



**Statement for The Record by Chicago Rehab Network concerning Proposed 2008 City of Chicago Budget**

The Chicago Rehab Network is a non-profit coalition of over 40 community development corporations and housing advocates in the city of Chicago. We present this testimony to bring forth the issue of affordable housing and its priority within the proposed 2008 City of Chicago budget.

**Corporate Fund Contribution to Housing**

The city projects \$3.048 billion in Corporate Fund availability in 2008 and expenditures totaling \$3.266 billion. This represents a shortfall of \$217.7 million for the year 2008. The city attributes the bulk of this shortfall to the increase in employee wages, pensions, and benefits and a slowdown in revenue sources related to the real estate market. Despite this decrease, the City’s contribution from the Corporate Fund to the Department of Housing has increased substantially – it has doubled to \$31 million after many years in the \$15 million dollar range.

Reportedly, the significant increase in the appropriation of Corporate Funds to DOH is due to the addition of funds from the Downtown Density Bonus (approximately \$13 million) and the Plan to End Homelessness (approximately \$2.6 million). The Zoning Code’s Downtown Density Bonus requires the inclusion of affordable housing units in private developments in exchange for profit gained from increased density. Under this program, developers who chose not to provide on-site affordable housing units are required to make a contribution towards the Affordable Housing Opportunity Fund.

We raise an important concern regarding the accounting of these fees as part of the City’s corporate contribution to the Department of Housing because these fees are not immediately collected and are only projected income. In fact, payments are only due prior to the awarding of building permits which can take several years. As of this writing, the Department of Housing has only collected \$9.1 million out of a projected \$32.6 million in fees with some outstanding payments coming from projects that received Plan Commission approval as early as May 2005.

2003	\$14,268,618
2004	\$13,640,000
2005	\$15,205,000
2006	\$12,603,000
2007	\$31,301,000
Prelim Est. 2008	\$31,429,000

**Recommendations**

- We recommend that the City invest more of its corporate fund resources towards housing.**

Without question, we are pleased at the development of these new resources and city policies to support affordable housing. Both the Downtown Density Bonus and the Affordable Housing Opportunities Fund represent policies which capitalize on a booming real estate market by capturing private dollars into public expenditures. Of course, as the real estate market slows down, these resources will also dwindle. This is evident in the decrease of revenue generated by the Real Estate Transaction Tax which shows an estimated 12.44% loss from 2006 to the 2008 preliminary estimate, from \$339 million to \$301.5 million. The demand for affordable housing requires a greater portion of the corporate fund that will not fluctuate with the market and is not dependent upon the density bonus.

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<b>Fig.2 14 Year Real Estate Transaction Tax Growth</b>				
<b>Year</b>	<b>Amount</b>	<b>% of Revenues</b>	<b>% Change</b>	
1995	130,133,000	3.8		
1996	129,970,000	3.7	-0.13%	
1997	157,147,000	4.3	17.29%	
1998	174,039,000	4.6	9.71%	
1999	187,871,000	4.9	7.36%	
2000	200,804,000	4.8	6.44%	
2001	216,550,000	4.9	7.27%	
2002	232,168,000	5	6.73%	
2003	242,212,000	5.2	4.15%	
2004	278,584,000	6	13.06%	
2005	325,227,000	n/a	14.34%	<i>Actual</i>
2006	339,020,000	11.76%	4.07%	<i>Actual</i>
2007	301,500,000	9.86%	-12.44%	<i>Estimated 2007</i>
2008	301,500,000	9.91%	0.00%	<i>Prelim Est 2008</i>

2. **We recommend that the revenue collected through the Downtown Density Bonus – and through the Affordable Housing Opportunities Fund be shown as actual revenue line items.**

As is true for other sources of revenue such as hotel and business taxes, liquor taxes, and permit fees, recording these revenues as such will reveal important snapshots of its contribution to city policies over a period of years.

The need for affordable housing in Chicago is a multidimensional issue which affects owners and renters, individuals and families, people with special needs and the homeless. These challenges are increasing – not dwindling – as evidenced by increasing housing cost burden and foreclosures. Like public safety, education, health, and transportation – quality affordable housing is a critical part of the infrastructure which makes a city work. Without it, the strength of our neighborhoods and the broader community will be compromised.

Thank you for the opportunity to present our comments on the Proposed City of Chicago 2008 Budget.

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Chicago Rehab Network