Analysis of the Second Quarter 2014 Housing Report

Bouncing Back: Five Year Housing Plan, 2-14-2018
Presented September 11, 2014

Introduction

We are pleased to present our analysis of the Second Quarter housing production under the fifth Five Year Affordable Housing Plan, 2014-2018*, Bouncing Back*. During the second quarter, the City moved forward important initiatives showing responsiveness to stakeholder input, including the convening of a diverse task force to update the Affordable Requirements Ordinance, and a moratorium on the conversion or demolition of Single Room Occupancy buildings. These affirmative steps show that this committee, Council and the Department of Planning and Development understand the need for pro-active steps to stabilize and enhance Chicago's affordable housing resources. As we are celebrating the 25th anniversary of the Chicago Low Income Housing Trust Fund this week, it is wonderful to see the City continuing to carry forward this legacy of creativity and purposeful investment in our communities. The Rehab Network looks forward to future initiatives that will harness local expertise to produce innovative programs to address still substantial local needs.

Analysis of Second Quarter 2014 Housing Activities

AFFORDABLE RENTAL UNIT PRODUCTION SUMMARY–CRN recognizes that DPD has continued investment in affordable housing this quarter, adding $65 million in the second quarter alone, and growing year-to-date investments to over $110 million. (Table 1). With half of the year gone, the Department has reached 42% of its projected commitments for 2014. Doubtlessly this body will hear soon how the Department is planning to spend the remaining $155 million allocated for housing initiatives.

Table 1. City of Chicago Projected Funding Compared with Actual Commitments YTD, 2014

2014-Q2 Affordable Housing Investment Picture	Total Projected Funding by Year End	First Quarter Commitments	Second Quarter Commitments	YTD Commitments	Percent of Goal Met
Multi-Family	$ 209,421,492	$ 33,548,535	$ 56,779,520	$ 90,328,055	43%
Single-Family	$ 41,528,328	$ 7,621,916	$ 5,189,217	$ 12,811,133	31%
Improvement and Preservation	$ 14,762,500	$ 3,714,999	$ 3,424,355	$ 7,139,354	48%
Total	*$ 265,712,320*	*$ 44,885,450*	*$ 65,393,092*	*$ 110,278,542*	*42%*

Source: CRN analysis of the 2014-Q2 affordable housing production report.

Thus far, the City has fared less well with respect to bringing new affordable rental units online. Year to date, DPD has funded only 19% of its net-new affordable rental commitment. (Table 2).

How did we reach this number? While City funds support a number of housing-related programs that contribute to the quality and affordability of Chicago housing—such as rental subsidies through the Chicago Low-Income Housing Trust Fund (CLIHTF), or safety and code enforcement under the Heat Receivership program and the Troubled Buildings Initiative— we separate evidence of the City's quarterly production of rental housing from these programs because they do not directly contribute to net-new affordable rental units in our city.

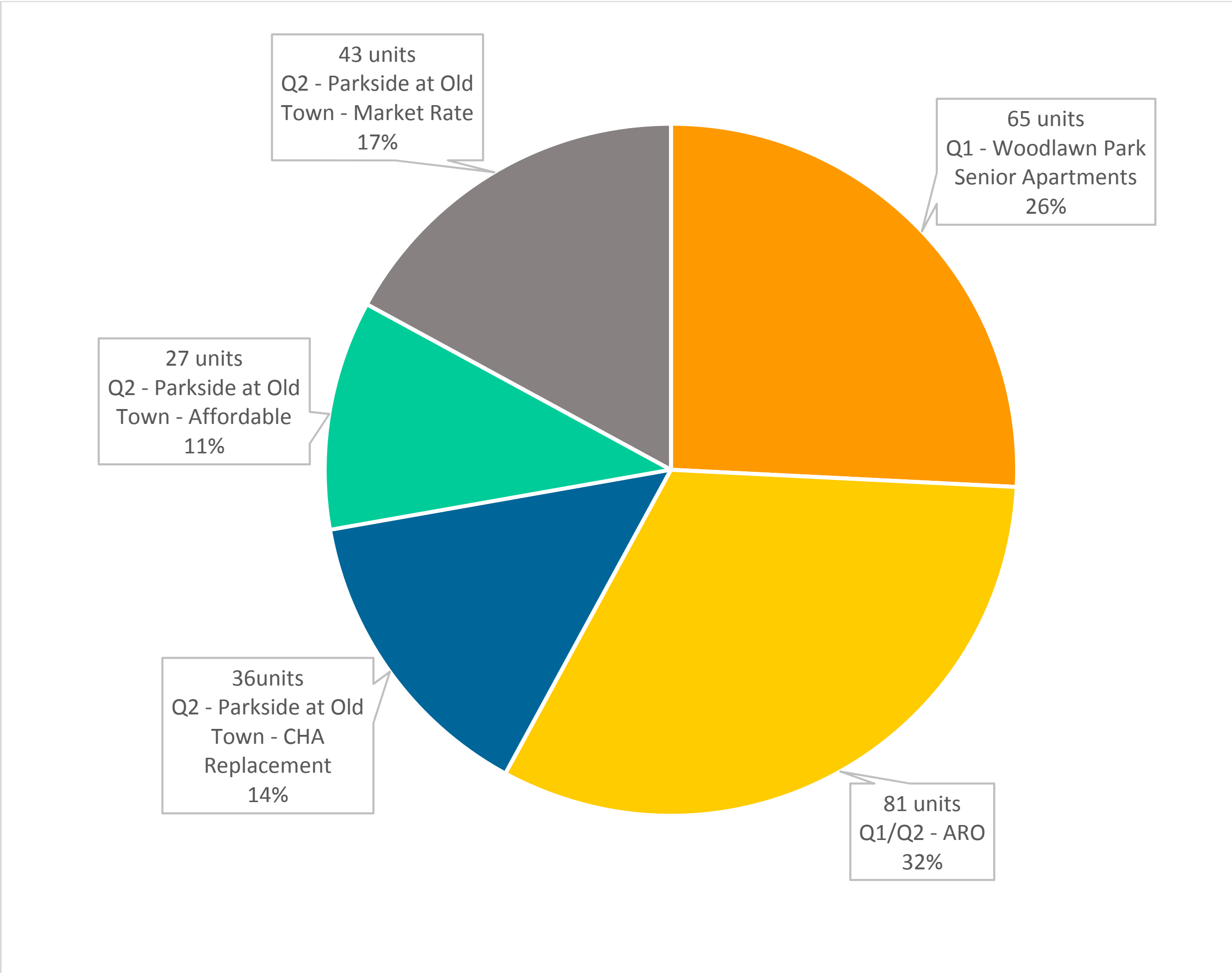
Table 2. Progress Toward Net-New Affordable Rental Production, 2014-Q2

