Chicago Rehab Network

2010 Preliminary City Budget Summary

The City of Chicago projects **$2.796 billion** in Corporate Fund availability in 2010 and expenditures totaling **$3.315 billion**. The 2010 preliminary budget shows a 5 percent increase in corporate expenses, or $129.5 million, over the 2009 year-end estimates, while available funding shows a decrease of 11 percent in revenue, or $441.5 million. **This represents a total shortfall of $519.7 million for the year 2010** and already includes the infusion of $51.3 million from the Parking Meter Lease Rainy Day Fund.

The city attributes the bulk of this shortfall to "economically-sensitive" revenue sources. The Real Estate Transaction Tax revenue continues to fall since the beginning of the recession. By the year's end, the City estimates real estate transaction tax revenue to drop by nearly 54 percent from $120 million collected in 2008 to just under $55 million by the end of 2009. The City's 2010 preliminary budget estimates real estate transaction tax revenue of just $52.5 million compared to a high of $242.3 million in 2006.

Fig. 1. Real Estate Transaction Tax Growth

Real Estate Transaction Tax Growth				
Year	**Amount ($)**	**Corporate Fund ($)**	**% Corporate Revenues**	**% Change from prior year**
1998	87,400,000	2,173,200,000	4.02%	
1999	89,500,000	2,234,100,000	4.01%	2.40%
2000	101,700,000	2,370,400,000	4.29%	13.63%
2001	108,000,000	2,423,000,000	4.46%	6.19%
2002	125,600,000	2,438,400,000	5.15%	16.30%
2003	145,400,000	2,598,600,000	5.60%	15.76%
2004	190,800,000	2,601,600,000	7.33%	31.22%
2005	236,300,000	2,839,700,000	8.32%	23.85%
2006	242,300,000	2,941,700,000	8.24%	2.54%
2007	205,766,000	3,116,700,000	6.60%	-15.08%
2008	119,462,000	3,139,600,000	3.81%	-41.94%
2009 Est. Year-End	*54,778,000*	*3,152,272,000*	1.74%	-54.15%
2010 Preliminary	*52,587,000*	*2,796,261,000*	1.88%	-4.17%

Resources for Housing

In the preliminary 2010 budget, the Department of Community Development is estimated to receive just under **$30 million** from the corporate fund, about $3.5 million less than the estimated year-end total for 2009. The Department also has additional grants of **$170.3 million**, which includes the $55 million from the Neighborhood Stabilization Program, and another $80.4 million in Recovery Act funds. The Recovery Act funds are from the following three programs: $39.1 million from the Tax Credit Assistance Program, $22.5 million from the Tax Credit Exchange Program, and $18.8 million from the Workforce Investment Act. The Department will also utilize **$5.4 million** in CDBG Recovery dollars for foreclosure mitigation, prevention, and expansion of the Troubled Buildings Initiative to include distressed condominiums.

The total estimated resources for the Department of Community Development, including corporate funds, grants, and Recovery Act funds are approximately $286 million.

Fig. 2. Corporate Funds to Department of Community Development

Corporate Funds to DCD	
2003	$14,268,618
2004	$13,640,000
2005	$15,205,000
2006	$12,603,000
2007	$31,301,000
2008	$20,859,000
Est. Year-End 2009	$33,492,000
Prelim Est 2010	$29,983,000

Chicago Rehab Network's Recommendations:

With the significant budget deficit facing the city and the ongoing recession, it is ever more important to support the work of the Department of Community Development. Unemployment in the City of Chicago is more than 11 percent. The City is proposing even more furlough days for its employees. Incomes and jobs are unstable but what Chicagoans need to be able to count on is access to safe, decent, affordable housing.

