# Analysis of the Third Quarter 2017 Housing Report

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

Presented December 12, 2017, Chicago City Council Committee on Housing & Real Estate

**INTRODUCTION** – Chicago and the region are struggling with gross inequality and a disparity in opportunity that are challenging the very fabric of our communities and the foundation of a just democracy. Housing values have been hit significantly in black and Latino communities with less than 30% recovering to pre-recession values; whereas over 90% of white households' value now exceeds their 2009 value. Housing insecurity has grown at an alarming rate since the foreclosure crisis in 2008—half of Chicago is cost-burdened, with residents spending more than 30% of their income to pay for housing. This rate continues to increase. According to the 2010 census and CRN fact sheets, 18% of renter households in the highest income level of $75,000 or more were cost-burdened in 2010. Comparatively, only 4% of that income group was burdened in 2000. Of those making $25,000 or less, 88% were cost-burdened in 2010 whereas only 66% of the same group was cost-burdened in 2000. When families lack stable housing, frequent moves—sometimes punctuated with periods of homelessness—are the result. This hyper-mobility arising out of housing insecurity greatly increases family stress, which can aggravate chronic health problems, undermine mental health, and increase incidences of domestic violence. On top of that, frequent moves damage children's social and emotional development, negatively impacting lifetime academic performance and educational attainment.

As we move into our 40th year, and into the City's 6th 5-year housing plan, we are reviewing programs, policies, and campaigns that have resulted in achieving sustainable and significant progress towards reducing housing instability. Our historical lens of community development without displacement remains a relevant value today as the housing market, without leadership and intervention, does not respond to people on fixed incomes or areas with barriers to investment and/or housing cost burden.

At CRN's inception in the late 1970s, the key response to disinvestment and housing stress was the establishment of community based organizations who began to organize people and resources to improve buildings, private lending, and public accountability. This nonprofit development sector has prevented displacement, engaged residents, and improved housing for thousands of households across the City.

As part of a comprehensive review of housing needs and solutions, Chicago's next housing plan will have to consider changes in state and federal funding sources. The Congressional Tax Reform being negotiated tomorrow will likely weaken key federal tools used to build and preserve affordable housing and discretionary programs will be cut to pay for tax cuts for those at the top of the income ladder.

Below are three snapshots from a preliminary analysis we are conducting:

City budget appropriations have changed significantly over time. Two newer DPD programs commit funds through linkage mechanisms, the Affordable Housing Opportunity Fund and the Neighborhood Opportunity Fund. Notable is the reduction in Community Development Block Grant (CDBG) dollars due to Congressional budget cuts and population loss.

| Changes in Key Budgeted Housing Sources* 2014-2018 | | | | | |
|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2015** | **2014** |
| **Corporate Fund** | $14,445,048 | $14,191,649 | $14,135,759 | $36,596,374 | $27,172,741 |
| **Affordable Housing Opportunity Fund** | $38,644,796 | $34,103,000 | $23,955,000 | $0 | $0 |
| **TIF Admin Fund** | $4,055,490 | $4,183,656 | $4,059,751 | $4,046,789 | $3,862,888 |
| **Neighborhood Opp Fund** | $23,313,000 | $9,700,000 | $0 | $0 | $0 |
| **CDBG** | $27,671,161 | $27,767,478 | $31,734,776 | $32,473,388 | $33,234,280 |
| **Other Grant Funds** | $77,844,000 | $91,058,000 | $78,130,000 | $78,926,000 | $88,896,000 |
| **Total** | **$185,973,495** | **$181,003,783** | **$152,015,286** | **$152,042,551** | **$153,165,909** |