2014-Q2 Apartment Production	Year to Date Total Units Produced	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	Total Projected Units by Year End
Total Subsidized Rental Units	3,620	1,697	1,244	213	211	188	24	43	5,625
Less Rental Subsidy Units	*2,795*	*1,669*	*1,126*	*0*	*0*	*0*	*0*	*0*	*2,960*
Less Heat Receivership Units	*278*	*28*	*68*	*136*	*31*	*15*	*0*	*0*	*600*
Less MF Troubled Building Initiative Units	*295*	*0*	*18*	*51*	*29*	*173*	*24*	*0*	*750*
Net New Rental Units**	252	-	32	26	151	-	-	43	1,315

*** This figure represents multi-family affordable housing units created or preserved, and is adjusted to discount both annual rental subsidies (through the Chicago Low Income Housing Trust Fund) and some other some other assistance, including the City's Heat Receivership and Troubled Building programs.*

In order to calculate net-new rental units that do expand the availability of affordable housing, the Rehab Network starts with the City's projected number of rental units planned to receive subsidy this year (5,625), as well as the City's report of units completed in the various income brackets so far to date (3,620). We then subtract the units covered by those housing programs that are not constructing or rehabilitating rental housing, such as rental subsidies under the CLIHTF (-2,795). Next, we compare year-to-date units actually funded with the number of new construction or rehab units the City planned to fund in 2014. Looking at the production numbers in this stripped-down way lets us understand how many affordable rental units are actually being added in Chicago throughout the year. Using this lens, the City plans to fund 1,315 new units in 2014. However, DPD has only produced 252 of these units through the second quarter—65 senior units, 81 units through the ARO, and 106 Cabrini Green redevelopment units. Of those Cabrini redevelopment units, 43 are market rate. (Chart 1). There is a sense in which, then, this market rate component of the mixed-income Cabrini redevelopment should not count toward overall affordability goals. If one accepts that the market-rate component should not be counted, then the City has only achieved 206 net-new affordable units so far in 2014.

Chart 1. Sources of Net-New Affordable Housing Funded by the City of Chicago YTD, 2014-Q2



Source: CRN analysis of the 2014-Q1 and Q2 affordable housing production reports.

APPROVED RENTAL DEVELOPMENTS - *City Council approved financing for one affordable rental project this quarter:*

Park Side of Old Town – Phase IIB

This project will bring 106 mixed-income housing units to Parkside of Old Town, the mixed-income redevelopment of Cabrini Green under the CHA's Plan for Transformation. This phase will be composed two buildings, a high rise (94 units) and a three-story walk-up (12 units) located at the corner of Division and Cleveland. 36 units will be CHA replacement housing, 27 units will affordable to households making 60% or less of AMI, and 43 units will be market rate. The City has provided $10 million in TIF assistance, a $1.9 million CDBG loan, and $12 million in tax credit equity to support this project. In addition, CHA is providing $12 million in HOPE VI funds, and the developer has taken a $3.7 million private mortgage.

Income targets:

- 3 one- or two-bedroom units at or below 30% AMI
- 4 one-, two-, or three-bedroom units at or below 40% AMI
- 9 one-, two-, or three-bedroom units at or below 50% AMI
- 11 one-, two-, or three-bedroom units at or below 60% AMI
- 43 one-, two-, or three-bedroom units at or above 100% AMI (market rate)
- 36 one-, two-, three-, or four-bedroom CHA replacement units

Total development cost: $40.9 million **Per unit cost**: $386,335

Policy Updates

SINGLE ROOM OCCUPANCY (SRO) PRESERVATION – In the second quarter, the Mayor, this committee, Council and the Department have taken substantive steps toward the preservation of this critical affordable housing resource, including:

- Providing $2.3 million in Donations Tax Credits and forgiving a nearly 20 year old loan to facilitate the transfer of the Lawson House SRO at Chicago and State from the YMCA to Holsten Human Capital. This transfer will generate $1.9m in Donation Tax Credits equity, which Holsten will use to shore up this large supportive SRO while he assembles long-term financing to replace all building systems and convert SRO-style rooms to studios.[1]
- Unanimously approving a six-month moratorium recommended by this committee on the conversion or demolition of current SRO units in order to facilitate a larger conversation about how to balance development with Chicago's profound need for affordable housing.

However laudable these initiatives may be, a sobering truth remains: by best estimates, Chicago has lost about 80% of its SRO units over the last 40 years. According to the 1993 CRN Affordable Housing Fact Book, Chicago had at least 27,519 SRO units in 1973 (Appendix 1).[2] Today, fewer than 6,000 licensed SRO units remain in the city, according to a recent Mayor's Office press release.[3] The preservation of these units is critical, especially in the face of the huge affordability gap the city is facing with respect to housing for our lowest income residents. <u>The Rehab Network strongly urges this committee and the larger Council to take an aggressive stance toward SRO preservation once the current moratorium ends.</u>

AFFORDABLE REQUIREMENTS ORDINANCE (ARO) UNITS – In the first and second quarter of 2014 alone, the Mayoral Affordable Requirements Ordinance contributed significantly to the number of net-

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[1] http://www.chicagobusiness.com/realestate/20140512/CRED03/140519985/hunt-club-development-clears-legal-hurdle-gets-financing

[2] CRN "The Affordable Housing Fact Book: A Blueprint for Change" 1993. This number includes only those single-room units in buildings with 24-hour desk clerks and switchboard service; presumably there were more SRO-style units available at the time that did not meet these conditions.

[3] http://www.cityofchicago.org/city/en/depts/bldgs/provdrs/inspect/news/2014/jun/mayor-emanuel--alderman-burnett--alderman-pawar-and-the-chicago-.html

new affordable units available to Chicagoans. As indicated by Chart 1 above, ARO units constituted 32% of the total net-new units. Table 3 outlines the locations of the units the ARO caused to be built:

Table 3. Locations of Units Built as a Consequence of the ARO YTD, 2014-Q2

covenant filing date	property type	address	affordable units
covenant filing date - Q1			***19***
1/7/2014	Multi-Family Rental	5009 N Sheridan 5001 N Sheridan 944-956 W Argyle	16
3/20/2014	Multi-Family Rental	2917-39 N Central	3
covenant filing date - Q2			***62***
4/15/2014	Multi-Family Rental	625 W Division	24
4/28/2014	Multi-Family Rental	1330 E 53rd St	27
4/29/2014	Multi-Family For Sale	1328, 1333, 1345 S Wabash	11
various covenant filing dates – completed in 2014*			***25***
2012-2014	For Sale	235 W. Van Buren	25
2014 YTD ARO units built			***106***

*** Since these units have come online slowly over the last two years, they are not counted in the specific totals for Q1 and Q2, but accrue to 2014 overall, following DPD's reporting procedures.*

Source: CRN analysis of the 2014-Q1 and Q2 affordable housing production reports.

