans and construction capital grants to fill the increased gaps in funding for operations and construction. Donors can also consider paying for or writing off the interest accrued on a construction note or bank mortgage and blending below-market debt with standard mortgages to achieve a reduction in the cost of capital to the developer.

While an accelerator fund will provide fast and flexible capital to nonprofits, it's also important that philanthropic partners provide direct, multi-year general operating support for local nonprofit developers to increase capacity for the influx of funding that will be more readily available through the housing accelerator fund. This increased staffing capacity will enable nonprofit developers to expand their work across the county and manage more acquisition and development projects.

Lake County donors can also donate directly to existing community land trusts owned by CPAH, so properties throughout those communities can be purchased, which will ensure the long-term preservation of affordable housing. Alternatively, foundations can match the county funds that are being used to purchase the land under the CLT, which can incentivize county administrators to invest even more in CLTs.

### 3

## Invest in initiatives that expand access to credit and financial supports to make housing access and homeownership inclusive and attainable

### *The Challenge*

In order for families to actually access the expanded affordable housing options that the two strategies above will help to create, alternative lending options and financial supports must be available to help low- to middle-income households access these rental and residential developments. Access to mortgages is limited for immigrants without documentation, and those with low credit scores do not have access to conventional mortgages. According to the National Community Reinvestment Coalition, a group of grassroots organizations working to create wealth-building opportunities for underserved communities, “access to credit—home mortgage and small business loans—is an underpinning of economic inclusion and wealth-building in the US.”<sup>40</sup> Yet, credit access can vary greatly; while it does depend on an individual's history of repaying revolving and installment debts, access to credit can also be impacted by place-based factors that shape local credit markets. The Urban Institute found that “more than 50 percent of white households have a FICO credit score above 700, compared with only 21 percent of Black households.”<sup>41</sup> Redlining and discriminatory lending practices in the 1930s created a “mainstream” credit market run by financial institutions such as banks in high-income white communities, and a credit market run by predatory loan providers (like payday lenders) in low-income Black and brown communities. This historic financial exclusion from the mainstream credit market has had lasting impacts for Black and brown communities, preventing these households from accessing mortgages at the same rate as white households.<sup>42</sup>

Another challenge to accessing affordable housing is income. Attaining housing vouchers and subsidies for affordable housing rental units can be difficult for households that have lower incomes but still earn more than 30 percent of the area's median income (AMI). At least 75 percent of the families admitted to the Public Housing Authority's housing voucher program during a PHA fiscal year must be extremely low-income families, meaning they make less than or equal to 30 percent AMI (for example, a family of two must make less than \$25,000 to qualify).<sup>43</sup> As such, households making *more* than 30 percent AMI have fewer opportunities to attain housing choice vouchers and rental subsidies. Currently, demand for vouchers far exceeds supply, so the majority of applicants spend a lot of time on waiting lists before receiving a voucher. When a family does receive a voucher,

they can use it to pay all or part of their rent. Without vouchers or any form of rental subsidy, these low- to middle-income households must spend most of their income on rent, with little remaining for other necessities.

### ***Current and Potential Solutions***

To address the issue of access to mortgages and financial support for renters, there are several tactics that various entities are using both in and outside of Lake County that affordable housing experts recommend:

#### *Provide private housing vouchers to low- and middle-income households.*

Though this suggestion is not currently being implemented in Lake County, one local nonprofit leader suggested providing private housing vouchers for immigrants that are not documented and low- to middle-income families making more than 30 percent of the area's median income. These vouchers will subsidize the costs of market-rate housing to make these homes more accessible. Similar to PHA housing vouchers, these private vouchers would be used to pay part or all of a household's rent. Private housing vouchers would not be subject to the same income thresholds that federal and state programs must abide by, which would allow more households to have access to apartments across the county, as they would no longer be restricted to areas where rents are low. This can operate either as a direct cash transfer from funders or via an intermediary to households, or through an organization with infrastructure to provide rental or mortgage assistance, such as CPAH and/or Community Action Partnership of Lake County.

