



Chicago Rehab Network
Analysis of the DCD Quarterly Report
3rd Quarter, 2010
Presented December 9, 2010

Introduction

We are pleased to present our analysis of the 3rd Quarter 2010 housing production by the City of Chicago. After emerging from a difficult budget process, we are in front of another significant city reorganization that would merge the Zoning Department with the Department of Community Development and create the new Department of Housing and Economic Development. The significance of the change underway in the Department is indicated by the fact three years ago the then Department of Housing budget was approximately \$32 million alone and now the merger of four different departments have a total budget of \$26 million. This streamlining certainly underscores the challenges and opportunity for all of us to reinforce the foundation of affordable housing in all our communities.

We welcome the appointment of Mr. Andy Mooney, a long-standing leader, friend and advocate for affordable housing and community development, to spearhead this transition on an interim basis. As the Department navigates through the merger, we have attached a copy of the first part of our recently released **Building Our Future Chicago Toolkit** which can be used to understand the dynamic changes across Chicago's neighborhoods and help the Department of Housing and Economic Development determine its priorities. We are creating this resource as a tool to empower residents, decision-makers and policy leaders with the necessary information about their neighborhoods.

The first part includes the most recent housing and income data for the City and its communities. Notable facts and trends include:

- A 13 percent unemployment rate, or nearly 195,000 Chicagoans
- A decline of 8 percent in median household income
- 23,250 newly filed foreclosures in 2009
- More than half of Chicago households are housing cost burdened

There will be subsequent releases to come that highlight the expertise of the non-profit development field and community-based organizations as well. For more information about Building Our Future Chicago Toolkit, you can visit our website at www.chicagorehab.org.

Finally, the merger of the Planning, Housing, and Workforce Development departments into the Department of Community Development two years ago continued the quarterly reporting process. We expect this practice to be reinforced through this reorganization. It is this process which continues to serve as a model for transparency, accountability and good government practice. We look forward to more opportunities to contribute to the performance of the City's affordable housing and community development work.

About the Quarterly Reports

It is important to remember the intent and value-added by the Five-Year Plan and Quarterly Reporting process, especially as key aldermen, government leaders who helped spearhead the initial effort are no longer in office or soon retiring.

CRN has worked closely with the City of Chicago since the founding of the Department of Housing in 1980. In 1993, CRN organized over 260 community organizations and advocates across the city to push for better affordable housing and job opportunities from the City in what we called the *Affordable Housing and Jobs Campaign*. The Campaign called for the increase in investment in affordable housing that is targeted to low and moderate income populations, expand jobs and the property tax base, and stimulate the overall economy.

The result of this significant effort is the creation of the Five Year Affordable Housing Plan and more importantly, a commitment from the City to report on its progress quarterly to this Housing Committee. The first Five-Year Plan committed \$750 million to create and preserve 18,000 units of affordable housing. Since then, the City's commitment to affordable housing has grown and we are now in our fourth Five Year Plan with a goal of committing more than \$2 billion to create and preserve over 50,000 units by 2013.

Key Findings and Recommendations

- **The City of Chicago has been awarded \$16 million in additional NSP funding and more may be on the way.** According to HUD guidelines, the City will have to submit a plan for NSP3 similar to NSP1 which will also include a public comment period. This is an opportunity to conduct a review of the previous NSP and determine ways to improve the program in this third wave of funding.
- **The Department reports that at the end of the third quarter, the City has committed 100 percent of its NSP1 grant.** The Department reports acquiring a total of **343 units in 85 properties** since the start of NSP.
- **The TBI-Condo Deconversion Program** is reported for the first time this quarter. The Department reports assisting 160 units in nine different wards.