66% of these units are rental and 34% are for sale. About half of them (48%) will be affordable to families making 16-30%AMI, while the other half (52%) will be affordable to households making 51-60%AMI.

Together, these developments represent 106 net-new affordable units built with minimal government assistance. During the same period, developers paid $3.8 million into the Affordable Housing Opportunity Fund (AHOF) through in-lieu fees representing 38 units. According to the Rehab Network's analysis of quarterly reporting during the 2009-2013 Affordable Housing Plan, the average per unit cost to develop housing was $276,706.[4] At this rate, that $3.8 million dollars contributed to the AHOF could build about 14 units.[5] This back of the envelope look underscores the appropriateness of the Task Force's review of the level of the ARO in lieu fee.

The Rehab Network looks forward to the recommendations of the ARO Task Force and strongly encourages this committee to <u>hold public hearings after the Task Force publishes its findings but *before* any new or updated ordinance is introduced in Council</u>. We have attached CRN's ARO comments as an appendix to this report. (Appendix 2).

[4] This is the average for both rehab and new construction.

CLOSING OF THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP) – According to this quarterly report, the City has successfully completed the drawdown of NSP 1-3 funds in accordance with federal rules. The report states that "The City will continue to invest in NSP targeted areas by using the income generated through sales of NSP properties to fund the acquisition and rehabilitation of additional buildings." While the Rehab Network supports the idea of reinvesting future program income in community stabilization, the details are not clear. <u>Can the Department clarify for the third quarter specific plans for the disposition of NSP program income?</u>

REPORTING ON AFFORDABLE & ACCESSIBLE UNITS – One praise-worthy new feature of 2014-2018 quarterly system is the reporting of City investment in affordable housing accessible to people with disabilities. However, there are some ways in which this reporting can be refined and improved to be as useful as possible to the citizens and organizations relying on these resources. Currently, the quarterly report indicates only the total number of units provided under various accessibility standards. In consultation with longtime CRN ally and member Access Living, the Rehab Network suggests that the reporting structure be improved to address the following questions:

1. What is the address location of the unit?
2. What is the income limit of the unit in terms of percent of area median?
3. What level of accessibility is provided by this unit?

While answering the third question alone is an affirmative step forward, people interested in improving housing options for our neighbors with disabilities need to understand *the intersection of affordability and accessibility*. People with disabilities frequently live on very low fixed incomes. Although approximately 30% of people with disabilities are employed nationwide, and the majority of them work in low-wage jobs. People with disabilities whose only income is Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) are unable to afford most currently available "affordable" housing in Chicago; for example, individuals with income only through SSI can afford only about $211 per month on housing. For this reason, it is critical to understand not just the accessibility standards of units produced, but also the income groups able to access them.[6] <u>To enhance quarterly reporting and make it as useful as possible, we submit a template for model reporting accessible units and encourage the Department to put it into use.</u> (Appendix 3).

Conclusion

Entering the third quarter, CRN is kicking our training initiatives into high gear. On October 27th we will be hosting an open house to officially open our new offices and training center. Please look forward to an invitation soon; we hope you will be able to join on October 27th. In the meantime, we've held very popular training for local entrepreneurs and community leaders about acquiring and rehabilitating vacant properties, making special use of the new Cook County Land Bank. Our Community Development and Empowerment Series begins September 17 and is a great resource your staff to learn the nuts and bolts of housing as a strategy for community empowerment. Please call the Rehab Network at 312.663.3936 to register someone for this training, which will run two full days a month for the next eight months. The need in our communities is tremendous, and growing new leaders from all corners of the city is an important pillar of any strategy that hopes to truly address neighborhood redevelopment. We hope you will be able to support us in these efforts.

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[6] Access Living (2014) "Disability Rights Action Coalition for Housing: Equal Access Across Chicago".

Appendix I

Table 3.6: SRO Hotel Units, 1973-90

	Community area:	SRO units '73	SRO units lost, '73- '90	SRO units left, '90
1	Rogers Park	210	142	68
2	West Ridge	0	0	0
3	Uptown	2,213	636	1,577
4	Lincoln Square	0	0	0
5	North Center	0	0	0
6	Lake View	1,341	565	776
7	Lincoln Park	814	33	781
8	Near North Side	5,289	3,584	1,705
9	Edison Park	0	0	0
10	Norwood Park	0	0	0
11	Jefferson Park	0	0	0
12	Forest Glen	0	0	0
13	North Park	0	0	0
14	Albany Park	88	0	88
15	Portage Park	0	0	0
16	Irving Park	0	0	0
17	Dunning	0	0	0
18	Montclare	0	0	0
19	Belmont Cragin	0	0	0
20	Hermosa	0	0	0
21	Avondale	0	0	0
22	Logan Square	238	95	143
23	Humboldt Park	0	0	0
24	West Town	653	433	220
25	Austin	326	198	128
26	West Garfield Park	316	215	101
27	East Garfield Park	964	904	60
28	Near West Side	3,736	3,260	476
29	North Lawndale	0	0	0
30	South Lawndale	0	0	0
31	Lower West Side	115	48	67
32	Loop	5,491	4,729	762
33	Near South Side	630	630	0
34	Armour Square	0	0	0
35	Douglas	55	54	0
36	Oakland	0	0	0
37	Fuller Park	0	0	0
38	Grand Boulevard	885	292	593

Source: Jewish Council on Urban Affairs, Community Emergency Shelter Organization.
Updated 1985-1990 by Lakefront SRO Corporation, Health Care for the Homeless.

Page 84 - Chicago Affordable Housing Fact Book.

