Analysis of the First Quarter 2014 Housing Report

***Bouncing Back:* Five Year Housing Plan, 2014-2018**
Presented June 4, 2014

Introduction

We are pleased to present our analysis of the 1st Quarter 2014 housing production as the first quarterly report from the new Five Year Housing Plan, "Bouncing Back". We acknowledge the Department of Planning and Development's hard work throughout this planning period—the efforts DPD have put into improvement are bearing fruit in this quarterly report. We look forward to more opportunities to improve housing activities and related reporting as this plan is implemented.

The first quarterly report of "Bouncing Back" introduces several changes to the quarterly reporting system, including the elimination of the need to adjust for the participation of one unit in multiple Departmental Programs. It would be helpful to understand the rationale and mechanism behind the elimination of double counting; this explanation would go a long way to assuring readers of this report that there are not distortions in the counts, and that projects are still able to participate in more than one City program. That said, line item reporting for ARO units and a breakdown of LIHTC allocations by 4% and 9% credits are significant improvements that will increase understanding of how these key programs are used. Also, a map of roof and porch repair applications shows widespread applications and serves as a reminder of interest in and need for housing supports. Far and away, the best new reporting practice initiated this quarter is responsive to the long-standing requests of Chicago Rehab Network member Access Living to provide information on the number of accessible units supported by DPD monies. These transparency enhancements indicate that the Department is taking steps to refine and expand its activities, remaining responsive to community input. We applaud these efforts, and look forward to carrying forward our history of a productive working relationship through the execution of this five year plan.

Analysis of First Quarter 2014 Housing Activities

AFFORDABLE RENTAL UNIT PRODUCTION SUMMARY–CRN recognizes that DPD is off to a good start in 2014, investing almost $45 million in housing programs so far this year. (Table 1). Although aggregated first quarter commitments only reach 15% of the projected spending for the year, the Rehab Network is confident the Department will accelerate investment through the summer and fall.

Table 1. City of Chicago Projected Funding Compared with Actual Commitments YTD, 2014

2014-Q1 Affordable Housing Investment Overview	Total Projected Funding by Year End	First Quarter Commitments	Percent of Goal Met
Multi-Family	$ 209,421,492	$ 33,548,535	16%
Single-Family	$ 40,528,328	$ 7,621,916	19%
Improvement and Preservation	$ 14,762,500	$ 3,714,999	25%
Total	*$304,426,664*	*$44,885,450*	*15%*

Source: CRN analysis of the 2014-Q1 affordable housing production report

Thus far, the City has fared less well with respect to bringing new affordable rental units online. Year to date, DPD has only funded 6% of its net-new affordable rental commitment. (Table 2).

How did we reach this number? While City funds support a number of housing-related programs that contribute to the quality and affordability of Chicago housing—such as rental subsidies through the Chicago Low-Income Housing Trust Fund (CLIHTF), or safety and code enforcement under the Heat Receivership program and the Troubled Buildings Initiative— we separate evidence of the City's quarterly production of rental housing from these programs because they do not actively contribute to net-new affordable rental units in our city.

In order to calculate net-new rental units that do expand the availability of affordable housing, the Rehab Network starts with the City's projected number of rental units planned to receive subsidy this year (5,625), as well as the City's report of units completed in the various income brackets so far to date (3,312). We then subtract the units covered by those housing programs that are not constructing or rehabilitating rental housing, such as rental subsidies under the CLIHTF (-2,792). Next, we compare year-to-date units actually funded with the number of new construction or rehab units the City planned to fund in 2014 (1,089). Looking at the production numbers in this stripped-down way lets us understand how many affordable rental units are actually being added in Chicago throughout the year. Using this lens, the City plans to fund 1,315 units in 2014. However, DPD has only funded 84 of these units so far this year—65 senior units and 19 units through the ARO.

Table 2. Progress Toward Net-New Affordable Rental Production, 2014-Q1

2014-Q1 Apartment Production	Year to Date Total Units Produced	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	Total Projected Units by Year End
Total Subsidized Rental Units	3,312	1,691	1,189	170	104	140	18	-	5,625
Less Rental Subsidy Units	*2,792*	*1,669*	*1,123*	*0*	*0*	*0*	*0*	*0*	*2,960*
Less Heat Receivership Units	*217*	*22*	*53*	*106*	*24*	*12*	*0*	*0*	*600*
Less MF Troubled Building Initiative Units	*219*	*0*	*13*	*38*	*22*	*128*	*18*	*0*	*750*
Net New Rental Units**	84	-	-	26	58	-	-	-	1,315

** This figure represents multi-family affordable housing units created or preserved, and is adjusted to discount both annual rental subsidies (through the Chicago Low-Income Housing Trust Fund) and some other some other assistance, including the City's Heat Receivership and Troubled Building programs.

