1st Quarter 2003 Department of Housing Report
Analysis by Chicago Rehab Network

16 July 2003

The Chicago Rehab Network appreciates this reporting process as it represents a long tradition of maximizing city's resources and policies by reviewing the city's development. The City of Chicago is presently renewing its third consecutive five-year housing plan, for the years 2003 through 2008. It is conceivable that this third plan could be the most comprehensive approach yet. We are encouraged by the policy recommendations that are being considered as well as the dialogue about resources that has been added. Members of this Committee are already well-versed on these issues.

We do think it is appropriate that this Committee begin immediately to encourage the rest of the Council and the Mayor's office about why this five-year plan requires new resources.

Our analysis and report *Affordable Chicago: The Next Five-Year Housing Plan 2004-2008* demonstrates how the future of our City requires greater investment in affordable housing. A summary of our recommendations is included in this report. But first we will comment as to the progress in the first quarter of 2003.

First Quarter 2003 – Chicago Department of Housing		
Multi-family programs	**$ spent**	**units created**
Rehab & NC	$ 4,113,241	262
Rental Assistance	$ 7,181,120	2040
Safety & Code Enforcement	$ 56,325	212
MF Preservation	$ 1,057,188	312
Site Enhancement	$ -	0
Single family programs	**$ spent**	**units created**
Rehab & NC	$ 2,516,964	214
Abandoned Property Transfer	$ 40,000	23
Homeownership Assistance	$ 10,634,326	142
Improvement/preservation	$ 1,717,376	463

The SOS Children's Village profiled in this quarter's report is an innovative model that brings together city departments to provide services for a population with unique needs. In this case, the Department of Human Services located a revenue stream – the maintenance payments made to foster parents – and has leveraged that funding to create new housing. The unique benefits of collaboration, from construction cost savings to on-site services like daycare, will not just benefit residents of SOS Children's Village but also residents of Parnell Place and the surrounding Greater Grand Crossing community. This project exemplifies the Department's responsiveness to DHS and other departments, its creativity in leveraging new revenue streams, and its commitment to creating communities.

We are particularly pleased to see that the first buildings have been rehabbed under the Troubled Buildings Initiative. This Initiative directly addresses crime in disinvested areas by removing blighting buildings and strengthening neighborhoods; rescues historic buildings and repairs the urban fabric; promotes coordination between community policing and community planning functions; returns derelict properties to tax rolls; and, above all, provides affordable housing at a low cost to the city. As the *Chicago Tribune* has reported, the faces of many Chicago neighborhoods have been irreparably changed as thousands of historically significant buildings have been demolished over the years. This quarter, two vacant buildings with 47 units were rescued for just $200,000 – just over $4,000 per unit. Few programs are as cost-effective at achieving any of those housing, planning, or policing goals – much less all of them.

To be truly successful, the Initiative should place long-term affordability restrictions on these assisted buildings. Those restrictions can be made possible with layers of public financing, including tax-exempt bonds for rehabilitation of large buildings and Chicago Low Income Housing Trust Fund rental vouchers. Properly done, the Initiative offers a model for how the city can work to rebuild communities with affordable housing, and presents a financially viable alternative to demolition.

One potential model of how programs like the Initiative can help to restore Chicago's vibrant neighborhoods by reusing abandoned buildings can be found in the Rosenwald Garden Apartments. We urge the Department to collaborate with the new owner to uphold Julius Rosenwald's dream of creating a beautiful, livable home for low-income families in Bronzeville while also preserving a fine example of Chicago courtyard apartment housing. The Department could further enhance Chicago's neighborhoods by building on the Bungalow Initiative's success in spurring national interest in its historic housing. Similar initiatives could support and guide private rehabilitation of other historic Chicago building types: two-, three-, and six-flats, corner buildings and courtyards, and mixed-use buildings.

We encourage the Department in its attempts to find new uses for its bonding authority. The reintroduction of TaxSmart adds flexibility to the City Mortgage/Single Family Mortgage Credit Certificate program, making it a more useful program for both homebuyers and mortgage lenders. We also support the Department's move to reallocate funds from single-family to multifamily mortgage revenue bonds; this year's allocation of 50% more multifamily bonds could easily create 300-400 additional affordable rental units.

