CHICAGO REHAB NETWORK

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Chicago Rehab Network

Chicago Rehab Network
Analysis of the DOH Quarterly Report
2nd Quarter, 2007
Presented September 19, 2007

Introduction

We are pleased to present our analysis of the 2nd Quarter 2007 DOH Progress Report. We welcome Acting Commissioner Ellen Sahli and intend to continue the collaboration between CRN and the Department of Housing during this period of transition.

In the 2nd Quarter, preservation was at the forefront of DOH's activities. In June, the MacArthur Foundation-funded Preservation Compact was launched, beginning a joint endeavor between the City, the Urban Land Institute, and other organizations including the Chicago Rehab Network to preserve 75,000 affordable rental housing in Cook County by the year 2020. The road towards this goal will certainly pose challenges and we look forward to the cooperation and commitment of the Department of Housing and Compact members to stem the critical loss of affordable rental housing options.

Another issue during the 2nd Quarter concerns a recent study conducted by MCIC called *Income Diversity and the Context of Community Development*—one that is both interesting and definitely worthy of review by the Committee as it pertains to income trends in all 77 community areas of the City. Of particular note to share at this hearing are the baseline definitions of income that MCIC applies to neighborhoods. As you know, a pillar belief of the Chicago Rehab Network is that public resources should be allocated in a manner which benefits and improves long-term residents of a particular place. Housing resources are allocated by the Department of Housing according to the HUD Primary Metropolitan Statistical Area (PMSA) median incomes—a multi-county regional indicator which defines "low-income" for a family of four at 80% of median, or **$59,600**. MCIC's baseline definition of low-income is set at **$38,622** which is over $20,000 lower than that used by the Department of Housing.

This study further establishes what we all know that there is indeed a great disparity between the targeted income levels used by the City of Chicago for its housing programs and the "actual" income levels of its residents. We must affirm our stance, as stated in our Policy Platform, to redefine the City's income targeting threshold to align with the citywide median income in order to more effectively serve the needs of Chicago households who have low or fixed-incomes.

New Unit Production: January 2007 – June 2007

Production Overview and Analysis

At the end of the 2nd Quarter 2007, DOH has produced 1651 new multi-family units (less Low-Income Housing Trust Fund units, which are renewed every year, Site Improvements and Code Enforcement units), 904 single family units, and 953 preserved units (Table 1). Spending activity up to the 2nd Quarter is outlined in Table 2.

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Table 1. Production Overview- January 1, 2007 – June 30, 2007

	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	YTD Total
Multi-Family*	1840	1380	721	261	107	1	3	**4313**
Less Rental Subsidy Units	*-1238*	*-984*						**-2153**
Less Site Improvements and Heat Receivership Units	*-19*	*-85*	*-257*	*-61*	*-15*			**-375**
Net MF New Units**	**583**	**311**	**464**	**200**	**92**	**1**		**1651**
Single Family less Multiple Benefits	1	9	55	52	150	286	277	**904**
Improve and Preserve	50	239	412	55	98	74	25	**953**

*Net Multi Family units after subtracting units receiving multiple benefits
**These are new Multi Family units created through DOH programs not counting units assisted by the Low-Income Housing Trust Fund which are renewed every year, and units assisted by Site Improvements and Code Enforcement Programs.

Table 2. Commitments Overview- January 1, 2007 – June 30, 2007

	Total Anticipated Funds	1st Quarter Commitments	2nd Quarter Commitments	YTD	% of Goal
Multi Family	$305,474,949	$20,355,251	$47,459,994	$67,815,245	22.2%
Single Family	$214,808,750	$74,582,825	$85,382,575	$159,95,400	74.39%
Home Improvement	$21,401,500	$3,360,892	$4,471,882	$7,832,774	36.6%

Project Summaries

The projects approved in the 2nd Quarter, **Lorington Apartments**, **Drexel Preservation,** and **Renaissance Place Apartments**, are all acquisition and rehabilitation projects to preserve affordable rental units. Based on data from HUD's Multifamily Database, the Lorington and Drexel Preservation (a merger of Lake Park East and Drexel Court Apartments) retained the same number of units and bedroom sizes although the Drexel project added one 2-bedroom market-rate unit. Unit data for the Renaissance Place Apartments prior to rehabilitation was unavailable. All three projects received Low-Income Housing Tax Credits and are targeted to incomes at or below 60% AMI. **It is also our understanding that the Lorington received Donation Tax Credit assistance but it is not noted in the report. Is this no longer the case?**

Each of these projects represents a successful collaboration between public, private, and non-profit institutions to advance the goals of rental housing preservation and serves as benchmarks for preservation opportunities in the future. However, it is reported that only one of these previously Section 8-subsidized projects, Drexel Preservation, renewed its Housing Assistance Payment (HAP) contract for the same number of units as prior to acquisition and rehabilitation. It is unclear from the report if the HAP contracts were renewed for the Lorington and Renaissance Place projects. **Therefore, in order to maintain consistency and accuracy in reporting, CRN suggests that future project profiles are to include details on whether HAP contracts are or are not renewed whenever assisted projects are acquired for preservation.**

More importantly, because CRN believes that the renewal of HAP contracts is a critical part of the preservation of affordable rental housing, we ask the City to find ways to better secure the renewal HAP contracts. At a time where foreclosures are reaching great numbers and income levels lag behind housing costs, the challenge remains for housing advocates, city leaders, and various stakeholders to truly value affordability and firmly advocate for the renewal of existing HAP contracts to ensure that "real" affordable housing exists for very-low income families in the City of Chicago.

