Analysis of the Fourth Quarter 2011 Housing Report

***Accepting the Challenge:* Five Year Affordable Housing Plan, 2009-2013**
Presented March 7, 2012

Introduction

We welcome Managing Deputy Commissioner Mr. Lawrence Grisham to the Department and to these Hearings. We recognize his long standing involvement in and commitment to community development and neighborhood empowerment and support his appointment and leadership. Last quarter we remarked that one of the new initiatives in the FY 2012 city budget is a new dedicated housing revenue fund for delegate agencies. We support this new fund as it is aligned with such a fundamental part of Chicago's growth: neighborhood development. Delegate agencies serve as the first point of contact for Chicago communities by providing much-needed economic and community development assistance and maintaining healthy and stable neighborhoods. The Administration's and the city council's Housing and Real Estate Committee's continued support and partnership with delegate agencies ensures that their invaluable role in the community and the City as a whole is sustained. Last week the role of community anchors, the CDCs, who receive "delegate agency funding" was affirmed by the broader Chicago community with the release of World Business Chicago's report: *A Plan for Economic Growth and Jobs.* Of the ten strategies outlined for the region's prosperity neighborhood development was recognized as a fundamental component:

> "Develop and deploy neighborhood assets to align with regional economic growth. We should nurture neighborhoods that foster continuous development of talent, businesses, and real-estate assets. We should design policies and programs that enable neighborhoods to leverage their unique economic assets that specifically support the strength and growth of small- and medium-size enterprises (SMEs), minority- and women-owned enterprises (MBE/WBEs) and Business Enterprises owned by People with Disabilities (BEPDs), and the emergence of mixed use communities that attract and serve residents with convenient transportation, robust communication networks and vital markets."

At CRN, Our Build Our Future Chicago developed an equivalent strategy. CRN's first principle is "Deploy Expertise" in such a way that invests in the knowledge, experience and stewardship of community development corporations (CDCs) and organizations. Deploying expertise is meant to harness the talent of the community and use that as a basis for reforming and improving development to better align the investments to maximize community impact. The Fourth Quarter housing report provides the evidence for that strategy on the ground. All four multifamily awards, just like the previous quarter, went to placed based nonprofits accountable to local neighborhoods that exhibit a wide range of expertise in community development.

Policy Updates and Related Issues

"On December 16, 2011, HED accepted a density bonus payment of $2,920,844 to the Affordable Housing Opportunity Fund, "highlighted the Fourth Quarter Progress Report. This came as welcome news to all those involved in the field of community development and represents a "win-win" for smart public policy. It appears from the Department's report this commitment was first generated in 2009 underscoring the length of time involved in development. We remain interested if any of the recent increase in real estate development downtown will also be generative of bonus payments. At the 3rd Quarter hearing, we reported on a recent article in Crain's Chicago Business reports that **more than 5,600 apartments** are expected to enter the downtown market alone by the end of 2014.[1] That level of production has the potential to generate millions of dollars for the Affordable Housing Opportunity Fund or hundreds of units of new affordable housing.

The Affordable Requirements Ordinance is activated in the fourth quarter at Webster Place with an in-lieu of payment for 17 units anticipated at $1.7 million. Webster Place previously was a project based section 8 assisted property that exited the federal program.

Prioritizing Rental Housing

The National Housing Conference released last month their *Annual Look at the Housing Affordability Challenges of America's Working Households* study showing that affordability needs continue to rise as more people find their wages and income insufficient to meet today's cost of housing:

> Nearly one in four working households spends more than half of its income on housing costs. Moreover, despite falling home values, housing affordability worsened significantly for working owners and renters between 2008 and 2010.