Source: CRN analysis of 2014-Q1 affordable housing production report

APPROVED RENTAL DEVELOPMENTS - *City Council approved financing for one affordable rental project this quarter:*

WOODLAWN PARK SENIOR APARTMENTS

This development is the third phase of Preservation of Affordable Housing (POAH)'s six-phase redevelopment of the deteriorated 1960's Grove Parc Plaza Apartments near 61st and Cottage Grove. Spanning 12 acres in central Woodlawn, Grove Parc is being transformed into Woodlawn Park with the help of a competitive $30.5 million grant provided through HUD's Choice Neighborhood program aimed at helping to revitalize distressed public housing. When completed, Woodlawn Park will provide over 400 mixed-income, mixed-use units. Woodlawn Park Senior Apartments will provide 65 units affordable to seniors making up to 60% AMI, including 5 two-bedroom units suitable for grandparents responsible for children. To facilitate this development, the City has provided a $2.8 million loan and 9% LIHTCs generating over $14 million in equity.

Income targets:

- 65 one- or two-bedroom units at or below 60% AMI

Total development cost: $24 million Per unit cost: $373,351

Policy Updates

MICRO-MARKET RECOVERY PROGRAM (MMRP)- MMRP was established by the Department late in 2011 to coordinate public investment in tightly targeted areas on the south and west sides of the city. The development of each "micro-market", carefully chosen areas of just a few blocks (map 1) in a handful of communities, is led by a "Community Partner" that collects data on building conditions, convenes monthly meetings with interested parties, and coordinates a continuum of services—including three pots of City money—designed to stabilize the area sufficiently to create an environment supportive of private investment. The Rehab Network appreciates DPD's efforts through MMRP to take advantage of the capacity, commitment and local knowledge of embedded community development corporations. These kinds of efforts can create small changes that have a positive domino effect in neighborhoods hungry for development. If we are really to evaluate the efficacy of these efforts, however, it is important to gain clarity on exactly what is being done where and by whom.

This quarter, DPD reports in the narrative section of the quarterly report that during 2012 and 2013 "2,759 units in 588 vacant buildings benefit from some form of intervention, including properties that are being redeveloped and homes saved from foreclosure; 192 of these vacant buildings have already been reoccupied.[1]" Yet, the last quarterly report in 2013 only notes 38 units receiving $1.02 million in MMRP

[1] *2014-Q1 Quarterly Report, page 15. (emphasis added)*

grants through the Neighborhood Lending Program.[2] The 2014 Draft Action Plan for the spending of federal block grants, including CDBG dollars planned to fund MMRP activities, estimates approximately 75 units will receive MMRP purchase, purchase-rehab or rehab loans.[3] None of this reporting suggests MMRP is making loans or grants to a number of units anywhere close to 1,500 per year. This begs an important question: <u>what exactly does "some form of intervention" include</u>? Can it be further devolved to show households receiving loans and grants, households receiving foreclosure mitigation or other housing counseling, and any other services that the Community Partners are providing in order to strategically tip the scales on foreclosure and vacancy in these micro-markets?

Without a doubt, there are important lessons to be learned from the MMRP laboratory. The Rehab Network encourages the Department to provide more transparency as efforts grow to develop best practices through this tightly targeted model of neighborhood development.

