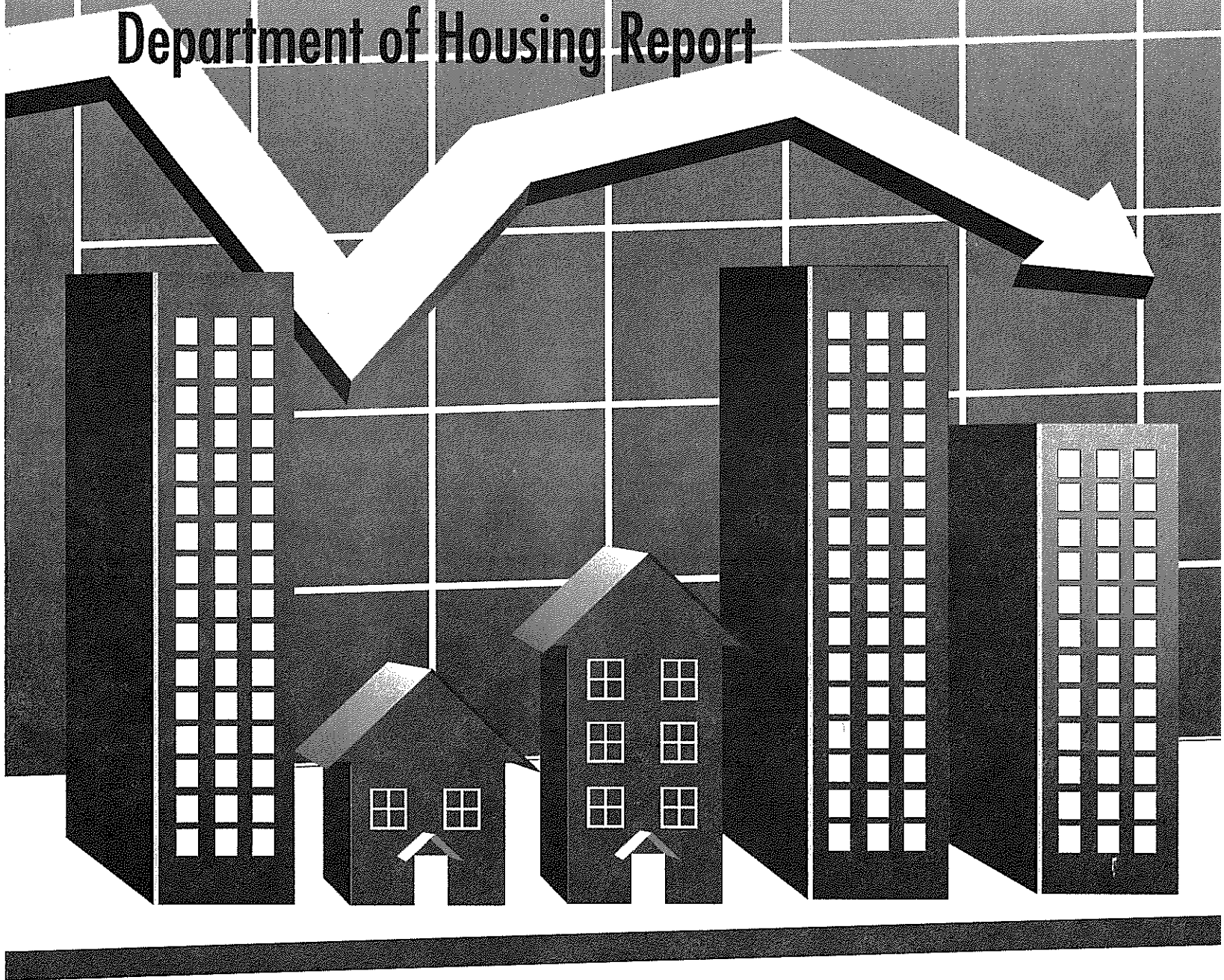


# Chicago Rehab Network

## Analysis of the Third Quarter 1995 Department of Housing Report



Evaluation of the Progress Made  
by the Department of Housing in Meeting  
Mayor Daley's Commitments under the  
"Affordable Housing and Community Jobs Ordinance of 1993"  
Prepared by the Chicago Rehab Network