This corroborates the report last fall by DePaul University's Institute on Housing Studies, *The State of Rental Housing in Cook County,* which indicated the ongoing lack of affordable housing in our region will worsen in the coming years. According to the study, there was a shortage of 180,000 affordable housing units in Cook County in 2009, an increase of 9.1 percent since 2005. Considering the impacts of the foreclosure crisis, the ongoing economic slump and unemployment, and increasing demand for rental housing, the study indicates that the gap in affordability will likely increase to 233,000 units by 2020. Since nearly three-quarters of all renters in the County are in Chicago, the shortage will disproportionately impact the City of Chicago. Preservation of existing affordable stock is therefore fundamental for the City's workforce and neighborhood stability.

Federal Housing Resources

The recently released White House Budget (FY 2013) provides little promise for growing community development programs. According to Enterprise "the actual budget authority request for $35.3 billion is a 7.6 percent decrease compared to the FY 2012 enacted level." The HUD budget (attached) has some improved funding for certain programs and decreases in others. Public Housing Capital and Operating Funds, Section 202 and Housing

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[1] Gallun, Alby. *Rent, occupancies slip in downtown Chicago.* Crain's Chicago Business, Nov. 21, 2011. Accessed Nov 23, 2011 http://www.chicagobusiness.com/article/20111119/ISSUE01/311199982/rent-occupancies-slip-in-downtown-chicago

Counseling Assistance were requested at funding levels higher than FY 2012 enacted appropriations. The Enterprise report further highlights: "Funding for the HOME Investments Partnership Program (HOME) was requested equal to FY 2012 enacted appropriations—a 38 percent reduction from FY 2011 levels—and the Administration FY 2013 request for the Project Based Rental Assistance (PBRA) program was $640 million below FY 2012 levels, a level that would require short-funding of existing contracts. Although not funded in FY 2012, the President's request included $1 billion for the initial capitalization of the Housing Trust Fund and $100 million for the Sustainable Communities Initiative for FY 2013."

While the much needed attention to resources and programs for homeless assistance continued to grow in the administration's budget, many other resources are dangerously at risk of not meeting current renters and owners level of support. Significant cuts in national housing programs overall will weaken the city's capacity and the assisted stock in Illinois appears to be supported at insufficient levels to meet present commitments – leaving up to an estimated 40,000 units at risk across the state.

The City should focus its housing and economic development goals toward innovative ways to preserve rental housing and minimize displacement. Pivotal to this will be a stronger focus on housing occupancy or retention strategies to be among the City's ongoing priorities. Keeping people in homes will be an investment in them, our communities and our cities. We look forward to working with this Committee, the City and our communities to develop the innovation to try new strategies.

Key Findings – Fourth Quarter

- **The Department reports committing about $315 million of total funds—or 72 percent of the year's resource commitment goal. This is $137 million off the total anticipated funds of approximately $452 million.** The shortage is largely in multi-family funds. TIF and other programs are less than 50% allocated. How will the Department recover the shortage or refocus programs?
- **According to ChicagoNSP.org, the City of Chicago has completed 101 units in 44 properties and sold or leased 21 units in 15 properties under the Neighborhood Stabilization Program as of January 9, 2012.**
- **The Department approved four Multifamily Rental Projects this quarter:** This includes importantly, and remarkably, 98 units of family housing of <u>three or more bedrooms</u> and 61two bedrooms, 17 market rate units and the remainder one bed room units comprising an overall total of 204 units. All four developments are not-for-profit with each incorporating various strategies that focus on families.
- **With the acute cut in federal resources, securing and leveraging local resources—private and public—remains a top priority.** Reviewing and building on programs like Downtown Density Bonus and Affordable Requirements Ordinance will be an important focus.

<u>Neighborhood Stabilization Program Update</u>

This NSP program represents a significantly large enterprise of the city with three awards totaling $169 million over the past several years. Now reporting 21 units to have been sold or leased up over this period, it is incumbent upon us to learn from the program and determine what could lead to strategies for improvement. While claims of a broader economic development strategy, - as has often been the case in discussing the Neighborhood Stabilization Program - are important, they cannot happen in a vacuum and without the consideration of community development that recognizes housing as foundational. Simply put, the number of mailboxes matter. Chicago needs a retention strategy that keeps housing occupied.

