



Analysis of the Second Quarter 2011 Housing Report

Accepting the Challenge: Five Year Affordable Housing Plan, 2009-2013

Presented September 14, 2011

Introduction

During the Second Quarter of 2011, the Emanuel Administration laid out its plan for his first 100 days in office. The plan was ambitious, with accountability and transparency in government serving as the main thread running through the Administration's goals.

Overall, the success of the economic development goals outlined in the transition plan hinges on the Administration's ability to curtail the ongoing foreclosure crisis. Last year, newly-filed and completed foreclosures were at the highest rates they have ever been and new data released yesterday reveals that a quarter of Chicago-area mortgages are underwater¹. Further data from the U.S. Census shows that Chicagoans are increasingly burdened by housing costs, and even traditionally stable and working-class communities are showing signs of growing housing stress. Housing is foundational; the ability to locate and sustain affordable housing is crucial in order to ensure healthy communities, household stability, and a thriving economy in our City.

In this vein, we commend the Emanuel Administration for its targeted efforts to address the ongoing foreclosure crisis on multiple fronts. In July, the Administration announced the creation of the Mortgage Resolution Fund, a new program that will use \$100 million of the State's \$445 million Federal allocation of Hardest Hit Fund dollars to purchase delinquent mortgage loans located specifically in the Chicago area and modify these loans into affordable payments. The Fund will be operated by a non-profit partnership that will be headed by Mercy Portfolio Services, who also runs the City Neighborhood Stabilization Program, and other stakeholders including Enterprise Community Partners, Inc., the Housing Partnership Network, National Community Stabilization Trust, and Mercy Housing.

The Mayor also announced the creation of the Micro-Market Recovery Program, an initiative that seeks to implement a community-based strategy to address foreclosures in nine neighborhoods—Humboldt Park, Chatham, Chicago Lawn, Woodlawn, Auburn Gresham, West Pullman, Belmont Cragin, Englewood and Grand Boulevard—using approximately \$15-20 million seed funding from the MacArthur Foundation.

¹ A quarter of Chicago-area mortgages are underwater. *Chicago Tribune*, September 12, 2011.
<http://www.chicagotribune.com/business/breaking/chi-a-quarter-of-all-chicagoarea-mortgages-underwater-20110913,0,7650937.story>

Specific details on how both programs will implement their strategies are still unclear pending the release of each of their strategic plans in the coming weeks. **What is certain is that with these new initiatives rolling out, greater public involvement particularly from community-based practitioners will provide a more effective, robust, and accessible program design.**

Neighborhood Stabilization Program Update

We are pleased with the new Administration’s willingness to amend the direction of the Neighborhood Stabilization Program. As you may recall, we disagreed with the previous administration’s strategy of focusing on for-sale single family units for NSP which, according to our analysis, the current market would not be able to support. In our earliest conversations and testimonies on NSP, we strongly recommended a strategy focusing on multifamily development and single-family rental. A recent study finds that the current homeownership rate in the United States has dropped to the lowest since 1965² as foreclosures and the tight credit market continues to take hold of the housing market. The lingering effects of the economic crisis only reinforces the need for a diversity of housing types, and rental housing, lease-to-own, and other innovative models will be critical to enable these new programs to work for those most severely affected by the economic recession.

The most recent progress on NSP (as of August 16, 2011) according to ChicagoNSP.org shows 55 units in 28 properties have been completed and 8 units in 6 properties have been sold or leased. This represents an addition of 27 units and 8 properties completed, and 1 unit in 1 property that has been sold or leased since the last NSP report two months ago.

We have included again in our report a summary chart of the City of Chicago’s NSP funding expenditures at the end of the second quarter of 2011. Also attached to our report are the full Snapshot Reports from HUD on the City’s progress on NSP 1-3. **The reports show that the City must spend approximately \$20 million per quarter to meet HUD’s mandates for all NSP grants.**

NSP Expenditures Progress Report – City of Chicago (As Of 2Q 2011)							
	Grant Amount	Committed	Expended	% Expended	% Expended for Low-Income	Program Income (PI)	PI as % of Total Grant Amount
NSP 1	\$55.2	100.00%	\$21.8	39.55%	15.87%	\$0.5	0.87%
NSP 2	\$98.0	54.04%	\$4.2	4.29%	1.97%	\$0.0	0.00%
NSP 3	\$16.0	0.00%	\$0.0	0.00%	0.00%	\$0.0	0.00%

Source: HUD Snapshot Reports, <http://hudnsphelp.info>

²Homeownership hits lowest level since 1965, Chicago Tribune, Aug. 5, 2011. <http://www.chicagotribune.com/classified/realestate/chi-home-onwership-hits-lowest-level-since-1965-20110805.0,1981365.story>.