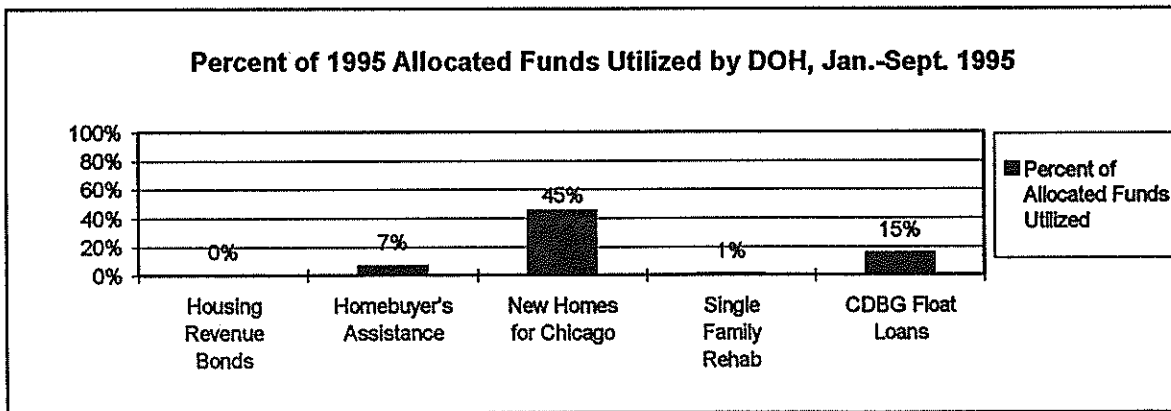
In 1993 the Chicago Rehab Network, its members and the people of the City of Chicago won a major victory with the passage of the Affordable Housing and Community Jobs Ordinance by the Chicago City Council. The ordinance committed an additional \$250 million for the development of affordable housing. The ordinance also required the submission of quarterly reports by the Department of Housing (DOH) to the Housing Committee of the City Council.

To increase public awareness and hold the Department of Housing accountable in fulfilling its commitments under the Affordable Housing and Community Jobs Ordinance, the Chicago Rehab Network analyzes the DOH reports and publishes the results. This report is part of that effort covering the third quarter of 1995. Copies of earlier 1994 and 1995 quarterly analysis and the 1994 annual review are available at the Chicago Rehab Network.

This analysis highlights four particularly disturbing patterns of action by the Department of Housing: 1) leaving millions of dollars unspent; 2) neglecting poor families; 3) using millions of public dollars to create “affordable” rents higher than rents offered by the private market in the same neighborhood; and 4) delivering favorable service to a few “preferred” developers and friends.

## 1. The Department of Housing is Not Spending Millions Allocated for New Housing Creation Programs.

In the Housing Revenue, Homebuyer’s Assistance, New Homes for Chicago, Single Family Rehab and CDBG Float Loan programs, the Department of Housing has designated over \$33 million for new housing creation. Just over \$4 million has been spent.



The \$33 million represents a projected 1,049 new units to be created for Chicagoans in 1995. After three quarters or nine months of opportunity, the Department of Housing has used just 13 percent of the money available, creating only 166 units.