Even more affordable rental units could be created by reallocating additional bonding authority from programs like HomeStart and City Mortgage to multifamily projects. Because little demand has materialized for either HomeStart and City Mortgage funds – probably due to low interest rates available on the private market – we would recommend that the city proactively reallocate those dollars for rental development, where the need continues to be strongest. In 2003, the Department projects that 71.4% of those using the two single-family bonding programs will be households earning more than 80% of AMI – almost exactly the city's average income.[1] The city should target its affordable housing funding to Chicagoans with incomes below, not above, the city average.

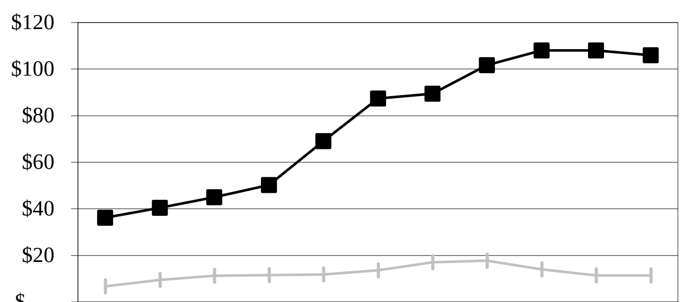
One of the primary areas that the 1998-2003 Affordable Housing Plan identified as a priority for Department improvement was in its outreach to Chicago's large and growing Latino community. According to the 1999-2003 Affordable Housing Plan, "For Chicago's Latino population… discriminatory barriers are compounded in housing markets where they have been particularly under-served by affordable

[1] According to the 2000 Census, per capita income in the City of Chicago was 80.7% that of per capita income in the Chicago PMSA.

housing providers and lenders… [and] hampered by language and cultural obstacles.” The bilingual Camino a Su Casa housing fair is a step in improving that direction, and the event’s large size – six times as many attendees as the Affordable Neighborhood Expo held just weeks earlier – testifies to a large latent demand for better housing information among Spanish speakers. The Department should more fully report on its progress to date in addressing the housing needs of Latino households, specifically since 1998.

The Illinois Housing Development Authority recently reserved $1 million of its 2003 Tax Credit equity for urban public housing redevelopment – much of which has gone to developments in Chicago. The Department has now indicated its willingness to coordinate funding application procedures with IHDA for these projects. Coordination between the Department and IHDA on funding should result in better decisions, less duplicated effort, less paperwork, less uncertainty, faster approvals, and potentially greater resource availability for applicants – all important to getting the task of reinventing public housing done. Once procedural changes are implemented for public housing redevelopment, we urge the Department to further coordinate its funding procedures with IHDA for all projects.

We acknowledge the Department’s role in advocating on behalf of affordable housing in Springfield. The State Housing Trust Fund legislation highlighted in the report unfortunately did not pass; in fact the state legislature cut the Trust Fund by more than $5 million dollars. The trust fund and its linked revenue source is an excellent model for the city, indeed, the state already dedicates half of its real estate transfer tax receipts to its Housing Trust Fund. The city’s revenues from the real estate transfer tax have ballooned in recent years; millions, perhaps tens of millions, of dollars could be leveraged for the Chicago Low-Income Housing Trust Fund if the Fund received dedicated revenues from this tax.



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
DOH Corporate Fund Expenses ($ millions)	6.8	9.5	11.3	11.6	11.9	13.6	17.1	17.8	14.0	11.4	11.4
Real Property Transfer Tax Revenue ($ millions)	36.2	40.4	45.0	50.2	69.1	87.4	89.5	101.7	108.0	108.0	106.0

Last week, the City Council took a major step forward in championing the cause of increasing federal housing funds by unanimously endorsing a resolution urging Congress to hear and approve the National Housing Trust Fund. The Trust Fund would use billions of dollars in unused federal mortgage reserves to provide financing for new affordable housing nationwide, including Chicago. We look forward to working with the city on the passage of this important legislation.

Next we would like to present a few points regarding Mayor Daley's Affordable Housing Commitment Ordinance that passed on April 9. With minor revisions, the ordinance has the potential to create thousands, not just hundreds, of additional affordable housing units every single year. Our analysis of the impact of these amendments is provided in order to inform you before they are considered in Committee.