Key Findings – Second Quarter

- **The Department reports that through the end of the Second Quarter of 2011, it has committed a total of \$160 million and assisted almost 4,700 units.** Production is tracked at 37 percent of the year’s resource allocation goal and 60 percent of the year’s unit goal.
- **The Department approved three Multifamily Projects this quarter:** This includes 40 units of permanent supportive housing, 128 mixed-income family housing, and 101 senior housing units.
- **The City of Chicago has completed 55 units in 28 properties and sold or leased 8 units in 6 properties under the Neighborhood Stabilization Program.** The City of Chicago must spend approximately \$20 million per quarter to meet HUD’s mandates for all NSP grants.

Analysis of Second Quarter Activities

The Department reports committing about \$160 million to assist 4,700 units through the Second Quarter of 2011—or 37 percent of the year’s resource commitment goal and 60 percent of the year’s unit production goal.

Rental Subsidy units including the **Low-Income Housing Trust Fund**, which are renewed annually, Heat Receivership units, which is a program under Safety and Code Enforcement and Site Improvements units, are subtracted by CRN from the multifamily total in order to obtain a more accurate representation of actual multifamily units created. After these adjustments, the net year-to-date multifamily new production through the second quarter added to the overall City’s rental housing stock amounts to 868 units. (See Table 1).

Table 1. CRN Analysis of Unit Production: January – June 2011 Year-to-Date

	Projected Units	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	YTD Total	% of Goal
Multi-Family*	6,387	1,734	1,091	406	153	406	73	40	3,903	61.11%
Less Rental Subsidy Units	-3000	-1,709	-944	-	-	-	-	-	-2,653	
Less Site Improvements and Heat Receivership Units	-1,170	-19	-86	-198	-63	-16	-	-	-382	
Net MF New Units**	2,217	6	61	208	90	390	73	40	868	39.15%
Single Family less Multiple Benefits	1,186	0	4	20	10	100	51	89	784	66.10%
Improve and Preserve	1,950	30	99	269	31	81	49	20	579	29.69%

*Net Multi Family units after subtracting units receiving multiple benefits

**These are new Multi Family units created through DHED 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.

Approved Multifamily Developments

The Department approved three Multifamily Projects this quarter:

New Moms

New construction of 40 units of permanent, supportive housing for teenage mothers and their children. The development will be at the site of the former 15th District Police Station and land was acquired for \$1. It will also make use of State NSP funds to build offices and community space on site and for environmental site remediation.

- **Income targets:**
 - 10 one-bedroom units at < 50% AMI
 - 30 studio units at < 50% AMI
 - Tenants will receive Section 8 assistance and pay no more than 30 percent of their income for rent.
- **Total development cost:** \$11,990,438; **Per unit cost:** \$299,761

Park Boulevard Phase IIA

New construction of 128 mixed-income rental units in four buildings as part of CHA's Plan for Transformation. The project's income target breakdown will be: 29 market-rate, 53 affordable, and 56 public housing replacement units.

- **Income targets:**
 - 56 CHA replacement
 - 26 one-bedroom units
 - 18 two-bedroom units
 - 2 three-bedroom units
 - 53 affordable <60% AMI
 - 32 one-bedroom units
 - 18 two-bedroom units
 - 3 three-bedroom units
 - 29 market-rate
 - 15 one-bedroom units
 - 12 two-bedroom units
 - 2 three-bedroom units
- **Total development cost:** \$41,887,987; **Per unit cost:** \$327,250

We would like to note that this quarter's progress report does not include the chart, **Commitments to CHA Plan for Transformation**. We suspect that this was an oversight and recommend it be reinstated. Additionally, because the market in the Park Boulevard redevelopment area has been particularly challenging, we would like to know the status of the mixed-income development and in particular, the for-sale units, as it is a crucial factor in the feasibility of the entire project.

Goldblatts Senior Living

Rehabilitation of the former Goldblatts Department store in New City into a 101-unit supportive living facility for seniors with ground floor commercial space.

