# Analysis of the First Quarter 2016 Housing Report

*Bouncing Back:* Five Year Housing Plan, 2014-2018
Presented May 26, 2016

**INTRODUCTION** –Chicago Rehab Network is pleased to present our review of the Department of Planning and Development's 2016 First Quarter Housing Progress Reports to the members of the Committee on Housing and Real Estate and the larger Chicago City Council. Recent weeks have been busy and exciting, with land use changes downtown set to drive neighborhood development.

CRN analyzed in depth and testified in favor of the Neighborhood Opportunity Bonus Ordinance passed at Council last week. We believe that overhauling the existing downtown density bonus system will result in considerably more resources to be made available for neighborhood development and will not result in any meaningful loss of affordable housing funds. Moreover, if executed properly, this new Neighborhood Opportunity Bonus (NOB) system will more effectively spread prosperity across our city by modeling a linked development approach similar to the Affordable Requirements Ordinance long-championed by CRN.

To answer concerns about governance and transparency raised in the Zoning Committee by members of this committee and other aldermen, we suggest that three implementation improvements could still be put in place for the practical roll out of the NOB June 1:

- Transparent criteria, such as a score card, for evaluating competing projects.
- Better defined avenues for community control, such as an advisory group similar to the Pilsen Land Use Committee to publically vet proposals—especially considering the Chicago Neighborhoods Now Action Plans, intended to inform DPD's allocation of NOB funds, have not been released.
- Increased transparency through more timely and frequent reporting on NOB fund expenditures, such as quarterly. DPD could easily report on the expenditure of NOB funds through a separate report delivered to this committee at the same time as the Quarterly Housing Progress Report required by the Affordable Housing and Community Jobs ordinance.

We are hopeful about the NOB's future positive impacts, and look forward to offering our comments as the program unfolds.

## Analysis of First Quarter 2016 Housing Activities

*Since 1994, the Chicago Rehab Network has analyzed the City of Chicago Department of Planning and Development's quarterly housing reports, which are produced in accordance with the City's five year* *ommunity Jobs Ordinance. This report covers the first quarter*

## EXECUTIVE SUMMARY

- Through the first quarter of 2016, DPD lagged in planned spending goals, reaching only 11% of funds intended for this year's housing goals, investing $26.6 million on affordable rental, home ownership and preservation goals so far this year.
- In 2016-Q1, City support has helped to add 95 new apartment units in affordable buildings to the Chicago market through various programs. This is 7% of the annual goal for new income-limited apartments.
- Of the 95 net-new units committed through 2016-Q1, 85% (81 units) are for families at or below 60% AMI, while 15% (23 units) will rent at the market rate to tenants of any income.
- NCRC and local community developers, including CRN, recently announced a landmark multi-billion community reinvestment plan as part of Huntington Bancorp's acquisition of First Merit Bank and entry into the Chicago market.
- CRN calls for reporting on the Single Room Occupancy Preservation Ordinance.
- City support is needed to renew this Illinois Affordable Housing Tax Credit before December 31, 2016.

AFFORDABLE RENTAL UNIT PRODUCTION SUMMARY– So far in 2016, DPD has expended a fairly small amount of housing resources, $12.6 million or 11% of planned spending on the year. While this is a normal structural feature of the way the Department makes investments throughout the year, it is worthwhile to note that planned spending across all investment categories is down 2016 compared with last year. Multifamily commitments are down by about $1.8 million, homeownership commitments are down $580,320, and preservation commitments are down by $1.5 million. These reductions will bring planned spending down about $4 million overall.

Table 1 ï Affordable Housing Dollar Commitments Compared with Annual Goal, 2016 Q1

| | Rental Investments | Ownership Investments | Improvement/ Preservation Investments | Total Investments |
|---|---|---|---|---|
| First Quarter Commitments | $20,156,882 | $5,750,737 | $698,607 | *$26,606,226* |
| **Total Funds Anticipated by Year End** | $204,645,000 | $32,468,008 | $13,115,980 | *$250,228,988* |
| **Percent of Goal Met through Q1** | 10% | 18% | 5% | *11%* |

Source: CRN analysis of DPD 2016 First Quarter Progress Reports

While a relatively small amount of DPD's financial resources have been expended on the year, the report's units served numbers are much higher in Q1, as high as 56% for multifamily unit commitments. The reason behind this is that annual subsidies through the Chicago Low Income Housing Trust Fund (CLIHTF) are counted in Q1.

