CHICAGO REHAB NETWORK
53 WEST JACKSON BLVD.
CHICAGO, ILLINOIS 60604
FACSIMILE:
312.663.3562
TELEPHONE:
312.663.3936

Chicago Rehab Network
Analysis of the DOH Quarterly Report
1st Quarter, 2008
Presented June 18, 2008

Introduction

We are pleased to present our analysis of the 1st Quarter 2008 DOH Progress Report.

We appreciate participating in the initial planning stages for the next Five-Year Plan as a member of the Advisory Group. We re-submit to you with this report our Policy Platform containing our recommendations for the Department to continue its important work. The next Five Year Affordable Housing Plan will shape housing policy in the near future and therefore it is of utmost importance that the public is sufficiently and continually involved throughout the planning process. Engaging Chicagoans in this process assures that a broad spectrum of needs and interests are considered and would result in better informed decisions made by our elected and appointed officials.

Quarterly Report User Guide

In this quarter, DOH has enhanced the quarterly reports by adding a list of DOH's Programs, with more in-depth and informative descriptions and reporting protocols for each program. The inclusion of this new matrix of DOH Programs provides a way to better understand and access the various initiatives and activities of the Department. It is a testament to the commitment of DOH to accountability and transparency and following in the spirit of the first affordable housing Five Year Plan campaign a decade and a half ago.

We have some questions regarding the reporting protocols for the City Mortgage and TaxSmart/Mortgage Credit Certificate programs. According to the programs' descriptions, City Mortgage provides downpayment and closing assistance to qualified buyers and access to competitive financing at private banking institutions and for the TaxSmart program, the assistance is a federal income credit equal to 20 percent of the interest paid on the mortgage. Both programs report the *value of the mortgage* for each assisted unit rather than the actual subsidy to the homebuyer.

In this quarter, for instance, DOH reports City Mortgage/Tax Smart/MCC commitments totaling $35,789,440 to assist 192 units, making the average mortgage value as $186,403. In fact the homebuyer subsidy in each case is significantly lower than that— not the value of the mortgage.

Additionally, we recommend the inclusion of the Downtown Density Bonus in the User Guide and to expand the reporting for the Affordable Requirements Ordinance so that it encompasses the units created or fees collected through the zoning provisions in the ordinance.

Foreclosures:

The issue of foreclosure is at the forefront of housing policy both locally and nationally. Supporting the State and Federal Foreclosure policies is important; all levels of government must become involved and we commend the City for presenting testimony before the State and Federal legislature.

There are many organizations and programs supported by DOH engaged in mitigating the crisis locally through prevention and education. As a coalition of non-profit developers, we remain vigilant on the blighting effects of foreclosures on both already-struggling and stable communities.

You will find attached to this document updated foreclosure reports for March and April. We will continue to provide you with monthly foreclosure data and look forward to working with the city on reuse strategies that can put these foreclosed homes back into productive use.

New Unit Production: January 2008 – March 2008

In the first quarter of 2008, the Department reports production of over 4,700 units and spending of over $70 million. DOH reports committing over $18.5 million to preserve and create 3,861 multifamily units, representing 8.5 percent and 34.8 percent of the year's goals, respectively. Also according to DOH, there were 446 single family units (25.1 percent of goal) produced with $48.2 million (34.7 percent of goal) and 451 units preserved or improved with $3.9 million in commitments during the first quarter. Table 1a and 1b shows units and commitment goals for the year and the first quarter production.

CRN's analysis of multifamily unit production is shown in Table 2. After subtracting Rental Subsidy units, which are renewed annually, and Heat Receivership units, which is a program under Safety and Code Enforcement, the net multifamily new production amount to 335 units.

