

Exhibit D: Soundness of
Approach
Region 1 Planning Council

Vision

Region 1 Planning Council's (R1) proposed program to reduce obstacles to affordable housing aims to expand housing opportunities and advance housing justice through a two-pronged approach. The first component focuses on increasing housing supply by incentivizing new construction in high-opportunity areas as well as underserved neighborhoods that have strong access to economic hubs and essential amenities. The second component allocates rehabilitation funds to underserved communities adjacent to these new developments. The program aligns with Housing and Urban Development's (HUD's) national standards by addressing the needs of low- and moderate-income (LMI) individuals, preventing blight, and tackling urgent community development challenges. By targeting both high-opportunity areas and underserved neighborhoods, the program not only increases regional housing supply but also promotes equitable access to economic and social resources, strengthening close-knit communities. While the proposed program furthers HUD's activities primarily by addressing development and preservation goals, it also addresses goals related to planning, policy, and infrastructure.

The primary objective for this proposal is to address the regional housing shortage, which is expected to worsen due to anticipated population and job growth. A lack of new construction, coupled with an aging housing stock, has left the region unable to meet demand. The proposed program seeks to close the appraisal gap between development costs and housing sale prices, which is expected to encourage additional development to benefit the underserved members of the community.

Rockford Region's Proposal to Reduce Appraisal Gap, Rehabilitate Aged Homes, and Stimulate New Development

A. Incentivizing New Construction to Increase Housing Supply

In order to stimulate new housing development, R1 will offer PRO Housing grant funds to developers equal to the difference between their construction costs and the amount the house appraised for (the appraisal gap). R1 will serve as a pass-through entity for these funds, as well as provide land at no cost to developers through Northern Illinois Land Bank Authority (NILBA) and Boone and Winnebago Counties Trustee Programs (Trustee Programs), of which R1 serves as the administrator. Eligible lots will be pre-selected by R1 based on their location in high-opportunity areas or underserved neighborhoods that have strong access to economic hubs and essential amenities, as well as their suitability for infill development. Once per year, R1 will issue a Request for Proposal (RFP) for housing developers to select their lot and submit plans, with the stipulation that the resulting developments must be sold to LMI individuals. R1 will evaluate all responses against a rubric that considers factors such as the company's development and financial capacity, and minority representation. Any developer satisfying this criteria will be awarded the Land Bank property for construction; if multiple developers issue proposals for the same Land Bank property, the developer with the highest rubric score will be awarded the land.

After developers complete construction, the house will be listed for sale through a Realtor, with the requirement that the buyer must qualify as LMI. Once the home is sold to an LMI buyer, R1 will evaluate the transaction to ensure all program requirements for geography, income, and diversity have been met. If the requirements are satisfied, the developer will receive reimbursement funds to cover the gap between the sale price and construction costs, as well as a ten percent revenue fee to incentivize development.

This component of the proposed program aligns with HUD's goals by facilitating affordable housing production. It can also be classified as a planning and policy activity, as it establishes a new incentive program for affordable housing development and creates a regional planning model that enhances location efficiency by linking housing, transportation, and economic growth (listed under section III.F.2.C, activities i.D and i.S). Additionally, the program qualifies as a development activity as it finances the construction of affordable housing, provides land for affordable housing development, and facilitates the conversion of properties into new housing units (listed under section III.F.2.C, activities ii.A, ii.B, and ii.C).

B. Upgrading Neighboring Homes to Preserve Existing Housing

In addition to stimulating new housing construction, R1 will allocate additional funds for housing rehabilitation to property owners living within a two-block radius of the new development. R1 will issue a separate RFP annually asking for developers to submit rehabilitation proposals on behalf of homeowners living within the two-block radius. Rehabilitation projects must only incorporate exterior renovations such as roofing, energy-efficient window upgrades, and ADA updates. R1 will then evaluate these proposals using the same rubric as for new home construction. Following the selection of a developer, R1 will release the funds for these renovations.

This component of the proposed program aligns with HUD's goals by facilitating affordable housing preservation. It can also be classified as a development activity, as it finances the rehabilitation for affordable housing (listed under section III.F.2.C, activity ii.A). Additionally, the program is a preservation activity, as it preserves affordable housing in high-poverty neighborhoods as part of a larger revitalization plan which improves conditions and eliminates disparities in access to opportunity between residents (listed under section iii.F.2.C, activity iv.M).