Table 2 ï Affordable Housing Unit Commitments Compared with Annual Goal, 2016 Q1

| | Rental Units* | Ownership Units | Improvement/ Preservation Units | Total Units |
|---|---|---|---|---|
| First Quarter Units | 3,166 | 85 | 102 | *3,353* |
| **Total Units Projected by Year End** | 5,610 | 432 | 2,007 | *8,235* |
| **Percent of Goal Met** | 56% | 20% | 5% | *41%* |

Source: CRN analysis of DPD 2016 First Quarter Progress Report

When looking at the City's planned affordable apartment achievements in 2016, it is important to strip away the approximately 3,000 households receiving subsidies through the Chicago Low Income Housing Trust Fund (CLIHTF). Of the 5,610 low-income units the City plans to support in 2016, more than half (3,000) will be annual subsidies through the CLIHTF. Many of these subsidies support the same families year to year. Although the CLIHTF is an important, flexible source of public-private housing support for some of the most vulnerable families in our city, counting these units in the same way as new construction or rehabilitation projects receiving City support obscures the number and proportion of new projects moving forward in any quarter or year. To get a clearer look at <u>new</u> affordable apartments being made available for individuals and families in need, CRN strips away CLIHTF subsides and two key preservation programs that do not directly add new units to the available affordable housing stock in Chicago (table 3).

Table 3 ï Net-New Affordable Housing Unit Commitments in Comparison with Annual Goal, 2016 YTD

| | **Total Units Planned for 2016** | **Total Units Committed in 2016 YTD** |
|---|---|---|
| Total Subsidized Rental Units | 5,610 | 3,166 |
| *Less Rental Subsidy Units* | *3,000* | *2,828* |
| *Less Heat Receivership Units* | *600* | *149* |
| *Less MF Troubled Building Initiative Units* | *750* | *94* |
| Net New Rental Units** | 1,260 | 95 |

Source: CRN analysis of DPD 2016 First Quarter Progress Report

How is this table constructed from DPD's progress report? In order to calculate how many units receiving City funds this quarter expand the net availability of income-limited apartments, the Rehab Network starts with the City's projected number of rental units planned to receive subsidy this year (5,610), as well as the City's report of units completed so far to date (3,166). We then subtract the units covered by those housing programs that are not constructing or rehabilitating rental housing, including rental subsidies under the CLIHTF (-3,000). Next, we compare year-to-date units actually funded (95) with the number of new construction or rehab units the City planned to fund in 2016 (1,260). Looking at the production numbers in this stripped-down way lets us understand how many new affordable apartments may actually be added in Chicago throughout the year.

From this stripped down analysis, we see that the City has provided resources for 95 net-new affordable rental units so far in 2016 (table 3). This is only 7% of the annual goal for net-new units. It includes 11 lanned in buildings greenlighted this quarter. In addition, nded for households making more than the Area Median (table 4).

While we recognize that market rate housing is intentionally included in the redevelopment of CHA properties under the Plan for Transformation, we continue to maintain that housing that is not income tested should not be counted toward the total affordable housing financed by the City in 2016.

Table 4 ï Incomes Served by Net-New Affordable Multifamily Developments, 2016 Q1

| | | Net-New Affordable Rental Units | Share of Total Units Produced Per Income Bracket |
|---|---|---|---|
| *income of tenants served* | 0-15% AMI | - | - |
| | 16-30% AMI | - | - |
| | 31-50% AMI | 5 | 5% |
| | 51-60% AMI | 61 | 64% |
| | 60-80% AMI | 7 | - |
| | 81-100% AMI | - | - |
| | 101+% AMI | 22 | 23% |
| **YTD Units Committed** | | **95** | **100%** |
| **Total Units Projected by Year End** | | 1,300 | |
| **Percent of Goal Met** | | 7% | |

Source: CRN analysis of DPD 2016 First Quarter Progress Report

What is the source of these 95 new affordable apartments, and who are they intended to house? Taking a deeper look at the origin of these 95 net-new units sheds some light on the different kinds of developments being achieved through City initiatives (table 5). Of the units planned in 2016-Q1, 85% of units planned will serve families under 60% AMI, while 15% will be for families of any income.

