Chicago Rehab Network

Analysis of the Second Quarter 2012 Housing Report
***Accepting the Challenge:* Five Year Affordable Housing Plan, 2009-2013**
Presented September13, 2012

This second quarter report has a number of relevant facts and updates about housing in Chicago that portrays a landscape that is critical to understand as we look to strengthen Chicago neighborhoods and the people who reside here. A thorough reading of the report will certainly underscore the centrality of having a safe, decent place to live, but also lifts up the scope, challenges and opportunities existent in the market of housing. And finally, the report reminds too, of the people and leaders who are on the front line in government and community keeping Chicago affordable for all – recognizing that housing is foundational in all our endeavors.

Key Features

Mayoral Affordable Requirements Ordinance (ARO)

The second quarter reports $10,000,000.00 of "in lieu of payments" from four different developments three of which required zoning changes and all of which were in planned developments. The ARO along with the Downtown density bonus were created to leverage market rate activity in ways to advance affordable options as well either on site or by "in lieu of payment." This is smart public policy as public resources are diminishing while affordable demand escalates over the city's supply, enlisting the private sector builds the common ground for the workforce of a global city. [see Appendix 82]

Neighborhood Stabilization Program (NSP)

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 75] The report also includes a detailed overview of all the properties in the program: 777units acquired with roughly one third (255) of them substantially complete and 28 sold.

Commitments to Chicago Housing Authority's Plan for Transformation

4731 dwelling units have been made possible because of the Department's commitment. The present report has a snapshot of the significance of the city financing (MF loan and tax credit: see Appendix 20 and 22) as it made possible the $50 million Lakefront Phase II mixed income development which added the most recent 132 units. It is precisely because of this level of involvement of Department resources that CRN has called for increase reporting and inclusion of CHA in these hearings.

EHAP Update
In response to aldermanic request through the chair, the Department has provided a clear overview of the Emergency Housing and Assistance Plan (page 7 and 8) that provides cash grants for emergency repairs. In the first two quarters, 254 income qualified households (50% or less of AMI) shared in nearly $3 million total assistance in accordance with the three eligible uses.

The above snapshot constitutes some of the new information and updates that compliments the overall DHED quarterly report on its performance in supporting Chicagoans in dealing with the single largest expense to their households, family and individual wellbeing and community stability.

Overview
The Department's report states that the results of the second quarter "represent 37% of our annual resource allocation and 50% of our units assisted goal." This level of progress is typical as much of the departmental activity is wrapped up closer to the end of the year. In fact it is uncanny that in 2011 we recognize almost parallel activity evidenced in the second year report a year ago: "This represents 37% of annual resource allocation goal and 60% of our units assisted." Apart from that similarity, there exists very important divergence in the two reports: the resources available for multifamily development and preservation from last year to this present period are decreased by more than half. In 2011 the city had total funds anticipated "To create and preserve affordable rental units" amounting to $355,442,732.00; whereas, 2012 report registers significantly lower budget of $288,880,552.00 - a reduction of more than $66,000,000.00 that is largely attributable to the deep funding cuts in MF Rehab and New Construction:

	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)

We recognize the Department is tasked to do more with fewer resources; yet and still, the present efforts being undertaken by the Department simply require more support and resources. And this autumn the city budget will need to preserve and increase its level of support for the Department of Housing and Economic Development. Additionally, the city leadership and this Committee on Housing and Real Estate will want to keep close watch on the upcoming budgetary activity for housing at the state and federal level. Housing affordability is intricately linked to poverty – a growing phenomenon in America. As the US Secretaries of Education, Housing and Urban Development and Health and Human Services recently wrote:

> More than 10 million people live with the problems of concentrated neighborhood poverty— high unemployment rates, rampant crime, health disparities, inadequate early care and education, struggling schools, and disinvestment—up from 2.8 percent of the population in 2000 to 3.5 percent of the population in 2005–2009. This tells us that when it comes to addressing poverty in America, place matters.
> And locally based community developers are at the heart of an evolution in building the infrastructure necessary to provide support to families experiencing poverty…As community developers have long recognized, the problems that contribute to poverty are very much interconnected. While poverty cannot be explained as merely a consequence of housing, education, and health, each poses unique challenges to low-income families at the community level—and none can be understood independently of one another.

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 Second Quarter 2012 Activities

The Department reports committing through the second quarter about $136 million to assist 4,500 units through the Second Quarter of 2012 —or 37 percent of the year's resource commitment goal and 50 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 403 units.** (See Table 1).

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

2nd 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	1,899	943	196	323	117	15	75	3,568
Less Rental Subsidy Units	*2643*	*-1,800*	*-861*						*-2,661*
Less Site Improvements and and Energy Savers	*1088*	*-48*	*-44*	*-51*	*-160*	*-*		*-17*	*-320*
Net MF New Units**		51	38	145	163	117	15	58	587
Single Family less Multiple Benefits	662	0	7	7	6	96	20	53	*189*
Improve and Preserve	2,010	31	170	269	65	91	27	28	*681*

*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 403.

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

2012	Total Projected Commitments	1st Quarter Commitments	2nd Quarter Commitments	YTD	% of Goal
Multi Family	$288,880,552	$41,183,661	$50,429,987	$91,613,648	32%
Single Family	$62,160,125	$16,744,202	$22,365,165	$39,553,276 0	43%
Improve and Preserve	$14,882,768	$1,810,630	$3,345,648	$5,156,280	34%
Programmatic Applications	$1,250,000	$0	$0	$0	0.00%
Total	$367,173,445	$59,738,493	$59,738,493	$52,787,066	12.10%

Approved Multifamily Developments

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

Lakefront Phase II

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 CHA residents with 44 units at differing income levels:
  - 16 one bed rooms
  - 15 two bedrooms
  - 14 three bed rooms(2 baths)
- 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)

- **Total development cost**:$50.7 million **Per unit cost**: $384,145

<u>Churchview Manor Senior Apartments</u>
Full rehabilitation of a 60 unit senior building originally constructed in 1992 by Greater Southwest Development Corporation in Chicago Lawn.
Income targets:
- 56 one-bedrooms at or below 60% AMI
- 4 two-bedrooms at or below 60% AMI

- **Total development cost**: $7,434,178 **Per unit cost**: $123,903

<u>Woodlawn Center North Apartments</u>
33 unit three story walk up that preserves 29 project based section 8 units as part of the redevelopment of what was formerly known as Grove Park on Cottage Grove
Income targets:
- Serving residents at or below 30%:
    - 2 one bed room
    - 4 two bedroom
    - 1 three bed room
- Serving residents at or below 60%:
    - 6 one bed room
    - 9 two bedrooms
    - 7 three bed rooms(2 baths)
- Serving the market rate household with 4 units:
    - 2 one bed rooms
    - 2 two bedrooms

        - **Total development cost:** $13,433,176 **Per unit cost:** $407,066

<u>Federal Housing Resources</u>
The present White House Budget provides little promise for growing community development programs – the HUD budget is basically flat. 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