	Community area:	SRO units '73	SRO units lost, '73- '90	SRO units left, '90
39	Kenwood	299	299	0
40	Washington Park	277	277	50
41	Hyde Park	586	439	147
42	Woodlawn	777	671	160
43	South Shore	0	0	0
44	Chatham	0	0	0
45	Avalon Park	61	61	0
46	South Chicago	222	222	0
47	Burnside	0	0	0
48	Calumet Heights	0	0	0
49	Roseland	0	0	0
50	Pullman	100	100	0
51	South Deering	0	0	0
52	East Side	0	0	0
53	West Pullman	0	0	0
54	Riverdale	0	0	0
55	Hegewisch	0	0	0
56	Garfield Ridge	0	0	0
57	Archer Heights	0	0	0
58	Brighton Park	0	0	0
59	McKinley Park	0	0	0
60	Bridgeport	0	0	0
61	New City	108	30	78
62	West Eldson	0	0	0
63	Gage Park	0	0	0
64	Clearing	160	75	85
65	West Lawn	0	0	0
66	Chicago Lawn	0	0	0
67	West Englewood	0	0	0
68	Englewood	62	62	0
69	Greater Grand Crossing	102	75	27
70	Ashburn	0	0	0
71	Auburn Gresham	0	0	0
72	Beverly	0	0	0
73	Washington Heights	0	0	0
74	Mt. Greenwood	0	0	0
75	Morgan Park	0	0	0
76	O'Hare	0	0	0
77	Edgewater	1,401	722	679
	Citywide totals	27,519	18,748	8,771

Appendix 2

Chicago Rehab Network

Legacy 35

August 11, 2014

City of Chicago
ARO Advisory Panel
121 N. LaSalle, 10th floor
Chicago, IL 60602

RE: ARO Comments

Dear Advisory Panel Members:

We have several recommendations for improving the Affordable Requirements Ordinance. It is one important policy tool that has assisted efforts to provide affordable housing by capturing the benefits from market development. Along with HOME funds, the State and City trust funds, the Low Income Housing Tax Credit, the State "Donations" Tax Credit, etc., it has become a significant source of funds for the City to administer for affordable housing purposes.

Still needed to rebuild our city are increased resources from the City's Corporate Fund to reoccupy vacant homes; increased Trust Fund commitments from the City and State, more creative uses of Federal dollars; and an emphasis on equitable distribution of resources based on severity of need. While we do believe that other linkage-type fees should be explored including hotel and tourism taxes, and fees from all McPier development, we would not expect these considerations to result from this Task Force.

In addition to our comments below, we have attached some background information related to the long history of inclusionary zoning efforts to provide the wide spectrum of views that have existed.

The City of Chicago Department of Planning and Development is responsible for administering two different types of inclusionary housing programs each governed by separate enabling legislation. Today in mid-2014, these are mature programs with administrative policies, clear-cut procedures, and transparent reporting. Their existence, however, results from 30 years of distinct but allied advocacy campaigns – each with common themes seeking equitable development and balanced attention between downtown growth and neighborhood needs.

The CRN Advocacy Committee in 1999 began research on other set aside programs throughout the country with the belief that Chicago's real estate market was heating up. The effort was believed to be one important component of a comprehensive housing policy that would capture supporters of economic integration. It is important to note that it was not seen as a stand-alone solution to the lack of affordable rental housing. Of the CRN members who were development focused at that time, inclusionary housing policy would not benefit their efforts – but nonetheless – the interest was driven by mission and commitment.

In addition to our proposal – that all development over 10 units include 25% affordable housing – several other important coalitions developed similar proposals. Coinciding with this activity was the City's effort to rewrite the Chicago Zoning Code. This leveraged many strategic opportunities to raise the need for affordable housing and to communicate the costs and benefits of development. When finalized in 2003, the new Zoning Code created a density bonus in downtown districts which required affordable housing as the first developer contribution.

As part of our strategic work at the time, CRN convened numerous individual and group discussions with prominent for profit developers for their input. A key learning from those discussions was a consensus that "consistent" and "predictable" guidelines for developers would be a huge benefit in the establishment of affordable housing inclusion policies. The elimination of random ward-by-ward negotiations was discussed as a positive outcome.

Ultimately, the legislative leadership determined the direction and timing of introduction into City Council after many months of measured legal and political analysis. Importantly, there was a sense of urgency to craft a solution which avoid legal challenge under "takings" lawsuits. The first passage of the Affordable Requirements Ordinance was in 2003 and amended in 2007 created the Affordable Housing Opportunity Fund to capture fees in lieu which was defined as $100,000 per unit.

Preliminary results to date according to City documents:

	Units	In Lieu of Fees
ARO before 2007	857*	
ARO 2011-present	55	$14.1 million
Density Bonus	5	$32.2 million

**Reported in 2007 document aggregating expected development pipeline in City Council process.*

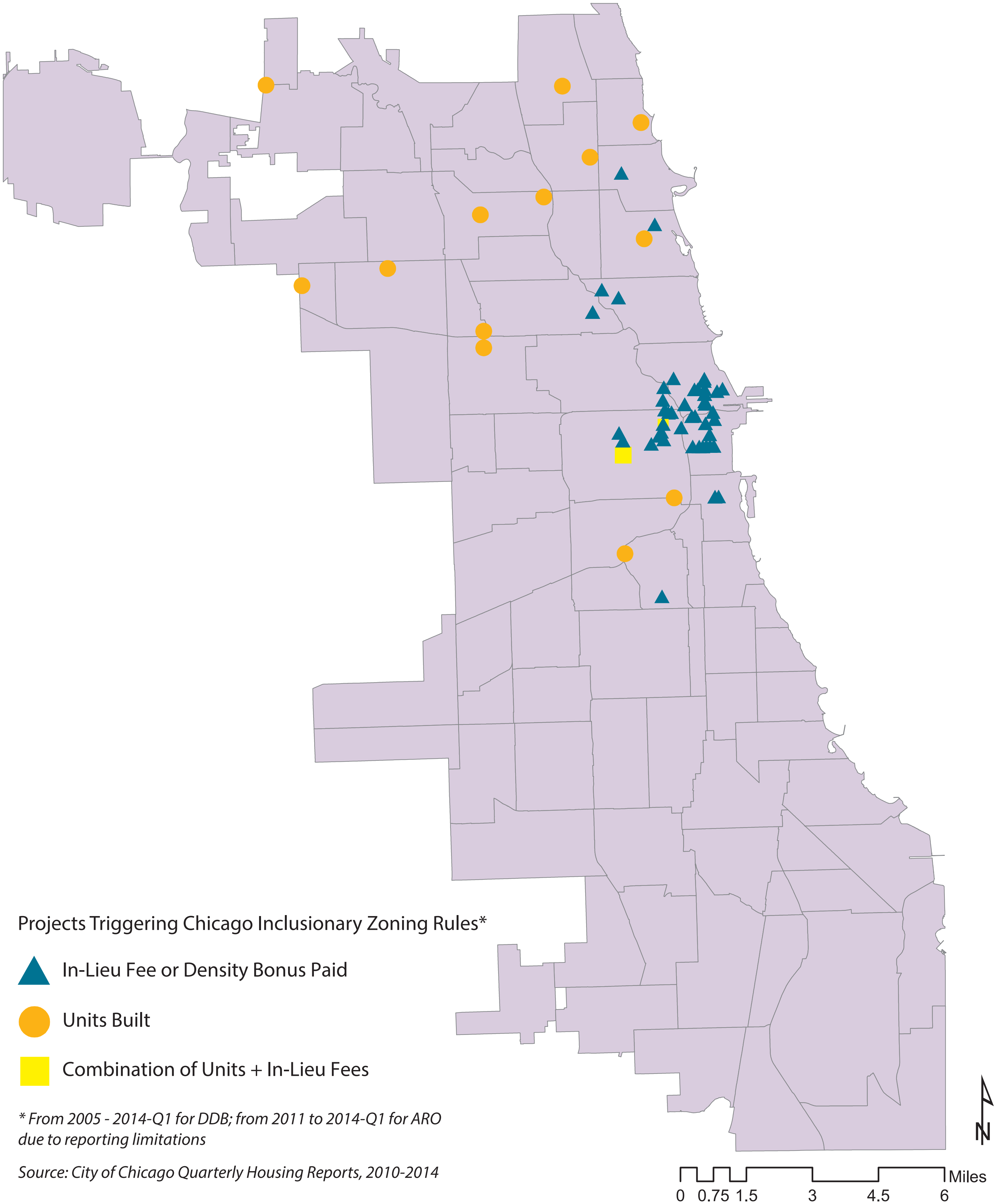
Chicago is in dire need of affordable rental housing to provide a stabilizing force for families and communities. Considerations for program improvement should include:

- CRN has called for more complete reporting and transparency regularly since 2007. This Administration has increased transparency in its quarterly reporting to the City Council Committee on Housing and Real Estate. While Density Bonus developments have been reported for many years, ARO developments have been listed since 2011. Last year the Department began listing the projects receiving funding from the Affordable Housing Opportunities Fund.
- Implementation of legislative requirement that $100,000/unit in lieu of fee be pinned annually to inflation back to initiation of legislation passage. The per unit in lieu of fee was never considered equal to the replacement cost of a unit – but the Task Force should certainly examine an increase to this amount.
- The resources raised by the policy should increase overall availability of funds not reduce the City's corporate commitment to housing.
- CRN consistently hears questions arise over the process for allocating the 60% that is loosely defined for affordable housing development. It is unclear how OMB records the Affordable

Housing Opportunity Fund and how consistently the transfers to the Chicago Low Income Housing Trust Fund have been made.

- The Task Force should examine increasing the allocation of the Affordable Housing Opportunities Fund – up to 100% - directly to the Chicago Low Income Housing Trust Fund to ensure benefit to the lowest income populations and maximize oversight and accountability.
- Finally, the Task Force should allow for public comment as part of their deliberation prior to the compilation of final recommendations. This would allow interested parties to submit commentary specific to the draft Task Force report.

Spatial Distribution of Units Built vs. In-Lieu Paid as a Result of Known Projects Subject to Chicago Inclusionary Zoning Rules, 2005 - 2014



** From 2005 - 2014-Q1 for DDB; from 2011 to 2014-Q1 for ARO due to reporting limitations*

Source: City of Chicago Quarterly Housing Reports, 2010-2014

THE NETWORK BUILDER

The Chicago Rehab Network Newsletter

Issue No. 10 November/December 1986

Local groups press Pres. Towers demands

by Tom Carlson

On October 22, more than 200 people demonstrated at the site of Presidential Towers, to call attention to the developers' misuse of public funds and to demand that they create low-income housing in exchange for favorable treatment from city and federal officials.

The Chicago Coalition for the Homeless, the Balanced Growth Coalition, the Statewide Housing Action Coalition and the Chicago 1992 Committee participated in the action. Linda Haley, a spokesperson from South Austin, said the developers used taxpayer dollars to build luxury apartments for the rich, while demolishing housing for the poor.

Since McHugh, Levin and Shannon plan to construct a second phase — Presidential Towers II — the demonstrators aimed their demands at future development. Presidential Towers II should not go forward, they say, unless the following conditions are met:

• Save the Major Hotel: This is the last remaining single-room occupancy hotel on the near west side, and is scheduled to be demolished by the developers. Instead, McHugh, Levin and Shannon should pay for its reha-

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Outcome of recent elections

Political climate right for housing fight

by Lisa B. Baum

In the wake of this year's elections, advocates for low-income housing can be more hopeful for change at the state and national levels, but must prepare for a major struggle.

National level

On the national level, the big political news concerned the Democrats gaining control of the Senate. What will this mean for housing?

For the past six years, President Reagan has set the nation's housing policy, with the help of the Republican-controlled Senate. That policy has been to take the government out of housing.

"The Reagan Administration has argued that the private market can satisfy the adequate housing needs of the poor far more successfully than government," says Gary Orfield, a housing expert at the University of Chicago. Reagan "has succeeded in eliminating or drastically reducing most housing programs aimed at the poor."

In the last six years, the U.S. Department of Housing and Urban Development (HUD) has suffered the largest budget cut of any federal agency. Since 1981, there has been a 65 percent reduction in all federal housing appropriations. According to Margary Austin Turner, of the Urban Institute in

(continued on page 11)

SHAC members call on Gov. Thompson to outline his campaign platform on low-income housing.

State level

Although the need for state intervention in housing has never been more evident, Illinois housing activists face a tough battle, as shown by recent pre-election efforts of the Statewide Housing Action Coalition (SHAC). But while the state elections did not change the personnel much, there are indications that state officials are beginning to see the need to respond to the state's housing problems.

Before the November gubernatorial election, SHAC, a coalition of community-based organizations from around the state, called upon Gov. Thompson and candidate Adlai Stevenson to address the state's low-income housing crisis. Thompson's response indicated a conservative stance on the issue.

Thompson committed to issuing a comprehensive housing plan during his next term as governor. However, he refused to set a deadline for such a plan. He stressed the importance of public/private partnership and said that his plan would include all actors involved

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Presidential Towers

(continued from page 1)

bilitation.

• 620 low-income housing units: The developers should either provide these units in Presidential Towers or fund neighborhood nonprofits to develop the units.

• Jobs: There must be an affirmative action plan for both construction and permanent jobs. The plan must include quotas for city residents, minorities and women. There must also be a strong affirmative action plan for construction and commercial contracts resulting from the new development.

• Public review process: The city must provide a public review process involving neighborhood hearings on all major, publicly-subsidized developments.

The demonstration has led to meetings with officials from the Mayor's office and the city's Dept. of Housing. The developers are currently in negotiations with the city to purchase additional land for the project's expansion. Coalition members are also pressing for a meeting with the developers. If there is an inadequate response to demands, coalition members have vowed to stage repeated actions.

The coalitions involved in the demonstration bring a number of different concerns into the effort. The Coalition for the Homeless has been fighting for the past two years to save SROs, which are a rapidly-disappearing affordable housing option for lower-income single individuals. SHAC is working statewide to expand affordable housing. The 1992 Committee has watchdogged Presidential Towers and protested the misuse of public resources.