PROPOSED AFFORDABLE REQUIREMENTS ORDINANCE UPDATE – Strategy 2.2 of "Bouncing Back" is aimed at expanding funding for affordable housing. Part of this strategy includes the recommendation to convene a task force to review the ARO:

> Convene a task force to consider updates to the Affordable Requirements Ordinance (ARO) that respond to opportunities in the current development market and create additional affordable units and/or increased fees paid into the Affordable Housing Opportunity Fund. Per the existing ordinance, DPD will adjust the ARO in-lieu fee based on the Consumer Price Index in 2014, and will continue to adjust the fee annually.[4]

The Affordable Requirements Ordinance and attendant Downtown Density Bonus are critical resources for affordable housing. **<u>The first principle and concern of anyone interested in reviewing the ARO should be to "do no harm."</u>** Since 2003, the ARO has generated over $41 million through the collection of in-lieu fees, including $1.7 million in the first quarter of 2014 alone.[5] Assuming the Department updates the in lieu fee for inflation, as required by the 2007 version of the ordinance (municipal code section 22-44-090(d)1), resources provided through the collection of fees will automatically grow about 14%. Beyond this long-overdue update, what opportunities are there to add to the efficacy of the ARO? What is the status of this task force? Will there be a public participation process so that housing stakeholders can make their thoughts known about the future of the set aside?

UPDATE ON FY2015 FEDERAL HOUSING RESOURCES – Currently passing through the House and Senate, appropriations for two key sources of federal assistance for the production of affordable housing—the Community Development Block Grant and HOME Investment Partnership—are in serious jeopardy. H.R. 4745 proposes reducing investment in the HOME program by 30%, while also failing to

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[2] *2013-Q4 Quarterly Report, page A-3.*

[3] *2014 Draft Action Plan, page 32, available online at http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2014%20Budget/2014DraftActionPlan.pdf. It should be noted that this is technically 35 households and 40 units, yielding perhaps 55 households served, depending on the size of some small multi-family units assisted.*

[4] *"Bouncing Back", page 18.*

[5] *2014-Q1 Quarterly Report, page A-47.*

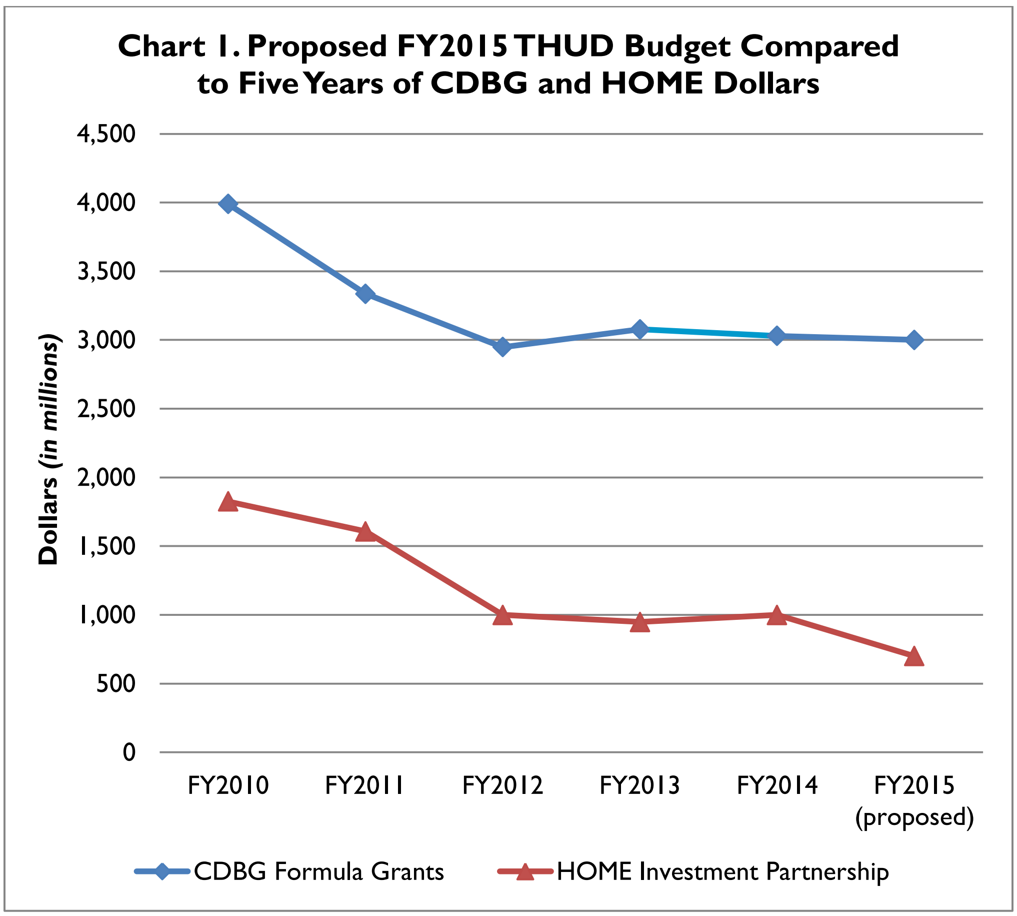
return desperately needed CDBG dollars to even 2010 levels. If these key federal programs are funded at currently proposed levels, HOME will have been reduced 62% and CDBG 25% since 2010. These significant cuts in national housing programs overall will weaken the city's resources going forward, making it more important than ever that the city create new resources and partnerships to fill deepening funding shortfalls delivered by the federal government.

