

Exhibit G: Long-Term Effects

Region 1 Planning Council

Long Term Effects

The proposed program aims to create lasting, long-term impacts by overcoming key barriers to regional affordable housing in the region, particularly the appraisal gap and the challenges of aging housing stock. By directly addressing these issues through the creation of the Pre-Approved Housing Design Structures (PAHDS) booklet, the development of 30 new units in both high-opportunity areas and underserved neighborhoods that have access to economic hubs and essential amenities, and the rehabilitation of 60 units in underserved areas, the program will establish the foundation for sustained production and preservation of affordable housing well beyond the grant period.

A primary feature of the program is the provision of financial tools to close the appraisal gap, which has hindered regional affordable housing development. When the appraised value of a newly built home falls short of the construction cost, the program will reimburse funds to developers to cover the gap. This ensures that developers are financially incentivized to invest in affordable housing projects. The proposed program offers developers valuable opportunities to gain experience in creating affordable housing. It allows them to develop best practices and learn effective strategies for constructing affordable housing units. This hands-on experience is designed to foster long-term success in affordable housing development, equipping developers with the tools and knowledge needed for future projects.

The program will also work to preserve the region's aging housing stock, another significant barrier to affordable housing. Many older homes require substantial rehabilitation to remain habitable and affordable. By investing in the preservation and rehabilitation of these homes, the program will extend the life of existing affordable housing units, ensuring they remain available to low- and moderate-income (LMI) households. This preservation effort will reduce the need for costly replacements, stabilize neighborhoods, and contribute to the overall sustainability of the affordable housing supply.

In addition to providing financial incentives, the program will foster partnerships among developers, builders, housing organizations, Boone and Winnebago Counties Trustee Programs (Trustee Programs), and the Northern Illinois Land Bank Authority (NILBA), creating a collaborative network that supports ongoing efforts to advance affordable housing. These strengthened relationships will encourage coordinated development strategies, further increasing housing production capacity in the region. By aligning efforts and resources, the program will facilitate a more efficient and effective approach to the development of affordable housing.

Through the creation of the PAHDS booklet, the program will also address regulatory and procedural barriers, such as inefficiencies in local land use policies and permitting procedures, that currently impede affordable housing projects. By streamlining these processes, the program will create a more predictable and efficient environment for development, reducing delays and enabling developers to complete new housing projects more quickly. These process improvements will be sustained beyond the grant period, ensuring that future housing production proceeds with fewer obstacles.

Ultimately, the proposed program will deliver lasting changes to the affordable housing landscape in the region. By closing the appraisal gap, preserving aging housing stock, and streamlining development processes, the program will create an environment that supports the long-term production and preservation of affordable housing. The measurable outcomes will

include increased housing production, a stronger network of developers and builders, a more resilient housing market, and improved regulatory processes. These permanent changes will ensure the continued availability of affordable housing in the region for years to come.

Determination of Project Success

By the end of the project period, developers and builders will have gained a comprehensive understanding of infill development. Overall, this understanding will add to the economic resiliency of the region. Additionally, based on this growth of knowledge, there is opportunity to grow the pool of new and experienced construction and building professionals. The addition of infill development and the rehabilitation of existing housing units will help residents feel safer in their homes and neighborhoods, ultimately improving their quality of life and strengthening a positive sense of place in the long term. In the short term, these investments will increase the housing supply, raise appraised values, and help reduce developer expenses through the PAHDS booklet and enhanced capacity. This approach could also pave the way for continued development beyond the lifetime of HUD PRO funding, fostering sustained growth in the region.

Lasting Affordable Housing Production and Preservation

As detailed in Exhibit C, the program area of Boone and Winnebago counties has an acute need for affordable housing. This is evidenced by factors including older housing stock in need of rehabilitation, limited inventory, skyrocketing housing costs over the past decade, high poverty, a disproportionate number of Black/African Americans who rent instead of owning their own homes and burdensome policies and regulations. The resulting appraisal gap creates a financial shortfall that prevents developers from making a profit. Because there is so little new construction, it is then challenging residents in the LMI group and other affected populations to own their own homes.