Third Quarter Activities

The Department reports a commitment about \$21 million to assist 493 multifamily units, \$9 million for 149 homeownership units, and \$4.5 million to preserve and improve 518 units in the Third Quarter. To date, the Department reports the following progress:

- **Multifamily:** \$276 million (90% of goal) for 5,246 units (82% of goal)
- **Homeownership:** \$26 million (32% of goal) for 519 units (43% of goal)
- **Improvement and Preservation** \$12 million (66% of goal) for 1,468 units (75% of goal)

New Unit Production – January - September 2010 Production and Commitments

CRN makes adjustments to the total multifamily units in the Department's housing production. Rental Subsidy and Heat Receivership programs are important tools for maintaining affordability in existing units in many neighborhoods across the City. But in order to more accurately represent the number of newly created or preserved multifamily units, the units under the Chicago Low Income Housing Trust Fund Rental Subsidy program, which are renewed annually and Heat Receivership are subtracted from the total. We believe that net results show a more accurate accounting of multifamily unit production.

After these adjustments, the net year-to-date multifamily new production added to the overall City's rental housing stock amounts to **1,691 units** of the multifamily goal. (See Table 1).

Table 1. CRN Analysis of Unit production: January – September 2010

	Projected Units	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	YTD Total	% of Goal
Multi-Family*	6,387	1,803	1,246	982	981	95	22	117	5,246	82.14%
Less Rental Subsidy Units	-3000	-1,718	-970	-	-	-	-	-	2,688	
Less Site Improvements and Heat Receivership Units	-1,170	-120	-132	-407	-120	-75	-9	-4	-867	
Net MF New Units**	2,217	-35	144	575	861	20	13	113	1,691	
Single Family less Multiple Benefits	1,186	-1	5	47	34	135	112	186	518	43.68%
Improve and Preserve	1,950	95	387	689	70	133	75	19	1,468	75.28%

*Net Multi Family units after subtracting units receiving multiple benefits
 **These are new Multi Family units created through DCD programs not counting units assisted by the Low-Income Housing Trust Fund which are renewed every year, Supportive Housing Rental Assistance, and Safety and Code Enforcement Programs.

Third Quarter Approved Multifamily Developments

The Department approved 4 developments this quarter. All are new construction projects; two of which are HUD Section 202 Senior Housing developments (including one project for Grandfamilies), one mixed-income rental housing, and one veteran’s housing. We are pleased to highlight that the non-profit community development field is well-represented in this quarter’s approved multifamily projects. This demonstrates the nature, scope and range of these key city partners in creating housing for the neediest populations.

Naomi and Sylvester Smith Senior Living Center

- New construction of HUD Section 202 Senior housing in Auburn Gresham
- Received \$9.5 million in Section 202
- Seven city parcels valued at \$357,000 for \$1 which generated \$142,000 on Donations Tax Credit equity
- Cost per unit: **\$205,387**
- **Income targets:**
 - 60 one bedroom units at < 50% AMI (\$30,050 for 2-person household)
 - Tenants will receive rental subsidies

Independence Apartments

- New construction of mixed-income rental units in seven six-flat buildings
- Part of Homan Square redevelopment
- Received \$4.6 million in equity generated by State LIHTC
- Cost per unit: **\$208,722**
- **Income targets:**
 - 9 units with project-based CHA vouchers
 - 24 units at < 60% AMI
 - 9 units at Market rate

Roseland Village Intergenerational Apartments

- New construction of HUD Section 202 Senior apartments in Roseland specifically for grandfamilies.
- Received two city parcels valued at \$360,000 for \$1 which generated \$144,000 on Donations Tax Credit equity
- Cost per unit: **\$387,608**
- **Income targets:**
 - 6 3-bedroom units at < 50% AMI (\$37,550)
 - 4 4-bedroom units at < 60% AMI (\$45,060)

Hope Manor

- New construction of 50 units of affordable housing for at-risk veterans with job training and other social services provided by Volunteer of America
- Received \$1.3 million in State Section 1602 funds from the Recovery Act
- 30 Studios, 10 2-bedroom units, and 10 3-bedroom units
- Cost per unit: **\$287,364**
- **Income targets:**
 - 50 units at < 30% AMI (\$22,500)