The "lost decade" economically certainly did not take into account an accurate matching of housing supply with the actual demand base on people's ability to pay. Under the current NSP, we should know who is being housed through the program - what household income levels are being served?

The most recent progress on NSP (as of January 9, 2012) according to ChicagoNSP.org shows 101 units in 44 properties have been completed and 21 units in 15 properties have been sold or leased. This represents nearly a doubling of both the number of units and properties being completed and the addition of 21 units in 15 properties that have been sold or leased since the last NSP report two months ago (October 2011). The NSP report acknowledges a total of 784 units in the NSP process, including final disposition of the noted 21 properties; however, only 627 are actually accounted for in some stage the process – a difference of 20%. What is the explanation to account for the additional 157 properties?

Analysis of Fourth Quarter Activities

The Department reports committing about $315 million to support more than 7,800 units through the fourth Quarter of 2011—or 72 percent of the year's resource commitment goal and 97 percent of the year's unit production goal.

The total resource commitments tracked below year end anticipated goals. A sample the activities by program, there are some important considerations:

1. TIF Subsidies were allocated at $15,748,136 which represented only 49.05% of the year end goal of $32,109,356.
2. City land write downs and City Fee Waivers were at 48.76% and 52% utilization respectively.
3. Multi-year Affordability through Up-Front Investments (MAUI) totaled $702,653 significantly less than the budgeted $2,000,000.
4. It does not appear the budgeted multifamily Site Improvements of $1,142,000 were allocated, nor the $57,100 anticipated for single family site improvement.
5. NSP acquisition commitments for both MF and SF surpassed total anticipated fund goals, whereas the rehab allocation for both tracked considerably lower.
6. The Troubled Building Initiative for multifamily with a total of 1,289 units served represents 171.87% of projected goal and, next to the Trust fund program, accounts for the second highest contribution to overall units served.

Resource commitments overall for the first three years of the five year plan are reported by the Department to be at 47% ($930 million) of their allocation goal with a corresponding unit goal assistance rate at 51% .

Rental Subsidy units including the **Low-Income Housing Trust Fund**, which are renewed annually, Heat Receivership units, which is a program under Safety and Code Enforcement and Site Improvements units, are subtracted by CRN from the multifamily total in order to obtain a more accurate representation of actual multifamily units created. **After these adjustments, the net year-to-date multifamily new production through the fourth quarter added to the overall City's rental housing stock amounts to 2,054 units.** (See Table 1)

Table 1. CRN Analysis of Unit Production: January – December 2011 Year-to-Date

	Projected Units	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	YTD Total	% of Goal
Multi-Family*	5,662	2,011	1,070	868	358	815	128	96	5,316	94%
Less Rental Subsidy Units	*-2,643*	*-1961*	*-882*	-	-	-	*0*	*0*	*-- 2,843*	
Less Site Improvements and Heat Receivership Units	*-489*	*-23*	*-101*	*-232*	*-74*	*-19*	-	-	*-449*	
Net MF New Units**	*2,217*	*27*	*87*	*636*	*284*	*796*	*128*	*96*	*2,054*	92.6%
Single Family less Multiple Benefits	1,186	0	14	43	28	280	89	168	*622*	52.4%
Improve and Preserve	1,950	83	313	539	92	162	96	38	1,881	96.46%

*Net Multi Family units after subtracting units receiving multiple benefits
**These are new Multi Family units created through DHED 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.