#### *Use private capital to provide mortgages to financially excluded communities.*

Transform Capital (TC) is a nonprofit organization in North Chicago that uses philanthropic donations to provide small business loans and mortgage loans to mixed-status families and households with subprime credit scores. As households repay the loan, their payments go back into the funding pool that Transform Capital provides to other families, which TC calls "recyclable lending." Transform Capital works closely with affordable housing nonprofits such as CPAH and Renew Communities to identify households in need of loans. TC then develops a relationship with the households to understand why their credit score may be low and factors that might influence their ability to pay

### **How New York is Piloting and Studying Direct Cash Transfers to Impact Young Adult Homelessness**

*The Trust Youth Initiative: Direct Cash Transfers to Address Young Adult Homelessness* project will take place in New York City and provide proof of concept for how direct cash transfers can stabilize housing for a high-need population. The initiative will provide young adults experiencing homelessness with \$1,250 per month for up to two years. The project's flexible approach aims to improve young people's stable housing and well-being by providing the means to afford the types of housing they choose and the supports to make investments in their own goals, education, and career development.

The initiative is funded by the Mayor's Fund to Advance New York City, the NYC Mayor's Office for Economic Opportunity (for evaluation support), the Block-Leavitt Foundation, Melville Charitable Trust, Robin Hood Foundation, and the NYC Fund to End Youth & Family Homelessness, a funder collaborative that is hosted by FJC – A Foundation of Philanthropic Funds. It also involves collaboration with multiple NYC government agencies, including the Office of the Mayor, the Center for Innovation through Data Intelligence (CIDI), the Continuum of Care (CoC) and its Youth Action Board, the Department of Youth & Community Development (DYCD), and the Department of Social Services (DSS).

back the loan. Because the organization uses private capital, it is not subject to the same compliance regulations that come with public funding, which enables Transform Capital to lend to mixed-status families and those who typically do not qualify for a mortgage.

### *Philanthropy's Potential Role*

Homeownership allows families to build wealth and equity, which is why safe, affordable housing is an important pillar of financial stability. To support an increase in homeownership rates in Black and brown communities, Lake County donors can provide capital to organizations such as Transform Capital to offer more mortgages to immigrants that are not documented, mixed-status families, and/or families who have a subprime credit score to help bring homeownership within their reach.

Donors can also consider developing a funder collaborative that uses an intermediary to provide monthly direct cash assistance to low- to middle-income households. Alternatively, Lake County donors can work with existing nonprofit organizations such as CPAH, Renew Communities, and the Community Action Partnership of Lake County to support direct cash assistance to the community members they serve. This will bolster the resource capacity of these community organizations to provide immediate assistance to community members overburdened by housing costs.

## **CONCLUSION**

These three strategic interventions are the necessary foundation to create sustainable affordable housing. However, it is important to consider that affordable housing without community development can leave communities without the services, resources, and supports they need to have access to opportunity. Access to social services—including public transportation, health care, and education—is a critical success factor to achieve sustainable affordable housing.<sup>44</sup> As such, it is vital that philanthropy invest in the expansion of community-led partnerships with organizations working to increase health care access, transit services, violence prevention/interruption services, educational opportunities, and economic opportunities in the areas where affordable housing is being developed in Lake County.

To enhance coordination and collaboration across public and private sectors in Lake County, housing experts agree that the Housing Action Team needs to be resurrected, and the Lake County donor community can help do this. Currently, governmental agencies (Lake County Community Development Office, Lake County Department of Transportation), nonprofits (CPAH, Renew Communities, Transform Capital), and private actors (foundations, private affordable housing developers) are acting in silos, making it difficult to harness the combined organizing power of these three groups to effectuate change in laws and regulations throughout the county. The Housing Action Team can be a place where these three groups come together on a regular basis to discuss their needs and provide resources to meet those needs and achieve the outcomes listed in Appendix A.

A Lake County foundation or the Lake County Community Foundation can house the Housing Action Team and facilitate meetings among these actors on a regular cadence. Alternatively, donors can consider giving a Lake County affordable housing nonprofit a multi-year, unrestricted grant to support a long-term coordinator role on staff.

