



## ***Chicago Rehab Network's Comments on the City of Chicago Low Income Housing Tax Credit Qualified Allocation Plan***

Thank you for the opportunity to submit our comments on the City of Chicago Low income Housing Tax Credit Qualified Allocation Plan.

**Chicago Rehab Network represents a broad coalition of affordable housing advocates and non-profit community developers.** Our members have created and preserved tens of thousands of affordable rental housing throughout the Chicago Metro area—many of which were created using the Low Income Housing Tax Credit. In the last five years, non-profit community developers in Chicago used the Low Income Housing Tax Credit to create and preserve more than 2,000 units of affordable rental housing in over 60 projects.

Since its inception in 1986 through the Tax Reform Act, the Low-Income Housing Tax Credit (LIHTC) program has become the most significant federal source of funding for the creation of affordable rental housing. Just last year, the City of Chicago created or preserved more than 1,200 units of affordable rental housing through \$11.6 million in tax credits which leveraged more than \$100 million in private equity. Additionally, using research from the National Association of Home Builders, we can estimate that approximately 1,300 jobs were created from this LIHTC activity.<sup>1</sup>

As mandated by the Federal Government, designated tax credit allocating agencies are to establish a **Qualified Allocation Plan** to outline and explain the requirements and basis for awarding tax credits for housing developments. The City of Chicago is in a unique position; typically, there is one allocating agency per state but the City of Chicago is its own agency independent from the State of Illinois.

### ***Reporting and Transparency***

**We recommend that the Department implement a scoring system, similar to the State's allocation plan, as part of its selection process.** As the primary mechanism to guide affordable housing production, the Qualified Allocation Plan should produce housing units that are compatible with the stated goals and preferences. By instituting quantifiable measures and scores, the QAP would not only eliminate arbitrary decision-making and increase transparency in the process, but would also make clear the Department's priorities within its stated goals and preferences.

**Also, in a process similar to the one implemented by the Illinois Housing Development Authority, the Department should publish a list of applicants and awardees for both the competitive and non-competitive rounds of LIHTC.** The Department, in addition, should establish process where applicants who were denied Tax Credit reservations are given an opportunity to inquire about reasons for the denial.

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<sup>1</sup> Building an average multifamily unit creates approximately 1.16 jobs according to "The Direct Impact of Home Building and Remodeling on the U.S. Economy", National Association of Home Builders, 2008 <http://www.nahb.org/generic.aspx?sectionID=734&genericContentID=103543&channelID=311>

### ***LIHTC and the Plan for Transformation***

The QAP places a high priority on projects that are mixed-income development and cooperate with Chicago Housing Authority. For almost a decade, the City has redirected these critical sources of funds for affordable rental housing to public housing redevelopment under the **Plan for Transformation** and to advance the mixed-income development model of one-third public housing, one-third affordable, and one-third market-rate. And yet for the enormous amount of investment of public dollars, the Plan for Transformation has yielded questionable return in terms of providing affordable housing for low-income families.

Furthermore, as the largest single recipient of affordable housing resources from the City, the Plan's numerous delays, vacancies, and low demand for the for-sale units warrant a careful consideration of the Plan's redevelopment model and the use of critical public funds such as the LIHTC towards its implementation.

**More importantly, a preference for mixed-income developments in the QAP will also effectively penalize projects that are 100% affordable and would create an undue impact on affordable housing at-large and the communities that are most in need of affordable housing.**

### ***Matching Supply and Demand***

Because the Low Income Housing Tax Credit Program is guided by the Qualified Allocation Plan, we believe that, at its core, **the goals and preferences within the QAP should reflect the demand in housing and trends in demographics in Chicago.** Consider these trends which show a level of housing stress and demand that has been exacerbated by the economic recession:

- Fifty-five percent of renters in Chicago cannot afford their housing costs.
- The rate of new foreclosures average around 2,000 filings each month.
- When it opened its Family Housing Wait List last summer—the first time in a decade, the Chicago Housing Authority received 250,000 applications for only 40,000 available spots.
- The release of population data from the 2010 U.S. Census show a staggering loss of 200,000 Chicagoans since 2000.

The loss of population in Chicago is alarming: a loss of 20,000 people a year in the City of Chicago in the last ten years. Based on the Census' annual community surveys, the loss of population occurred for the most part in predominantly African American communities. Mixed-income developments and the dismantling of thousands of public housing units without adequate supply for displaced residents are factors in the loss of population in Chicago. **It is critical to use the QAP as a way to strengthen communities and retain the population.**

### ***Non-Profit Priority***

Guided by a place-based framework for development, non-profit organizations and developers are best equipped to address the needs of its communities. **The QAP should give non-profit community developers preference in the selection criteria.** The City of Chicago should take full advantage of its network of qualified and capable Community Development Corporations who are keenly aware of the challenges of creating and managing affordable housing in difficult markets. Furthermore, non-profit CDCs are driven by a long-term investment that goes beyond financial gain and a mission based on accountability to the communities they serve.

### ***Encourage Density Levels that Create Sustainability***

**We strongly recommend that the Department reverse its preference for low density development in the Qualified Allocation Plan.** The City should encourage density levels that will allow developments to operate successfully and in areas that will benefit from the commerce provided by families who live in rental housing. While we know of the long-held misperception that high-density housing equates to “bad” housing, **there is little empirical evidence that show low density development offers better quality housing.** What is true, however, is that the good quality housing rests on key factors that include: sound property management practices, community and civic engagement of the residents, and the characteristics of the neighborhood.

**Furthermore, a preference for low density development goes against the very principle of sustainable development.** Higher density development—or compact development—makes better and more efficient use of resources, land, and energy and is a principle that has been adopted both by the U.S. Green Building Council's Leadership in Energy Efficient Design (LEED) and Enterprise Green Communities. Higher density housing takes advantage of economies of scale, allowing for efficient targeting of funds for affordable housing and creates livable communities by supporting mass transit, increasing the quality of area schools, and encouraging commercial and economic development.

The loss of population in Chicago, mentioned earlier in this testimony, also means a loss of millions of Federal housing dollars that are based on per capita calculations, including the Low Income Housing Tax Credit and other important programs that build community and support affordable housing development like the Community Development Block Grants (CDBG), and HOME. **A development policy that favors low density development will only worsen the continuing loss of population in our City and would undermine the ongoing work towards community and economic success in our neighborhoods.**