C. Cutting the Policy Red Tape with Pre-Approved Housing Designs

In addition to the two main program components focused on producing affordable housing and preserving existing affordable units, R1 will develop a Pre-approved Housing Design Structures (PAHDS) booklet in collaboration with Boone and Winnebago County officials and the cities and villages within these counties. The PAHDS Booklet will offer a selection of pre-approved housing designs complete with design specifications that meet jurisdictional requirements and streamline the development process. By providing ready-to-use designs for constructing single-family homes and duplexes, the booklet aims to simplify development, reduce uncertainty, and expedite the construction of new housing units.

This component of the proposed program supports HUD's activities by further developing housing policy plans and facilitating affordable housing production. The development of this resource can be classified as a planning and policy activity, as it creates affordable housing planning resources for member jurisdictions (listed under section III.F.2.C, i.R). Additionally, the creation of this resource provides technical assistance to developers which leads to the development of affordable housing (listed under section III.F.2.C, activity ii.E).

D. Education and Outreach

Throughout the project period, R1 will facilitate education and outreach efforts to ensure program success. R1 will conduct targeted outreach to developers, offering comprehensive

education on the program's components, including available incentives and support for affordable housing development. In addition, R1 will carry out community outreach focused on LMI populations, with a particular emphasis on minority communities, to increase awareness of the program, newly constructed affordable housing units, and renovation opportunities. R1's dedicated housing team will lead these initiatives, ensuring that both developer engagement and community education are well-integrated into the program's overall implementation strategy.

Organizational Capacity and Management Experience

The proposed program is appropriate given our R1's experience and capacity. As an MPO, R1 has decades of experience in managing and disseminating grants while ensuring state and federal compliance and accountability. R1's dedicated housing team brings specialized knowledge in affordable housing development, while its status as administrator of NILBA and Trustee Programs provides an efficient tool for managing and repurposing vacant or underutilized properties for new development. This combination of expertise and resources positions R1 to address the identified need for affordable housing and support the successful implementation of these activities.

R1 will begin awarding property and administering pass-through funds in 2025, and would start to see community benefits 2026, following the first round of fund awards and creation of new housing for LMI individuals. All program funds will be distributed by September 30, 2030. In the long term, this program expects to impact Northern Illinois not only by spurring immediate affordable housing development and preservation, but also by educating and equipping developers with tools and experience that will contribute to continued housing development.

Solutions to Key Barriers in Affordable Housing Production

The proposal addresses the Rockford Region's largest barrier to new affordable housing construction - the appraisal gap - by reimbursing developers for the difference between the sale price and construction costs. This gap makes it difficult for developers to recover their investment and often inhibits any construction activity since homes in many areas do not appraise and sell above the cost to build them. This program mitigates that risk by covering the financial shortfall and offering an additional ten percent developer fee to incentivize development. This ensures that developers can engage in affordable housing projects without suffering financial losses due to low appraisals, thus promoting more affordable housing construction in underserved areas.

The proposal also addresses local regulatory and land use policy barriers. The program streamlines the regulatory process by developing a PAHDS booklet with pre-approved housing designs and encouraging its use with developers. This reduces uncertainty and delays related to the permitting process since any design listed in the booklet follows regulations in major Rockford Region jurisdictions, giving developers clear options to expedite development. Additionally, NILBA and Trustee Programs facilitate the acquisition of land that is ready for development, as the lots already have utility and transportation in place which encourages infill development and reduces blight. Pre-selecting these lots for their location in high-opportunity areas or underserved neighborhoods with access to economic hubs and essential amenities and offering them at no cost to developers also reduces financial and regulatory hurdles related to land acquisition.

As outlined in Exhibit C - Need, mortgage lending institutions are hesitant to provide loans for properties where there is an appraisal gap. This gap creates a risk for lenders, as the loan-to-value ratio is skewed, making it harder for buyers to secure financing and for developers to recover their costs. By directly addressing the appraisal gap through financial reimbursement, the proposed program reduces the financial risk for both developers and lenders. In addition to mitigating risk, the program's unique approach to development has a compounding effect. As new housing units are constructed and appraisals rise, this process can stimulate additional investment and create a positive feedback loop of community improvement, neighborhood stability, and housing expansion.

To address the barrier of aging housing stock, the program allocates funds for rehabilitation in underserved neighborhoods, specifically for homes proximate to these new developments. Funds are designated for exterior upgrades which enhance the livability and longevity of existing homes. This approach further discourages displacement as renovations increase property values for existing homeowners throughout the neighborhood. This dual focus on preservation and new construction ensures that both new and existing housing options meet modern standards, improving overall housing quality in the region.

