Analysis of the Third Quarter 2016 Housing Report

Bouncing Back: Five Year Housing Plan, 2014-2018

Presented December 13, 2016

INTRODUCTION –Chicago Rehab Network is pleased to present our review of the Department of Planning and Development's 2016 Third Quarter Housing Progress Reports to the members of the Committee on Housing and Real Estate and the larger Chicago City Council. The six multi-family developments approved will deliver 738 homes for our city residents. The range and scope of these developments underscore the housing expertise both in the Department of Planning and Development and across the field of affordable developers. One hundred of these homes in these multifamily developments will be new construction with the balance of the properties being developed in commitment to the preservation of existing stock. The geographic distribution of these projects shows development on the south, west, and north sides of the city serving families and seniors, with over half of the dwelling units providing SRO homes to individuals. And yet there are countless places and people in need of affordable housing.

Another consistent variable woven throughout these housing investments is the involvement of the federal government. The federal government's role in housing development is very significant, and there has been a deeply troubling trend in the face of overwhelming housing insecurity. In Illinois, the number of severely cost burdened households (paying 50% or more of one's earnings to meet their housing cost) is reported at 440,000. Chicago's affordable gap as calculated by the DePaul Institute of Housing Studies is 101,771 homes, however despite these destabilizing numbers about housing insecurity, federal resource commitments for housing continue to decrease.

In 2016, Illinois receives $46 million less in Federal investment for block grant and housing activities than in 2006. Chicago's share of that decrease is $24,261,146.00. We have to reverse this trend – and please note this level of federal support does not include LIHTC funding.

During this time of transition, we need to set our sights higher – the investments that build our communities need to be protected and grown. There is significant concern in the tax credit industry, for instance, about changes in rates, pricing and tax policy that may weaken the value of the credit going forward, and thus undermine affordable housing production. In these conditions, we will need innovation and growth, not austerity. We want to recognize the financial institutions, including regional banks that are honoring their commitments as they recognize the double bottom line of their investments in our neighborhoods.

Additionally, local resource commitments are vital components to meeting housing need, and the ARO and the Low Income Housing Trust Fund are two model examples that are worth protecting and growing. At the state level, we are pleased to report that the Illinois Affordable Housing Tax Credit has passed the Illinois legislatures and awaits the Governor's signature.

Moving forward, we look to collaborating with all of you and keeping housing affordability and the people who need affordable housing top of mind. We will provide comments, recommendations and ideas as the Department reviews its programs and considers new ones as well.

We look forward to working with you and policy leaders across the state to advance awareness and support for a robust housing agenda. Please see the report, *Campaign for Housing and Community Development Funding*, in the Addendum. We did not have time to complete our full report due to the short time between receiving this report and this scheduled hearing. In the past the hearing has been scheduled 3 to 4 weeks after we received the report. We request this committee to reaffirm that practice.

Analysis of Third Quarter 2016 Housing Activities

Since 1994, the Chicago Rehab Network has analyzed the City of Chicago Department of Planning and Development's quarterly housing reports, which are produced in accordance with the City's five year housing plans and follow the Housing and Community Jobs Ordinance. This report covers the third quarter of 2016.

EXECUTIVE SUMMARY

- Through the third quarter of 2016, DPD has brought spending in line with projected goals by reaching 84.5% of the target, contributing $211.5 million to affordable rental, home ownership, and preservation goals so far this year.
- City support has helped to add 1,052 new apartment units in affordable buildings to the Chicago market through various programs. This is 83.5% of the annual goal for new income-limited apartments.
- All of the 751 net-new units committed in 2016 Q3 serve households earning <80% AMI, with only 8% (77 units) of all units created in 2016 renting at or above market rates.
- Payments into the Chicago Affordable Housing Opportunity Fund approached $5.5 million this quarter. Furthermore, ARO revenue has remained dramatically elevated over the past four quarters, which together account for nearly 31% of all funding received since 2003
- Five year renewal of the Illinois Affordable Housing Tax Credit was passed by the Illinois Legislature via SB2921 and is awaiting the Governor's signature.

Table 1 – Affordable Housing Dollar Commitments Compared with Annual Goal, 2016 YTD

	Rental Investments	Ownership Investments	Improvement/ Preservation Investments	Total Investments
Year to Date Commitments	$185,392,899	$18,062,187	$8,005,901	*$211,460,987*
Total Funds Anticipated by Year End	$204,645,000	$32,468,008	$13,115,980	*$250,228,988*
Percent of Goal Met through Q3	90.6%	55.6%	61.0%	*84.5%*

Source: CRN analysis of DPD 2016 Third Quarter Progress Reports

Although total investments are generally on track, it is still worthy to note that YTD affordable rental program expenditures are inflated by Chicago Low Income Housing Trust Fund (CLIHTF) subsidies that are counted predominantly in Q1. Without this subsidy, year to date rental investments were $195.9 million, or 78% of the goal.