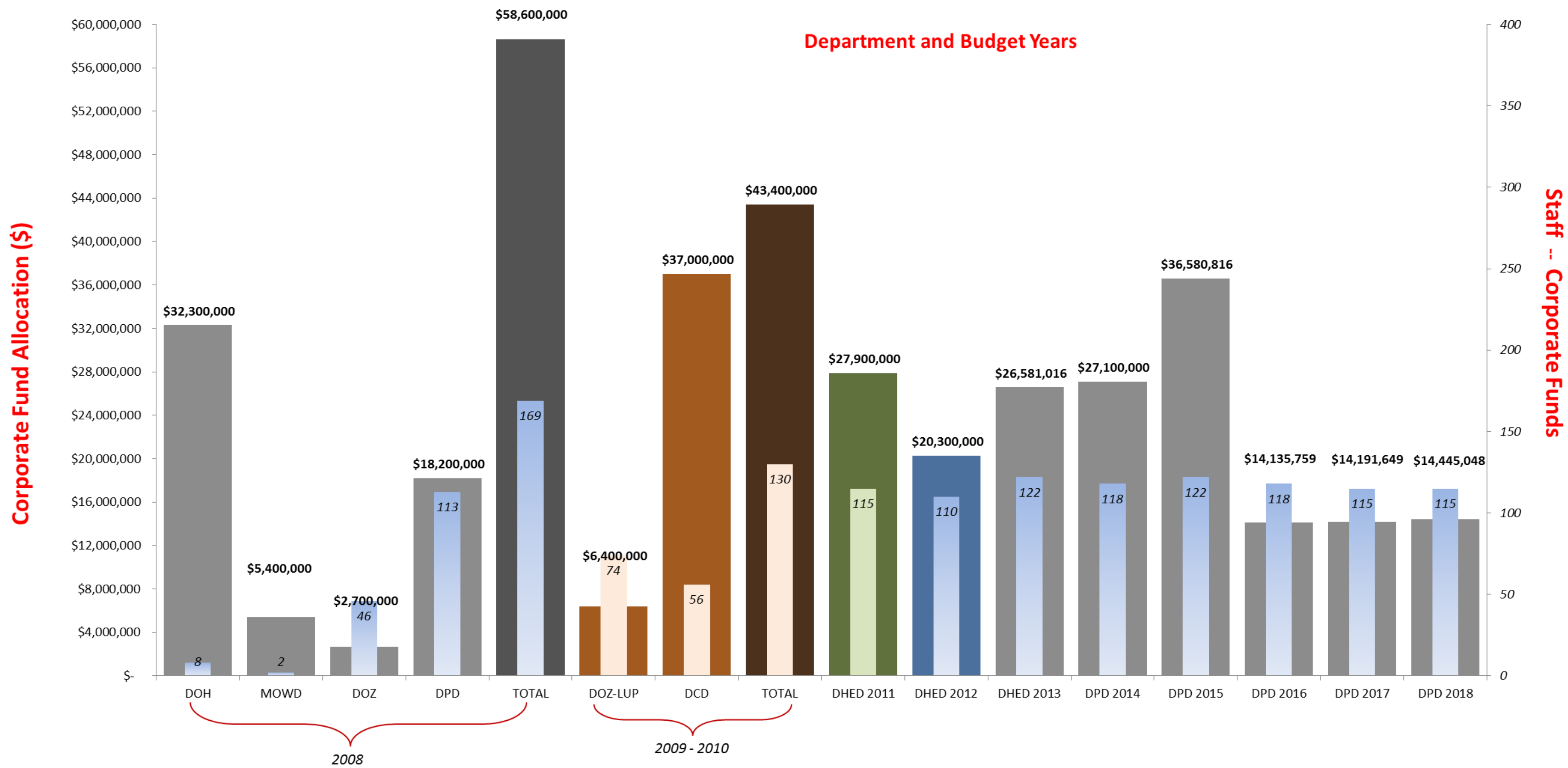
* Does not include state or federal tax credits

Over the last 5 years, CDBG dollars budgeted per department has changed, with the largest increase to the Department of Buildings, but with a significant overall decline of $15 million dollars per year since 2014.

| CDBG Budgeted Per Department | | |
|---|---|---|
| | *** 2018 Appropriations** | **2014** |
| | | |
| **OMB** | $900,254 | $3,630,231 |
| **Finance** | $1,229,158 | $1,451,025 |
| **Law** | $1,688,869 | $1,799,052 |
| **Fleet** | $155,994 | $134,595 |
| **Public Health** | $11,575,619 | $12,138,637 |
| **CHR** | $1,207,130 | $1,059,809 |
| **MOPD** | $2,997,473 | $2,926,048 |
| **Family** | $24,036,740 | $25,880,407 |
| **DPD** | $27,671,161 | $32,841,023 |
| **Buildings** | $6,965,676 | $2,571,333 |
| **Police Dept** | $0 | $5,404,522 |
| **Streets and Sans** | $0 | $2,898,699 |
| **TOTAL** | **$78,428,074** | **$92,735,381** |

Over a 10 year period, Corporate Fund allocations to housing has changed dramatically. The chart below shows mergers among related departments and the resulting changes in Corporate Fund dollars and staffing levels. In 2018, over $14 million in Corporate Funds are dedicated to the Department of Planning and Development which includes 3 bureaus compared to the $32 million appropriated in 2008 towards just housing purposes.