Income targets:

- 91 units targeted < 60% AMI and 10 market rate units
 - 70 studio units
 - 16 one-bedroom units
 - 15 two-bedroom units
- **Total development cost: \$28,224,223; Per unit cost: \$279,448**

Troubled Buildings Initiative

With hundreds of units transferred annually, the TBI Program is an important tool to preserve affordability. We have asked the Department in several instances to clarify how the program is implemented.

- What is the disposition process for properties after receivership?
- Is there a competitive process?
- What assurances are there for long-term affordability and sustainability?
- Are any of these HUD assisted prior to receivership?

Federal Updates

We thank Chairman Suarez and the sponsors of the resolution passed last month calling on the Illinois Congressional delegation to oppose federal funding cuts to HUD housing programs. The City's efforts towards economic recovery will be undermined if critical federal resources that support the Department's work are cut.

City leaders should be aware that the National Housing Trust Fund is not included in the recently announced Jobs Bill. In addition, the House T-HUD Subcommittee's Budget Appropriations bill released last week reduces funding for critical housing programs and eliminates programs like Choice Neighborhoods, Public Housing Capital funds, and Housing Counseling. A summary budget chart is attached to this report.

APPENDIX

Table 1. Commitments and Unit Production Totals Reported by Department of Housing and Economic Development – Year to Date 2011

	Total Projected Commitments	1st Quarter Commitments	2nd Quarter Commitments	YTD	% of Goal
Multi Family	\$355,442,732	\$37,662,400	\$88,847,694	\$126,510,094	35.59%
Single Family	\$63,504,100	\$13,483,715	\$15,665,742	\$29,149,457	45.90%
Improve and Preserve	\$16,042,832	\$1,640,223	\$3,536,947	\$5,177,170	32.27%
Programmatic Applications	\$1,250,000	\$0	\$0	\$0	0.00%
Total	\$436,239,664	\$52,786,338	\$108,050,383	\$160,836,721	36.87%

	Total Projected Units	1st Quarter Units	2nd Quarter	YTD	% of Goal
Multi Family	5,662	3,427	475	3,902	68.92%
Single Family	609	112	161	273	44.83%
Improve and Preserve	1,780	201	382	583	32.75%
Total	8,051	3,740	1,018	4,758	59.10%

Chicago, IL
Q2 2011



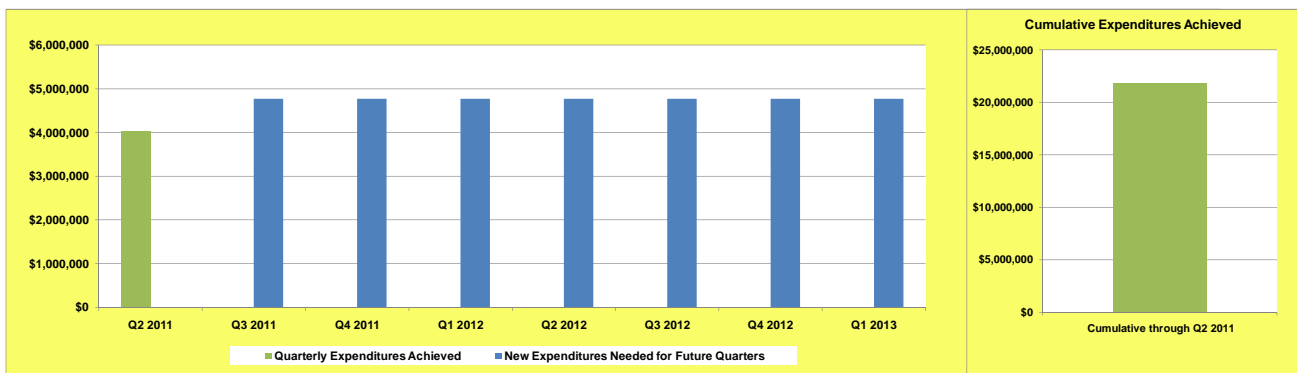
HUD NSP1 Report

Grant Number	NSP1 Grant Amount	HUD Region	HUD Field Office
B-08-MN-17-0002	\$55,238,017	V	Chicago

	Q2 2011	To-Date	% of Grant To-Date
Commitments (1)	\$0	\$55,238,017	100.0%
Expenditures (2)	\$4,031,811	\$21,847,580	39.6%
LH25 Expenditures (3)	\$1,296,990	\$8,766,785	15.9%
Program Income Generated	\$187,614	\$482,014	0.9%