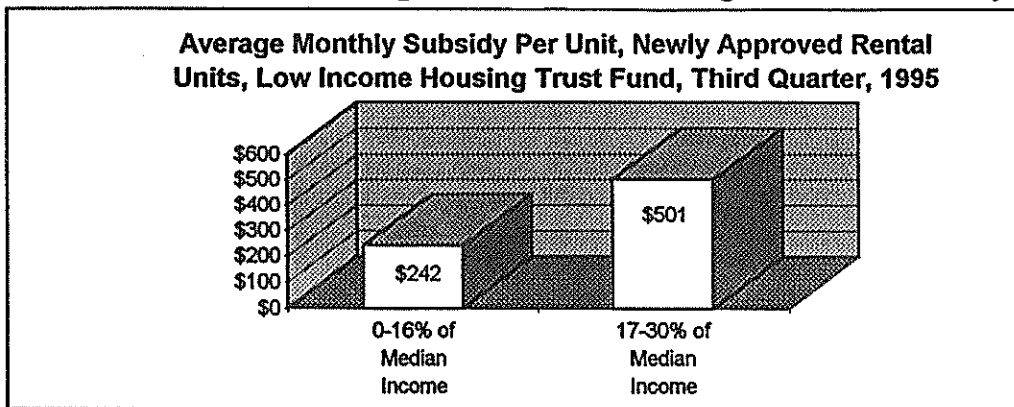
### *Recommendations:*

- Develop clear program descriptions with community developers and others to ensure programs are relevant and fitting.
- Market programs appropriately.

## 2. Department of Housing Gives Greater Subsidies at the High End of Income Limits.

The Low Income Housing Trust Fund is the only Department of Housing initiative designed to specifically provide affordable housing to families and individuals earning less than 30 percent of the median income. Developed cumulatively in 1994 and 1995, 1,542 units are currently being subsidized by the Department of Housing through the Low Income Housing Trust Fund. In designating Low Income Housing Trust Fund money, the Department of Housing continues to give greater subsidies to households earning near the high end of the income limit contrary to its commitment to set-aside at least 50% of the units subsidized to families earning under \$8,000 per year.

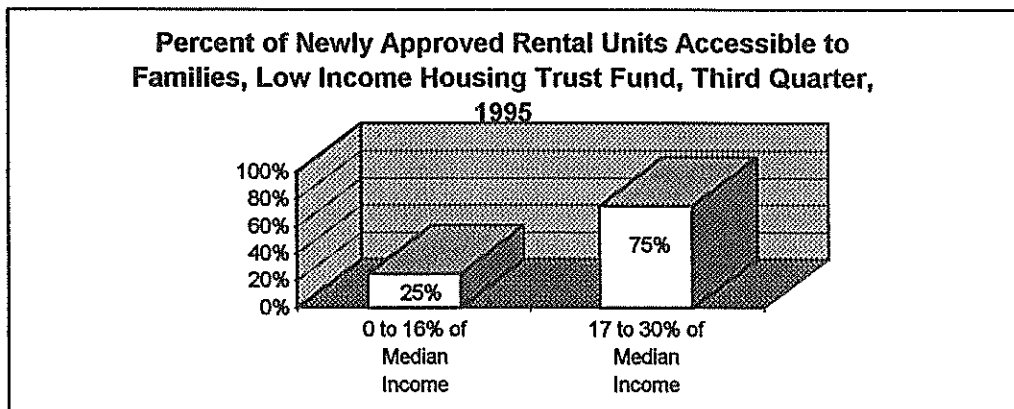
*The higher the income, the greater the subsidy.*



- The per unit subsidy for those earning 17 to 30 percent of the median income is over twice that of households in the 0 to 16 percent range.

*The Department of Housing has left very very poor families out in the cold!*

DOH has designated significantly more funds for families earning 17 to 30 percent of median income compared to families earning less than 17 percent of median income.



- 75 percent of the units subsidized for households earning 17 to 30 percent of median income were allocated to families compared to only 25 percent for families earning under 17 percent.

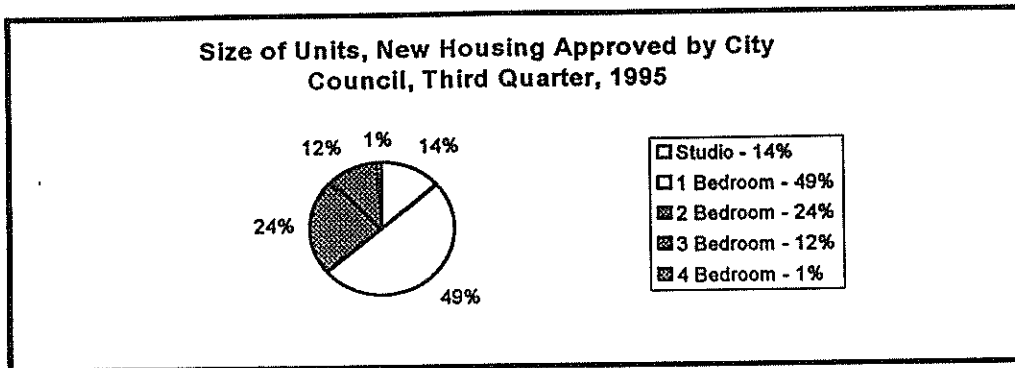
### *Recommendations:*

- Equalize designations for very poor and very very poor families.
- Establish set-asides based on need and income level.