2008 Preliminary City Budget

The estimated year-end total expenditures of the Department of Housing for 2007 tracked at $31.3 million. DOH is estimated to receive **$31.4 million** in Corporate Funds for 2008, a substantial increase from 2006 when DOH received $12.6 million in Corporate Funds. Historically, DOH has received allocations from the Corporate Fund in the range of $12-15 million (see Table 3).

Reportedly, the bulk of this increase in the appropriation of Corporate Funds to DOH is due to the addition of funds from the in-lieu-of fees from the Downtown Density Bonus (approximately $13 million). We are concerned about this accounting because fees from the Downtown Density Bonus are not collected up front. At the end of the 2nd Quarter, DOH has collected $9.2 million of the anticipated $32.6 million in payments.

Table 3. Corporate Funds to DOH

Corporate Funds to Department of Housing	
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

We have attached our written testimony to the Office of Budget and Management at the end of this report.

Affordable Requirements Ordinance: Follow-Up

During the last quarterly report hearing, we raised an issue concerning the passage of the amendments to the Affordable Requirements Ordinance and particularly, the provision which pertains to Zoning changes that trigger affordable requirements. We are interested in an update on any progress with the development of a reporting process and how DOH plans to account for ARO-created units or fees generated under the new ordinance.

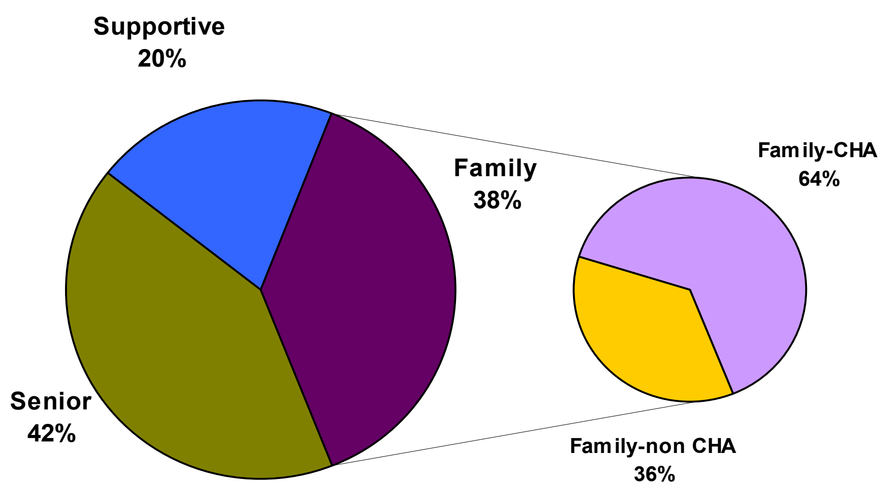
It is our understanding per the new city ordinance that the affordable rental housing created must be targeted to incomes at 60% or below the Area Median Income. However, on page 56 of the Appendix, DOH reports 2 multi-family market-rate projects receiving financial assistance from the city which set aside units for incomes above 60%

AMI. The development, 2335 W. Belle Plaine by North Center Associates, LLC, for instance received $3.3 million in assistance and created 52 units for incomes at 61-80% AMI. **This targeted income increase is a concern. How would you explain such increase?**

The Sad State of Family Housing

The 2007 recipients of LIHTC allocations were recently announced. A number of projects awarded are being developed by CRN members: Bickerdike Redevelopment Corporation, Latin United Community Housing Association, Hispanic Housing, Lawndale Christian Development Corporation, Heartland Housing, The Resurrection Project, and Mercy Housing Lakefront. We congratulate these organizations and recognize their dedication and hard work in the creation and preservation of affordable housing. The combined total of units created through the Tax Credit program is anticipated to be 2,673 units.

Yet we must note that of the 2,673 total units, 1,010 are in Family projects, and of these Family units, only 361 are targeted for non-CHA family projects. (See chart below for distribution of units.) More than half of the Family units are in CHA redevelopment projects. The Plan for Transformation redevelopment continues to divert significant public sources of financing from the production and preservation of rental housing.



2007 Multifamily Funding for Rental Housing

The effort to create more family housing, especially units with two or more bedrooms, continues to diminish and as foreclosures and housing cost burden become increasingly pervasive in many Chicago communities, access to affordable rental housing can be a family's last hope on the road towards financial stability.

A shortage of resources for affordable housing is well-documented and the competition for such resources is more acute than ever. Given this reality, and the recent extension of the Plan for Transformation by an additional five years, CRN must reiterate its call for the City to replace resources that are allocated to the CHA Plan from DOH funds in order to meet pressing housing needs.

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Statement by Chicago Rehab Network concerning Proposed 2008 City of Chicago Budget

Bennett Johnson III
Director, Office of Budget and Management
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Dear Director Johnson,

Please accept our comments regarding the 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.

Fig.1 Corporate Funds to Department of Housing

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

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.

Recommendations

1. **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.

Fig.2 14 Year Real Estate Transaction Tax Growth

Year	Amount	% of Revenues	% Change	
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%	*Actual*
2006	339,020,000	11.76%	4.07%	*Actual*
2007	301,500,000	9.86%	-12.44%	*Estimated 2007*
2008	301,500,000	9.91%	0.00%	*Prelim Est 2008*

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.

Kevin F. Jackson
Executive Director
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