Comparison to Similar Programs

R1's proposed PAHDS Booklet is based on a previous effort by the City of South Bend, Indiana. The City of South Bend first created their pre-approved designs booklet in 2022 in order to spur infill development across the city's hundreds of vacant lots. The booklet was intended to support developers by cutting down their "soft costs," such as design and permitting. The reduction in soft costs in South Bend helped catalyze a dozen new development attempts in the year following the publication of the booklet; a booklet designed for Boone and Winnebago Counties may have a similarly positive impact. Other rust belt cities, such as the City of Kalamazoo, Michigan, have created pre-approved design booklets that support infill development in their community. As of 2024, 48 homes have been built using Kalamazoo's pre-permitting plans, according to StrongTowns. The success of these pre-approved designs in rust belt cities gives R1 confidence that a similar approach will yield similar results in Boone and Winnebago Counties, as this geographic area shares many characteristics, such as age of housing stock and economic conditions, with South Bend and Kalamazoo. The City of Seattle took similar steps following reforms to their accessory dwelling units (ADU) regulations. In 2020, the city launched its ADUniverse, a one-stop online shop with resources for designing and permitting ADUs. As of 2021, Seattle had issued nearly 1,000 ADU permits, over four times as many in 2018 before the new rules were enacted.

One possible limitation of an established pre-approved design booklet is that it may fail to capture previously used, developer-preferred designs. To circumvent this limitation, R1 will account for previously used and jurisdiction-approved designs submitted by developers during the RFP process. If a submitted design has previously been approved by the municipality where the new construction is proposed, R1 will score the application equally to those using a design plan from the PAHDS Booklet. This will allow developers to continue using a process and design they have already successfully implemented while still ensuring the program is not delayed by the permitting process.

The rehabilitation component of this proposal aligns with similar efforts from the City of Rockford, in particular its Expanded Rehab Assistance program. This program funds \$60,000

worth of rehabilitation activities at 42 different properties. R1's proposal will allow more of the 430 homes that qualified for the City's proposal to receive funds.

The new construction component - reimbursing developers for unrecoverable costs while building on donated vacant land - is innovative. One successful tax-credit based program in nearby Peoria, Illinois provides insights on certain aspects of R1's program that might see success. The City of Peoria used its Illinois Housing Development Authority's (IHDA) Low Income Housing Tax Credit program to support a single non-profit local developer: Okpara, L.P. Through the use of these IDHA funds, Okpara, L.P. was able to finance the construction of 140 affordable homes on Peoria's Southside. This program led the creation of many new affordable housing units, but only strengthened the capacity of one developer, Okpara L.P.

R1's proposal seeks to build on this model by growing the capacity of multiple developers in the region. The funds that close the appraisal gap for developers will allow them to build housing units while collecting a small profit. Beyond this, the program will enable developers to build capacity, equip their staff with valuable experience, and position them to continue building affordable housing, whether or not financial assistance is available in the future. It is a way to spark interest among developers to build affordable housing and encourage its sustainability across the region. The proposed program will provide several local and regional developers with the development capacity to create housing units, while simultaneously making development more financially feasible. This investment will have a lasting effect by raising home values in the neighborhood, thus closing the appraisal gap.

Alignment with Planning Initiatives, Land Use Policies, and Community Assets

This proposal advances and complements existing planning initiatives within the Rockford Region, specifically the development of the Housing Coordination Plan. The missions of the PRO Housing grant and R1's Housing Coordination Plan are closely aligned. R1's plan will focus on providing a range of affordable, accessible, healthy, and safe housing choices for all residents, promoting fair and equal housing access. Additionally, it will serve as a strategic guide for regional and local actions aimed at preserving, improving, and expanding the housing stock in the region, with a strong emphasis on housing affordability.

The impetus for both the Housing Coordination Plan and this proposal arises from the projected regional growth in population, employment, and housing demand over the next five years.

R1 projects up to 6,000 new jobs in Boone and Winnebago counties by 2029, largely driven by significant investments from major companies such as Stellantis, Microsoft, Walmart, and the Chicago Rockford International Airport. This surge in employment is expected to attract 13,837 new residents to the region by 2029, further straining the affordability of the existing housing stock. A 2024 Housing Needs Assessment and Market Study conducted by the City of Rockford identified the need for up to 9,000 new housing units in the city alone over the next 10 years to meet the increased demand driven by employment and population growth. Boone and Winnebago counties are in a race to 2029, where success will require both the construction of new affordable housing units and the preservation of existing affordable housing.

Local governmental entities recognize that for economic investment and job creation to have the greatest impact, the region must retain and attract residents to live within Boone and Winnebago counties. Residents will contribute more to the tax base than those commuting in and out of the

region, and will also support more indirect job creation resulting from the population influx. The current housing stock in the two counties does not meet existing demand; it will fail to meet the significant increase in demand expected as a result of economic development activities. This proposal will support efforts across the region to expand the supply of affordable housing and encourage new employees to reside within the region.