Ensuring all community members have a safe place to call home is the critical foundation to building equitable and sustainable communities. The strongly integrated donor community in Lake County offers an important opportunity to collaborate and spur greater investment for affordable housing in the region.



# Appendix A: Potential Outcomes by which to Assess Progress

The chart below summarizes potential outcomes that public and private stakeholders can work toward in accelerating access to and the creation of more affordable housing. As funders and developers work to implement these interventions, the affordable housing community can develop a fuller evaluation plan that specifies desired short- and long-term outcomes, activities that aim to achieve them, indicators of progress, and the data sources and metrics used to evaluate those indicators.

	Optimize land use to increase affordable housing supply in Lake County	Increase development and rehabilitation of affordable housing	Increase access to credit and financial supports for families who need affordable housing the most
Short-Term Outcomes (1–5 Years)	<ul style="list-style-type: none"> <li>• More Lake County NELGs release affordable housing plans</li> <li>• More Lake County municipalities allow ADUs, provide density bonuses, or have other inclusive housing policies</li> </ul>	<ul style="list-style-type: none"> <li>• An affordable housing donor collaborative fund is established, which provides funds that enable nonprofit developers to acquire land and buildings more quickly</li> </ul>	<ul style="list-style-type: none"> <li>• Fewer mixed-status households live in unsafe housing</li> <li>• More mixed-status families, and those with subprime credit scores, secure mortgages</li> <li>• More low- to moderate-income BIPOC individuals and families secure mortgages</li> </ul>
Long-Term Outcomes (5–10 Years)	<ul style="list-style-type: none"> <li>• Land use policies contribute to an increase in the number of affordable rental and residential units in each NELG</li> </ul>	<ul style="list-style-type: none"> <li>• The number of affordable rental and residential units increases throughout the county</li> <li>• Fewer Lake County renters and homeowners are cost-burdened</li> </ul>	<ul style="list-style-type: none"> <li>• Homeownership increases among the county’s low-income households, households of color and/or households with immigrants that are not document</li> <li>• The proportion of citizens who are housing cost-burdened decreases</li> </ul>



