Chicago Rehab Network

Analysis of the Third Quarter 2012 Housing Report
***Accepting the Challenge:* Five Year Affordable Housing Plan, 2009-2013**
Presented November19, 2012

This third quarter report offers an expanded review of the Heat Receiver Program and the update provides a historic snapshot that underscores what many aldermanic offices experience frequently : dealing with income constrained households: "Milder winters resulted in no-heat complaints dropping from 14,570 in the winter of 2008-09 to 6,310 in 2011-12. Yet during the same period, the economic downturn caused receiverships to increase from 53 in 2008 to 100 in 2011, and total program outlays peaked at $1.17 million in 2011." The increase in receivership demonstrates how disruptive the lingering impact of the recession has been with its accompanying instability in incomes. Furthermore, it underscores how tenuous the housing market is in so many of Chicago's neighborhoods. A report by Bloomberg news earlier this week frames out the difficult work ahead for Chicago's housing recovery:

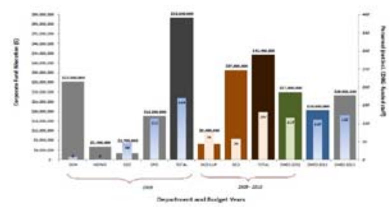
> Home prices in the Chicago area dropped 1.6 percent in August from a year earlier, and are 30 percent below the peak reached in September 2006, according to the Standard & Poor's/Case-Shiller indexes. Nationally, prices are improving, gaining 2 percent in August in the 20 largest U.S. cities.
>
> In the third quarter, the Chicago area had the most foreclosure filings -- 38,667 -- of the 212 largest metro regions followed by RealtyTrac Inc., and had the ninth-highest rate of foreclosures per household.
>
> Including distressed sales, single-family home prices in the Chicago region decreased 2.9 percent in September, placing it last among the 10 largest U.S. metro areas, CoreLogic Inc. (CLGX), an Irvine, California-based data provider, said on Nov. 6. (Bloomberg 11/2012)

The issue of constrained household incomes compounded by a very fragile ownership market suggests how important the affordable rental market will be for Chicago's growth and stability of the workforce.

Correspondingly, the work of the Department of Housing and Economic Development becomes increasingly important as its nature and scope is highlighted in the 3rd quarter reports narrative: developing a new multifamily TIF Purchase Program to expanding TIF NIF grants for home owners to its ever unique accounting for the costs and impacts of its preservation and development activities enabling a transparency that informs best practices and effective policy making. The local challenges in Chicago neighborhoods can be improved upon and as we recommended in **Building Our Future Chicago** – “Expand the best practice-reporting and transparency model …to all city functions impacting land use and planning - including the various appointed commissions.” This would “assure local workforce participation and a development culture that leverages investment and builds the city economy. All contracts, grants, and public /private partnership arrangements, including advancing those who have the capacity to train and hire low income Chicagoans, should be actively prioritized to Chicago-based institutions.” (http://www.chicagorehab.org/resources/docs/policy/final_platform.pdf)

Fundamental to that vision will be the 2013 budget commitment to the Department of Housing and Economic Development,:

2013 Budget Recap: ARO Brings Housing Resources



In this the second budget of Mayor Emanuel's administration, housing resources will greatly be reduced due to expiring federal grants. Over $277 million in grant dollars was committed towards DHED functions in 2012; in 2013 $163 million is expected as Neighborhood Stabilization Program deadlines draw near.

Corporate fund resources will *increase* by almost $6 million to $26 million in 2013. The Chicago Low Income Housing Trust Fund remains $3 million below pre-2011 levels.

Chicago will receive just over $93 million in Community Development Block Grant funds for 2013, just under $35 million of which is committed for Dept of Housing and Economic Development purposes. To view budget analyses, click here.

For the second year in its history, the Budget reflects revenues captured from the Affordable Requirements Ordinance showing $4.8 million. Per the ordinance, 40% of these funds are to be dedicated towards the Trust Fund with the remaining 60% to be dedicated for affordable housing purposes. Over $25 million has been paid to through 2011 with an additional $10 million committed from qualifying developments in the first 6 months of 2013 alone.

Read the Affordable Requirements Ordinance Developers Guide and Fact Sheet along with the Waiver Form to better understand project requirements.