The Balanced Growth Coalition is a newly-formed effort on the part of Chicago community-based organizations to redress the imbalance in Chicago's economy so that neighborhood growth and development receives as much attention as downtown development.

Chicago's Central Business District is booming. Many are pointing to this explosion of new development, calling it economic revitalization. But simple growth in one area of the city does not make a healthy city, say coalition members. Not when there are disenfranchised communities who suffer with the reality of boarded-up housing, empty storefronts and manufacturers gone elsewhere.

There is no doubt that bold steps must be taken to improve Chicago's economy. But redevelopment should be balanced in a way that enables Chicago residents to build communities where they can live and work. The Balanced Growth Coalition members met during this past summer to draft the following platform:

• *Local economic development:* That a fair share of capital improvements and other public subsidies be targeted to low- and moderate-income neighborhoods to support the creation of jobs and affordable housing.

• *Jobs*: That all publicly-subsidized development projects adopt a "First Source" hiring policy, offering Chicago residents a first crack at filling jobs created by the project.

• *Housing*: That the city enact a mandatory Linked Development program, with funds designated for affordable housing. That more public funds be targeted for low-income housing.

• *Neighborhood empowerment:* That neighborhood residents gain greater authority in setting priorities for local economic planning.

• *Anti-displacement:* That new development must not displace existing housing or jobs (directly or indirectly).

BALANCED DEVELOPMENT PRINCIPLES

Members of the Public Private Finance Initiative assembled a set of principles to guide the investment of resources developed through the Initiative. These principles are grounded in the belief that balanced development will make healthier communities throughout the region. It is the role of government & private institutions to establish priorities, provide leadership and develop policies for the use of resources to support development consistent with these principles, beginning with housing for people with the greatest need.

The principles are:

Racially, culturally & economically diverse people can thrive within the same community.
All parts of the metropolitan area are appropriate for affordable housing and all areas are appropriate for market rate housing.
All workers should have opportunity to live in close proximity to employment.
Housing units and types should be heterogeneous so that different housing needs are met (ie. senior, family, purchase, rental).
Subsidized and market rate housing in the same development are designed to be indistinguishable to the greatest extent possible.
Long term residency & neighborhood stability should be supported.
Opportunities for the community to come together should be created.

The principles should be used to create a common understanding of the need for balanced development in planning and resource decisions. The principles will be forwarded to the decision making bodies of local and state governments. They should be incorporated into the evaluation of applications for resources created through the Public-Private Finance Initiative. They should also be incorporated into the development process on publicly and privately owned land whenever possible, and in the development of larger planning documents such as Consolidated Plans for the Department of Housing and Urban Development. The Public Private Finance Initiative will pursue a public education campaign to recognize projects developed in accordance with these principles.

From Public Private Finance Initiative Final Report released January 2000.

25% Housing Set-Aside

Concept Paper

<u>Our Vision</u>

25% of the units in all new residential developments, substantial rehabilitations and condo conversions will be **set aside** for individuals as affordable. This will ensure that market rate development in all parts of the city includes a fair share of affordable housing. In addition, we will develop new strategies and resources for creating rental housing.

<u>Our Proposal</u>

1. General Requirements
In all new construction, substantial rehabilitation or condo conversions developments of 4 or more units, affordable housing must be supported through the following actions:

- **4 to 10 units** - 25% of the units must be set aside as affordable <u>or</u> the developer may make an in-lieu-of payment to a Neighborhood Housing Trust Fund (see below).
- **11 units or more** - 25% of the units must be set aside as affordable.
- **Special Exceptions** – While there is a clear preference for on-site set asides, in certain cases, in-lieu-of payments can be made to the Neighborhood Housing Trust Fund (see below).

2. Definition of Affordability - Rental
As a minimum, set aside rental units must be affordable to individuals at or below 50% of the median income (currently $35,250 for the Chicago PMSA) with rent at 30% of monthly income. In recognition of the need to serve individuals with very low incomes, fewer units will be required if they are set-aside at lower income levels.

3. Definition of Affordability – For Sale
All set aside for sale units will be priced at a pre-determined affordable square foot construction cost for the housing type (attached, detached, multifamily), not including land costs.

4. Right of First Refusal – Create Rental Opportunities
Non-profit developers and public agencies will have a right of first refusal to purchase half of all set aside for sale units at the affordable sales price to operate as affordable rental units.

5. Construction and Floor Area Standards
Set aside units may have a smaller floor area and more modest finishes than market units, but should have a similar number of bedrooms. Construction standards will be established to ensure durable housing with mid-grade finishes.

6. Term of Affordability
Set aside rental units must be kept affordable for 30 years. In for-sale developments, resale prices will be limited to the increase in the Chicago Consumer Price Index by for 20 years with a deed restriction. New buyers must also be income eligible.

7. Neighborhood Housing Trust Fund
Developers may be permitted to pay into a Neighborhood Housing Trust Fund in lieu of creating affordable units. This Trust Fund money will create a new resource for affordable housing and not replace any existing public funds. Trust Funds will be created for all of Chicago's 77 community areas. Funds will be earmarked for use in the community area that the original development is located in. Use of the Trust Fund will be limited to rental housing development (including the purchase of setaside for sale units), limited equity co-op development and rental subsidy. All trust fund money will be targeted to tenants earning under 30% of the median income (currently $21,150 for a family of four). The Trust funds will be administered by an accountable body such as the Chicago Low Income Housing Trust Fund.

Housing Set-Asides

What is a housing set-aside?

A housing set-aside is a requirement that developers keep a portion of new or rehabilitated units affordable to people with low incomes. Sometimes called 'inclusionary zoning', set-asides *include* the cost of building affordable housing into the housing market. As communities develop, set-asides help create housing opportunities for a variety of income levels. With set-asides, new development will be more equitable and displacement of existing residents will be reduced.

What is the cost of not providing affordable housing?

Housing, like health care and education is foundational for family, community and regional success. *Building new affordable housing in Chicago can:*

- *Prevent a family from becoming homeless.*
- *Keep children from switching schools due to family moves.*
- *Allow companies to stay in Chicago, near their workforce.*
- *Slow down suburban sprawl.*

One out of every five renters in Illinois spends more than 50% of their income on rent[1]. For them, 'affordable housing' translates into increased ability to put food on the table and clothes on their child's back.

How many units could this create?

Set-asides work with the private market to create mixed income communities. Over the last 25 years, the City of Chicago issued 262,333 building permits. Had a set-aside been in place, the private market would have created over 19,000 units[2]. The units would be located in the communities that have gained housing units such as Near South Side, Loop, Armour Square, West Town and Bridgeport[3].

"Housing is central to everything we're trying to do in this city, because when people live in affordable, high-quality houses and apartments, they work harder to keep their neighborhoods clean, safe and livable."