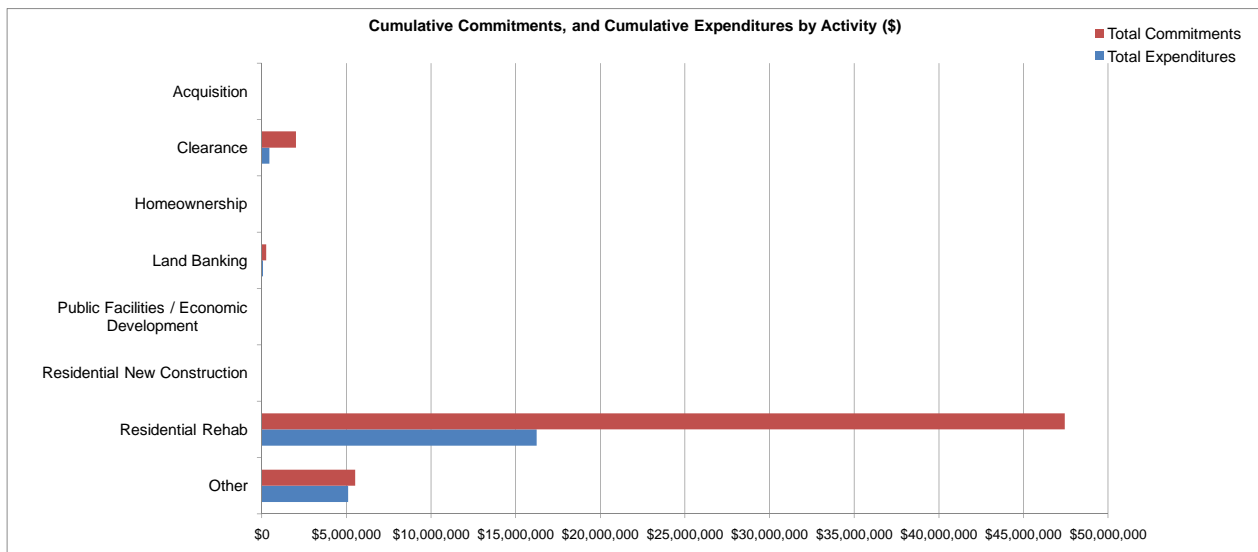
(1) Commitment data includes commitments made from the original NSP grant and from program income. Therefore, total commitments may exceed the original grant amount. NSP1 grantees must have committed the entire grant within 18 months of the date of execution of the grant agreement.
 (2) Expenditure data includes expenditures from the original NSP grant and from program income. NSP1 grantees must expend the entire grant amount within four years of the date of execution of the grant agreement.
 (3) A minimum of 25% of each NSP1 grant must benefit low income households (LH25) at or below 50% of area median income.

Chicago, IL Program Quarterly Expenditures



Commitments and Expenditures by Activity Type for Chicago, IL (Cumulative Through 06-30-11)

	Commitments To-Date (\$)	Commitments To-Date (% of Total)	Expenditures in Q2 2011 (\$)	Expenditures To-Date (\$)	Expenditures To-Date (% of Total)
Acquisition	\$0	0.0%	\$0	\$0	0.0%
Clearance	\$2,021,000	3.7%	\$0	\$441,019	2.0%
Homeownership	\$0	0.0%	\$0	\$0	0.0%
Land Banking	\$257,542	0.5%	\$26,852	\$67,967	0.3%
Public Facilities / Economic Development	\$0	0.0%	\$0	\$0	0.0%
Residential New Construction	\$0	0.0%	\$0	\$0	0.0%
Residential Rehab	\$47,435,673	85.9%	\$3,875,082	\$16,238,472	74.3%
Other	\$5,523,802	10.0%	\$129,877	\$5,100,122	23.3%
Total	\$55,238,017	100%	\$4,031,811	\$21,847,580	100%



Current data as of 06-30-2011

Chicago, IL
Q2 2011



HUD NSP2 Report

Grant Number	NSP2 Grant Amount	HUD Region	HUD Field Office
B-09-LN-IL-0025	\$98,008,384	V	Chicago