**City of Chicago 10 Year Review of Housing Commitment from the Corporate Fund**



## Analysis of Third Quarter 2017 Housing Activities

*Since 1994, the Chicago Rehab Network has analyzed the City of Chicago Department of Planning and Development's quarterly housing reports, which are produced in accordance with the City's five year housing plans and follow the Housing and Community Jobs Ordinance. This report covers the third quarter of 2017.*

#### EXECUTIVE SUMMARY

- Five new developments were approved during 2017-Q3, creating 591 net-new affordable units. When ARO covenanted units are counted, this number increases to 604 units. Year-to-date, twelve developments are under construction or have been approved, creating 1,295 net-new units (including ARO covenanted units).
- Of the 604 net-new units created during Q3, 255 affordable units will receive CHA funding, 13 will receive MAUI funding, and 90 will receive PRAC funding.
- Through the third quarter of 2017, DPD has invested nearly $244 million in rental, ownership, and improvement programs meeting 117.4% of this year's goal. This exceeds the year's planned spending goals and is a significant increase from the end of 2017-Q2, when only 61.5% of the yearly goal had been met.
- Through Q3, City investment has helped add 1,503 net-new affordable units, meeting 115.6% of the new unit creation goal as calculated by CRN.
- Of these 1,503 net-new affordable units, 178 are covenanted under the ARO. This is 178% of what was projected for 2017, speaking to the success of this initiative; however, the 13 ARO units created in Q3 were a significant decrease from the 66 and 99 units covenanted in Q1 and Q2, respectively.
- 96 of the net-new units created are explicitly reserved for seniors and 88 are for LGBTQ residents.
- 339 of the net-new units created this quarter may serve families; however, only 165 (49%) of these units are affordable.

AFFORDABLE RENTAL UNIT PRODUCTION SUMMARY-More units were committed this quarter than the last, and the City already reached 117.4% of its projected spending on affordable housing with one quarter still remaining (Table 1). While it is encouraging to see this willingness to invest in affordable housing, one point of concern is that the demand for funding clearly exceeds the supply. The City is also on track to meet its goals for unit production, as it is currently at 88.5% of the projected number of units for the year (Table 2). Looking specifically at rental units, 85.3% of the expected 5,450 units have been committed so far this year.

### Table 1 –Housing Dollar Commitments Compared with Annual Goal, 2017 Q3

| | Rental Investments | Ownership Investments | Improvement/ Preservation Investments | Total Investments |
|---|---|---|---|---|
| YTD Commitments | 251,449,764 | 23,730,082 | 10,836,075 | *286,015,921* |
| **Total Funds Anticipated by Year End** | 204,520,000 | 25,794,031 | 13,299,239 | *243,613,270* |
| **Percent of Goal Met through Q3** | 122.9% | 92% | 81.5% | *117.4%* |

### Table 2 –Housing Unit Commitments Compared with Annual Goal, 2017 Q3

| | Rental Units* | Ownership Units | Improvement/ Preservation Units | Total Units |
|---|---|---|---|---|
| YTD Units | 4,651 | 443 | 1,682 | *6,776* |
| **Total Units Projected by Year End** | 5,450 | 434 | 1,769 | *7,653* |
| **Percent of Goal Met** | 85.3% | 102.1% | 95.1% | *88.5%* |

When looking at the City's planned affordable apartment achievements in 2017, it is important to strip away the approximately 3,000 households receiving subsidies through CLIHTF. Of the 5,450 low-income units the City plans to support in 2017, more than half (3,000) will be annual subsidies through the CLIHTF. Many of these subsidies support the same families year to year. Although the CLIHTF is an important, flexible source of public-private housing support for some of the most vulnerable families in our city, counting these units in the same way as new construction or rehabilitation projects receiving City support obscures the number and proportion of new projects moving forward in any quarter or year. To get a clearer look at *new* affordable apartments being made available for individuals and families in need, CRN strips away CLIHTF subsides and two key preservation programs that do not directly add new units to the available affordable housing stock in Chicago (Table 3).

