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Chicago Rehab Network
Analysis of the DOH Quarterly Report
2nd Quarter, 2006
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Introduction

The Chicago Rehab Network is pleased to provide the analysis of the City of Chicago Department of Housing 2006 Second Quarterly Report. This quarter's DOH report is notable: through the leadership of Commissioner Markowski, DOH sets another example of increasing government transparency and responsiveness with the inclusion of reporting for the Downtown Density Bonus program. This Committee's leadership and support of our analysis and dialogue of these public issues certainly deserves recognition and replication across government. Thank you.

It is along these lines that we mention the changes concerning the Low-Income Housing Trust Fund. The successes of CLIHTF have reached a point where it will have new administration and leadership. The program provides rental assistance to over 2,000 households every year. The Department of Housing has steadily increased the level of detail in its reporting for Trust Fund program recently. There is a concern that in removing this program from the public realm, we would lose the benefit of transparency that DOH has provided for this program. We trust that a similar level of reporting as we currently have will be replicated under the new leadership and that the reporting continue to be included with the DOH Quarterly Report after this transition.

Our quarterly analysis comes as new U.S. Census data is released. Estimates from the American Community Survey show that Chicago's median household income has increased from $38,625 to $41,015 although still slightly below the national median. However, the number of individuals in all households living in poverty in Chicago is increasing—from 19.6% in 2000 to 21.3%—while the poverty rate nationwide is at 13.3%. It is incumbent upon all of us – this committee, the department and us in the private sector – to increase the resources that can impact poverty, direct the resources where they are most needed, and reduce the incidence of "housing induced" poverty in this city.

Build, Preserve, Lead: The Half-way Point

The second quarter of 2006 marks the half-way point of the city's third Five-Year Affordable Housing Plan, committing $969,409,705 and assisting 23,401 units since the plan's implementation. Grand totals indicate that the Department of Housing is on target—reaching 52% of its stated five-year commitment goal of $1,880,000,000 and 49% of its goal to assist 48,085 units by the end of the plan.

Upon breakdown of the Plan's goals and commitments by program, we can further examine where housing production stands at this point. Homeownership and Improvement Programs have surpassed half-way unit goals at 62% and 53% respectively, while still below spending commitments.

As the table below outlines, multifamily unit production is at 49% of the Plan's goals while spending is already at 62% (**Table 1**). At this level of spending, the cost for multifamily development will outpace the final plans production goals that could result in significant unit shortage.

Table 1. Build, Preserve, Lead, 2004-2008: Comparison of Goals and Commitments at Mid-Plan

COMMITMENTS		
Multifamily Programs		
$ Goal*	$ Committed	% Goal
$1,019,435,000	**$629,092,208**	**62%**
Homeownership		
$526,126,000	**$252,945,547**	**48%**
Improvements and Preservation		
$107,719,000	**$48,824,205**	**45%**
Programmatic Initiatives		
$110,500,000	**$4,006,055**	**4%**
Other Initiatives		
$21,765,000	**$5,767,286**	**26%**
Operating Expenses		
$91,525,250	**$28,774,404**	**31%**
TOTALS		
$1,877,070,250	**$969,409,705**	**52%**

* As stated in the city of Chicago's Five-Year Affordable Housing Plan for 2004-2008, *Build, Preserve, Lead.*

UNITS		
Multifamily Programs		
Units Goal*	Units Assisted	% Goal
26,925**	**13,094**	**49%**
Homeownership		
6,045	**3,771**	**62%**
Improvements and Preservation		
12,415	**6,520**	**53%**
Programmatic Initiatives		
2,700	**16**	**1%**
Other Initiatives		
N/A	**N/A**	**N/A**
Operating Expenses		
N/A	**N/A**	**N/A**
TOTALS		
48,085	**23,401**	**49%**

*As stated in the city of Chicago's Five-Year Affordable Housing Plan for 2004-2008, *Build, Preserve, Lead.*

**Less Low Income Housing Trust Fund Subsidy total estimate of 11,750 units. Five-Year unadjusted estimate is 59,835 units.

New Unit Production- January 2006 - June 2006

The table below illustrates the activities of DOH programs to date (**Table 2**). Recent findings have placed attention to a segment of the population that earns 60%-80% AMI for whom a gap has been identified in housing affordability especially in urban areas[1]. The findings show that what is defined as *workforce housing* is lacking in metropolitan areas. This income level is usually targeted for homeownership programs and rental units for this segment typically have been covered by the market. However, as market rents increase and homeownership not always being a viable option, it is becoming more difficult for households in this income level bracket to find decent, affordable housing. As the table shows, only 168 rental units have been created for this income-level and 212 single family units.

The regional Area Median Household Income figures used by the city's housing programs and HUD show that a household earning 60%-80% AMI makes $45,240-$59,600 per year. With the current estimate of Chicago median household income at $41,015, most residents of Chicago—such as public workers, teachers, and safety officers—fall within this income bracket.

[1] Smith, David A. *Web Update 58: The urban workforce affordability gap*. Recapitalization Advisors, Inc., 09/06/2006.

