Chicago Rehab Network Analysis
Of the City of Chicago's
Affordable Housing Plan 2004-2008

The proposed Affordable Housing Plan for 2004-2008, ***Build Preserve Lead*** is a stellar document which recognizes many of the housing challenges facing Chicago today. The Chicago Rehab Network commends the City for incorporating many of the recommendations proposed in our June 2003 document, ***Affordable Chicago,*** have been identified in the Department's plan. Historical leadership of community based organizations, alderman, and the business community have been instrumental in this 10-year journey.

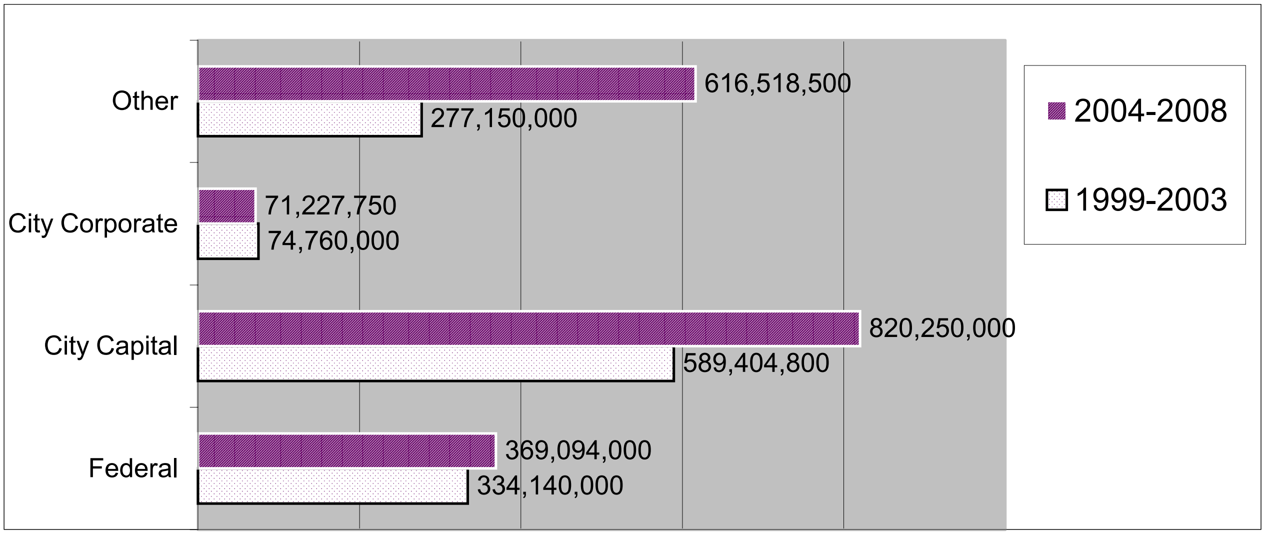
Targeting of scare resources towards the neediest, a focus on preservation of the existing stock, enhanced leadership for additional state and federal resources, commitment to coop development, the interdepartmental Affordable Housing Task Force introduced by Mayor Daley, and development of a rehab tax credit represents some of the necessary policies required to address the fundamental housing challenges in the City of Chicago.

The announcement of the Mayor's Affordable Housing Task Force earlier this fall is to be commended. Stakeholders have been calling on greater city coordination and elevation of affordable housing in other city departments for many years. We are hopeful that this Task Force will set transparent goals, report on its outcomes, and allow for public comment to result in the strongest results possible.

The preliminary analysis outlined below examines the connections between recommended policies and resource allocations. The points chosen are noted to provide guideposts to broaden the discussion about the implementation challenges ahead.

The ***Build Preserve Lead*** plan states a goal of almost $1.9 billion dollars for the next five years. It reallocates and retargets resources based on several priorities – all of which are worthy of targeted public policy. So while it is unpopular, we believe it is crucial to be clear about the actual housing resources available to our neighborhoods over the next five years.