How is this table constructed from DPD's progress report? In order to calculate how many units receiving City funds this quarter expand the net availability of income-limited apartments, the Rehab

Network starts with the City's projected number of rental units planned to receive subsidy this year (5,450), as well as the City's report of units completed so far to date (4,651). We then subtract the units covered by those housing programs that are not constructing or rehabilitating rental housing, including rental subsidies under the CLIHTF (3,000). Next, we compare year-to-date units actually funded (1,503) with the number of new construction or rehab units the City planned to fund in 2017 (1,300). Looking at the production numbers in this stripped-down way lets us understand how many new affordable apartments may actually be added in Chicago throughout the year.

From this stripped down analysis, we see that the City has provided resources for 1,503 net-new affordable rental units so far in 2017 (Table 3). This is approximately 115.6% of the annual goal for net-new units, with 178 of these being covenanted under the ARO. The latter figure speaks to the success of the 2015 Affordable Requirements Ordinance, as only 100 units were projected in 2017 and production has reached 178% of this target halfway through the year. There were 591 net-new Multi-Family Rehab and New Construction units generated in 2017-Q3 (not counting ARO units), an increase compared to the 514 non-ARO, non-Preserving Communities Together (PCT) units created in Q2. This quarter, no units were created under the PCT program, whereas last quarter saw the production of 12 PCT units.

### Table 3 – Net-New Housing Unit Commitments in Comparison with Annual Goal, 2017 YTD

| | Total Units Planned for 2017 | Total Units Committed in 2017 YTD |
|---|---|---|
| Total Subsidized Rental Units | 5,450 | 4,651 |
| *Less Rental Subsidy Units* | *3,000* | *2,640* |
| *Less Heat Receivership Units* | *400* | *82* |
| *Less MF Troubled Building Initiative Units* | *750* | *426* |
| Net New Rental Units** | 1,300 | 1,503 |

While all of these projects are focused on affordable housing or are mixed-income, a number of market rate units have been committed as well, with 17% of units committed thus far in 2017 being targeted toward upward of 100% AMI. The income bracket that has seen the most development is 51-60% AMI, with a 45% share of total units. Meanwhile, less than 1% of developments are affordable for the 0-15% AMI bracket.

## Table 4 – Incomes Served by Net-New Units, 2017 YTD

| | | Net-New Rental Units | Share of Total Units Produced Per Income Bracket |
|---|---|---|---|
| *Income of tenants served* | 0-15% AMI | 13 | <1% |
| | 16-30% AMI | 148 | 10% |
| | 31-50% AMI | 220 | 15% |
| | 51-60% AMI | 671 | 45% |
| | 60-80% AMI | 192 | 13% |
| | 81-100% AMI | - | - |
| | 101+% AMI | 259 | 17% |
| **YTD Units Committed** | | **1,503** | **100%** |
| **Total Units Projected by Year End** | | 1,300 | |
| **Percent of Goal Met** | | 116% | |

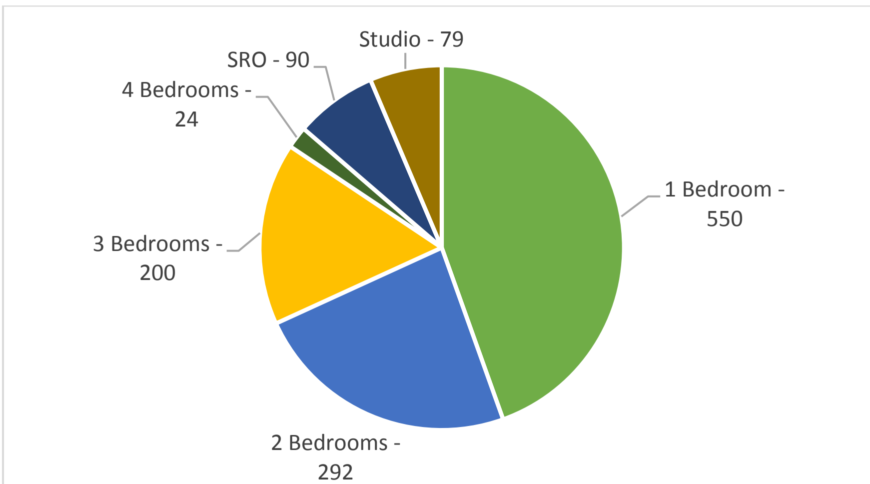
## Table 5 – Sources of Net-New Units, 2017 YTD