We have and continue to maintain that affordable housing is foundational for stable and healthy communities. Affordable housing provides a true economic stimulus: when families can afford housing, it leaves more of their income to spend on groceries, healthcare, and education. The Association of Homebuilders calculate 1.6 new jobs for every unit of housing The city should orient its policies and priorities to programs and activities that will advance affordability and spur growth in Chicago's neighborhoods. We offer the following recommendations:

1. **Prioritize Multifamily Family Rental Housing.** An unmistakable outcome of the rise and fall of the housing market is the considerable loss of rental housing stock to condominium conversions. Shifting housing policy priorities to rental housing is necessary: a recent report states that one-third of the nation's homeowners are underwater (Source: First American

CoreLogic). Condominiums reconverting to rental will unlikely be at an affordable rent to meet the City's median household income ($45,505 in 2007). The trend in recent years has been anything but affordable—since 2000 the number of homeowners paying $2,000 or more in their monthly mortgage increased by over 650 percent without a commensurate increase in household incomes (See CRN 2007 Affordable Housing Fact Sheet) . This places a premium on preservation of rental housing. The immense demand for rental housing was also made clear recently by CRN member, Bickerdike Redevelopment Corporation, who received 5,000 applications in response to opening its Section 8 waiting list for only 40 available spots in May.

2. **Safeguard funding levels for the Department of Community Development that will sustain services critical to affordable housing.** Significant dollars from the Recovery Act and Stabilization funds coming to Chicago will be administered through the Department of Community Development. Additionally, the Department is leading the city's foreclosure efforts through Neighborhood Stabilization Program and the forthcoming foreclosure mitigation, counseling and condominium deconversion programs. With the severity of the economic downturn, the City must fundamentally safeguard the Department of Community Development's budget. The Corporate Fund supports the Department's **Low-Income Housing Trust Fund Rental Subsidy** program. For this year alone, the Department estimates that the subsidy will assist more that 3,000 units of rental housing for households earning less that 30 percent of the median income, or $22,500 for a family of four.

   The Corporate revenue also funds the Department's **Multifamily Loan Program** and as many are aware, the credit crunch has made obtaining development and construction loans more difficult. In addition, the Low-Income Housing Tax Credit, a major Federal resource for affordable rental housing creation, has also suffered from the downturn. The Multifamily Loan program provides much-needed gap financing for affordable rental projects, especially as Federal and private financing sources continue to dwindle.

3. **Prioritize Non-profit community development corporations for new funds towards affordable housing**. Non-profit community development corporations are driven by their mission to create stable, healthy and affordable communities and are guaranteed to be long-term stewards of affordable housing. Non-profit shovel-ready projects should be given a higher level of priority to receive gap assistance from the Tax Credit Assistance Program and Tax Credit Exchange Program funds under the Recovery Act.

Transparency and Accountability

CRN also recommends the following changes to the budget reporting process which can greatly improve transparency and accounting for revenues going towards affordable housing and coming from affordable housing programs.

1. The Affordable Housing Opportunities Fund should be reported as its own separate item similar to the reporting for Special Revenue Funds like the CTA Real Estate Transfer Tax Fund. Revenue sources for the Affordable Housing Opportunities Fund, which includes fees from the Downtown Density Bonus, and its expenditures, should also be reported in the

budget. Currently, fees from the Downtown Density Bonus are being reported under the Licenses and Permits subcategory under the Corporate Fund.

2. All Tax Increment Financing information should be included in the budget. TIF funds are essential to the City's finances and operations and are funded through taxpayer dollars. Therefore it is important that the City includes TIF finances as part the budget.

3. An in-depth review of the Chicago Housing Authority's finances should be conducted in order to provide a complete picture of its revenue sources, expenses, and budget priorities. As the largest single recipient of affordable housing resources from the City and allocation of stimulus dollars for housing, CHA has largely operated with very little public discourse and dialogue between the communities it impacts through its Plan for Transformation. The economic crisis and the challenges it brings requires greater transparency and accountability but also calls on improved partnership and cooperation from all stakeholders in order to bring back stability in Chicago's communities.

WHO WE ARE Established in 1977, the **Chicago Rehab Network (CRN)** is a citywide coalition of neighborhood-based nonprofit housing organizations working to create and preserve affordable housing in Chicago and the region. Through research, publications, policy and advocacy, training and technical assistance CRN advocates for affordable housing resources at the local, state, and national levels.