-Mayor Richard M. Daley
May 15, 2001

Chicago Rehab Network
53 W. Jackson
Chicago, IL 60604
tel 312.663.3936 fax 312.663.3562
www.chicagorehab.org

Where has this strategy been successful?

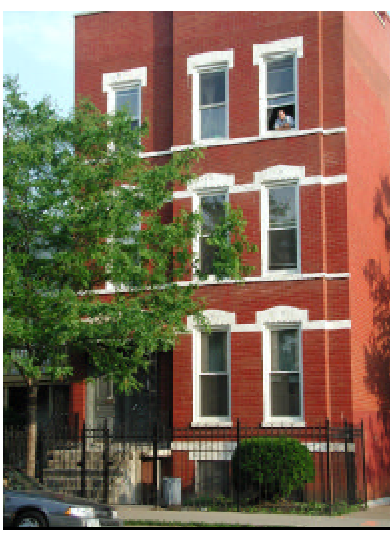
Montgomery County, Maryland's housing set-aside has produced over 10,000 units of affordable for-sale and rental housing since 1974. In Boston, a Mayoral decree enforcing a set-aside is currently producing affordable units and payments to the city's housing trust fund. Like Chicago, Boston is experiencing a residential boom downtown that is forcing rents up across the city. Developers have the choice of setting aside affordable units or paying a $52,000 per unit fee to the trust fund.

"When building commercial buildings, the law demands that the builder set aside a certain amount of space for parking and for places to walk, for public gardens, for all kinds of good things. In the same way, in the same exigent manner, we have to demand that affordable housing be protected by law itself."

-Cardinal Francis George
Valuing Affordability Conference
June 28th, 2001

Has this strategy ever worked in Chicago?

Yes. The City of Chicago has required some developers to set-aside units in exchange for tax increment financing (TIF), but not always. At the Montgomery Ward's redevelopment site 11% of the units will be affordable including some new CHA public housing. Alderman Walter Burnett and the Department of Planning and Development deserve praise for their hard work to craft a deal with the master developer, but affordability shouldn't come on a case-by-case basis. Chicago needs a set-aside law which applies evenly to all developers in the city.



Why now?

Chicagoans are being priced out of their neighborhoods. According to Census figures, Chicago is the only large city in the nation to gain population while losing rental housing over the last ten years. While Chicago lost 2,852 rental units, New York and Los Angeles gained 97,269 and 45,993 units each[4]. Unfortunately, new for-sale developments and condominium conversions are no longer an affordable option. The median sales price for condos and town homes sold in the last five years has grown 58% to over $200,000, according to the Chicago Association of Realtors[5].

1. *2000 Supplementary Survey*, **U.S. Census Bureau**, Table H067: Gross rent as a percentage of household income in th past 12 months.
2. City of Chicago permit data and basis for set-aside estimate from *Expanding Housing Options through Inclusionary Zoning*, **Campaign for Sensible Growth** Ideas@Work vol. 3, June 2001. Set-asides estimates are based on the Montgomery County, MD inclusionary zoning ordrinance, which has created over 10,000 affordable units since 1974.
3. Top 5 Chicago community areas gaining housing units from *Summary Tape File 1*, **U.S. Census Bureau**, 1990 and 2000.
4. *Profile of General Demographic Charachteristics*, **U.S. Census Bureau**, Table DP-1, 1990 and 2000.
5. *Historical Home Sales Data*, **Chicago Association of Realtors**, comparison of median homes sales prices of single family attached units,1996-2000.

the Affordable Housing Zoning Bonus

The Affordable Housing Zoning Bonus – or Density Bonus – was created in 2004 to enable developers in certain downtown zoning districts (DC, DX, and DR) to build additional square footage in exchange for providing on-site affordable housing OR contributing to the City's Affordable Housing Opportunity Fund. Downtown developments that are subject to the Affordable Requirements Ordinance (ARO) may meet their ARO requirement by purchasing a Density Bonus.

Developments with on-site units receive four square feet of market-rate bonus space for every foot of affordable housing provided. The maximum allowed bonus is 20% of base FAR in dash-5; 25% in dash-7 or -10; and 30% of base FAR in dash-12 or -16 (www.cityofchicago.org/zoning for zoning info).

Because of the high cost of downtown land, however, many exercise the in-lieu donation option. The formula for calculating the amount of that donation is here ►

Formula for Off-site Affordable Housing Zoning Bonus

Financial Contribution = *Bonus floor area achieved via affordable housing bonus* *x 80%* *x* *Median cost of land per buildable square foot**

**cost will be updated regularly*

Submarket (Table for use with the Density Bonus fees-in-lieu calculations)	**Median Land Price per Base FAR Foot**
Loop: Chicago River on north/west; Congress on south; Lake Shore Dr on east	$31
North: Division on north; Chicago River on south/west; Lake Shore Dr. on east	$43
South: Congress on north; I-55 on south; Chicago River on west; Lake Shore Dr. on east	$22
West: Lake on north; Congress on south; Chicago River on east; Racine on west	$29

Units must be affordable to households earning 100% of the area median income, as defined by the Department of Housing and Urban Development (HUD). Using these maximum incomes as a guide, the City defines affordable pricing for each development, based on the market price, assessments, and property taxes projected for the units. Affordable units must reflect the building's overall unit mix.

HUD Median Income for Unit Type/Family Size *(as of 2/2012)*				
Number of Bedrooms	Assumed Family Size	60% of Median	80% of Median	100% of Median
Studio	1	$31,860	$42,500	$53,100
1	1.5	$34,140	$45,525	$56,900
2	3.0	$40,980	$54,600	$68,300
3	4.5	$47,310	$63,100	$78,850

Affordable units are typically placed in the **Chicago Community Land Trust** (CCLT), which ensures the unit's long-term affordability. The Department of Housing & Economic Development income-qualifies purchasers/renters, and may provide marketing assistance. **For more information** contact Kara Breems (312.744.6746 or Kara.Breems@cityofchicago.org).

Inclusionary Housing in Chicago:
the Affordable Requirements Ordinance (ARO)

The ARO was created in 2003 and revised in May, 2007, to create affordable units in private-market developments. Developments subject to ARO (see below) must set aside 10% of residential units as affordable housing OR donate $100,000 per required unit to the City's Affordable Housing Opportunity Fund. For projects receiving financial assistance from the City, 20% of the units must be affordable.

Projects are generally subject to the ARO if they include ten or more residential units AND:

- ☐ Receive a zoning change that:
  - permits a higher floor area ratio (FAR);
  - changes from a non-residential to a residential use;
  - permits residential uses on ground floor, where that use was not allowed;
- ☐ Include land purchased from the City (even if purchase was at the appraised value);
- ☐ Receive financial assistance from the City; **OR**
- ☐ Are part of a Planned Development (PD) in a downtown zoning district.