Additionally, this proposal directly aligns with R1's three core planning documents: the Metropolitan Transportation Plan (MTP), Comprehensive Economic Development Strategy (CEDS), and Climate Action Plan (CAP). All three plans are currently in the process of being updated, approved, or, in the case of the CAP, newly created, with all three scheduled to be published by December 2025.

Three items in R1's 2025 MTP support this proposal. In addition to creating affordable housing opportunities, the infill characteristics of these items will support transportation planning efforts that seek to enhance active transportation and transit.

Strategy 1.1 - Promote development patterns that provide affordable housing and transportation options for all residents.

Strategy 1.2 Tactic - Create a range of housing opportunities and choices in established neighborhoods.

Strategy 1.2 Tactic - Encourage redevelopment, transit-oriented development, and infill to maximize existing neighborhoods.

R1's 2021-2025 Comprehensive Economic Development Strategy (CEDS), adopted in November of 2020, also includes goals and strategies that align with this proposal. These items incentivize infill development, discourage urban sprawl, and prioritize development on Land Bank properties, all of which are directly addressed by the proposal.

Strategy 2.1 - Ensure that building and development codes and all other economic development and infrastructure plans promote, incentivize, and facilitate the redevelopment of existing structures and encourage infill development.

Strategy 2.3 - Protect prime farmland from urban sprawl and promote the key role of agriculture in the economy

Strategy 2.4 - Develop regional best practices for repurposing vacant residential land that contributes to the fiscal and economic goals of the area.

Action item 2.4A - Maintain clear and consistent communication with NILBA on properties that can be acquired and then sold by the RPC (R1) to buyers who can repurpose property consistent with regional and local priorities.

The third core planning document, the Climate Action Plan (CAP), contains three recommendations that support this proposal. It is the initial climate plan for the Rockford Region and still in development, however, its goals and strategies have been approved by the steering committee. Consistent with R1's other core planning documents, these items prioritize infill development, here emphasizing its importance in mitigating the risks of climate change and increasing access to opportunities for all residents.

Strategy 2.2 - Support sustainable development practices that improve community resilience

Strategy 2.4 - Enhance quality of life through improved access to opportunities

Strategy 2.4 Tactic - Maximize existing infrastructure through redevelopment and infill development

Additionally, this proposal aligns with R1's and Rockford Mass Transit District's (RMTD) collaborative transit planning efforts. The proposed program supports increased residential infill, while transit planning directs services toward more densely populated areas. These efforts will ensure transit services reach the proposed development areas. Furthermore, R1 is currently in the process of developing a Bus Rapid Transit (BRT) Feasibility study for RMTD. Routes will serve a variety of areas and provide residents expanded access to employment centers, like downtown Rockford and Chicago Rockford International Airport. Many of the sites R1 will pre-select as a part of this proposal will be located within neighborhoods within 0.25 miles of a potential BRT route.

Advancing Equitable Development

This program will focus on identifying regional areas for housing development that provide residents with access to public transit, jobs, essential services, and amenities. R1's selection of sites in both high-opportunity areas and underserved areas with access to economic hubs and essential amenities will be determined in part due to the presence of these and other amenities. Properties located in high-opportunity areas are intrinsically linked to access to jobs, health care facilities, and green space. Those in underserved areas will be determined by analyzing the presence of amenities and economic opportunities including, but not limited to, public transit facilities, planned employment centers, and public services. The pre-selection element of this proposal will allow R1 to avoid further concentrating LMI individuals in areas without opportunities and amenities. Historically underserved areas will receive new housing units under this proposal, but these investments will be targeted in underserved areas that have the potential to provide more opportunities to their residents moving forward.

R1's proposal actively aims to prevent displacement. The rehabilitation component will allocate development funds for homeowners within two blocks of new housing units. These investments will help keep existing housing stock in good condition, reducing future repair costs. As homes are better maintained, residents can resist the pressure to sell as property values rise, allowing neighborhood improvements and nearby economic development.

While this proposal does not actively seek to harmonize land-use regulation across the jurisdictions of Boone and Winnebago County, it will simplify the design process for developers. The PAHDS booklet will contain building plans that meet the design standards of all jurisdictions within Boone and Winnebago County. This will provide developers with the ability to construct new residential units with the same design, regardless of the jurisdiction they are in, without requiring them to determine if the specifications of a previously approved or new design will be approved. Furthermore, R1 will work with jurisdictions across the two counties to secure approval for residential development on each of the pre-selected parcels. This will remove the responsibility for developers to secure a residential development permit from the respective

jurisdiction. These two actions result in a simplified design and permitting process, reducing costs and time to market.