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- <sup>1</sup> Lake County Consortium. *2020 – 2024 Housing and Community Development Consolidated Plan*. Lake County Government, 2020, <https://www.lakecountyil.gov/DocumentCenter/View/35044/2020---2024-Lake-County-Housing-and-Community-Development-Consolidated-Plan-PDF>.
  - <sup>2</sup> “Illinois Housing Needs.” National Low Income Housing Coalition. Accessed November 9, 2022. <https://nlihc.org/housing-needs-by-state/illinois>.
  - <sup>3</sup> Pritzker Administration Provides Nearly \$75 million for Affordable Housing Development, 2022. [https://www2.illinois.gov/IISNews/25078-Pritzker\\_Administration\\_Provides\\_Nearly\\_\\$75\\_million\\_for\\_Affordable\\_Housing\\_Development.pdf](https://www2.illinois.gov/IISNews/25078-Pritzker_Administration_Provides_Nearly_$75_million_for_Affordable_Housing_Development.pdf)
  - <sup>4</sup> The State of the Nation’s Housing 2013. Joint Center for Housing Studies of Harvard University, 2013. <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2013.pdf>
  - <sup>5</sup> As defined by the Department of Housing and Urban Development, impediments to fair housing choice restrict or have the effect of restricting the availability of housing choices on the basis of race, color religion, sex, disability, familial status, or national origin. Affordable housing can support fair housing choices, as minority families and people with disabilities are disproportionately represented among those who would benefit from low-cost housing.
  - <sup>6</sup> Brunick, N. J., & Patton, D. J. (2003). Eliminating Barriers: Letting the Market Help Meet Illinois Housing Needs. *Business and Professional People for the Public Interest (BPI)*.
  - <sup>7</sup> Cho, M., & Linneman, P. (1993). Interjurisdictional Spillover Effects of Land Use Regulations. *Journal of Housing Research*, 4(1), 131–163. <http://www.jstor.org/stable/24832756>
  - <sup>8</sup> Levine, N. (1999). The Effects of Local Growth Controls on Regional Housing Production and Population Redistribution in California. *Urban Studies*, 36(12), 2047–2068. <https://doi.org/10.1080/0042098992539>
  - <sup>9</sup> Brunick, N. J., & Patton, D. J. (2003). Eliminating Barriers: Letting the Market Help Meet Illinois Housing Needs. *Business and Professional People for the Public Interest (BPI)*.
  - <sup>10</sup> Brown, G., & Glanz, H. (2018). Identifying potential NIMBY and YIMBY effects in general land use planning and zoning. *Applied Geography*, 99, 1-11.
  - <sup>11</sup> McMillen, D. P., & McDonald, J. (2004). Reaction of house prices to a new rapid transit line: Chicago's midway line, 1983–1999. *Real Estate Economics*, 32(3), 463-486.
  - <sup>12</sup> These groups have engaged in advocacy focused on educating the public and government leaders on inclusive zoning policies. As a 501(c)(3), these organizations are allowed to engage in advocacy, as long as these efforts are not focused solely on elected officials from one political party. These 501 (c)(3) organizations can also be involved in a limited amount of lobbying, but general advocacy (i.e. public education on the benefits of a program or policy) is not subject to those same limitations.
  - <sup>13</sup> Affordable Housing Planning and Appeal Act, 310 ILCS 67/ (2003).
  - <sup>14</sup> IHDA. *2018 Report on Statewide Local Government Affordability*. 2018. <https://www.ihda.org/wp-content/uploads/2015/07/2018-Statewide-AHPAA-List.pdf>
  - <sup>15</sup> IHDA. *2021 Annual Comprehensive Housing Plan – Annual Progress Report*. 2021, <https://www.ihda.org/wp-content/uploads/2022/04/2021-ACHP-Annual-Progress-Report-.pdf>
  - <sup>16</sup> Ramakrishnan, K., Treskon, M., & Greene, S. (2019). *What Does the Research Tell Us about the Effectiveness of Local Action?* Urban Institute.
  - <sup>17</sup> “Inclusionary Zoning and Mixed-Income Communities” Evidence Matters. US Department of Housing and Urban Development, 2013. <https://www.huduser.gov/portal/periodicals/em/spring13/highlight3.html>.
  - <sup>18</sup> O’Connell, Brenda. Community Development Administrator in Lake County. Interview by Arabella Advisors. 2022
  - <sup>19</sup> “Inclusionary Zoning and Mixed-Income Communities” Evidence Matters. US Department of Housing and Urban Development, 2013. <https://www.huduser.gov/portal/periodicals/em/spring13/highlight3.html>.
  - <sup>20</sup> Anthony, Rob. Executive Director of Community Partners for Affordable Housing. Interview by Arabella Advisors. 2022
  - <sup>21</sup> Village of Lincolnshire Committee Meeting Agenda, February 2022. <https://www.lincolnshireil.gov/government/about/agendas-minutes-packets-video?format=raw&task=download&fid=2877>
  - <sup>22</sup> “New State Law Creates Property Tax Incentive to Create and Preserve Affordable Rental Homes.” Housing Action Illinois, September 13, 2021. <https://housingactionil.org/blog/2021/09/13/new-state-law-creates-property-tax-incentive-to-create-and-preserve-affordable-rental-homes/>.
  - <sup>23</sup> Maximum rent is assessed to be 30% of income for a household with incomes at 60% of area median income (AMI).