Targeted outreach and education to developers and builders will create a body of informed stakeholders. These engagement activities, coupled with the PAHDS, will streamline the development process. Rehabilitation funds directed to underserved communities will make it easier for homeowners to have a structurally safe place to live without leaving their home or neighborhood.

The PAHDS booklet is intended to be available for municipal use outside of this program to expedite the regulatory process for new construction. R1 will share its experiences administering this program with communities wanting to replicate, just as R1 relied on the similar methods used by other communities including [South Bend, Indiana](#), [Seattle, Washington](#), [Kalamazoo, Michigan](#), and [Boise, Idaho](#) to develop the PAHDS booklet. South Bend instituted its pre-approved housing plans booklet in 2022. By August, 2023 two projects with plans selected from the booklet were under construction with 10 more in the works. In 2019 the City of Seattle reformed its rules for accessory dwelling units (ADUs). In 2020, the city launched its ADUniverse, a one-stop shop online 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. The City of Kalamazoo took heed of South Bend's success and created its own publication of pre-approved housing plans and partnered with the non-profit Kalamazoo Neighborhood Housing Services (KNHS). In 2022, the city and KNHS built a duplex and a stand-alone ADU. The same year, KNHS helped 106 residents buy or improve their homes. By early 2024, 48 houses were built using Kalamazoo's pre-approved plans. Within 14 weeks of

changing its zoning code, Boise, ID saw permits increase from around three a month to around eight a month.

Project Metrics

Key markers of success by the end of the project include but are not limited to:

- (1) Developers who attend outreach and training sessions will have increased understanding of the infill development process as measured by exit surveys
- (2) 20 developers who attend outreach events and training sessions will complete a project.
- (3) 75 percent of outreach will be targeted to BIPOC residents.
- (4) 30 new housing units will be built by 10 unique developers.
- (5) Five of the 30 new housing units will be built using pre-approved plans from the PAHDS booklet
- (6) Between 45 and 60 existing houses will be rehabilitated.

These markers will be assessed on a yearly basis throughout the grant period. At the end of the project, a final report will be issued and made publicly available.

Removing Barriers to Affordable Housing Production

R1's proposal will result in the production of new affordable housing units in well-resourced, high-opportunity areas. Individuals from underserved communities have historically been denied access to housing in these neighborhoods on the basis of class, race, ethnicity, and income. Today, they are further denied access to these neighborhoods by the lack of new construction and the high cost burden of properties that do become available on the market. In Boone and Winnebago Counties, largely a working class population, the cost of properties available on the market is burdensome.

The aviation, engineering, and healthcare sectors of the local economy continue to grow and drive demand for housing in these counties, but the buying power associated with these employment sectors renders most available housing unaffordable for LMI households. Properties that do become available and would be affordable for LMI households are often quickly purchased by cash buyers moving to the area to join the growing workforce in the growth sectors identified above.

This proposal will require that individuals from underserved groups have priority access at sale for these new affordable housing units. As individuals below 80 percent AMI in Boone and Winnebago County are disproportionately non-white, these new opportunities will help break up historically segregated neighborhoods and provide them with access to well-resourced neighborhoods of opportunity. These individuals will subsequently have long-term access to the opportunities afforded to residents of high-opportunity areas.

The appraisal gap will also begin to close as a result of this program, supporting the continued development of new affordable housing units in high-opportunity areas. Partnerships between developers, builders, realtors, local jurisdictions and other participants in the housing production

process will emerge. These new relationships will catalyze future growth and continued production of affordable housing, expanding access to affordable housing in high-opportunity areas for traditionally underserved individuals.

The proposal will also expand housing opportunities for protected class groups and vulnerable populations in areas with varying levels of opportunity throughout Boone and Winnebago Counties. R1 will pre-select sites for development that will lead to continued investment in the production of affordable housing units in the surrounding area. The initial investments in new construction will expand the stock of affordable housing, and also build multiple developers' capacity to produce new affordable housing units. Following the end of the proposal, many of these developers will be better positioned to continue building; this will result from their expanded capacity, a smaller appraisal gap, and their increased capital. In the long term, the production of new affordable housing units will continue, leading to more housing opportunities for protected class groups and vulnerable populations.