Mitigating Environmental Risks for Community Resilience

Flooding and extreme heat are the Rockford Region's most pressing environmental risks. This proposal directly addresses both, with activities designed to mitigate their impact.

Flooding, and the failure to mitigate it, has led to significant damage to homes throughout Boone and Winnebago County in recent years. The most significant negative impacts have taken place along the Keith Creek corridor in South Rockford, most recently in July of 2024. R1 has developed a corridor plan for Keith Creek, which the City of Rockford is actively seeking to implement. In order to ensure that flooding in this and other areas of the two-county region will not be a risk factor, R1 will not pre-select any locations within regulatory floodways and will not award any proposal seeking to perform new construction activities within regulatory floodways.

Extreme heat will also be addressed by this proposal. Based on data collected to develop the CAP, R1 projects the number of very hot days per year in Boone and Winnebago could exceed 25 by 2030. The Illinois State Climatologist defines a very hot day as any day in which the high temperature exceeds 95 degrees Fahrenheit. An increase in very hot days will place additional strain on energy systems that help cool residents and place LMI individuals at greater risk of heatstroke and other heat-related health outcomes.

This proposal addresses resilience to extreme heat in two main ways. First, the designs included in the PAHDS booklet will be energy efficient, creating new affordable housing units that remain cool even on very hot days. Energy-efficient homes also result in reduced energy costs for homeowners, further supporting the LMI individuals who reside in them. The rehabilitation activities included in this proposal will primarily cover home exterior improvement for energy efficiency including, but not limited to, roofs, siding, and windows. Rehabilitation activities will thus also help to mitigate extreme heat risks and lower energy costs for residents.

Finally, this proposal's focus on infill development means it will not be supporting development patterns that expand into existing natural areas. Natural areas within and proximate to developed areas are crucial for managing stormwater, absorbing heat, and supporting local ecosystems. This proposal will attempt to concentrate new construction in already developed areas, thereby preventing sprawl. As opposed to sprawl, infill development patterns allow for shorter trips to work, home, and other everyday destinations; this supports emission reductions and helps maintain air quality.

Roadblocks to Implementation

Not In My Backyard-ism (NIMBY) may pose a significant roadblock to the proposed program by generating resistance from local residents who oppose new, identifiable housing developments in their neighborhoods, particularly affordable housing projects. This opposition often stems from concerns about property values, neighborhood character, or increased traffic, even when developments are designed to address housing shortages and benefit the broader community. To counter this, the PAHDS booklet will list standardized designs and renovations in underserved neighborhoods that have strong access to economic hubs and essential amenities that will be blended in with the surrounding community.

An additional roadblock involves the PAHDS booklet. The booklet may not fully reflect previously used, effective designs that developers prefer. To address this, R1 will allow developers to submit their own design plans during the subgrant application process, provided these designs have been previously used and approved. If a submitted design has already been approved by the municipality where new construction is proposed, R1 will evaluate the application on par with those using designs from the PAHDS booklet. This approach enables developers to continue utilizing effective designs while ensuring that the permitting process remains streamlined, avoiding potential delays.

Geographic Scope

The geographic scope for this proposal encompasses Boone and Winnebago Counties. This two-county region includes several municipalities, such as the Villages of Roscoe, Caledonia, and Timberlane, which are designated as PRO Housing Priority Geographies. Additionally, Lake Summerset, a census-designated place located on the western border of Winnebago County, is also identified as a priority geography by HUD. These areas will receive special consideration within this proposal.

The region is also composed of several urbanized municipalities, such as the City of Rockford, City of Loves Park, City of Belvidere, City of South Beloit, Village of Machesney Park, Village of Roscoe, Village of Rockton, Village of Cherry Valley, Village of Winnebago, Village of Poplar Grove, Village of Durand, Village of Caledonia, Village of Timberlane, and the Village of New Milford.

NILBA and the Trustee Programs collectively own several hundred vacant parcels of land that are suitable for residential development (see Exhibits D.1 - D.5). This award would allow R1 to transfer ownership of these parcels into the hands of developers, encouraging the production of new affordable housing units in both high-opportunity and underserved areas throughout Boone and Winnebago Counties. Parcels held by these entities that R1 deems suitable for residential development will be eligible to receive funds. R1 will also designate specific areas of Boone and Winnebago County as eligible, regardless of whether the parcel is owned by one of the above entities.