Four amendments to the ordinance were introduced during City Council floor discussion:

1. Extending the 10% commitment to **all zoning map amendments** which create 10 or more housing units. In 2001, the City Council approved 216 upzones which increased permissible residential density: 142 residential and 114 mixed-use. We estimate that this would have created commitments to build 1,500 affordable units in 2001 alone – which would triple the Department's annual creation of homeowner units.
2. Extending the 10% commitment to **all Planned Developments** approved by the City Council. In 2001, the Plan Commission approved 36 Planned Developments that included residential units. This would have created commitments to build 1,248 units in 2001 (excluding Planned Developments which already committed to providing more than 10% affordable units). This amendment would more than double the Department's annual creation of homeowner units.
3. Extending the 10% commitment to **all sales of city land**, not just those at below market prices. As of 2001, the city owned 8,568 vacant lots. At two units per lot, this is enough land for 17,136 units as lots are built out, of which 1,714 would be affordable.

    Attached is a map showing where the city currently owns vacant land – predominantly on the west and south sides of the City in areas struggling from years of disinvestment. Though we know those communities in fact need good quality affordable housing, it seems incongruous with other city policies that promote mixing incomes and de-concentrating poverty. If the city is serious about creating affordable housing opportunities throughout the city, it will have to focus on more than just subsidized city-owned land. At a minimum, this ordinance should apply to all city owned land, regardless of value.
4. **Lowering the income targets** so that households earning less than 80% or 50% of AMI can benefit, instead of the current 100% or 60%. As mentioned above, the city's average income is approximately 80% of AMI; targeting resources above this level (as the ordinance does by setting a 100% of AMI target for homebuyer units) makes little sense. Also, the Low Income Housing Tax Credit already generates rental units at 60% of AMI, but few under 50% of AMI.

Household Size	**100% AMI** (current—owner)	**80% AMI** (proposed)	**60% AMI** (current—renter)	**50% AMI** (proposed)
2 persons	$60,300	$45,200	$36,200	$30,150
3 persons	$67,900	$50,850	$40,750	$33,950
4 persons	$75,400	$56,500	$45,250	$37,700

Source: Department of Housing, Table for 2003 Income Limits

The Chicago Rehab Network estimates the above noted amendments could result in a net increase of 1,600 affordable units produced annually, over and above those created under the ordinance as currently written.

Finally, we ask that you review our analysis and recommendations for housing policy for the next 5 years.

The six main recommendations are that:

- Development must be guided by the principle of long-term affordability, specific to local, place-based assets and needs. Chicago's many neighborhoods have different needs, but all need investments in affordable housing.
- City departments must coordinate efforts to make affordable housing a priority, while also working transparently and efficiently. The Department of Housing cannot solve Chicago's affordability crisis alone; it must work with other departments to ensure that the city is investing all the resources it has to strengthen communities. In particular, the Departments of Planning, Buildings, and Zoning should set goals and report on them publicly, as the Department of Housing does.
- Nonprofit developers should receive priority in all funding and resource allocations. Over the past four years, only 26% of rental units funded by the Department were developed by nonprofits – even though nonprofits typically do a better job at creating lower income units, preserving and maintaining housing, and rebuilding communities.
- The city should commit 2% of its corporate budget to affordable housing annually, up from a current 0.03% annually. This would result in an increase from $15 million to $95 million per year – helping to offset recent declines in federal funding, leveraging more capital resources for housing, and sending a clear signal that the city is truly willing to make affordable housing a priority.
- 60-75% of all housing funds should go to rental housing. Investments in neighborhoods should be tailored to the local housing stock. Rental housing is needed throughout the city, but the private market has not responded to this need. The city needs to step in with funding for affordable apartments.
- All public resources for rental housing should be targeted to households earning below $36,500 for a family of four; resources for the purchase of single-family housing should go to those earning less than $49,000. Currently, many "affordable housing" resources go to help Chicagoans with incomes above the city average. The city could more effectively assist those with housing needs by targeting resources for those with lower incomes.

We have sent reports to each alderman and can meet with you to discuss our recommendations more fully.