Table 2. Production Overview- January 1, 2006 – June 30, 2006

	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	YTD Total
Multi-Family	1,559	1,118	1,347	768	168	6	1	**4,967**
Less Low-Income Housing Trust Fund	*-1,349*	*-869*						*-2,218*
MF New Units*	131	195	1,014	1,183	121	4	0	**2,648**
Single Family	0	9	34	16	212	282	152	**697**
Home Improvement	59	285	439	84	165	108	32	**1,172**

*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.

	Total Anticipated Funds	1st Quarter Commitments	2nd Quarter Commitments	Year to Date	Percentage of Goal
Multi Family	$257,830,005	$54,640,151	$47,310,577	$101,833,134	39.54%
Single Family	$106,922,900	$27,792,967	$37,117,198	**$62,896,467******	58.82%
Home Improvement	$21,989,682	$3,870,645	$90,053,160	$174,343,225	44.96%

** This total reflects adjusted total for line item *Neighborhood Lending Program: Purchase/Purchase Rehab (NHS).* First quarter total indicates commitment of $6,153,667. This amount was changed to $4,032,375 in the second quarter—a difference of $2,013,698

Downtown Density Bonus

Reporting of financial commitments for the Downtown Density Bonus are a new feature in this report. A total of 21 developers are participating in the programs with all but one developer opting to provide fees instead of units. The city has reported financial commitments of $17.6 million. This is a public policy success that demonstrates the intergovernmental relationships that work for affordability. We recommend that this density bonus be available to all wards and transit nodes in the city. DOH reports it will continue to report on its progress as funds are collected and disbursed. The department should also report:

- *What are guidelines for using/disbursing funds from the Downtown Density Bonus Program?*
- *What are the income-levels to be served with these dollars?*

Further we respectfully recommend that, provided the developer agreements are legally binding, the $17.6 million be appropriated by the City to fund affordable housing development now - when committed. Waiting through the building permit process presents an unnecessary delay and burden on those Chicago residents awaiting affordable housing.

New Homes for Chicago

There have been several changes to this program:

1. Increase in price caps to $195,000 for single family homes and to $265,000 for two flats.
2. Growth of funds available by $2 million dollars from the downtown density bonus proceeds
3. City-owned lots will be sold to affordable housing developers at a $50,000 discount, up from the current $20,000 discount.

Though this increased “discount” is a policy improvement and we commend the City for recognizing the impact that land prices have on affordability, CRN believes there should be an in-depth review of this policy as it is, in effect, a “shifting” of subsidies which has several contrary results.

We understand that the City gains substantial revenue from the sale of city-owned land – over $40 million dollars has been collected in the last 4 years from this policy.

However, the practice of relying on revenue by selling nonprofit affordable housing developers city-owned land can be counter to the goal of providing affordable housing. The cost of the city-owned land undermines affordability and impacts the pool of buyers who can become homeowners. It is particularly important in rising/hot market communities that exceptions be made to the City’s policy in cases where affordable housing will result and the Department is involved in the projects’ financing.

Chicago Equity Fund (CEF) Property Disposition

As there are a significant number of rental units at stake, pubic reporting of the disposition plans for each property is important. In order to further citywide and neighborhood planning initiatives, it will be helpful to know several points.

- Status of properties pre and post disposition
- Affordability restrictions currently, during transition, and long term

FY07 Budget

The City of Chicago 2007 Preliminary Budget Estimate states that the Department of Housing budget will be $15.3 million. This dollar commitment is disappointing–a very low growth projection that seems incongruous with what is a growing housing problem for many Chicagoans.

Corporate Funding	**2003**	**2004**	**2005**	**Estimated 2006**	**Prelim 2007**
Department Of Housing	$14,268,618	$13,640,000	$15,205,000	$15,054,000	$15,388,000

In contrast to the Transaction Tax revenue which shows a strong 5-year growth trend of 34%, the City's financial commitment to affordable housing has been only 7.2%.

10 Year Transaction Tax Growth

<table>
<tr><td rowspan="12">Transaction Tax consists of three sources: Real Property, Personal Property Leases, and Motor Vehicle Lessors.</td><th>Year</th><th>Amount</th><th>% Change</th></tr>
<tr><td>1997</td><td>157,147,000</td><td>17.29%</td></tr>
<tr><td>1998</td><td>174,039,000</td><td>9.71%</td></tr>
<tr><td>1999</td><td>187,871,000</td><td>7.36%</td></tr>
<tr><td>2000</td><td>200,804,000</td><td>6.44%</td></tr>
<tr><td>2001</td><td>216,550,000</td><td>7.27%</td></tr>
<tr><td>2002</td><td>232,168,000</td><td>6.73%</td></tr>
<tr><td>2003</td><td>242,212,000</td><td>4.15%</td></tr>
<tr><td>2004</td><td>278,584,000</td><td>13.06%</td></tr>
<tr><td>2005</td><td>325,227,000</td><td>14.34%</td></tr>
<tr><td>2006</td><td>331,953,000</td><td>2.03%</td></tr>
<tr><td>2007</td><td>333,600,000</td><td>0.49%</td></tr>
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A substantial increase in the Department's budget would reap significant rewards. Housing, whether "affordable" or "market rate" is a strong economic driver which provides jobs, boosts business, and supports families and individuals to improve their lives.