Neighborhood Stabilization Program (NSP)

As NSP2 approaches its completion by December 31, 2012, the reports demonstrates the cost effectiveness of rehabbing multifamily over single family dwellings as single family redevelopment costs are more than double that of multifamily. [Appendix 64] The 3rd quarter report also includes a detailed overview of all the properties in the program: 776 units acquired with more than one third (271) of them substantially complete and 55 sold and, new this quarter, the Department indicates 66 units have been rented.

Commitments to Chicago Housing Authority's Plan for Transformation
No change is recorded in the report; however, the CHA recalibration plan 2 will be forthcoming soon. And this committee will want to review the details and discuss what way and in what level the department will be involve. Historically, fully one half of the city's resources were committed to the Plan for Transformation accounting for nearly 5,000 units – constituting a commitment that warrants review by this committee. (in the meantime. One might want to review…CAC report

Overview

The Department reports committing through the third quarter about $197 million to assist 5600 units through the Third Quarter of 2012 —or 63 percent of the year's resource commitment goal and 54 percent of the year's unit production goal.

In a close review of the MF estimates of production by year end suggest that again this year the resource commitment and unit goal will fall short again this year. The Department's report stated "…HED is projecting an additional 500 units in affordable rental housing projects supported by over $70 million in City resources will be approved before the end of 2012." (Page 2) However, the MF resources committed to date are approximately $139 million. Adding the projected 4th quarter total of $70 million will result in a year end of approximately $209 million. This is about $80 million short of "Total Funds Anticipated" of approximately $289 million " to create and preserve affordable rental units." This is more than 25% decrease for 2012 MF total. The 3rd quarter comparison to plan shows both TIF and the Multifamily Revenue Bond maintaining the greatest shortage in reaching the anticipated allocation to date at 13. 4% and 8, 2% respectively. This shortage is reminiscent of last year's DHED 2011 report that evidenced $120 million shortfall of total MF funds anticipated. Each of the past 2 years show a decrease of 25% - 2010 yearend, however, by way of comparison recorded MF funding at $294 million or 96% of total fund anticipated.

What factors might account or help explain these variations? Is it deal flow? – is it manpower? Are the resource programs not an effective fit?

	2011	2012	Change
HOME MF	$46,990,744	$14,945,903	($32 million)
CDBG MF	$ 9,582, 874	$ 2,946,043	($ 6.6 million)
Corporate Fund	$ 2,213,227	$ 2,616,737	S 400,000.00
TIF Subsidies	$32,109,356	$20,000,000	($12,000,000)

Total	$90,896,201	$40,508,683	($50,387,518)

(RE DO ?) As we have written before the development details matter – creating jobs in the City, buying materials in the City, hiring City residents. These decisions have a ripple effect that strengthens the whole city. To pursue increase resources, we have recommended reviewing the applicability of the Downtown density bonus in the context of all the residential development planned or underway. A second recommendation we made for resources is to consider housing as an eligible use for the revenue generated in the Infrastructure Trust and its financing authority. "Retrofit Chicago" as part of the new Infrastructure Trust could allow capital investment into aging housing that the City has funded since the early 1990s. This stock of federally supported rental housing in the City is substantial and will without question require some level of refinance assistance based on current market dynamics. Additionally, it is worth exploring whether a pool of capital could be structured to impact the foreclosure problem in Chicago and compliment the city's micro-market recovery program.

Analysis of Third Quarter 2012 Activities

The Department reports committing through the third quarter about $197 million to assist 5600 units through the Second Quarter of 2012 —or 63 percent of the year's resource commitment goal and 54 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. Recognizing the TBI (Trouble Building Initiative) units as preserving existing stock, rather than adding to new stock, we have also reduce total units by the TBI count of 566. **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 510 units.** (See Table 1).

Table 1. CRN Analysis of Unit Production: January – September 2012 Year to date

3rd Quarter 2012 Housing Benefits by By Income

	Projected Units	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	YTD Total
Multi-Family*	6188	1,937	1011	254	560	346	47	44	4,199
Less Rental Subsidy Units	*2704*	*-1,830*	*-874*						*-2,,704*
Less Site Improvements and and Energy Savers	*1088*	*-48*	*-48*	*-109*	*-230*	*-4*	*-0*	*-17*	*-460*
Net MF New Units**		59	89	145	330	342	47	27	1079
Single Family less Multiple Benefits	662	0	9	26	14	152	39	76	*316*
Improve and Preserve	2,010	62	306	412	94	120	41	70	*1,105*

*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 Energy Savers. Safety and Code Enforcement Programs a(Heat receivership) represent another 184 units year to date – while important assistance does not count in new production – resulting in year to date **new MF units at 510.