| Quarter | Source of Units | Units |
|---|---|---|
| Q1 | ARO Rental Units Covenanted | 66 |
| | *Subtotal, Q1* | 66 |
| Q2 | ARO Rental Units Covenanted | 99 |
| Q2 | Brainerd Park Apartments - Affordable | 27 |
| Q2 | Brainerd Park Apartments - Affordable (CHA) | 9 |
| Q2 | Montclare Senior Residences of Englewood - Affordable | 102 |
| Q2 | Tierra Linda Apartments - Affordable | 34 |
| Q2 | Tierra Linda Apartments - Affordable (CHA) | 11 |
| Q2 | New West Englewood Homes - Affordable | 12 |
| Q2 | La Casa Norte—Pierce House - Affordable | 25 |
| Q2 | Diversey Manor - Affordable | 53 |
| Q2 | Diversey Manor - Affordable (CHA) | 45 |
| Q2 | Woodlawn Roll—Up - Affordable | 24 |
| Q2 | Woodlawn Roll—Up - Affordable (CHA) | 121 |
| Q2 | Woodlawn Roll—Up - Market | 51 |
| Q2 | Preserving Communities Together - Multi-family | 12 |
| | *Subtotal, Q2* | 625 |
| Q3 | ARO Rental Units Covenanted | 13 |
| Q3 | Marshall Hotel – Affordable (PRAC) | 90 |
| Q3 | Mayfair Commons – Affordable | 83 |
| Q3 | Mayfair Commons – Affordable (MAUI) | 13 |
| Q3 | Mayfair Commons – Maintenance Staff Unit | 1 |
| Q3 | The Concord at Sheridan – Affordable (CHA) | 65 |
| Q3 | The Concord at Sheridan – Market | 46 |
| Q3 | John Pennycuff Memorial Apartments - Affordable | 41 |
| Q3 | John Pennycuff Memorial Apartments – Affordable (CHA) | 47 |
| Q3 | Lathrop Homes Phase 1A – Affordable | 109 |
| Q3 | Lathrop Homes Phase 1A – Affordable (CHA) | 143 |

| | | |
|---|---|---|
| Q3 | Lathrop Homes Phase 1A - Market | 161 |
| | *Subtotal, Q3* | 812 |
| | Total Net-New Units YTD | 1,503 |

While unit production goals are on track to be met by the end of the year, special attention should be paid to the size of these units; larger units that can accommodate families make up a smaller portion of committed units than do studio and one-bedroom apartments. Specifically, two, three, and four-bedroom units make up just 42% of the units produced and committed so far in 2017 (Figure 1). Studio and one-bedroom apartments make up 51%, with SRO units making up the remainder.

### Figure 1 – New and Rehabbed Affordable Units by Number of Bedrooms, 2017 YTD




**DEVELOPMENT SUMMARIES** – Five new multi-family developments were approved during 2017-Q3, for a cumulative total of twelve during the year. Populations served include seniors and LGBTQ residents, and tenants will receive rental assistance via the forms of CHA, MAUI, and PRAC.

## Marshall Hotel

Located on the Near North Side in the 2nd Ward, Marshall Hotel will see the preservation and upgrading of a 90-year-old SRO building that will include new mechanical systems, new windows, historic restoration of the main façade, roof repairs, and interior modifications building a private bathroom and kitchen in each unit. The project benefits from $1,461,250 in 9% credits generating $14,245,763 in equity and $5,026,384 in multi-family loans.

*Income Targets:*

- 18 zero-bedroom/one-bath apartments at 30% of AMI (PRAC)
- 72 zero-bedroom/one-bath apartments at 60% of AMI (PRAC)

Total Development Cost: $31.8 million | Cost Per Unit: $353,731

## Mayfair Commons

Serving the 39th Ward, Mayfair Commons will involve the preservation and rehab of 97 units for seniors that includes energy efficiency upgrades and interior renovations. North River Commission (NRC) constructed the building with City assistance in 1996-1997 and is now re-syndicating the property to leverage the investment necessary to sustain the building after the expiration of the original tax credits. The project benefits from $6,00,000 in housing revenue bonds, $3,551,498 in ARO funds, $272,009 in 4% credits generating $2,556,884 in equity, $500,00 in MAUI funding, and forgiveness of $1.4 million in interest on an existing City loan.