Table 3. Proposed FY2015 HUD Spending on HOME and CDBG Investments

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015 (proposed)
CDBG Formula Grants*	3,990	3,336	2,948	3,078	3,030	3,000
HOME Investment Partnership*	1,825	1,607	1,000	948	1,000	700

**Dollars Expressed in Millions*

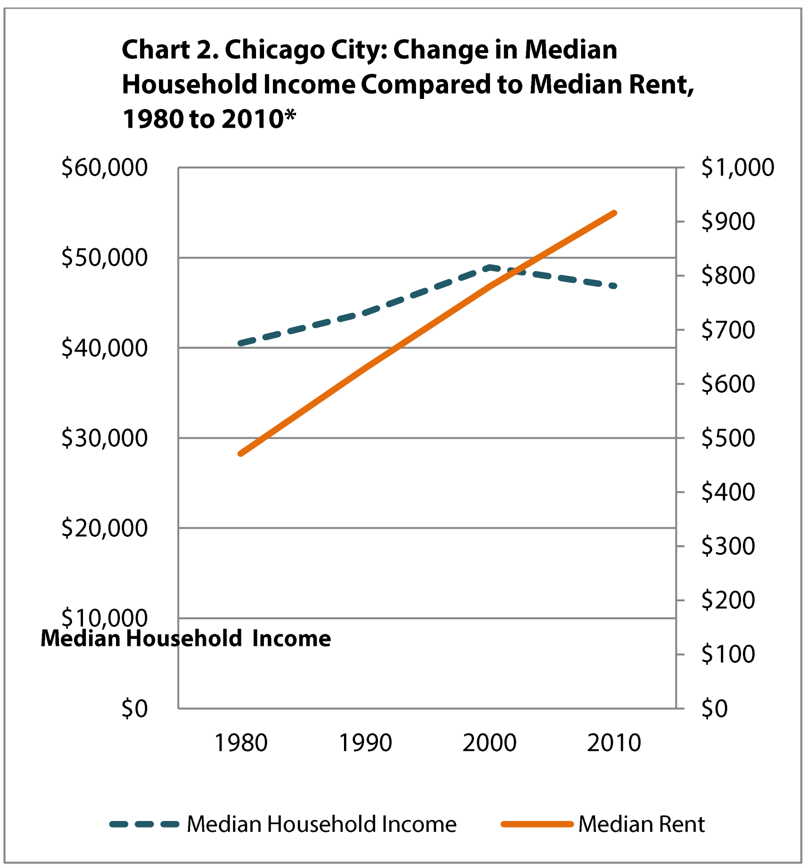
source: National Low Income Housing Coalition FY15 Budget Chart for Selected Department of Housing and Urban Development (HUD) and Department of Agriculture (USDA) Programs, 5/29/14



source: National Low Income Housing Coalition FY15 Budget Chart for Selected Department of Housing and Urban Development (HUD) and Department of Agriculture (USDA) Programs, 5/29/14