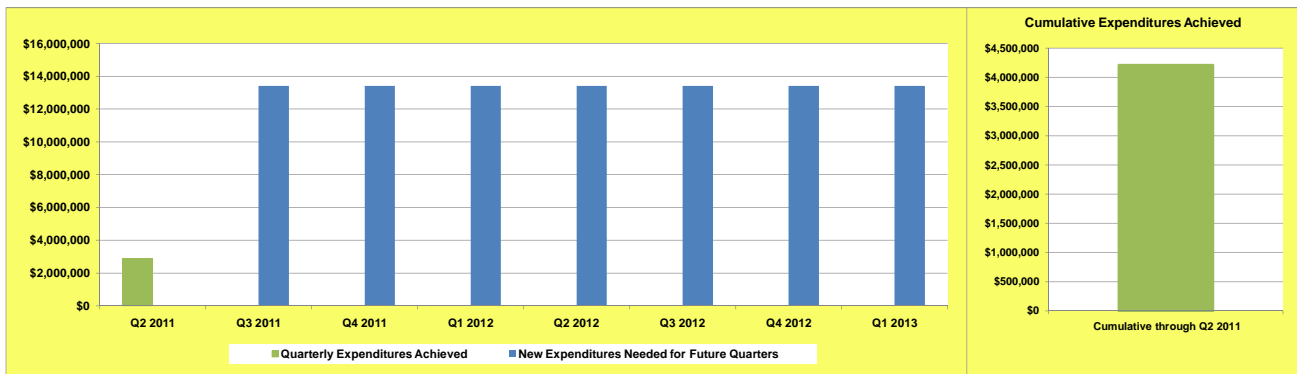
	Q2 2011	To-Date	% of Grant To-Date
Commitments (1)	\$23,927,603	\$52,959,175	54.0%
Expenditures (2)	\$2,878,351	\$4,205,584	4.3%
LH25 Expenditures (3)	\$1,674,610	\$1,933,398	2.0%
Program Income Generated	\$0	\$0	0.0%

(1) Commitment data includes commitments made from the original NSP grant and from program income. Therefore, total commitments may exceed the original grant amount. NSP1 grantees must have committed the entire grant within 18 months of the date of execution of the grant agreement.

(2) Expenditure data includes expenditures from the original NSP grant and from program income. NSP2 grantees must expend half of the grant amount within two years of the date of execution of the grant agreement, and the entire grant amount within three years of the date of execution of the grant agreement.

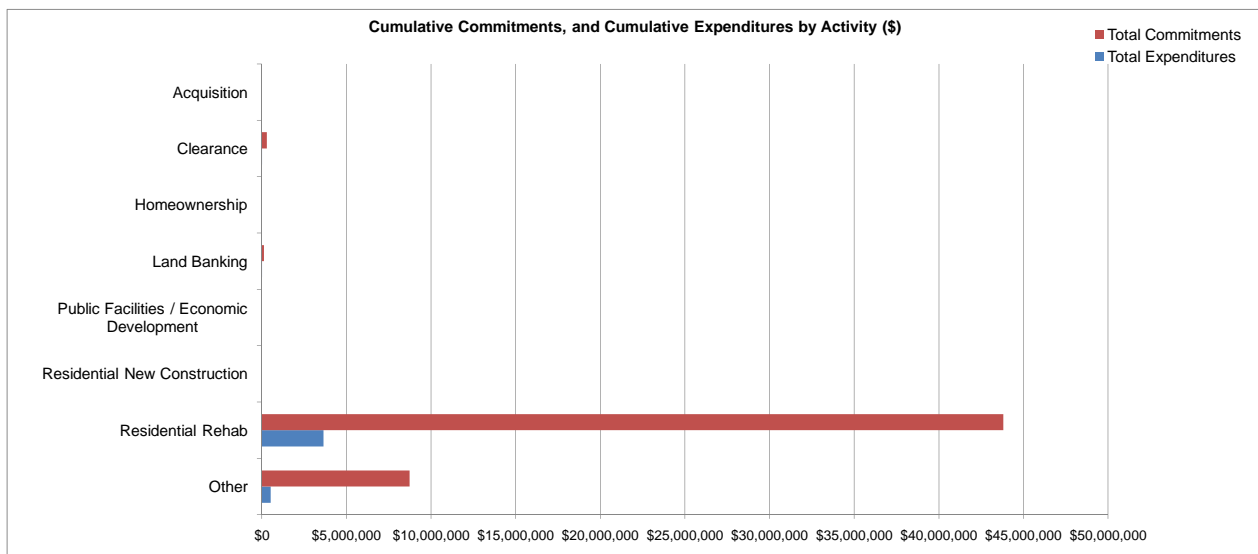
(3) A minimum of 25% of each NSP2 grant must benefit low income households (LH25) at or below 50% of area median income.