Comparisons of Sources of Funds for 5-year Housing Plans

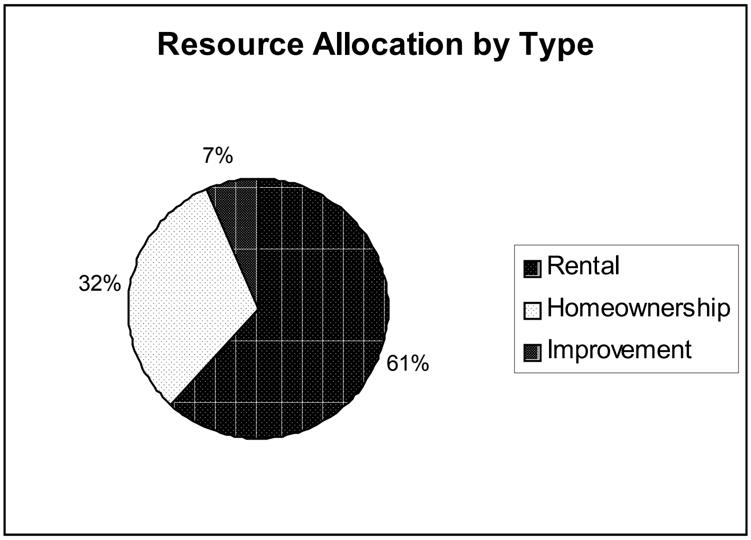


The chart shown compares the 1999 5-year plan with the 2004 5-year plan currently under review by the Committee on Housing and Real Estate. The City's commitment of resources from the Corporate Budget is reduced, with a slight decline in overall dollars. This can be seen programmatically in the level commitment to the Low Income Housing Trust Fund, at $6.5 million annually. While we applaud the City's leadership for the proposed statewide legislation to add an additional $4.3 million to this Trust Fund annually, we believe the housing need of low-income households is dire enough to warrant the $4.3 million increase, regardless of source of funding.

The City Capital source of funding includes revenues from Tax Increment Financing, Private Activity Tax Exempt Bonds, and General Obligation Bonds. Much of these resources have a history of low utilization rates, and new policies are required to ensure their efficient expenditure.

The Other category is a line item that contains leveraged private market outcomes through programs such as the HUD Mark-to-Market program, the Illinois Affordable Housing Tax Credit, and programs of the Neighborhood Housing Services and Community Investment Corporation. The Resource Challenge of $100 million over 5 years may also be counted here – this is down from a $150 million commitment in the previous 5-year plan.

The chart below shows the allocation of resources by housing type:



An examination of rental housing unit goals demonstrates the changing environment. After accounting for multiple benefit units and rental assistance, the Department proposes to create an optimistic estimate of 2000 rental units annually. Half of those (1000) will be related to the CHA's Plan for Transformation. 150 per year (of a 749 unit commitment) are committed by the Mayor as supportive housing units, which we applaud.

Without a greater infusion of resources, we must ask for specific and targeted policies to ensure that family housing will be created and preserved. 850 rental units can be created through DOH programs for a diversity of households – individuals, families, and seniors. Combined with the track record of the last five years that resulted in over 30% of rental production for seniors with only 17% of all rental units larger than 2 bedrooms, affirmative policy is required to serve families.

A spotlight on the Latino community is important for several reasons. This is the fastest growing population in our region – and one that is experiencing disparate impacts from gentrification, displacement and overcrowding in our city. One test of effective and responsive housing policy that is place-based is to evaluate impact on Latino households. We understand that current leadership at the Department is committed to the policy targets set out in the previous 5-year plan which spotlighted Latino housing needs – however we believe that good public policy should be codified. Whereas Latino housing needs were a strategic focus of the last five-year plan, this priority is absent in the proposed plan.

We call on the Department to create funding allocations that are congruent with the policies prioritized in the Plan. In particular, while a highlighted policy thrust, preservation has a minimal allocation of $6.4 million dollars. A nonprofit priority would complement all preservation policies, as it is the nonprofit that is by mission focused on long-term preservation. These owners are at low-risk for opting-out of extended use contracts. For this and other reasons, we are concerned that the prioritization of nonprofit developers is absent from the Plan.

