Chicago Rehab Network

Analysis of the Fourth Quarter 2012 Housing Report

Accepting the Challenge: **Five Year Affordable Housing Plan, 2009-2013**
Presented February 28, 2013

Introduction

The Fourth Quarter Report contains several significant initiatives and maintains its clear reporting on the progress of DHED programs and the goals set forth in its five year plan, *Keeping Chicago's Neighborhoods Affordable*. Missing, understandably so, in this report was the Department's presentation and interaction with the City Council for FY 2013 budget hearings in October. Noteworthy, the Department was recognized, notwithstanding important concerns being identified and discussed, by this Council for its responsiveness and professionalism. A summary statement of our budget comment is attached at the end of this report.

We all recognize the $250,000,000 being invested annually is critical for the city's economic vitality and the clarity of the Department's progress is a tribute to Chairman Suarez's and Commissioner Mooney's commitment to the continual improvement exemplified in these quarterly reports. For example, several years ago, CRN presented information on NSP and CHA expenditures, absent from the reports; today they are a regular feature of the quarterly reports. The Department's reports and this Committee's accountability, provides all of us the foundation and information to understand the impact, the lessons learned and the best practices of these investments. And today, such understanding is requisite for very important action.

Today we recognize our city is disquieted by difficult conditions that are concurrent with housing and its foundational role for stability, for educational success, and healthy, safe environments. Potential school closings underscore the loss of population and you, the city's leadership and citizens are rightly concerned. Crain's this week (2/25/2013) editorializes about crime and the city – and in the neighborhood that is not disassociated from housing. The condition of housing relates to community stability – disposition strategies matter. Demolition – while sometimes necessary – ought to be avoided in preference for occupancy. Chicago's affordability issue- the mismatch between household income and housing cost- is just too severe not to explore alternative strategies for occupancy. We are not suggesting housing is a panacea for the challenges confronting the city, but do assert it is a fundamental building block for the future. One such strategy to keep in mind is collaboration with the Cook County Land Bank; Managing Director Grisham should be recognized for his leadership in launching this new resource.

ARO – Affordable Requirements Ordinance; Downtown Density Bonus

Since 2005, payments have been received totaling $25.3 million. Proceeds of these funds are designated for 60% towards the Chicago Low Income Housing Trust Fund and 40% towards other affordable housing uses. Affordable Requirements Ordinance captured $10.8 million in 2012 from qualifying developments that received public benefits as defined in the ordinance. The DHED report gives a broad view of large multifamily projects over the last 8 years and use of the downtown density bonus – both successfully completed and not. What are less understood is how the proceeds have been utilized to date and what types of outcomes have been achieved from those proceeds. As the market-rate multifamily market begins to pick up steam, more projects will be fall under the qualifying guidelines producing growing proceeds for the department. The dedication of these proceeds towards the Chicago Low Income Housing Trust Fund and to the Affordable Housing Opportunity Fund is not clear from these reports.

Micro Market Recovery Program Update

We appreciate the strategy - what is needed to increase the impact? At CRN, Our *Building Our Future Chicago* supports the "community partner "approach of the MMRP. CRN first principle is "Deploy Expertise" in such a way that invests in the knowledge, experience and stewardship of community development corporations (CDCs) and organizations. Deploying expertise is meant to harness the talent of the community and use that as a basis for reforming and improving development practices and policies that are based on accountability and transparency to citizens to better align the investments to maximize community impact. "Targeting Assets" is the second principle of CRN's platform and recommends additional alignment of city resources for neighborhood recovery.

Troubled Building Condo Initiative

The department reports the program initiated through federal ARRA money and contracted to CIC will now be self sustaining that is good news – we would like to know what affordability provisions exist? As in past testimonies it remains unclear about affordability requirements on properties that have completed the TBI disposition. Whereas, we unequivocally support this preservation initiative, we caution against its use in ways that mitigate affordability requirements.

