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Analysis of the DOH Quarterly Report
4th Quarter, 2007

Introduction

We are pleased to present our analysis of the Department of Housing's 4th Quarterly report for 2007. This past year was a difficult one in housing. Increasing foreclosures and mortgage defaults, the collapse of the subprime lending industry, rising consumer and gas prices all are contributing to a precarious housing market and a somber economic picture.

The Department of Housing reports that the housing slump and the downturn in the condo market are having adverse impacts on the City's market-driven initiatives such as CPAN, ARO and the Downtown Density Bonus. Furthermore, rising development costs, with emphasis on multifamily construction and rehab, and the weakened equity market for tax credits, will be real challenges in coming years.

And so we enter the final year of the Department of Housing's third Five-Year Plan with cautioned optimism; that we can forge through these challenges with the awareness of what lies ahead and anticipating the housing needs of those who have been burdened by their housing costs. We are also mindful of the impacts of a slowing housing market. Fewer housing transactions mean a decrease in transaction taxes collected by the State and the City and this becomes a detriment to the availability of housing resources that are dependent upon funding from this tax revenue.

The foreclosure crisis is hitting all of our neighborhoods. Attached is a summary of foreclosure activity in January and February 2008 to get a view of the magnitude of this situation. Much of the progress led by community development corporations over the last 40 years is at risk from the destabilizing effect of this in our communities. The homeowners at risk are diverse in their predicaments – adjustable rate mortgages, subprime lending and conventional lending are all involved through both legal and questionable practices.

A key factor that must not be ignored is the overinflated housing prices that have been well documented – especially as it has relates to housing cost burden. Too often housing policy has leaned towards a belief that upper income market housing would "lift all tides" in a neighborhood. This current economic tornado challenges that viewpoint.

We have been meeting with local decision makers, federal legislators, and national coalitions to ensure that the coming proposals to purchase these foreclosed homes consider three important principles. First, prioritize nonprofits as developers of choice. These groups have knowledge of local markets, accountability to community, experience managing property, and ability to move foreclosed homes from rental usage to homeownership over a period of years. Second, many families could stay in their properties if converted to lease arrangements with a plan to move towards ownership. For homes that are already vacant, they could fill a deep need for rental housing on a permanent or temporary basis. Third, affirmative efforts must be taken by all levels of government to ensure that these properties are not dominated by the speculative market, but rather, to assure that they become quality affordable housing.

We encourage the City and aldermanic leaders to be mindful of policies which create long-term sustainability for communities and families.

Fourth Quarter 2007
New Unit Production- January 2007 - December 2007

The tables below show commitment levels and units assisted in 2007. The Department has exceeded its Multi-family and Single family dollar commitments for 2007 but fall short in Improvement and Preservation of Homes. Units production were fell under the year's goals as well.

It is important to note that 245 of the 246 multi-family units serving households with incomes at or above 101% of the area median income are in the 188 W. Randolph development (3rd Quarter) and assisted by the Historic Tax Credits, which is reported with the Low Income Housing Tax Credit. The Historic Tax Credit program does not require affordable housing and thus, we recommend that future reporting would track the Historic Tax Credits and Low Income Housing Tax Credits separately.

For the year 2007, DOH had projected commitments of over $300 million to support 7,930 units. DOH reports that its actual multifamily commitments total over $341 million to create 6,315 units, reaching 112% of the year's goals but only 80% of the year's unit goals. After subtracting Trust Fund units and Heat Receivership units, and Historic Tax credit units, the new affordable multi-family units total 2,577.

Table 1. Commitments and Units Overview- January 1, 2007 – December 31, 2007

	Projected Units	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	YTD	% of Goal
Multi Family	7930	2943	1318	1002	1052	6315	79%
Single Family	2014	436	533	552	347	1868	93%
Improve and Preserve	2365	489	464	437	674	2064	87%

	Total Anticipated Funds	1st Quarter Commitments	2nd Quarter Commitments	3rd Quarter Commitments	4th Quarter Commitments	YTD	% of Goal
Multi Family	$305,474,949	$16,987,691	$47,459,994	$192,062,794	$84,852,511	$341,362,990	112%
Single Family	$214,808,750	$74,582,825	$85,382,575	$90,560,906	$48,175,582	$303,219,965	141%
Improve and Preserve	$21,401,500	$3,360,892	$4,471,882	$2,864,602	$5,754,609	$16,449,403	77%

Table 2. Multifamily Production Overview- January 1, 2007 – December 31, 2007

	Unit Goal	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	YTD Total	% Goal
Multi-Family*	7,930	2285	1481	1468	613	221	1	246	**6315**	**80%**
Less Rental Subsidy Units	-	*-1523*	*1025-*						**-2548**	
Less Heat Receivership Units	-	*-317*	-	-	-	-			**-317**	
Less Historic Tax Credit Units	-							*-245*		
Net MF New Units**	**-**	**413**	**314**	**1141**	**511**	**196**	**1**	**1**	**2577**	**32%**
Single Family less Multiple Benefits	2014	2	10	87	108	543	518	560	**1862**	**93%**
Improve and Preserve	2365	102	518	786	156	265	181	56	**2064**	**83%**

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

Multifamily Programs

Below is a chart of unit production by multifamily programs. The Low Income Housing Tax Credit Program, a program that is also affected by the slowdown in the housing market, shows that it is taking more resources to produce units.