Table 2 – Affordable Housing Unit Commitments Compared with Annual Goal, 2016 YTD

	Rental Units*	Ownership Units	Improvement/ Preservation Units	Total Units
Year to Date Units	4,266	247	1,031	*5,544*
Total Units Projected by Year End	5,610	432	2,007	*8,235*
Percent of Goal Met	76.0%	57.2%	51.4%	*68.9%*

Source: CRN analysis of DPD 2016 Third Quarter Progress Report

When looking at the City's planned affordable apartment achievements in 2016, it is important to strip away the approximately 3,000 households receiving subsidies through the Chicago Low Income Housing Trust Fund (CLIHTF). Of the 5,610 low-income units the City plans to support in 2016, more than half (3,000) will be annual subsidies through the CLIHTF. Many of these subsidies support the same families year to year. Although the CLIHTF is an important, flexible source of public-private housing support for some of the most vulnerable families in our city, counting these units in the same way as new construction or rehabilitation projects receiving City support obscures the number and proportion of new projects moving forward in any quarter or year. To get a clearer look at *new* affordable apartments being made available for individuals and families in need, CRN strips away CLIHTF subsides and two key preservation programs that do not directly add new units to the available affordable housing stock in Chicago (table 3).

Table 3 – Net-New Affordable Housing Unit Commitments in Comparison with Annual Goal, 2016 YTD

	Total Units Planned for 2016	Total Units Committed in 2016 YTD
Total Subsidized Rental Units	5,610	4,266
Less Rental Subsidy Units	*3,000*	*2,770*
Less Heat Receivership Units	*600*	*195*
Less MF Troubled Building Initiative Units	*750*	*249*
Net New Rental Units	1,260	1,052

Source: CRN analysis of DPD 2016 Third Quarter Progress Report

How is this table constructed from DPD's progress report? In order to calculate how many units receiving City funds this quarter expand the net availability of income-limited apartments, the Rehab Network starts with the City's projected number of rental units planned to receive subsidy this year (5,610), as well as the City's report of units completed so far to date (4,266). We then subtract the units covered by those housing programs that are not constructing or rehabilitating rental housing, including rental subsidies under the CLIHTF (-2,770). Next, we compare year-to-date units actually funded (1,052) with the number of new construction or rehab units the City planned to fund in 2016 (1,260). Looking at the production numbers in this stripped-down way lets us understand how many new affordable apartments may actually be added in Chicago throughout the year.

Table 4 – Incomes Served by Net-New Affordable Multifamily Developments, 2016 YTD

		Net-New Affordable Rental Units	Share of Total Units Produced Per Income Bracket
income of tenants served	0-15% AMI	174	16%
	16-30% AMI	288	27%
	31-50% AMI	355	34%
	51-60% AMI	128	12%
	60-80% AMI	12	1%-
	81-100% AMI	18	2%-
	101+% AMI	77	8%
YTD Units Committed		**1,052**	**100%**
Total Units Projected by Year End		1,260	
Percent of Goal Met		83.5%	

Source: CRN analysis of DPD 2016 Third Quarter Progress Report

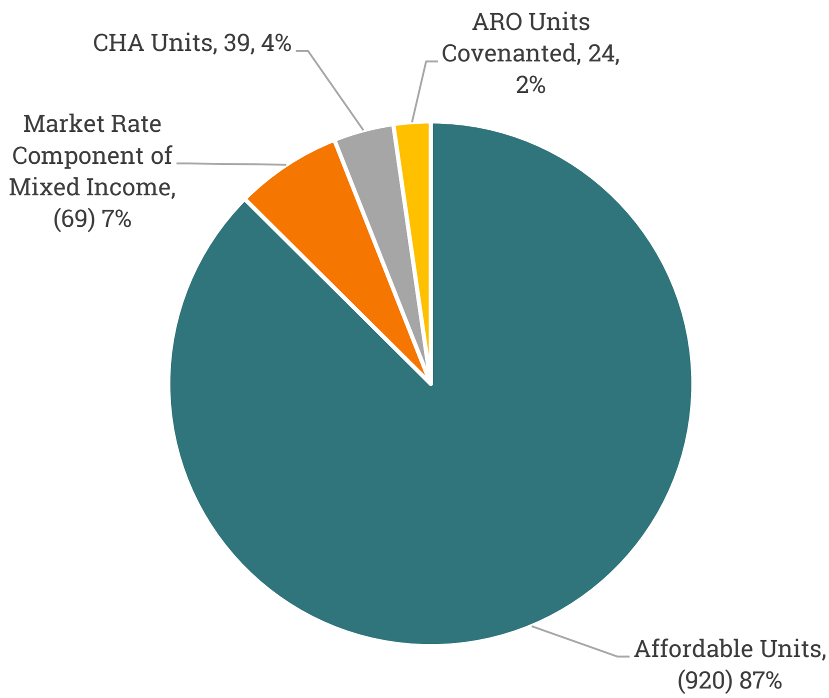
Of the net-new affordable rental units constructed in 2016, 89% (945 units) serve those earning less than 60% of Area Median Income, with none of the developments coming on line in Q3 2016 renting at market rate.