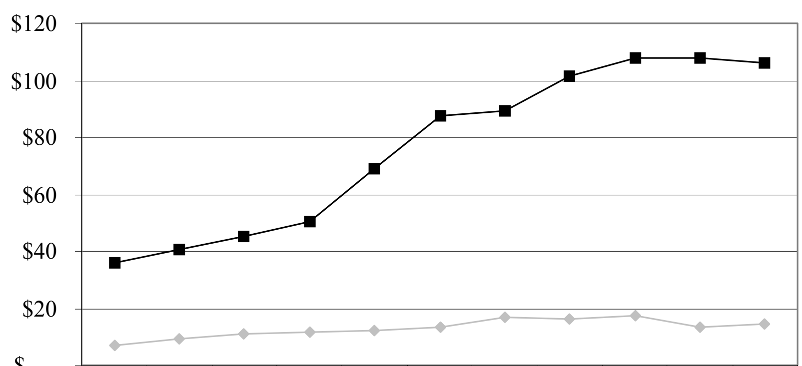
After many years of advocacy effort, coops and land trusts are noted as an acceptable use of Department funds. To support that thrust, systems, policies, and resources are needed to ensure that results are created from the mutual housing policy.

The proposed Plan includes a new source of State funding to be introduced in Springfield – the Illinois Mortgage Document Recordation Fee Funds – to be dedicated to the Chicago Low Income Housing Trust Fund. We wholeheartedly support this effort to add 1000 new very low-income households to the Trust Fund. We believe the City of Chicago should be committed to serving these additional 1000 families per year through this proposed legislative source of funding or other sources.

In the past 10 years, the Department has developed a high level of capacity and technical expertise concerning the layering of financing and the leveraging of private capital. We have seen tremendous growth in this area of resource identification on the part of the Department over the last five years, particularly as it relates to the use of city capital towards the funding of multifamily rental development. That level of creativity and leadership will certainly be needed in the months to come as new solutions are identified to improve and preserve our neighborhoods.

We recommended the identification of new revenue sources from the City in our ***Affordable Chicago*** proposal, most notably through the Real Estate Transfer Tax. The transfer tax has increased substantially through the 1990s in Chicago, while Corporate Fund contributions to the Department of Housing have remained flat.

Corporate Fund Expenditures for Housing vs. Revenues from Real Property Transfer 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	16.5	17.4	13.1	14.4
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

One recommendation to identify new City resources is to re-evaluate current Department programs.

Resource Snapshot: City Mortgage Program

	1999	2000	2001		2002		2003 as of 9/2003	
	City Mortgage	City Mortgage	City Mortgage	Homestart	City Mortgage	Homestart	City Mortgage	Homestart
Available Funds	36,000,000	82,745,151	70,903,851	20,000,000	75,000,000	20,000,000	60,000,000	24,000,000
Expended Funds	21,170,000	unknown	55,173,530	13,000,000	44,620,218	0	8,984,948	12,000,000
% of goal	58%		78%	65%	59%	0	15%	50%
Reported Reallocation							30,379,782	20,000,000

The recently released 2003 3rd Quarterly Report notes the intent to reallocate the unused portions of both the City Mortgage and Homestart program. What is unknown are the programs that will receive these reallocations. As this program has a less than productive track record – largely due to the ability of first time homebuyers to secure more competitive products at financial institutions – we recommend that steps be taken to amend the uses of the bonds. A full evaluation of these programs is necessary in order to assure that the need for public resources are congruent with current housing needs.

$75 million has been budgeted per year for the City Mortgage Program in the 2004-2008 Affordable Housing Plan. That is two-thirds of the budget for all homeownership creation and preservation activities budgeted per year. It is almost one-third of the entire rental housing budget amount set at $203 million per year. Over the course of the 5-year $1.9 billion dollars commitment, City Mortgage accounts for 20% ($375 million) of the total planned expenditures over the next five years. This is a substantial portion of the housing commitment.

Finally, we would reiterate our statement made at this week's 3rd Quarter 2003 hearing. The Department's Quarterly production report is an excellent document. Recent reporting additions of the Chicago Partnership for Affordable Neighborhoods (CPAN) program begin to document the impact that local leadership from alderman and community groups can have on the preservation of affordable units. We look forward to seeing the quantifiable results of the Mayor's Affordable Housing Ordinance passed last spring, and of the upcoming downtown density bonus currently under consideration by the Zoning Commission. These policies are a step in the right direction. We will continue to call on our leaders to *Value Affordability through policies, resources, and bold leadership.*