Prioritizing Rental Housing

Findings from a recent report from the DePaul University Institute on Housing Studies, *The State of Rental Housing in Cook County,* show that the ongoing lack of affordable housing in our region will worsen in the coming years. According to the study, there was a shortage of 180,000 affordable housing units in Cook County in 2009, an increase of 9.1 percent since 2005. Considering the impacts of the foreclosure crisis, the ongoing economic slump and unemployment, and increasing demand for rental housing, the study indicates that the gap in affordability will likely increase to 233,000 units by 2020. Since nearly three-quarters of all renters in the County are in Chicago, the shortage will disproportionately impact the City of Chicago. Preservation of existing affordable stock is therefore fundamental for the City's workforce and neighborhood stability.

A current issue under consideration is how the City should address bed bugs. We do support the City's efforts to address the bedbug epidemic through an ordinance and enforcement, but there are some specific issues with the language of the proposed ordinance that should be carefully considered. Providing standards for quality housing is a proper role of government. We are concerned that definitions, or lack thereof, (infestation, total elimination, e.g.) may oversimplify what are very complex problems. It is important to deal head-on with roles and responsibilities of both tenants and owners to create an environment where these multifamily properties nor their residents are not put at risk.

Key Findings – Fourth Quarter

- **The Department reports that through the end of the Fourth Quarter of 2012, it has committed a total of $276 million, or 75 percent of the goal, and assisted over 7,000 units, or 80 percent of the year's goal.** The progress towards resource commitments is <u>below</u> the anticipated progress through the end of the year.

- **The City of Chicago has completed 458 units in 92 properties and sold 66 units in 42 properties under the Neighborhood Stabilization Program through the end of the year. Further 826 units have been acquired (or under contract to buy) in 173 properties..** The City of Chicago has ramped up significantly its work by including a rental focus.

- **The Department approved two Multifamily Projects this quarter**

- **Restricting and dedicating proceeds from the Affordable Requirements Ordinance—will need to be a priority and new construction heats up in the CBD.**

Analysis of Fourth Quarter 2012 Activities

The Department reports committing through the fourth quarter about $202 million to assist 4635 MF units through 2012 year end —or 70 percent of the year's resource commitment goal for MF and 75 percent of the year's unit production goal. The "Multifamily Mortgage Revenue Bonds evidenced the greatest discrepancy reaching only 32% and 43% of the anticipated resource goal and unit goal respectively. The Departments SF program outlay of $62,488,420 resulting in a year end SF total of 443 units - accounting for 100.5% of SF resource goal for the year and reaching 67% of the unit 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. Recognizing the TBI (Troubled Building Initiative) units as preserving existing stock, rather than adding to new stock, we have also reduce total units by the TBI count of 741. **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 710 units.** (See Table 1).

Table 1. CRN Analysis of Unit Production: January – December 2012

	Projected Units	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	YTD Total	
Multi-Family*	6188	1,908	1058	404	648	452	62	103	4,635	
Less Rental Subsidy Units	*2704*	*-1,781*	*-885*						*-2,,666*	
Less Site Improvements and and Energy Savers	*1088*	*-63*	*-59*	*-131*	*-240*	*-8*	*-0*	*-17*	*-518*	
Net MF New Units**		64	114	145	408	444	62	86	1451	
Single Family less Multiple Benefits	662	0	12	32	20	212	60	107	*443*	
Improve and Preserve	2,010	97	499	746	202	251	96	88	*1,979*	

*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 of 710..

Table 2 Commitments vs. Actual 2012 Totals

2012	Total Projected Commitments	Actual	
Multi Family	$288,880,552	$201,832,551	69%
Single Family	$62,160,125	$62,488,420	110.5%
Improve and Preserve	$14,882,768	$11,401,432	76%
Programmatic Applications	$1,250,000	$0	0.00%
Total	$367,173,445	$275,722,403	79%

Approved Multifamily Developments

The City Council approved financing for two Multifamily Projects this 4th quarter:

Shops and Lofts at 47
96 rental units and a Wal-Mart Neighborhood market create a mixed use development as part of the transformation of CHA
Income targets:

- Serving income qualified residents with 44 units at differing income levels:
  - 12 one bed rooms (at 60% AMI)
  - 28 two bedrooms (at 60% AMI)
  - 4 three bed rooms(at 60% AMI)
- Serving former public housing tenants with 28 units CHA operating subsidy:
  - 9 one bed rooms
  - 19 two bedrooms
- Serving the market rate household with 24 units:
  - 8 one bed rooms
  - 13 two bedrooms
  - 3 three bed rooms

- **Total development cost**:$33,529,643 million **Per unit cost**: $349,267

Dorchester Artist Housing

Rehabilitation of vacant CHA housing into mixed income artist colony

Income targets:

- Serving residents at or below 50%:
  - 4 two bedrooms
  - 8 three bedroom
- Serving residents at or below 60%:
  - 3 two bed rooms
  - 8 three bedrooms
- Serving the market rate household with 9 units:
  - 6 two bedrooms
  - 3 three bed rooms

- **Total development cost**: $11,774,552 **Per unit cost**: $367,955

Proposed New Federal Housing Resources

The National Housing Trust Fund remains zeroed in the HUD budget but when capitalized will provide the first new source of significant housing dollars since the inception of the HOME program in 1992. The newest NLIHC proposal is to revamp the Mortgage Interest Deduction as a revenue source to capitalize the Trust Fund.

NLIHC proposes the following reforms to mortgage interest tax breaks: * Reduce the size of a mortgage eligible for a tax break to $500,000. Under current law, homeowners who itemize on their tax returns can deduct the interest paid on mortgages on first and second homes up to a total of $1 million, and the interest on up to an additional $100,000 in home equity loans. Interest on second homes and home equity loans would also be eligible for credit under the $500,000 cap. * Convert the mortgage interest deduction to a 15-20% non-refundable tax credit. By reforming the deduction to a credit, all homeowners with mortgages could receive this benefit, not just those who have enough income to file itemized tax returns. This will result in more homeowners being eligible for a tax benefit. Read the details here

Visit the website to register your support!

Looking Forward

CRN received funding to provide leadership in the development of standards and best practices for the emerging **scattered site development and management** arena. We all are concerned about the level of abandoned and vacant homes, the impact on our tax base, and the City's declining population. We have faced similar circumstances before – and solutions can be applied on a larger scale. CRN was a strong partner with the City and County in the development of past programs that addressed this stock like the Tax Reactivation Program, the Chicago Abandoned Property Program, and the Scavenger Sale. We continue to train on acquisition, rehab, and for sale practices.

Look for us to convene a broad group of practitioners and stakeholders to establish the actual skills, policies, methods, and strategies to occupy homes using rental, lease to purchase, and shared equity models. It is already true that small investors and entrepreneurs are engaging in the market using different models. What we intend to achieve is a larger capacity building and policy effort which will encourage existing and emerging developers to apply their efforts to neighborhoods.

Secondly, we have revived an over three decade partnership with the UIC Voorhees Center to produce the next **Affordable Housing Fact Book**. This Fact Book has been unique in that we have trends and analysis back to 1980. We are eager to understand more deeply the population shifts in order to illuminate the strategies which can put neighborhoods and the overall City on a sustainable path.

We look forward to working with the Department and Alderman to ensure that updated and pertinent data will be provided in a useful manner by ward, community area, and county. We will be reaching out for your input.

Finally, the upcoming City of Chicago 5-Year Housing Plan process is upon us. Given the challenges before our City - we think the timing is opportune. It will require all of us to engage in a process that includes reflection and evaluation and results in positive outcomes for our neighborhoods and many struggling Chicagoans. We will put forward our research and analysis, a library of best practices, and our platform recommendations which you can review at www.chicagorehab.org.

