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.

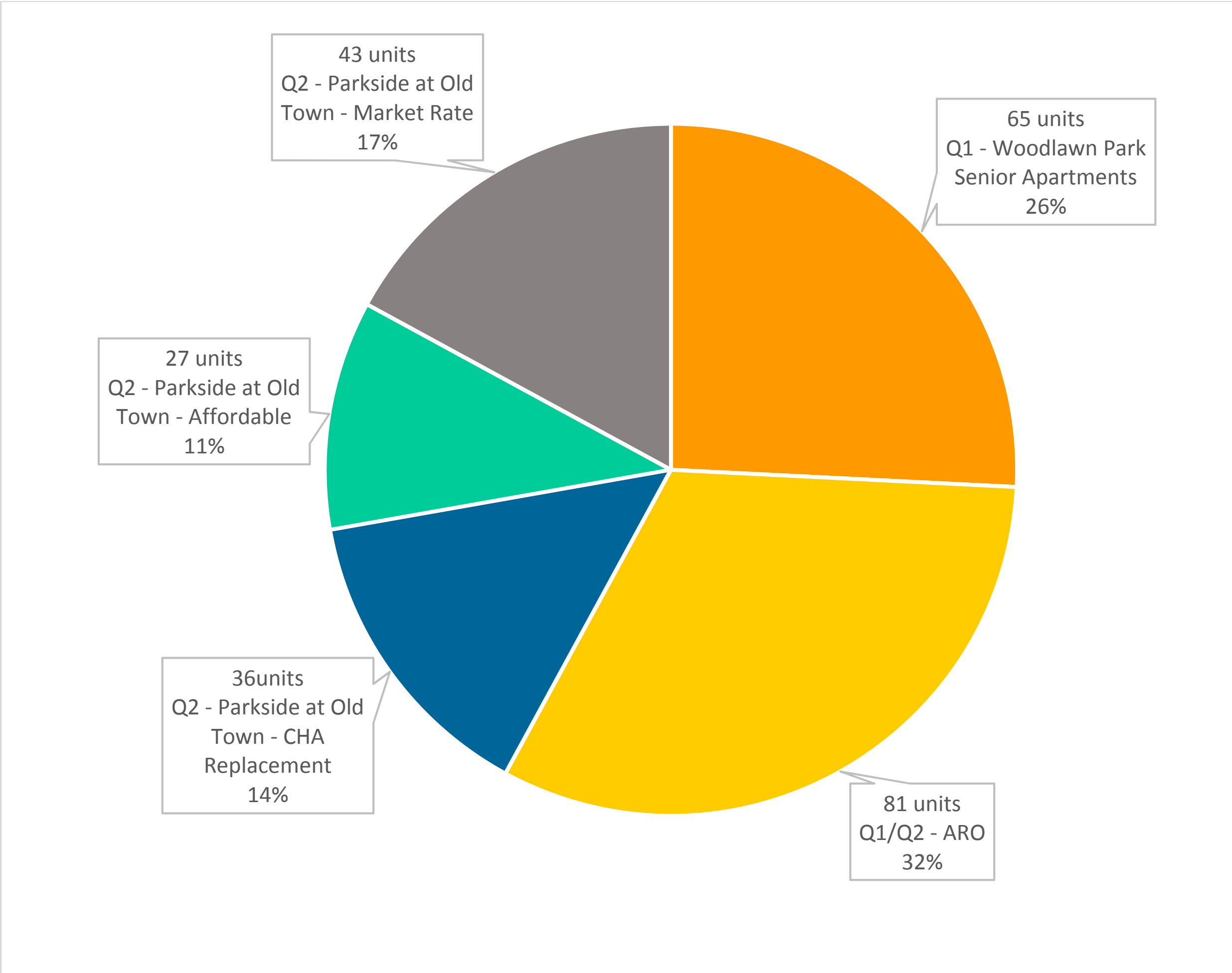
Table 2. Progress Toward Net-New Affordable Rental Production, 2014-Q2

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 hold public hearings after the Task Force publishes its findings but *before* any new or updated ordinance is introduced in Council. 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.

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