Exhibit D.1

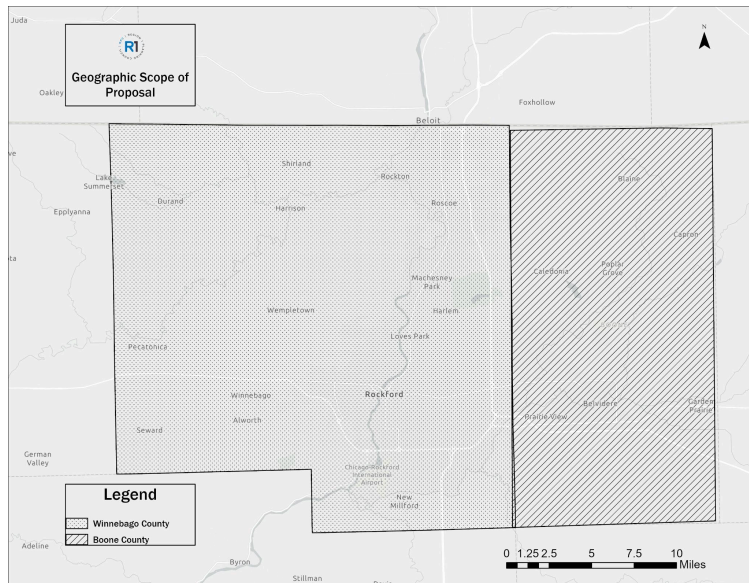
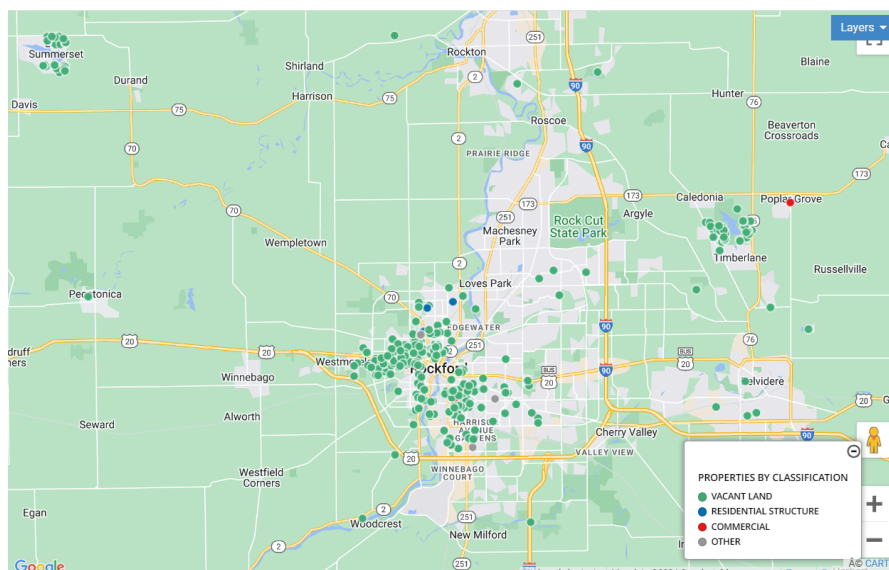


Exhibit D.2 Map of NILBA & WCTP Properties



All areas selected by R1 for development under a PRO Housing award will be described as either high-opportunity or underserved areas with access to economic hubs and essential amenities. High-opportunity areas are defined by HUD as neighborhoods that have attributes that have a positive effect on the economic mobility of residents, such as access to education and employment opportunities. This proposal creates opportunities for affordable units to become available in these areas; market rates often render housing in high-opportunity areas unaffordable for LMI individuals, denying them access to the resources within them.

Underserved areas are defined by HUD as census tracts below 100 percent AMI that do not provide their residents with the opportunities to participate fully in economic, social, and civic life or tracts where minorities account for 30 percent of the population and are below 120 percent AMI. Several traditionally underserved communities in the City of Rockford are located within a short geographical distance of the city's downtown, which is currently experiencing economic

growth and investment. By providing LMI individuals with the opportunity to become homeowners in nearby neighborhoods, these individuals will be able to benefit from the growth of opportunities in the downtown Rockford area. Other underserved neighborhoods in Boone and Winnebago County are located close to employment centers experiencing growth, such as the Chicago Rockford International Airport. Underserved areas with the potential to see an increase in opportunities in the near future, such as the ones described above, will be targeted by this program to continue to provide access to affordable housing and reduce the risk of displacement for existing homeowners.

By setting the scope for this grant as the entirety of Boone and Winnebago Counties, R1 will be able to preserve and create housing units in both urban and rural areas. Access to opportunities varies across the jurisdictions of the two counties; targeting locations throughout the two counties will provide individuals seeking affordable housing with the opportunity to reside in high-opportunity areas in municipalities, such as the Village of Roscoe, where affordable housing is not readily available. The construction of new housing units in rural areas such as Lake Summerset and the Village of Timberlane will provide access to high quality of life areas for individuals seeking affordable housing. New construction in underserved neighborhoods that have access to economic hubs and essential amenities, such as the southwest side of the City of Rockford, will strengthen these areas and provide more opportunities to their residents.