### 3. Family Housing Is Not a Major Focus of Department of Housing Funding.

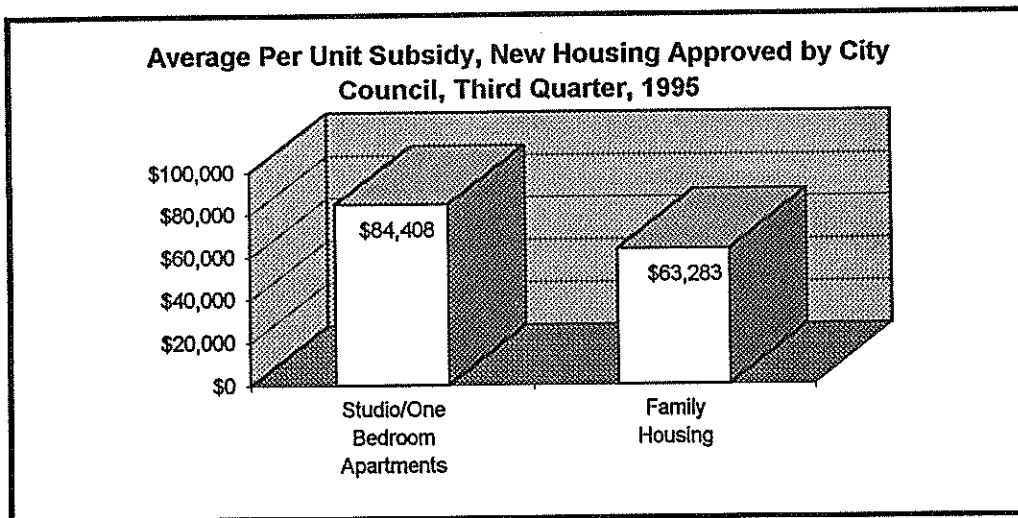
In the third quarter of 1995, the Chicago City Council approved over \$15 million in DOH loans, tax credit and grants for the creation of 199 units of affordable housing. Careful analysis of the projects demonstrates DOH does not consider family housing a priority. Such actions are in direct contradiction to the five year plan for creating affordable housing called the Comprehensive Housing Affordability Strategy (CHAS) the City of Chicago created in order to comply with federal regulation. In its 1993 CHAS, the City stated, "The Community Profile indicates that families are particularly disadvantaged in their search for affordable housing. The city will encourage the provision of a balance of adequate units for large as well as small households in rehabilitating multi-family buildings."

*The majority of units funded are not family size apartments.*



- 63% or 127 of the 199 apartments are not intended for family housing. The provision of a balance of adequate units?

*The discrepancy between monetary designations is even more dramatic.*



- Studio and one bedroom apartments receive 33% more subsidy per unit than family housing.

**Recommendation:**

- Establish set-asides based on need and household size.

#### 4. Department of Housing Financing Creates Higher Rents Than Available on the Open Market.

The Department of Housing provides large subsidies to developers who create housing with rents equal to or higher than rents available in projects developed without any public subsidy. The table below compares the rents charged by projects developed with Department of Housing funding and private market financing for similarly sized apartments within the same or like neighborhoods.