Chicago, IL Program Quarterly Expenditures



Commitments and Expenditures by Activity Type for Chicago, IL (Cumulative Through 06-30-11)

	Commitments To-Date (\$)	Commitments To-Date (% of Total)	Expenditures in Q2 2011 (\$)	Expenditures To-Date (\$)	Expenditures To-Date (% of Total)
Acquisition	\$0	0.0%	\$0	\$0	0.0%
Clearance	\$290,290	0.5%	\$18,300	\$18,300	0.4%
Homeownership	\$0	0.0%	\$0	\$0	0.0%
Land Banking	\$123,381	0.2%	\$17,632	\$17,632	0.4%
Public Facilities / Economic Development	\$0	0.0%	\$0	\$0	0.0%
Residential New Construction	\$0	0.0%	\$0	\$0	0.0%
Residential Rehab	\$43,805,472	82.7%	\$2,461,582	\$3,642,966	86.6%
Other	\$8,740,032	16.5%	\$380,837	\$526,686	12.5%
Total	\$52,959,175	100%	\$2,878,351	\$4,205,584	100%



Current data as of 06-30-2011

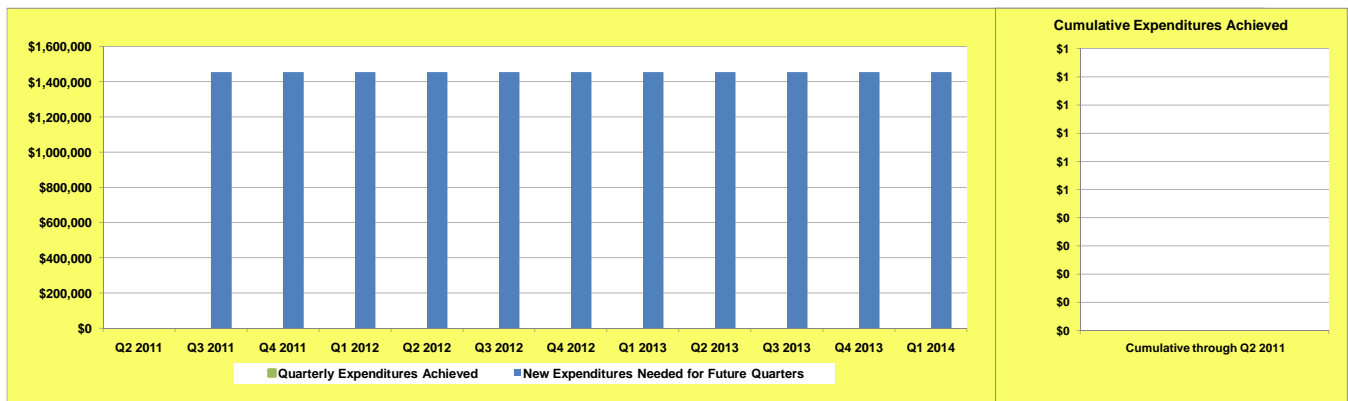


Grant Number	NSP3 Grant Amount	HUD Region	HUD Field Office
B-11-MN-17-0002	\$15,996,360	V	Chicago

	Q2 2011	To-Date	% of Grant To-Date
Commitments (1)	\$0	\$0,000	0.0%
Expenditures (2)	\$0	\$0,000	0.0%
LH25 Expenditures (3)	\$0	\$0,000	0.0%
Program Income Generated	\$0	\$0	0.0%