Reaching Stakeholders

Two major stakeholder groups will be engaged in the outreach process. The first is current residents living near the residential lots planned for new construction. Outreach will notify residents of the construction and allow them to provide input. Outreach to the residents will also allow them to support marketing the newly constructed houses once they're listed for sale, as they may have friends or relatives that could be interested in purchasing the house. In addition to notifying residents of new construction, they will also be made aware of the rehabilitation program, a potential source of funds for rehabilitation on their own property.

R1 has a history of successfully reaching key stakeholders through outreach efforts such as booths at community events, R1's Community Advisory Forum (CAF) that solicits feedback from a diverse group of organizations, its online public engagement website, and distribution of marketing materials both physical and digital. R1 will use these avenues to reach persons with unmet housing needs, in particular using the CAF to reach underserved communities. Developers and builders will be reached through NILBA's extensive contact list. Potential partners/sub-applicants to the program will likely come from this list of contractors, developers, and builders that R1 has worked with in the past as NILBA buyers or rehabilitation contractors. With builds and rehabilitations happening throughout the grant term, outreach will be continual to ensure both developers and residents receive the information they need.

This program is in direct response to stakeholder input, particularly the contractors with whom NILBA staff consult as potential builders. The closing of the appraisal gap has been the number one issue identified by those stakeholders. When working with these contractors during Land Bank sales, the message R1 consistently receives from many potential developers is clear: the appraisal gap is the main deterrent to new construction housing. Although these developers have the expertise from rehabilitating hundreds of properties, they are unable to make the financials for new construction work.

Furthering Fair Housing, Discouraging Displacement

In order to spur development in underserved neighborhoods that have access to economic hubs and essential amenities, the intent is to make lots in these areas eligible for the program. Without the program, developers would not build housing on these lots due to the appraisal gap. Requiring the property to be sold to an LMI household ensures that underserved groups have priority access to the new construction. Individuals living below the poverty level in Winnebago and Boone Counties are 54 percent white, 27 percent black, 19 percent other for race and 20 percent Hispanic/Latino. It is expected that the interested home buyers will match these percentages.

Underserved neighborhoods that have access to economic hubs and essential amenities will benefit from rehabilitation programs, a 2-for-1 match for every new construction housing unit. New construction in higher opportunity areas will increase diversity and choice for LMI buyers.

Displacement has been considered and determined to be unlikely, however, several guards have been put in place to lessen the chances of displacement. Current owners will have access to rehabilitation funds to improve their properties to promote their longevity in their home. Tenants with exterior ADA needs will be eligible for rehabilitation funds to prevent them from having to move due to an accessibility issue. Any new construction unit receiving program funds is required to be sold to an LMI household.

The pre-approved designs will include at least one ADA accessible home to ensure builders have the option to build an ADA unit. Should a builder build three homes in the program, the fourth home built will be required to be an ADA-accessible home. This will ensure that independent living will be supported through the grant. For the rehabilitation funds, ramps and other exterior improvements that adhere to ADA is an eligible expense. Although rehabilitation funds are intended for owner-occupied structures, exceptions may be made to provide ramps or other exterior ADA improvements to allow people of disabilities to stay in their rented unit. Additionally, most infill lots available through this program would be near the downtown core of Rockford. This area is served by regular ADA-accessible bus service as well as RMTD's paratransit shuttle service. Furthermore, RMTD will be adding a downtown circulator in the coming years to increase speed and frequency of the service available to those in the downtown core and nearby. These public transportation options paired with ADA-accessible housing allow residents to stay independent in their own homes longer.

R1 expects to engage minority-, women- and veteran-owned businesses by promoting the opportunity to build new housing and rehabilitate existing housing. These businesses will receive additional points in the scoring criteria to further promote the inclusion. Outreach to all businesses will be critical to ensuring they receive the information and the proposals. A section in the application to build or rehabilitate houses will be required for the developers to explain their diversity and equity practices.

R1 will track neighborhood progress around each developed property as the program progresses to ensure access to underserved areas that have strong access to economic hubs and essential amenities is increasing and allowing residents to remain in their aging homes. R1 will also track racial equity by monitoring home buyers and rehabilitation fund recipients. Specifically for the home buyers, R1 will track the demographic information for all individuals submitting an offer

on the new construction houses to ensure buyers of all races have a fair opportunity to purchase. R1 will address any discrepancies.