Generally, **Projects are exempt from the ordinance** if

- ☐ Land was purchased between May 13, 2005 and May 13, 2007; **OR**
- ☐ Zoning Changes or PDs filed with the Zoning Administrator before August 21, 2007.

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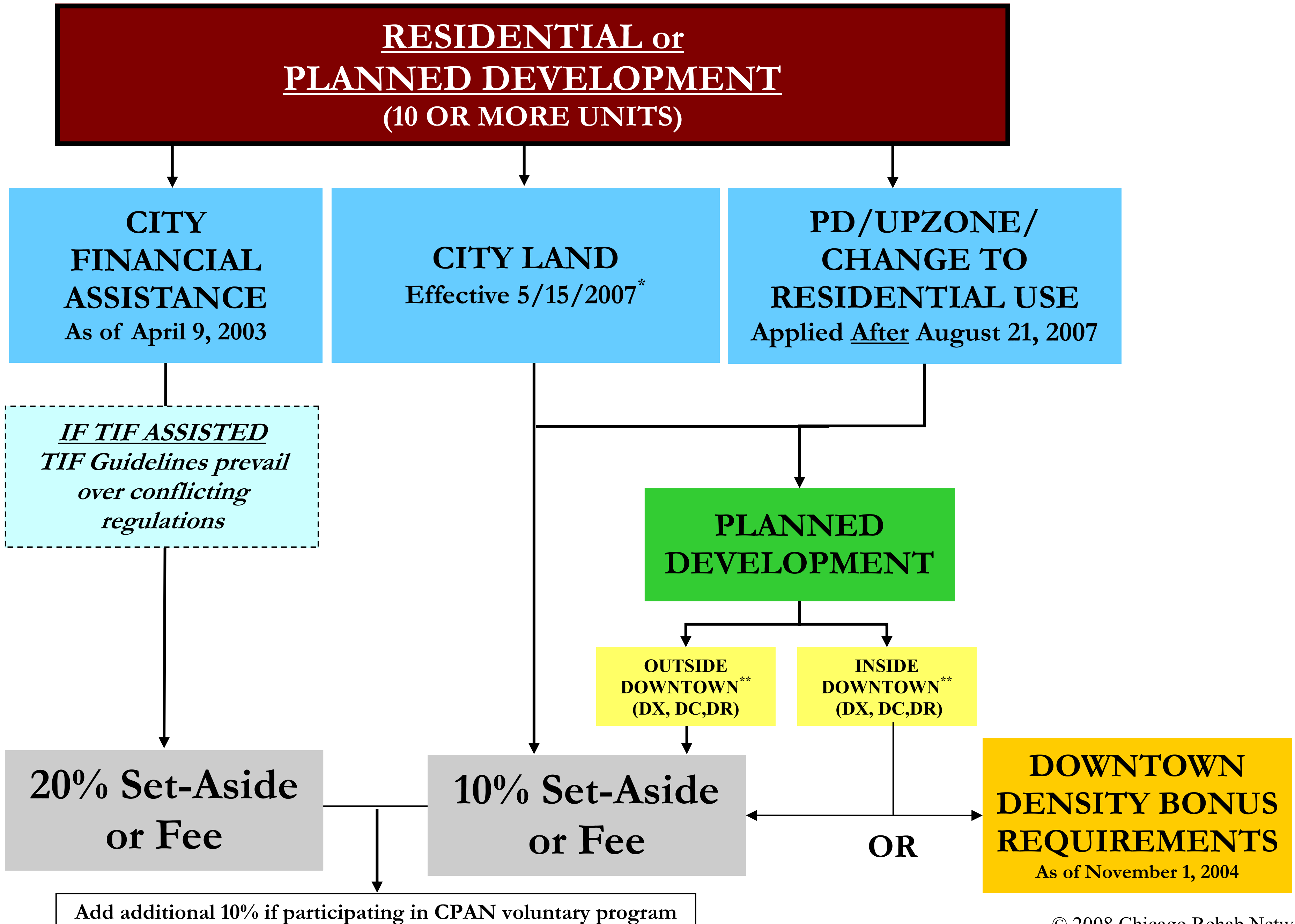
For-sale housing must be **affordable** to households earning 100% of the area median income (AMI) as defined by the US Department of Housing and Urban Development (HUD). Using these income guidelines, the City's uses a formula, based on the market price, assessments, and projected property taxes specific to each development to determine the unit's maximum affordable price. Rental housing must be affordable to households earning 60% of the AMI.

Affordable units are typically placed in the **Chicago Community Land Trust** (CCLT), which ensures the unit's long-term affordability. The Department of Housing & Economic Development income-qualifies purchasers/renters, and may provide marketing assistance. **For more information,** contact Kara Breems (312.744.6746 or Kara.Breems@cityofchicago.org).

Affordable Requirements Ordinance Flow Chart



* Discounted City Land 4/9/2003 - 5/13/2007

** *Downtown* is defined as areas within the DC, DX, and DR zoning districts.

Department of Planning and Development

ACCESSIBLE UNIT PRODUCTION

January 1 - June 30, 2014

QUARTER APPROVED	DEVELOPMENT NAME	DEVELOPER	PRIMARY PROJECT ADDRESS	COMMUNITY AREA	UNIT MIX	TOTAL UNITS	UNITS BY INCOME LEVEL							ACCESSIBLE UNITS AS % OF TOTAL UNITS
							0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	
2014,1	Woodlawn Park Senior Apartments	Preservation of Affordable Housing, Inc.	6116-44 S. Cottage Grove Ave.	Woodlawn	*TOTAL UNITS (OVERALL)*	*65*			*26*	*39*				
				ACCESSIBLE UNITS BY TYPE	Section 504 units	4			2?	2?				
					Type A units	10			5?	5?				
					Type B units	51			26?	25?				
					Hearing/Vision Impaired units									
					TOTAL ACCESSIBLE UNITS	65			26	39				100.0%
2014,1	Theoretical Second Development	NFP-CHDO	123 N. Chicago St.	CA #78	*ALL UNITS (OVERALL)*	*100*	*50*	*25*	*25*					
				ACCESSIBLE UNITS BY TYPE	Section 504 units	6	2	2	2					
					Type A units	15	5	5	5					
					Type B units	30	10	10	10					
					Hearing/Vision Impaired units	15	5	5	5					
					TOTAL ACCESSIBLE UNITS	66	22	22	22					66.0%
TOTAL, AFFORDABLE & ACCESSIBLE UNITS						**131**	**22**	**22**	**48**	**39**				**79.4%**