Conclusion

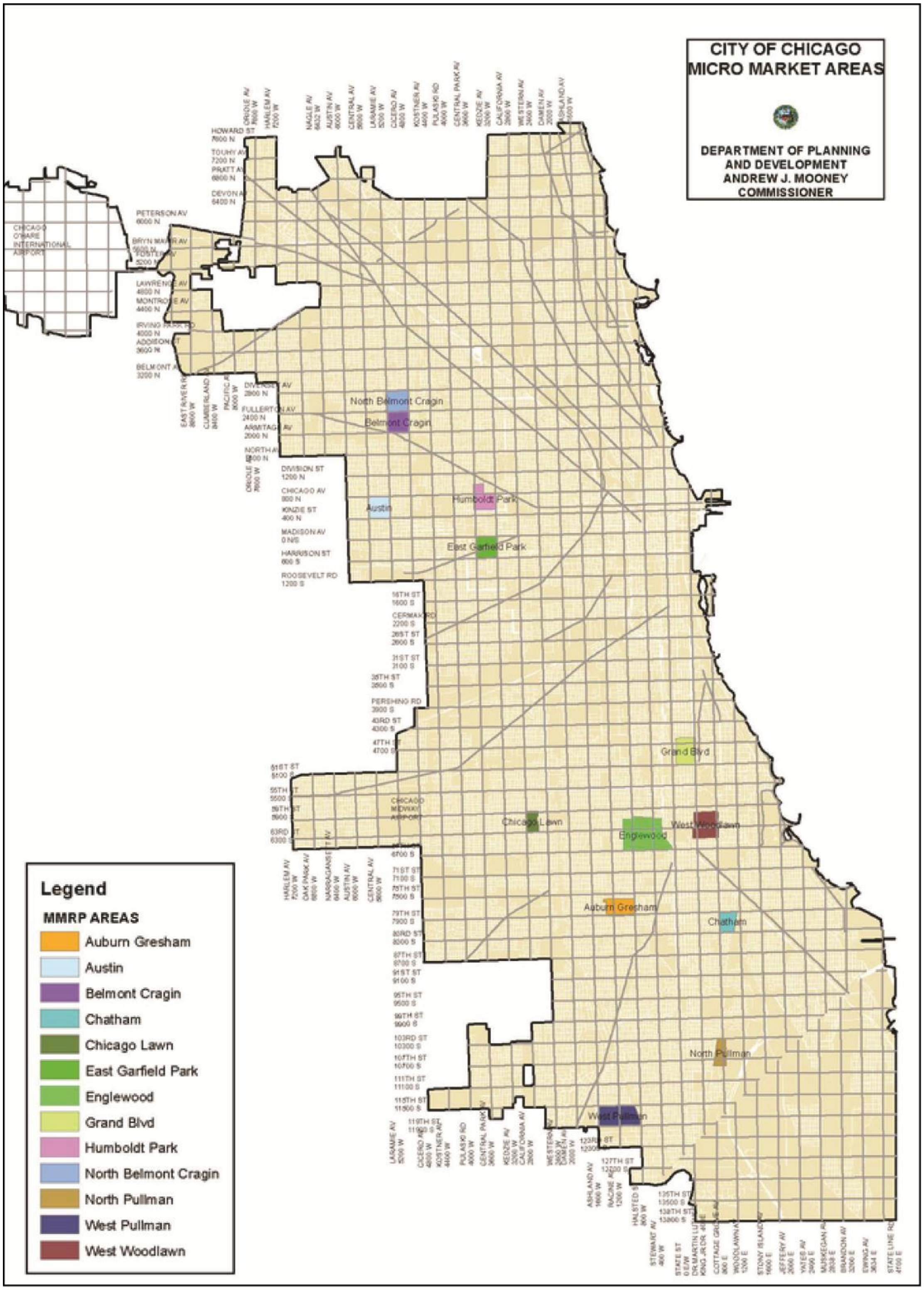
As our city leaders move forward creating policies and solutions to the needs of their constituents, it is important to bear in mind the context and implications of long-term challenges to housing affordability in Chicago. Since 1980, the real median income—an important marker of the middle incomes in the city—has risen only 16%. During the same period, the real median rent rose 95%. (Chart 2). With housing costs going up while many families' and individuals' incomes are declining or stagnant, many Chicagoans are not only being priced out of the American Dream—they are at the brink of disaster. For this reason, we continue to encourage the attention of this committee and Council at large to the loss of rental housing through condominium conversion. An issue currently in the news, the Rehab Network continues to insist that there be a moratorium on rental conversion, particularly of SRO properties, until such time as the city can be assured that there are sufficient affordable rental units in the market for all who seek them. This action will make sure that the city does not continue to lose its stock of apartments that serve as a bulwark against homelessness for many of our city's most vulnerable individuals.



Inflation adjusted to 2010 constant dollars

Source: CRN Affordable Housing Fact Book

Map 1. City of Chicago MMRP Designated Micro-Markets



Source: DPD MMRP website, available online at http://www.cityofchicago.org/city/en/depts/dcd/supp_info/micro_market_recoveryprogram.html