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- <sup>24</sup> Lens, Michael C., and Paavo Monkkonen. 2016. "Do Strict Land Use Regulations Make Metropolitan Areas More Segregated by Income?" *Journal of the American Planning Association* 82, no. 1: 6-21.
- <sup>25</sup> Illinois Housing Development Authority (2018). *Affordable Housing Planning and Appeal Act: 43 2018 Non-Exempt Local Government Handbook*. Retrieved from <https://www.ihda.org/wp-content/uploads/2015/07/2018-AHPAA-Handbook-Final.pdf>.
- <sup>26</sup> Metropolitan Planning Council. "Homes for a Changing Region." Metropolitan Planning Council. Accessed November 9, 2022. <https://www.metroplanning.org/work/project/21>.
- <sup>27</sup> Jacobus, Rick. *Inclusionary housing: Creating and maintaining equitable communities*. Cambridge, MA: Lincoln Institute of Land Policy, 2015.
- <sup>28</sup> Rehabilitation: means the repair, renovation, or other improvement of housing to make the housing decent, safe, sanitary, and more habitable. Preservation: is when action is taken to ensure the federal housing subsidy and low-income housing restrictions remain in place, preserving long-term housing affordability.
- <sup>29</sup> Lake County C onsortium, 2020.
- <sup>30</sup> Chicago-Joliet-Naperville, IL HUD Metro FMR Area Small Area FY 2022 Fair Market Rents, [https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2022\\_code/2022summary.odn](https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2022_code/2022summary.odn)
- <sup>31</sup> "Eligibility." Lake County Housing Authority. Accessed November 9, 2022. <https://www.lakecountyha.org/eligibility>.
- <sup>32</sup> McCarty, Maggie. *Noncitizen Eligibility for Federal Housing Programs*. Congressional Research Service, 2020.
- <sup>33</sup> CLTS can also be used to sustain commercial and civic assets such as parks
- <sup>34</sup> According to Burlington Associates in Community Development, "CLTS can CLTs acquire land for a below-market price through a mechanism known as a "bargain sale," where the seller accepts cash for a portion of the land's value and claims a tax deduction for the remainder of the land's value"
- <sup>35</sup> Brown, Michael. "Frequently Asked Questions About Community Land Trusts." Burlington Associates in Community Development, 2007. [https://www.burlingtonassociates.com/files/4913/4461/2390/9-Frequently\\_Asked\\_Questions\\_About\\_CLTs.pdf](https://www.burlingtonassociates.com/files/4913/4461/2390/9-Frequently_Asked_Questions_About_CLTs.pdf)
- <sup>36</sup> "Community Land Trusts." Grounded Solutions Network. Accessed November 9, 2022. <https://groundedsolutions.org/strengthening-neighborhoods/community-land-trusts>.
- <sup>37</sup> CLTs are not restricted to developing home, it can also be used to preserve public spaces (parks, community gardens), and can also lower costs for rental housing providers (or owner occupants) in exchange for long-term affordability restrictions. The Urban Institute states that this model can, "enable nonprofits to produce new housing with low or moderate rents or preserve rental affordability despite rising market demand. By reducing constant financial pressure, CLTs enable renters to use their income in more productive ways, such as spending on other current needs or saving for future goals."
- <sup>38</sup> Himura, Donna. "Dream Builder." *Affordable Housing Finance*, June 2017. <https://chnhousingpartners.org/wp-content/uploads/2017/07/Affordable-Housing-Finance-Story-6-2017-min.pdf>
- <sup>39</sup> Metropolitan Planning Council. "Home Grown: Local Housing Strategies in Action." Metropolitan Planning Council. Accessed November 9, 2022. <https://www.metroplanning.org/homegrown/case.aspx?case=cpah>.
- <sup>40</sup> HOLC "Redlining" Maps: The Persistent Structure of Segregation and Economic Inequality, <https://ncrc.org/holc/>
- <sup>41</sup> Choi, Jung Hyun. "Breaking down the Black-White Homeownership Gap." Urban Institute, February 21, 2020. <https://www.urban.org/urban-wire/breaking-down-black-white-homeownership-gap>.
- <sup>42</sup> Baradaran, Mehrsa. "Jim Crow Credit." *UC Irvine L. Rev.* 9 (2018): 887.
- <sup>43</sup> Lake County Public Housing Authority Eligibility, Lake County Housing Authority, <https://www.lakecountyha.org/eligibility>
- <sup>44</sup> Oyebanji, A. O., Liyanage, C., & Akintoye, A. (2017). Critical Success Factors (CSFs) for achieving sustainable social housing (SSH). *International journal of sustainable built environment*, 6(1), 216-227.