*Income Targets:*

- 4 studio apartments at 15% of AMI (MAUI)
- 7 studio apartments at 50% of AMI
- 9 one-bedroom apartments at 15% of AMI (MAUI)
- 54 one-bedroom apartments at 50% of AMI
- 1 one-bedroom apartment at 60% of AMI
- 18 two-bedroom apartments at 50% of AMI
- 3 two-bedroom apartments at 60% of AMI

Total Development Cost: $11.2 million | Cost Per Unit: $115,909

## The Concord at Sheridan

Serving the 49th Ward, the Concord at Sheridan will be a seven-story, mixed-use rental complex on a site leased from the CHA. The transit-oriented development will house a Target store, 136 underground parking spaces, and a community room serving an adjacent CHA senior building. The project benefits from $2,200,000 in multi-family loans and $850,608 in 4% credits generating $8,708,484 in equity.

- 1 studio apartment at market rate
- 1 one-bedroom apartment (small) at 50% of AMI (CHA)
- 3 one-bedroom apartments (small) at 60% of AMI (CHA)
- 1 one-bedroom apartment (small) at market rate
- 2 one-bedroom apartments (medium) at 50% of AMI (CHA)
- 5 one-bedroom apartments (medium) at 60% of AMI (CHA)
- 5 one-bedroom apartments (medium) at market rate
- 7 one-bedroom apartments (large) at 50% of AMI (CHA)
- 29 one-bedroom apartments (large) at 60% of AMI (CHA)
- 11 one-bedroom apartments (large) at market rate
- 2 two-bedroom apartments (small) at 50% of AMI (CHA)
- 7 two-bedroom apartments (small) at 60% of AMI (CHA)

- 13 two-bedroom apartments (small) at market rate
- 2 two-bedroom apartments (large) at 50% of AMI (CHA)
- 7 two-bedroom apartments (large) at 60% of AMI (CHA)
- 15 two-bedroom apartments (large) at market rate

Total Development Cost: $41.8 million Cost Per Unit: $376,782

## John Pennycuff Memorial Apartments

Located in the 1st Ward, the John Pennycuff Memorial Apartments will provide affordable housing for LGBTQ residents in a triangular, seven-story complex. Amenities include a community room, management offices, laundry facilities, an outdoor patio, and ground-floor commercial space. The project benefits from $16,000,000 in tax-exempt bonds and $563,598 in 4% credits generating $5,749,000 in equity.

- 28 studio apartments at 60% of AMI
- 35 one-bedroom apartments at 30% of AMI (CHA)
- 13 one-bedroom apartments at 60% of AMI
- 12 two-bedroom apartments at 30% of AMI (CHA)

Total Development Cost: $23.6 million Cost Per Unit: $268,182

## Lathrop Homes Phase 1A

Located in the 1st Ward, the first stage in the redevelopment of the Julia C. Lathrop Homes public housing complex will involve the gut rehab of 14 existing buildings and construction of one new building. The mixed-income development will have CHA replacement, affordable, and market rate units. The project benefits from $3,000,000 in City and $2,750,000 in IHDA 9% credits generating $60,944,000 in equity, $4,500,000 in donation tax credits generating $4,050,000 in equity, and $22,686,050 in historic tax credits generating $20,300,151 in equity.

- 3 studio apartments at 80% of AMI
- 15 studio apartments at market rate
- 29 one-bedroom/one-bath apartments at 30% of AMI (CHA)
- 24 one-bedroom/one-bath apartments at 60% of AMI (CHA)
- 7 one-bedroom/one-bath apartments at 60% of AMI ($725/month)
- 45 one-bedroom/one-bath apartments at 60% of AMI ($755/month)
- 2 one-bedroom/one-bath apartments at 80% of AMI ($1,026/month)
- 7 one-bedroom/one-bath apartments at 80% of AMI ($1,153/month)
- 31 two-bedroom/one-bath apartments at 30% of AMI (CHA)
- 6 two-bedroom/one-bath apartments at 60% of AMI
- 24 two-bedroom/one-bath apartments at 60% of AMI (CHA)

- 22 two-bedroom/one-bath apartments at 60% of AMI
- 1 two-bedroom/one-bath apartment at 80% of AMI
- 100 two-bedroom/one-bath apartments at market rate
- 19 three-bedroom/two-bath apartments at 30% of AMI (CHA)
- 13 three-bedroom/two-bath apartments at 60% of AMI (CHA)
- 11 three-bedroom/two-bath apartments at 60% of AMI
- 2 three-bedroom/two-bath apartments at 80% of AMI
- 46 three-bedroom/two-bath apartments at market rate
- 3 four-bedroom/two-bath apartments at 30% of AMI (CHA)
- 3 four-bedroom/two-bath apartments at 80% of AMI

Total Development Cost: $175.9 million Cost Per Unit: $426,037