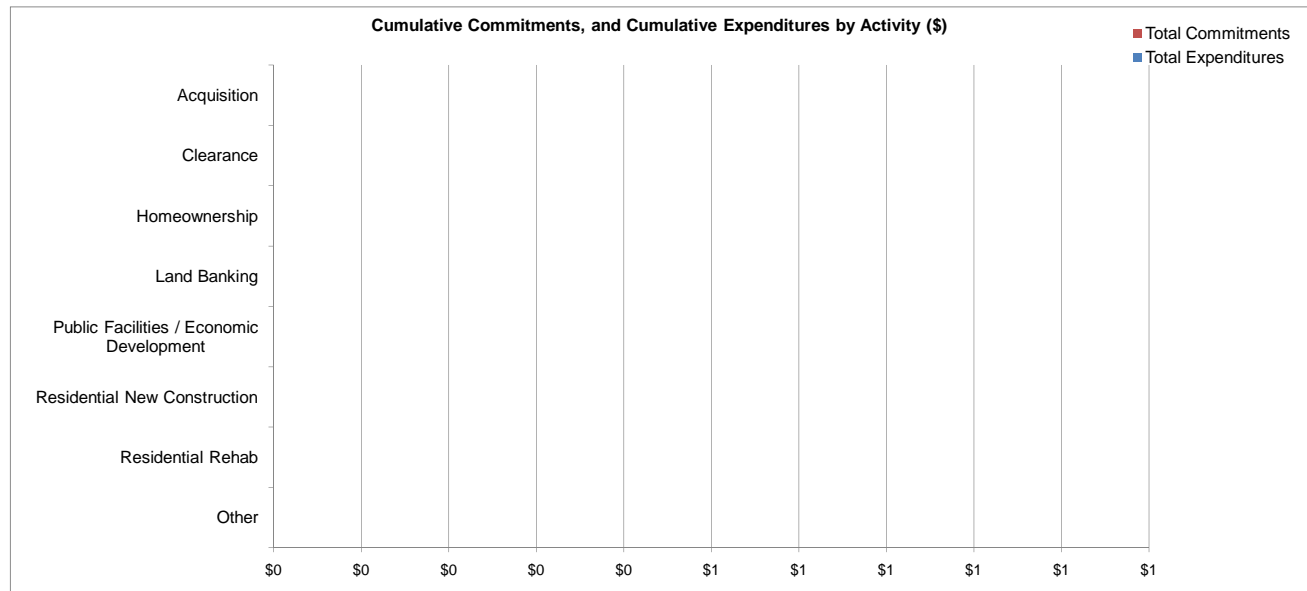
(1) Commitment data includes commitments made from the original NSP grant and from program income. Therefore, total commitments may exceed the original grant amount. NSP1 grantees must have committed the entire grant within 18 months of the date of execution of the grant agreement.
 (2) Expenditure data includes expenditures from the original NSP grant and from program income. NSP3 grantees must expend half of the grant amount within two years of the date of execution of the grant agreement, and the entire grant amount within three years of the date of execution of the grant agreement.
 (3) A minimum of 25% of each NSP3 grant must benefit low income households (LH25) at or below 50% of area median income.

Chicago, IL Program Quarterly Expenditures



Commitments and Expenditures by Activity Type for Chicago, IL (Cumulative Through 06-30-11)

	Commitments To-Date (\$)	Commitments To-Date (% of Total)	Expenditures in Q1 2011 (\$)	Expenditures To-Date (\$)	Expenditures To-Date (% of Total)
Acquisition	\$0	0.0%	\$0	\$0	0.0%
Clearance	\$0	0.0%	\$0	\$0	0.0%
Homeownership	\$0	0.0%	\$0	\$0	0.0%
Land Banking	\$0	0.0%	\$0	\$0	0.0%
Public Facilities / Economic Development	\$0	0.0%	\$0	\$0	0.0%
Residential New Construction	\$0	0.0%	\$0	\$0	0.0%
Residential Rehab	\$0	0.0%	\$0	\$0	0.0%
Other	\$0	0.0%	\$0	\$0	0.0%
Total	\$0	0%	\$0	\$0	0%



Current data as of 06-30-2011



NATIONAL LOW INCOME
HOUSING COALITION

FY12 Budget Chart for Selected HUD Programs *(figures in millions)*

September 9, 2011

HUD Program (set asides indented)	FY07 Enacted	FY08 Enacted	FY09 Enacted	FY10 Enacted	FY11 Enacted	FY12 President's Request	FY12 House Sub- committee Passed Bill 9/8/11
Tenant Based Rental Assistance	15,920	16,391	16,817	18,184	18,370.9	19,223	18,467.9
<i>Contract Renewals</i>	14,436	14,666	15,034	16,339	16,669.3	17,144	17,043.8
<i>Tenant Protection Vouchers</i>	149	200	150	120	109.8	75	75
<i>Administrative Fees</i>	1,281	1,351	1,450	1,575	1,447.1	1,648	1,100
<i>Family Self Sufficiency Coordinators</i>	47	49	50	60	59.9	60	60
<i>Family Unification Program Vouchers</i>		20	20	15	0	0	0
<i>Section 811 Mainstream Vouchers</i>					34.9	114	114
<i>Veterans Supportive Housing Vouchers</i>		75	75	75	49.9	75	75
<i>Nonelderly Disabled Vouchers</i>		30	30	0	0	0	0
<i>Disaster Housing Assistance Program</i>					---	50	0
<i>Homeless Special Needs Demonstration Vouchers</i>					---	57	0
Project Based Rental Assistance	5,976	6,382	7,500	8,552	9,257.4	9,429	9,428.7
<i>Public Housing Capital Fund</i>	2,439	2,439	2,450	2,500	2,040.1	2,405	1,532.1
<i>Emergency/Disaster Grants</i>	17	19	20	20	20.0	20	0
<i>Resident Opportunities and Supportive Services</i>	38	40	40	50	49.9	0	0
Public Housing Operating Fund	3,864	4,200	4,455	4,775	4,616.7	3,962	3,861.9
HOPE VI	99	100	120	135	99.8	0	0
<i>Choice Neighborhoods Initiative</i>				65	64.9	250	0
Native American Housing Block Grants	624	630	645	700	648.7	700	648.7
Native Hawaiian Housing Block Grants	9	9	10	13	13.0	10	0.0
Housing Opportunities for Persons with AIDS	286	300	310	335	334.3	335	334.3