Approved Multifamily Developments

The Department approved four Multifamily Projects this quarter:

Borinquen Bella Apartments
Major rehabilitation of 47 multifamily units in Humboldt Park will be undertaken by Latin United Community Housing Association (LUCHA), a non-profit development corporation and will serve mostly families with over half being three bedrooms:

- **Income targets:**
  - Serving at or below 50% AMI ($37,400 for a family of four)
    - 3 one-bedroom units
    - 3 two-bedroom units
    - 4 three-bedroom units
  - Serving at or below 60% AMI ($44,880 for a family of four)
    - 16 two-bedroom units
    - 21 three-bedroom units
- **Total development cost**:$11,761,926; **Per unit cost**: $250,253

North and Talman Phase III
Conversion of vacant warehouse into 27 rental units and three newly constructed two-flats will complete the third phase. The income targeting below highlight mix income significantly:
Income targets:

- **Income targets:**
  - Serving at or below 30% AMI ($22,450 for a family of four)

        - 2 one-bedroom units
        - 1 two-bedroom unit
        - 1 three-bedroom units
    - Serving at or below 40% AMI ($29,925 for a family of four)
        - 2 one-bedroom units
        - 2 two-bedroom units
        - 1 three-bedroom unit
    - Serving at or below 50% AMI ($37,400 for a family of four)
        - 4one-bedroom units
        - 4 two-bedroom units
        - 3 three-bedroom units
    - Serving at or below 60% AMI ($44,880 for a family of four)
        - 4 one-bedroom units
        - 5 two-bedroom units
        - 1 three-bedroom unit
    - Serving at or below 80% AMI ($59,850 for a family of four)
        - 2 one-bedroom units
        - 1 two-bedroom unit
        - 1 three-bedroom unit
- **Total development cost**: $13,283,128; **Per unit cost**: $402,519

<u>Renaissance Apartments</u>

Rehabilitation of 117 unit rental properties located on six scattered sites by Preservation of Affordable Housing (POAH) in Woodlawn neighborhood contributing to the redevelopment of Grove Park:

Income targets:

- **Income targets:**
    - Serving at or below 30% AMI ($22,450 for a family of four)
        - 14three-bedroom units
        - 6four-bedroom units
    - Serving at or below 50% AMI ($37,400 for a family of four)
        - 2 one-bedroom units
        - 17 two-bedroom units
        - 8four-bedroom units
    - Serving at or below 60% AMI ($44,880 for a family of four)
        - 5 one-bedroom units
        - 12 two-bedroom units
        - 27 three-bedroom units
        - 9 four-bedroom units
        - Serving market rate
        - 6two-bedroom units and 7 three-bedroom units

- **Total development cost**: $16,068,569; **Per unit cost**: $137,338

Resurrection Homes Rental Project

The Resurrection Project (TRP) will convert seven unsold New Homes for Chicago units in three buildings to affordable rental housing.

Income targets:

- Serving at or below 50% AMI ($37,400 for a family of four)
  - 5 two-bedroom units
  - 2 three-bedroom units
- **Total development cost**: $779,747 ; **Per unit cost**: $111,392

APPENDIX

Table 1. Commitments and Unit Production Totals Reported by Department of Housing and Economic Development – Year to Date 2011

	Total Projected Commitments	1st Quarter Commitments	2nd Quarter Commitments	3rd Quarter Commitments	4th Quarter Commitments	YTD	% of Goal
Multi Family	$355,442,732	$37,662,400	$88,847,694	$64,887,443	$41,587,116	$232,984,653	65.55%
Single Family	$63,504,100	$13,483,715	$15,665,742	$20,048,230	$19,260,593	$68,458,358	107.80%
Improve and Preserve	$16,042,832	$1,640,951	$3,536,947	$4,422,583	$4,604,558	$14,205,,039	88.54.84%
Programmatic Applications	$1,250,000	$0	$0	$0	$0	$0	0.00%
Total	$436,239,664	$52,787,066	$108,050,383	$89,358,256	$65,452,267	$315,648,050	72.36%

	Total Projected Units	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	YTD	% of Goal
Multi Family	5,662	3,427	475	418	996	5,316	93.89%
Single Family	597	112	161	217	136	622	104.19%
Improve and Preserve	1,780	201	382	744	554	1,881	105.67%
Total	8,039	3,740	1,018	1,379	1,686	7,819	97.26%