Neighborhood Stabilization Program

NSP1 Progress

At the end of the Third Quarter, the Department reports full obligation of NSP1 funds by September 30, 2010 as mandated by HUD. HUD publishes an **NSP Grantee Snapshot Report** for all NSP recipients in order to track and measure progress for all grantees and makes them publicly available at www.hudnsphelp.info. Below is a summary of NSP Commitments from latest Snapshot Report for the City of Chicago (September 2010, see attached):

- As of September 30, 2010, **\$55,238,017**, or **100 percent** has been committed
- **\$20,100,704**, or **36.4 percent**, of NSP funds were targeted to low-income households (at or below 50 percent of the area median income). This is well-above the mandated 25 percent target.
- **All funds must be spent by March 2013**. As of September 30, 2010, **\$7,283,060**, or **13.2 percent**, has been spent.

According to the Third Quarter Report, the Department's NSP1-acquired units are as follows:

- Units acquired with NSP through September 30th: **343 units in 85 properties**
- Construction started: **84 units (12 properties)**

NSP3 and Recaptured NSP1

Last quarter, we brought up additional NSP funding pools on the way: \$16 million in NSP3 and any funds from recaptured NSP1. According to HUD guidelines, the City will have to submit a plan similar to NSP1 and hold a public comment period for NSP3 and for the recaptured NSP1. This means that there is opportunity to re-evaluate the first two NSPs, look at the challenges involved in implementing the programs, and find ways to improve through the NSP3 plan. We at CRN are certainly available and would be happy to provide input to help make NSP3 a success.

TIF and City Budget

In order to help plug the City's budget deficit, the City declared a surplus in two dozen TIF districts to balance the budget. During the Budget hearings, the Budget Department mentioned that these districts were selected with the assumption that the increment can be re-generated within the 1-2 years. **What system of accountability will be put in place to make sure that the replenishment of the surplus is on target in the next couple of years?**

TaxSmart/Mortgage Credit Certificate

This program is an income tax reduction given to eligible homebuyers equal to 20 percent of interest paid on a mortgage. After very little activity in quite some time, this quarter the Department reports assisting 19 units with an aggregate mortgage value of \$3,755,143¹. This averages out to a mortgage value of \$197,639 per unit. **Is this program being used in conjunction with the NSP program? Are any of these units assisted in the Third Quarter part of NSP?**

TBI-Condo Deconversion Program

The TBI-Condo Deconversion Program activity is reported for the first time this quarter. The Department reports assisting 160 units in nine different wards (see Fig. 1). **What are the income targets for these units? Are any of these units occupied?** We recommend that future reporting for the TBI-Condo program include the status of the property and income targets.

We are concerned that as the economy stabilizes in the future, owners of deconverted buildings may opt to convert these units back to condominiums and the initial investment to create affordable rental housing would be lost. **What instrument(s) is the City using in order to ensure long-term affordability of these properties, such as the Community Land Trust and the Affordable Housing Preservation Ordinance?**

¹ It is important to note that the Department reports the value of the mortgage assisted rather than the actual subsidy provided under the TaxSmart/Mortgage Credit Certificate, which is 20 percent of the interest paid on the mortgage. The actual subsidy is therefore significantly lower than the reported dollars committed (\$3,755,143)

Fig. 1 TBI Condominiums – Third Quarter Progress

Department of Community Development
TROUBLED CONDOMINIUMS INITIATIVE
January 1 - September 30, 2010

Primary Address	Ward	Number of Residential Units
4914 N. Spaulding	39	7
3550 W. Franklin	28	17
6236 S. King Drive	20	36
4750-58 S. Calumet	3	21
7515 N. Seeley	49	11
7956-58 S. St. Lawrence	6	12
6157-59 S. Washtenaw	15	15
1448 E. 67th Place	5	6
6016 S. Prairie	20	8
4412 S. Prairie	3	6
6857-59 S. King/400 E. 69th St	20	9
3714-16 W. Wrightwood	35	12
	TOTAL	160