HUD Program (set asides indented)	FY07 Enacted	FY08 Enacted	FY09 Enacted	FY10 Enacted	FY11 Enacted	FY12 President's Request	FY12 House Sub- committee Passed Bill 9/8/11
Community Development Fund	3,772	3,866	3,900	4,450	3,501.0	3,804	3,501.0
<i>CDBG Formula Grants</i>	3,711	3,593	3,642	3,990	3,336.3	3,684	3,501.0
<i>Economic Development Initiative Grants</i>	0	180	165	173	0	0	0
<i>Catalytic Investment Grants</i>					---	0	0
<i>Sustainable Communities Initiative</i>				150	99.8	150	0
<i>Rural Innovation Fund</i>				25	0	25	0
<i>University Community Fund</i>				0	0	0	0
Brownfields Redevelopment	10	10	10	18	0	0	0
Energy Innovation Fund				50	0	0	0
HOME Investment Partnership Program	1,733	1,704	1,825	1,825	1,606.8	1,650	1,200.0
<i>HOME Formula Grants</i>	1,690	1,629	1,821	1,825	1,606.8	1,650	1,200.0
<i>American Dream Downpayment Initiative</i>	25	10	0	0	0	0	0
Self-Help Homeownership Opportunity Program	20	26.5	26.5	27	26.9	0	15.9
Homeless Assistance Grants	1,442	1,586	1,677	1,865	1,901.2	2,372	1,901.2
Housing Counseling Assistance	42	50	65	87.5	0	88	0
Rural Housing and Economic Development	17	17	26	0	0	0	0
<i>Housing for the Elderly (Section 202)</i>	735	735	765	825	399.2	757	600
Housing for Persons with Disabilities (Section 811)	237	237	250	300	149.7	196	196
Fair Housing and Equal Opportunity	46	50	54	72	71.9	72	50
<i>Fair Housing Assistance Program</i>	26	26	26	29	28.4	29	---
<i>Fair Housing Initiatives Program</i>	20	24	28	43	42.4	43	---
Healthy Homes & Lead Hazard Control	152	145	140	140	119.8	140	119.8
Policy Development & Research (excluding academic grants)	36	28	32	48	47.9	57	47.9
Total Budget Authority (includes items not listed on this chart)	33,650	37,600	41,500*	43,581**	***	41,739	***

*The following HUD programs also received a total of \$13.6 billion in funding under the American Reinvestment and Recovery Act (enacted on February 17, 2009): CDBG, \$1 billion; Neighborhood Stabilization Program, \$2 billion (in addition to the \$3.92 billion in NSP funding in July 2008 for NSP); Homelessness Prevention Fund, \$1.5 billion; public housing capital fund, \$4 billion; HOME funds exclusively for low income housing tax credit projects, \$2.25 billion; project-based Section 8, \$2 billion; project-based Section 8/Section 202/Section 811 for energy and green retrofits, \$250 million; Native American Housing Block Grants, \$510 million; Native Hawaiian Formula grants, \$10.2 million; Lead Hazard Reduction, \$100 million.

** The FY10 appropriations bill, H.R. 3288 shows the total budget authority for HUD as \$46,059.

*** Comparable figures are not currently available.

**** The HUD portion of the House bill is reported as \$49,483 billion and \$46,579 billion after deduction of receipts. The President's budget requests \$48,467 billion and \$41,590 billion after receipts. The House compares its total after receipts to the President's request prior to receipt deduction. CBO estimated HUD's receipts at less than HUD projects.