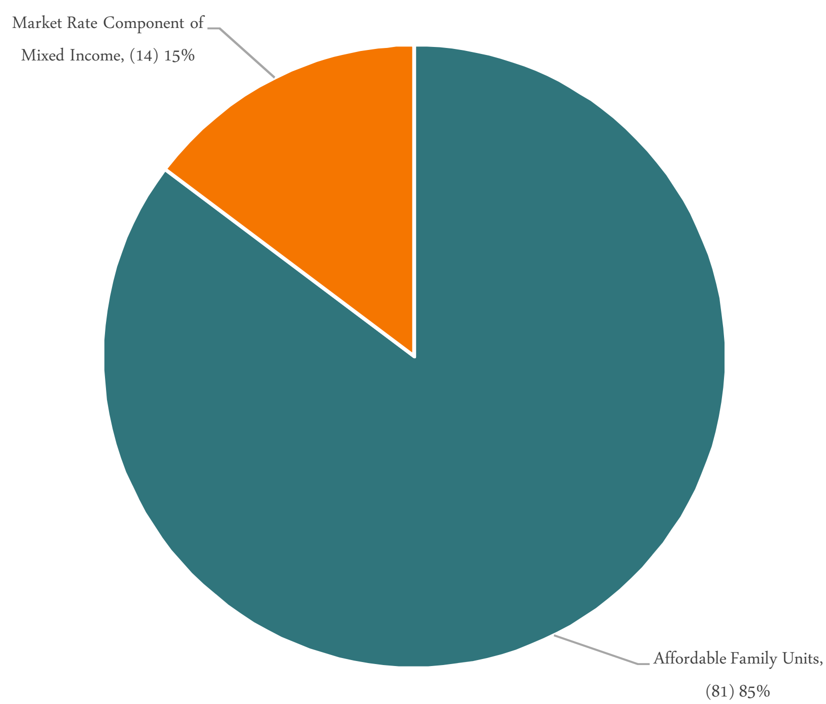
Table 5 ï Sources of Net-New Affordable Apartments, 2016 Q1

| Quarter | Source of Units | Units |
|---|---|---|
| Q1 | ARO Rental Units Covenanted | 11 |
| Q1 | Magnolia Courts Apartments - Affordable | 58 |
| Q1 | Magnolia Courts Apartments - Market | 2 |

| | |
|---|---|
| | 12 |
| | 12 |
| *Subtotal, Q1* | 95 |
| Total Net-New Units YTD | 95 |

Source: CRN analysis of DPD 2016 First Quarter Progress Report

Chart 1 ï Net-New Affordable Apartments by Population Served, 2016




Source: CRN analysis of DPD 2016 First Quarter Progress Report

DEVELOPMENT SUMMARIES - City Council approved funding for two developments during 2016-Q1:

## Magnolia Apartments

Magnolia Apartments, a currently affordable apartment located on the southeast corner of N Magnolia Ave and W Ainslie St in Uptown, will receive a moderate renovation contingent on the owner's renewal of expiring Project-based Section 8 contracts with HUD. Planned renovations to the building, which was constructed in the 1920s, will include a new roof, upgraded kitchen and bathroom cabinets, and new energy-efficient appliances. City support will include a $1.5 million 0% interest multifamily loan.

om units at or below 60% of AMI

- 2 two-bedroom units renting at the market rate ($800/month)

Total Development Cost: $4.3 million Cost Per Unit: $71,816

### Trianon Lofts

As part of the ongoing redevelopment of the former Grove Parc Plaza Apartments, POAH will be constructing a mixed use loft-style building on the southeast corner of S Cottage Grove and E 61st St, just south of the University of Chicago in Woodlawn. In addition to 7,000 sq. ft. of retail space, the four-story structure will contain 24 units for various incomes. This building makes use of diverse sources of financing, including equity from New Markets Tax Credits for the commercial portion, a HUD Choice Neighborhoods loan, and a no interest multifamily loan from the City.