The 25% shortage of Multifamily Loan resources shown in Table 3 is significant. Is this a shortage of federal funds or from Chicago Corporate budget allocations?

Table 3. Units and Commitments by Multifamily Program - January 1, 2007 – December 31, 2007

MULTIFAMILY PROGRAMS	UNITS GOAL	ACTUAL	% OF GOAL	$ GOAL	ACTUAL	% OF GOAL
Multi-family Loans	1000	862	86.20%	$34,744,254	$25,863,581	74%
Affordable Rents for Chicago (ARC)	80	110	137.50%	$6,700,000	$5,663,896	85%
TIF Subsidies	645	730	113.18%	$19,350,000	$22,223,034	115
Tax Credit equity	1600	1587	99.19%	$87,000,000	$106,173,550	122%
Multi-family Mortgage Revenue Bonds	1100	1111	101.00%	$125,000,000	$148,580,000	119%
City Land (Multi-family)	70	192	274.29%	$1,000,000	$694,999	69.50%
City Fee Waivers (Multi-family)	1600	1701	106.31%	$1,100,000	$1,171,989	107%
Illinois Affordable Housing Tax Credits (Multi-family)	200	375	187.50%	$2,000,000	$3,983,125	199%
Lawndale Restoration Redevelopment	640	392	61.25%	$6,000,000	$4,920,000	82%
Low-Income Housing Trust Fund Rental Subsidy Program	3400	2548	74.94%	$15,000,000	$11,297,262	75%
Supportive Housing Program	300	317	105.67%	$3,530,695	$2,780,584	79%
Heat Receivership	300	628	209.33%	$400,000	$709,195	177%
Troubled Buildings Initiative	1100	763	69.36%	$2,000,000	$1,459,903	73%
TIF-NIP (Multi-family)	100	47	47.00%	$650,000	$311,862	48%
Site Improvements (Multi-family)	1200	286	23.83%	$1,000,000	$510,010	51%
Subtotal	13335	11665		$305,474,949	$341,362,990	112%
Less Multiple Benefits	*-5405*	*-5350*				
TOTAL	**7930**	**6315**	**79.63%**	$305,474,949	$341,362,990	112%

Multifamily Developments

Senior Housing

At the end of 4th Quarter, the Department approved three Senior housing developments

The projects included the following:

1. **Senior Suites of Marquette Village**
   - 93 studios and one-bedroom units at or below 60% AMI
2. **Victory Centre of South Chicago**
   - New Construction
   - Supportive Living Facility
   - 112 studios at 31%-50% AMI
3. **Renaissance St. Luke**
   - New Construction
   - Supportive Living Facility
   - 95 affordable studios at 30%-50% AMI
   - 4 studios and 6 one-bedrooms at market-rate

The 4th end marked the end of the second year of the City's Five-Year Plan for Affordable Senior Housing in Chicago. How is DOH tracking the progress of the Plan?

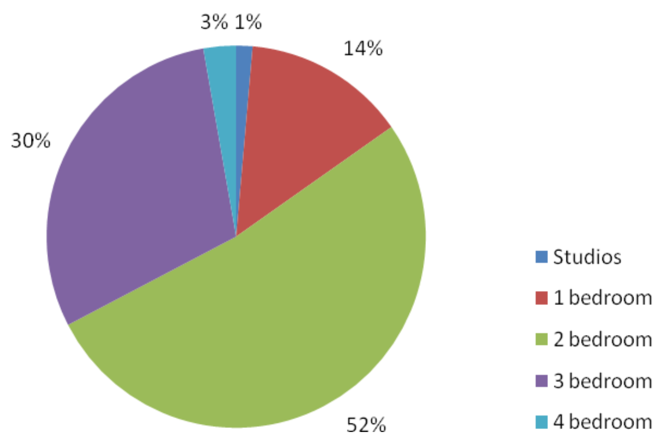
Family Housing

Two family developments were also approved this quarter. **Phase C2 of Legends South**, the Robert Taylor Homes redevelopment, was approved in the 4th quarter. This phase is a new construction of 21 buildings with 118 mixed-income family units: 52 units serving 0-15% AMI, 43 units serving 51-60% AMI, and 23 units serving 61-80% AMI. The bedroom size breakdown for this development is as follows: 12 1-bedrooms, 67 2-bedrooms, 35 three-bedrooms, and 4 four-bedrooms.

A previous phase in the Robert Taylor redevelopment include **Phase A1 of Legends South**, reported in the 4th Quarter of 2005, which comprise of 181 units—77 units serving 15-30% AMI, 47 units for 31-50% AMI, 33 units for 51-60% AMI, and 30 units serving 61-80% AMI. According to its project profile in the 2005 DOH report, the development included: 13 1-bedrooms, 88 2-bedrooms, 73 three-bedrooms, and 7 four-bedrooms.