Table 1a. Production Overview - Dollars Committed- January 1, 2008 – March 31, 2008

	Total Anticipated Funds	1st Quarter Commitments	YTD	% of Goal
Multi Family	$219,164,941	$18,543,034	$18,543,034	8.46%
Single Family	$138,934,450	$48,214,706	$48,214,706	34.70%
Improve and Preserve	$19,168,500	$3,969,896	$3,969,896	20.71%
Programmatic Applications	$1,250,000	$0	$0	0.00%
Total	**$378,517,891**	**$70,727,636**	**$70,727,636**	**18.69%**

Table 1b. Production Overview – Units Produced - January 1, 2008 – March 31, 2008

	Total Projected Units	1st Quarter Units	YTD	% of Goal
Multi Family	11,084	3,861	3,861	34.83%
Single Family	1,776	446	446	25.11%
Improve and Preserve	2,182	451	451	20.67%
Total	**15,042**	**4,758**	**4,758**	**31.63%**

Table 2.Unit Production by Income- January 1, 2008 – March 31, 2008

	Projected Units	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	YTD Total	% of Goal
Multi-Family*	11,084	2,130	1,147	499	68	17	0	0	3,861	34.83%
Less Rental Subsidy Units	--	*-2,106*	*-1,055*	*0*	*0*	*0*	*0*	*0*	-3,161	--
Less Heat Receivership Units	--	*-18*	*-83*	*-190*	*-60*	*-14*			-365	--
Net MF New Units**	--	6	9	309	8	3	0	0	335	3.64%
Single Family less Multiple Benefits	1,776	0	1	14	29	141	128	133	446	25.14%
Improve and Preserve	2,182	17	99	159	30	74	55	17	451	20.67%

*Net Multi Family units after subtracting units receiving multiple benefits

**These are new Multi Family units created through DOH programs not counting units assisted by the Low-Income Housing Trust Fund which are renewed every year, Supportive Housing Rental Assistance, and Safety and Code Enforcement Programs.

New Multifamily Projects
There is one multifamily project approved in the first quarter, Casa Morelo, a 45-unit development by The Resurrection Project, a CRN member organization. The development will include 12 one-bedroom units, 27 two-bedroom units, and 6 three-bedroom units. Forty-one units are targeted to households earning 50 percent of the area median income, or $37,700 for a family of four, and four are market-rate. The development will be located in the Lower West Side community area and will feature green materials and energy efficient systems.

Impacts from a Slow Market
Several City programs depend on private sources and housing market activity for funding. Because of the widespread cooling of the housing market, there is a real concern that sources of funds will become scarce as development in the private market slows down. TIF funding will be jeopardized with this downturn and the increasing foreclosures.

The Downtown Density Bonus is one such program which can potentially generate an enormous pool of funds for housing programs. Fees collected from Density Bonus developments fund the Affordable Housing Opportunity Fund and the Department's budget. Although this quarter's report does not include totals for projected payments and cash received, our calculations show that the projected payment is approximately $34.6 million and cash received has been about $11.9 million thus far. Upon review of prior Density Bonus reports, we determined three large-scale condo projects are no longer listed under the Density Bonus program:

- **65 E. Huron/680 N Rush (Canyon Ranch Living)** - Cancelled by Related Midwest in March 2008. Anticipated DDB Payment: $ 1,550,239
- **535 N. St Clair** - Initially included in DDB list in 2005. Project was changed to a hotel development instead of residential. Anticipated DDB payment: $2,090,181.60
- **8 East Huron (The Huron Club)** - Reported in DDB list last quarter but not this quarter. Status is unknown. Anticipated DDB payment $153,162

There are currently 15 projects with outstanding payments of in-lieu fees. With several projects still in the pipeline, especially in the downtown market, we will continue to update and track these trends in future reports.

2008 Commitments and Production Goals
Including this First Quarter's production, DOH reports nearly $2.1 billion in expenditures or 111 percent of the Five Year commitment goals and 37,652 units or 78 percent of the Plan's unit goals to date.

For this final year of the current Five Year Affordable Housing Plan, the Department projects spending commitments of over $378 million to create or preserve over 15,000 housing units. If these goals are realized, the projections at the end of the Five Year Plan would amount to about 2.4 billion in commitments, or 128 percent of the Plan's goals, to create or preserve 51,000 units, or 106 percent of the Plan's goals. The continuing trend of exceeding the budgeted dollars while leveraging fewer units is a concern. We realize that the rising costs of development and fewer resources contribute to this trend and therefore, we encourage the Department to address this reality when budgeting resources for the next Five Year Plan. We also recommend a closer look at programs which are underperforming and those that are over-extended.