*Income Targets:*

- 5 two-bedrooms at or below 50% of AMI
- 7 two-bedroom units at or below 80% of AMI
- 12 two-bedrooms renting at market rate ($1,435/month)

Total Development Cost: $12.5 million Cost Per Unit: $522,605

## Policy Updates

ANNOUNCEMENT OF HUNTINGTON BANK COMMUNITY BENEFITS PLAN – CRN is proud to have been a part, along with NCRC and several Chicago-based CDCs, of bringing home a commitment from Huntington Bank to serve low-income customers in Chicago. Today, Huntington is poised to acquire First Merit Bank, expanding its footprint into the Chicago market.

As a condition of federal regulators allowing Huntington's acquisition of First Merit, Huntington has committed to a robust community benefits package designed to serve the public interest. Huntington's Community Development Plan, set to begin in 2017, includes mortgage and small business lending in low- and moderate-income (LMI) communities, community development lending and investments, a philanthropy program, and other services to increase access to financial services in LMI communities and communities of color, such as 10 new branch locations in these areas—2 of which will be located in Chicago.

*Across Huntington's entire footprint, including Chicago, the Community Development Plan will:*

- Fund $5.7 billion in single-family mortgage lending in low- to moderate-income areas.
- Fund $6.6 billion in small business lending including within low- to moderate-income areas.
- Fund $3.7 billion in community development lending and investment targeting affordable housing access and community-based loan funds.
- Fund $25 million of additional grants and philanthropy primarily targeting housing and small business credit service access.

omic impact through support including new branch locations reas and/or majority minority areas; the addition of dedicated community mortgage loan officers; and the formation of a dedicated mortgage processing team to handle unique underwriting opportunities.

REPORTING ON SINGLE ROOM OCCUPANCY ORDINANCE – 2014's Single Room Occupancy Ordinance was a major step in the right direction for preserving some of the most important and at-risk market rate affordable housing in Chicago. Testimony from many parties before this committee has also indicated that positive things are being done with the ordinance in some communities with the participation and encouragement of the local aldermen. However, there is no central location for information about properties who has submitted an intent to sell, or any information about how many properties have been preserved or lost. This information is an important part of the City's affordable housing preservation program, so inclusion of summary information would be helpful:

- SRO Name
- SRO Address
- SRO PIN
- SRO Ward and Community Area
- Current Owner / Owner's Agent for sale
- Date Notice of Intent to Sell was submitted
- Date Preservation Period Ended / Will End
- Current Units + Bathrooms
- Commercial (Y/N)
- Point Person at DPD
- Point Person at Alderman's Office (if any)

These recommendations are not superfluous. Sharing this information widely and expeditiously ensures that the greatest possible number of developers will have a chance to put together a preservation proposal in consultation with the City and local aldermen. Further, centralizing reporting on the effectiveness of the Preservation Ordinance will allow a bird's eye view of its effectiveness, helping generate ideas for improvement from stakeholders all along the chain. Both of these impacts would be beneficial to the city by increasing the likelihood of much needed SRO preservation.

ILLINOIS AFFORDABLE HOUSING TAX CREDIT (IAHTC) STILL IN DANGER – The IAHTC, or Donation Tax Credit as it is also known, remains un-renewed in Springfield. This resource, which has helped to build over 17,000 units of affordable housing statewide since its bipartisan inception in 2002, will sunset at the end of this year unless the Illinois State Congress takes action. CRN and allies continue to lobby for its renewal. It would be a great help if the members of the Committee on Housing and Real Estate assist us in these efforts by giving a call to your counterparties in Springfield to let them know you care about this resource in your shared communities. Feel free to call CRN at 312.663.3936 for more information about specific developments in your share communities to mention on the phone. Your assistance would be much appreciated.