Budget

The requested budget for the proposed activities under the HUD PRO Housing funding proposal is \$5,500,000. This amount will be allocated across various categories to ensure the program is financially viable, cost-effective, and aligned with industry standards. The budget for the HUD PRO Housing funding proposal was determined through a combination of data-driven analysis, historical cost benchmarks, and consultations with industry experts. The following steps were taken to ensure the budget is both cost-effective and appropriate for the project's scope:

The funds will be distributed as follows for proposed award amount:

Category	Amount	Percentage
Total Requested Funds	\$5,500,000	100%
Indirect Costs	\$825,000	15%
Staffing/Program Management	\$450,000	8.18%
Consultants	\$100,000	1.82%
Distributed Housing Funds	\$4,125,000	75%
High-Opportunity Area Housing Development (1/3)	\$1,375,000	25% of total budget
Underserved Neighborhood Housing Development (1/3)	\$1,375,000	25% of total budget
Preservation Costs (1/3)	\$1,375,000	25% of total budget

NILBA and Trustee Programs will leverage properties at no cost to the developer, with property values ranging from \$500 to \$5,000 (values determined from auction price).

Under this current model, approximately 30 new houses would be able to be built and R1 will administer reimbursement funds up to \$91,666.67 per development to fill the appraisal gap. Additionally, approximately 60 existing houses could be renovated and R1 will administer reimbursement funds up to \$45,833.34 per home.

If an alternate award were provided, a similar structure to the one proposed above would be enacted. The consultant fees for the PAHDS booklet would remain unchanged, but of the remaining costs, 75 percent would go towards distributed awards, 15 percent to discretionary costs and funds, and the remaining ten percent would go to R1 for program management.

If allocated 50 percent of costs and a budget of \$2,750,000, R1 would be able to achieve similar goals but produce and renovate less housing.

The funds would be distributed as follows at 50 percent of proposed award amount:

Category	Amount	Percentage
Total Requested Funds	\$2,750,000	100%
Indirect Costs	\$412,500	15%
Staffing/Program Management	\$257,400	9.36%
Consultants	\$100,000	3.64%
Distributed Housing Funds	\$1,980,000	72%
High-Opportunity Area Housing Development (1/3)	\$660,000	24% of total budget
Underserved Neighborhood Housing Development (1/3)	\$660,000	24% of total budget
Preservation Costs (1/3)	\$660,000	24% of total budget

The lowest amount of funds R1 could receive to still make an impact in furthering affordable housing development in the region is \$1,000,000.

Timeline

The proposed program timeline is listed below:

Activity / Milestone	Start Date	Completion Date	Tasks
Program Launch & Initial Planning	02/2025	04/2025	Form project teams, assign roles, establish partnerships
PAHDS Booklet Development	03/2025	09/2025	Engage consultants, develop PAHDS booklet
Land Identification, Developer Solicitation & Outreach	04/2025	10/2025	Pre-select lots for development, outreach to potential buyers, release developer RFP

Phase 1			
First Developer Solicitation	10/2025	12/2025	Issue developer RFP, select developers for Phase 1
High-Opportunity Area Housing Development	1/2026	1/2027	Developers construct housing
Underserved Neighborhood Housing Development	1/2026	1/2027	Developers construct housing and conduct renovations
Monitoring & Compliance	01/2027	03/2027	Review developer reports, ensure compliance with HUD requirements, and distribute funds
Program Evaluation & Outreach for Second Solicitation	03/2027	5/2027	Evaluate Phase 1 outcomes, conduct outreach for second solicitation, adjust program as needed
Phase 2			
Second Developer Solicitation	10/2026	12/2026	Issue second developer RFP, select developers for Phase 2
High-Opportunity Area Housing Development	1/2027	1/2028	Developers construct housing
Underserved Neighborhood Housing Development	1/2027	1/2028	Developers construct housing and conduct renovations
Monitoring & Compliance	01/2028	03/2028	Review progress and compliance for Phase 2
Program Evaluation & Outreach for Second Solicitation	03/2028	5/2028	Evaluate Phase 2 outcomes, conduct outreach for third round of solicitation, adjust program as needed
Phase 3			
Third Developer Solicitation	10/2027	12/2027	Issue third and final developer RFP, select developers for Phase 3
High-Opportunity Area Housing Development	1/2028	1/2029	Developers construct housing
Underserved Neighborhood Housing Development	1/2028	1/2029	Developers construct housing and conduct renovations

Monitoring & Compliance	01/2029	03/2029	Review progress and compliance for Phase 3
Program Evaluation	03/2029	5/2029	Compile final reports, evaluate overall program outcomes
Wrap-up & Program Closeout	10/01/2029	09/30/2030	Final compliance review, submit required reports to HUD