CRN's 2013 Budget Recap: ARO Brings Housing Resources

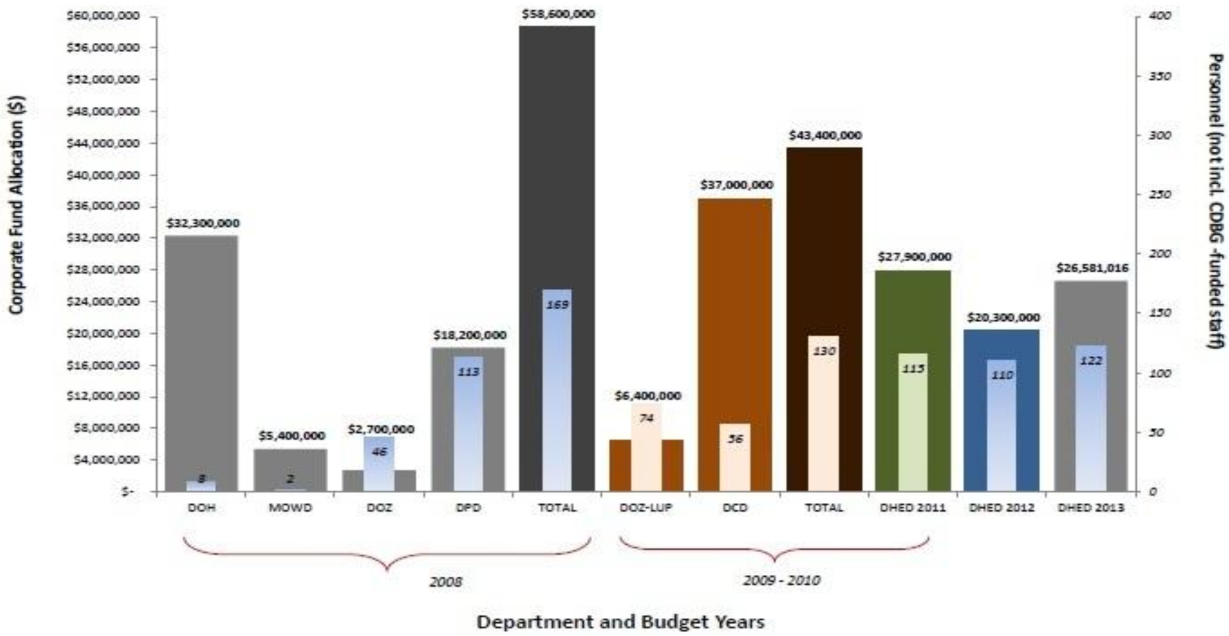
In this the second budget of Mayor Emanuel's administration, housing resources will greatly be reduced due to expiring federal grants. Over $277 million in grant dollars was committed towards DHED functions in 2012; in 2013 $163 million is expected as Neighborhood Stabilization Program deadlines draw near.

Corporate fund resources will *increase* by almost $6 million to $26 million in 2013. The Chicago Low Income Housing Trust Fund remains $3 million below pre-2011 levels.

Chicago will receive just over $93 million in Community Development Block Grant funds for 2013, just under $35 million of which is committed for Dept of Housing and Economic Development purposes. To view budget analyses, click here.

For the second year in its history, the Budget reflects revenues captured from the Affordable Requirements Ordinance showing $4.8 million. Per the ordinance, 40% of these funds are to be dedicated towards the Trust Fund with the remaining 60% to be dedicated for affordable housing purposes. Over $25 million has been paid to through 2011 with an additional $10 million committed from qualifying developments in the first 6 months of 2013 alone.

Read the Affordable Requirements Ordinance Developers Guide and Fact Sheet along with the Waiver Form to better understand project requirements.



Corporate Fund Allocation ($)
Personnel (not incl. CDBG -funded staff)
$32,300,000
$5,400,000
$2,700,000
$18,200,000
$58,600,000
$6,400,000
$37,000,000
$43,400,000
$27,900,000
$20,300,000
$26,581,016
8
2
46
113
169
74
56
130
115
110
122
DOH
MOWD
DOZ
DPD
TOTAL
DOZ-LUP
DCD
TOTAL
DHED 2011
DHED 2012
DHED 2013
2008
2009 - 2010
Department and Budget Years