Financing	Address	Unit Size	Monthly Rent
DOH Project	3023 W. Jackson	4 Bedroom	\$615
Private Market	3900 W. Van Buren	4 Bedroom	\$500
DOH Project	1826 S. Avers	1 Bedroom	\$400
Private Market	3600 W. Cermak	1 Bedroom	\$350
DOH Project	1714 W. 19 <sup>th</sup> St.	1 Bedroom	\$325
Private Market	2324 S. Leavitt	1 Bedroom	\$250
DOH Project	6750 S. Normal	1 Bedroom	\$400
Private Market	1152 W. 64 <sup>th</sup> St.	1 Bedroom	\$375
DOH Project	6750 S. Normal	2 Bedroom	\$475
Private Market	67 <sup>th</sup> St & Racine	2 Bedroom	\$365

The Department of Housing is duplicating work the market is presently providing and not effecting the situation of families and individuals most in need.

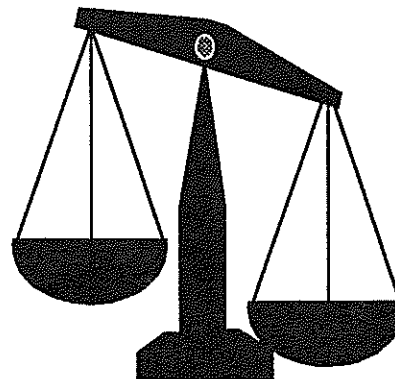
##### **Recommendations:**

- Do not duplicate what the market already accomplishes.
- Target housing creation for the very poor whose housing needs are not addressed by the conventional market.

#### 5. Department of Housing Favors and Preferentially Treats a Few Developers.

As widely reported a few months ago, the Department of Housing favors and preferentially treats a few developers.

While some developers wait over a year for DOH approval, others are processed in 4 to 5 months and even receive million dollar grants.



##### **Recommendations:**

- Create an objective ranking system in order to create accountability and fairness in allocating public funds.
- Streamline the processing system and work as efficiently for everybody.

## Conclusions

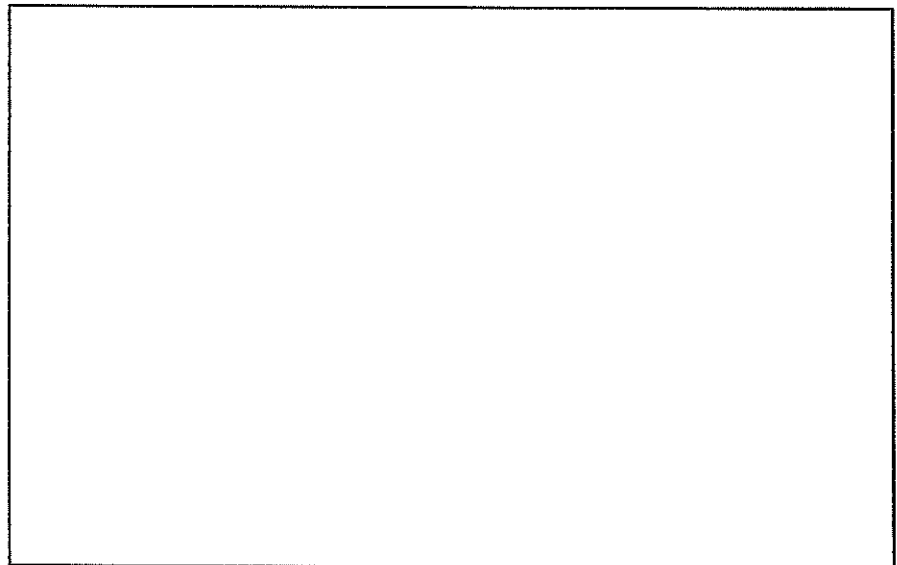
- I. DOH is Not Using Millions for New Housing.
- II. DOH Gives Greater Subsidies at the High End of Income Limits.
- III. Family Housing is Not a Major Focus of DOH Funding.
- IV. DOH Financed Rents are Above Rents Created on Open Market.
- V. Preferential Treatment of Some Developers at DOH.

## Recommendations

- ⇒ Develop clear program descriptions.
- ⇒ Target resources to those most in need.
- ⇒ Establish set-asides based on need.
- ⇒ Do not duplicate the private market.
- ⇒ Create objective ranking system for awarding funds.

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