Also among the multi-family projects in the 4th quarter is the Keeler-Roosevelt Road Apartments, a rehabilitation of a 26-unit building in the North Lawndale community for families at 60% or below the area median income. This development includes 2 studios, 8 one-bedrooms, 8 two-bedrooms, and 8 three-bedrooms.

A summary of total production of family housing for the 4th quarter of 2007 is as follows:



Family Housing - 4th Quarter 2007	
Studios	2
1 bedroom	20
2 bedroom	75
3 bedroom	43
4 bedroom	4
TOTAL	144

Developments included:
Keeler-Roosevelt Road Apartments
Phase C2 of Legends South

DOH Programs

Downtown Density Bonus

DOH reports that there is just under $12 million in cash received from DDB fees at end of 2007. Because of the slowing condo market, we are concerned about the implications on the DOH budget, where a large portion of the Corporate Fund for DOH is to be drawn from DDB proceeds, as well as funding for the Low-Income Housing Trust Fund (40% of DDB proceeds) and other DOH programs.

City Mortgage

Since its re-launch in 2006, the City Mortgage Program has committed almost $235 million and assisted more than 1,200 homeownership units. **Because of the recent volatility in the market and increases in mortgage defaults and foreclosures, an evaluation of these homes would be prudent to establish their level of risk.**

Borrower Outreach Days and Homeownership Preservation Initiative (HOPI)
DOH reports that since 2003, the **HOPI** program has prevented **"**more than 1500 foreclosures, reclaimed more than 350 vacant, troubled buildings from foreclosure, and rehabbed into affordable housing.**"** Because foreclosures are hitting the city hard, we anticipate that the HOPI program will become an invaluable tool to recover foreclosed properties and return them back to use.

This applies too with DOH's **Borrower Outreach Days.** In 2007, DOH held two events which drew 400 people from all over the city seeking help from foreclosures and financial counseling. Due to the response and increasing need, DOH, in partnership with the City Treasurer, have scheduled 4 Borrower Outreach Days for February and March 2008. We applaud the City for taking these initiatives in order to help ease the impacts of the foreclosure crisis among its residents.

Build, Preserve, Lead **2004-2008: An Update on the Plan's Progress**

Four years into the Plan, DOH has already met or exceeded its spending goals for the Five Year plan. However, the total units assisted represent only 74% of the Plan's goal, or 35,759 units out of a goal of 48,085. The shortfall is especially apparent in the Multi-family unit totals and Programmatic Initiatives.

Multifamily unit production is at 72% of the Five-Year Plan's goal, or 19,350 units of the 26,925 unit target. Programmatic Initiatives are at only 4% of its spending goals and less than one percent of its production goals.

The following is a comparison of the Five Year Plan goals and Commitments with production after 4 years.

Table 1. Build, Preserve, Lead, 2004-2008: Comparison of Goals and Commitments after 4 years, 2004-2007

COMMITMENTS				UNITS		
Multifamily Programs				**Multifamily Programs**		
$ Goal*	$ Committed	% Goal		Units Goal*	Units Assisted	% Goal
$1,019,435,000	**$1,203,954,983**	**118%**		**26,925****	**19,350*****	**72%**
Homeownership				**Homeownership**		
$526,126,000	**$665,763,080**	**127%**		**6,045**	**6,678**	**110%**
Improvements and Preservation				**Improvements and Preservation**		
$107,719,000	**$73,773,337**	**69%**		**12,415**	**9,752**	**79%**
Programmatic Initiatives				**Programmatic Initiatives**		
$110,500,000	**$4,806,055**	**4%**		**2,700**	**18**	**0.7%**

Other Initiatives				**Other Initiatives**		
$21,765,000	**$11,711,447**	**54%**		**N/A**	**N/A**	**N/A**
Operating Expenses				**Operating Expenses**		
$91,525,250	**$62,514,616**	**68%**		**N/A**	**N/A**	**N/A**
TOTALS				**TOTALS**		
$1,877,070,250	**$1,948,297,455**	**104%**		**48,085**	**35,759**	**74%**
* As stated in the city of Chicago's Five-Year Affordable Housing Plan for 2004-2008, *Build, Preserve, Lead.*				*As stated in the city of Chicago's Five-Year Affordable Housing Plan for 2004-2008, *Build, Preserve, Lead.* **Less Low Income Housing Trust Fund Subsidy total estimate of 11,750 units. Five-Year unadjusted estimate is 59,835 units. ***Subtracting double-counted and cancelled units and accounts for Trust Fund units only for the first year of the Plan. These adjustments are based on DOH's calculations.		

The commitment and production levels of the **Programmatic Initiatives**, **Other Initiatives**, and **Operating Expenses** appears to be the most underused which impacts the amount of resources for the various programs in their respective categories.

Additionally, the Other Initiatives category comprise of funding for Delegate Agencies and CHDOs. At the four year mark, commitments have reached just over half of the Plan's goals (54%). Again, because resources are few, we would recommend an evaluation of how to effectively channel these funds towards CHDOs and other delegate agencies.