Multi-family Building Stabilization programs, for instance, have consistently gone below its commitment goals relative to other Multi-family programs (See chart below). Programs under this category include facade rehab and maintenance initiatives such as TIF-NIP and Troubled Buildings. With many units in disrepair or in need of maintenance in the City of Chicago, it is important to capture any opportunity to tap into this niche of resource need in order to enhance the quality of housing in the city. In trying economic times where resources for new construction or rehab projects produce fewer units, it is perhaps more prudent to reprioritize resources towards preserving existing rental housing stock.

Multifamily Building Stabilization Program Commitments, 2004-2007

Year		Anticipated	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	% of Goal
2004	**MULTI-FAMILY BUILDING STABILIZATION**							
	SRO Refi rehab	$500,000	$100,000			$56,742	$156,742	31%
	Troubled Buildings Initiative	$1,887,500		$1,058,345	$481,706	$440,816	$1,980,867	105%
	HUD Mark to Market		$909,192		$904,214	$1,831,655	$3,645,061	
	Property Stabilization Fund	$380,000					$0	0%
	TIF-NIP (Multi-family)	$2,000,000	$60,000	$190,060	$32,774	$45,000	$327,834	16%
	CIC/CDFI Funding	$462,500	$153,000	$30,000	$41,000	$85,000	$309,000	67%
							Average	44%
2005	**MULTI-FAMILY BUILDING STABILIZATION**							
	SRO Refi rehab	$343,258	$186,427		$100,000	$62,000	$348,427	102%
	Troubled Buildings Initiative	$2,000,000	$381,415	$368,098	$292,254		$1,041,767	52%
	HUD Mark to Market		$333,217	$5,184,546		$2,280,000	$7,797,763	
	Property Stabilization Fund			$650,793			$650,793	
	TIF-NIP (Multi-family)	$1,000,000				$421,470	$421,470	42%
	CIC/CDFI Funding	$153,500	$231,000				$231,000	150%
	Heating Assistance for NFP Owners of Affordable Rental Units				$157,000	$194,000	$351,000	
							Average	87%
2006	**MULTI-FAMILY BUILDING STABILIZATION**							
	SRO Refi rehab	$500,000					$0	0%
	Troubled Buildings Initiative	$2,000,000	$299,478	$739,178	$230,986	$514,000	$1,783,642	89%
	TIF-NIP (Multi-family)	$750,000		$84,686			$84,686	11%
	Heating Assistance for NFP Owners of Affordable Rental Units				$496,023		$496,023	
							Average	33%
2007	**MULTI-FAMILY BUILDING STABILIZATION**							
	Troubled Buildings Initiative	$2,000,000	$384,532	$301,859	$279,584	$493,928	$1,459,903	73%
	TIF-NIP (Multi-family)	$650,000		$9,778	$302,084		$311,862	48%
							Average	60%

While DOH's projection for the final year of the *Build, Preserve, Lead* represents a formidable goal, especially for unit production, we must also ask the Department to consider the current statistics regarding the loss of affordability in Chicago in the past few years and the missed opportunities to create and preserve more affordable housing in the midst of the current economic and housing crisis.

For instance, how many more new affordable units would the city now have had many of the 14,000 foreclosures reported last year were actively pursued and assisted by the city and converted to affordable housing? According to a recent Woodstock Institute analysis, more than 35 percent of these foreclosures in 2007 were on properties with 2 to 6 units. This represents anywhere between 9,600 to 29,000 housing units in over 4,800 properties.

The loss is great but the opportunity is here. If we as housing advocates and policymakers are to make any foreseeable impact on foreclosures and vacancies it is imperative that city policies and resources are targeted toward the recapture of these thousands of units with an affirmed goal of placing them back into the market as safe and decent affordable housing.

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