Table 2. Commitments and Unit Production Totals Reported by Department of Housing and Economic Development – Year to Date September 2012

2012	Total Projected Commitments	1st Quarter Commitments	2nd Quarter Commitments	3rd Quarter Commit	YTD	% of Goal
Multi Family	$288,880,552	$41,183,661	$50,429,987	$43,061,715	$138,683,507	48%
Single Family	$62,160,125	$16,744,202	$22,365,165	$14,267,567	$51,048,389	82%
Improve and Preserve	$14,882,768	$1,810,630	$3,345,648	$2,146,111	$7,302,391	55%
Programmatic Applications	$1,250,000	$0	$0	$0	$0	0.00%
Total	$367,173,445	$59,738,493	$59,738,493	$59,475,393	$197,034,287	53%

Approved Multifamily Developments

The City Council approved financing for three Multifamily Projects this 3rd quarter:

<u>Senior Suites of Midway Village</u>

3 flats, 6 flats and a mid rise will provide 132 units in the south Lake Park and Oakenwald area as part of the transformation of CHA second phase

Income targets:

- Serving senior residents with 44 units at differing income levels:
  - 15 one bed rooms (at 30% AMI)
  - 14 one bedrooms (at 50% AMI)
  - 42 one bed rooms(at 60% AMI)
- Serving residents qualified for affordable rents with 54 units:
  - 15 one bed rooms
  - 16 two bedrooms
  - 23 three bed rooms(2 baths)
- Serving the market rate household with 34 units:
  - 13 one bed rooms
  - 13 two bedrooms
  - 8 three bed rooms(2 baths)
- Serving residents at or below 30%:
  - 2 studio
  - 15 one bedroom two bedroom
  - 2 two bed room (2 baths)
- Serving residents at or below 50%:
  - 2 studio
  - 14 one bedroom
  - 2 two bed rooms (2 baths)

- Serving residents at or below 60%:
  - 5 studio
  - 42 one bedroom
  - 5 two bedroom (2 baths)

- **Total development cost**:$18,079,376 million **Per unit cost**: $203,139

  Note : This is a significantly lower cost per unit for new construction. Partial rehab?

308 N. Sheffield Avenue

Conversion of 4 story 91 unit Diplomat Hotel into 51 affordable units with supportive services for individuals at risk of homelessness and/or with mental illness.
Income targets:
- 6 studio with bath at or below 30% AMI
- 15 studio with bath at or below 50% AMI
- 30 studio with bath at or below 60% AMI

- **Total development cost**: $13,171,014 **Per unit cost**: $258,255

Woodlawn Six Apartments
6 three story buildings preserves 100 project based section 8 units
Income targets:
- Serving residents at or below 60%:
  - 21 studios
  - 4 one bedroom
  - 33 two bed room
  - 20 three bedroom
  - 20 four bedroom
  - 2 five bedroom

  - **Total development cost:** $24,811,846 **Per unit cost:** $248,118

Represents critical preservation of both subsidy and bedroom size sufficient for family life

Federal Housing Resources

The new NLIHC proposal is to revamp the Mortgage Interest Deduction as a revenue source to capitalize the Trust Fund.

NLIHC proposes the following reforms to mortgage interest tax breaks: * Reduce the size of a mortgage eligible for a tax break to $500,000. Under current law, homeowners who itemize on their tax returns can deduct the interest paid on mortgages on first and second homes up to a total of $1 million, and the interest on up to an additional $100,000 in home equity loans. Interest on second homes and home equity loans would also be eligible for credit under the $500,000 cap. * Convert the mortgage interest deduction to a 15-20% non-refundable tax credit. By reforming the deduction to a credit, all homeowners with mortgages could receive this benefit, not just those who have enough income to file itemized tax returns. This will result in more homeowners being eligible for a tax benefit. Read the details here

Visit the website to register your support!

There is also national work underway in maintaining the viability of the 9% Low Income Tax Credit by assuring it is in the tax extender bill.

Also impacting the federal resources will be the effect of Sequestration of all discretionary funding scheduled to begin January 2, 2013. The Campaign for Housing and Community Development Funding estimates an 8.4% cut for housing programs if implemented. http://nlihc.org/sites/default/files/CHCDF_Sequestration_Impacts_8-12-12.pdf