Table 5 – Sources of Net-New Affordable Apartments, 2016 YTD

Quarter	Source of Units	Units
Q1	ARO Rental Units Covenanted	11
Q1	Magnolia Courts Apartments - Affordable	58
Q1	Magnolia Courts Apartments - Market	2
Q1	Trianon Lofts - Affordable	12
Q1	Trianon Lofts - Market	12
	Subtotal, Q1	*95*
Q2	Villages of Westhaven - Affordable	145
Q2	Villages of Westhaven - Market	55
Q2	TIF Purchase+Rehab - Affordable	6
	Subtotal, Q2	*206*
Q3	ARO Rental Units Covenanted	13
Q3	Midwest Apartments - Affordable	276
Q3	El Zócalo - Affordable	30
Q3	Lawn Terrace Preservation - Affordable	102
Q3	Woodlawn Station - Affordable	70
Q3	Carling Hotel - CHA	39
Q3	Carling Hotel - Affordable	41
Q3	Paul G. Stewart Apartments Phase III Tower - Affordable	180
	Subtotal, Q3	*751*
	Total Net-New Units YTD	1,052

Source: CRN analysis of DPD 2016 Third Quarter Progress Report

Chart 1 – Net-New Affordable Apartments by Population Served, 2016



Source: CRN analysis of DPD 2016 Third Quarter Progress Report

New Development Summary

MIDWEST APARTMENTS, 6 N. HAMLIN

Preservation and renovation of a historic, 276-unit SRO building in West Garfield Park. All units will be leased to tenants earning less than 50% of the AMI.

Income Targets:

- Efficiencies with Shared Bath
    - 70 at $387/month for 30% AMI tenants
    - 109 at $387/month for 50% AMI tenants
    - 77 at $450/month for 50% AMI tenants
    - 20 at $500/month for 50% AMI tenants

Total Development Cost: $2,099,029 **Rehab Cost Per Unit: $7,605**

El Zocolo

New construction on vacant land of a 30 unit rental property in Brighton Park. Mixed use including onsite management, Head Start, and community room. LIHTC credits from IHDA of $643,447 generating $6,681,849 with a $2.9 million loan from the City.

Income Targets:

- 10 1-bedrooms under $843/month
- 10 2-bedrooms under $970/month
- 10 3-bedrooms under $1129/month

Total Development Cost: $11,572,395 Cost Per Unit: $385,747

Lawn Terrace Preservation, 3214 W. 63rd Street

Rehab of a 102 unit senior building in Chicago Lawn. The 5-story building will receive energy efficient upgrades and remain affordable to seniors below 60% AMI.

Income Targets:

- 8 studios at $263/month for under 30% AMI
- 83 1-bedrooms under $632/month for under 60% AMI
- 11 2-bedrooms at under $750/month for under 60% AMI

Total Development Cost: $14,453,320 Rehab Cost Per Unit: $142,582

Woodlawn Station

Construction of a mixed use development as part of the Grove Parc replacement housing. 55 units of affordable units with additional for households earning over 80% of AMI.

Income Targets:

- 37 2 bedrooms at 60% AMI and below

Carling Hotel, 1512 N. LaSalle

Preservation and renovation of a historic, 155-unit SRO building converting to 80 studio apartments with private baths and kitchenettes. 39 of the units will be set aside for CHA tenants.

Income Targets:

Total Development Cost: $27,445,980 Rehab Cost Per Unit: $343,075

Paul G Stewart Apartments Phase III Tower

Preservation and renovation of a 180-unit building in Grand Boulevard as part of the full rehab of the 883-unit project.

Income Targets:

- o 45 studios at $760/month for under 30% and 60% AMI
- o 135 1-bedrooms at $772 and $983 for 30% and 60% AMI respectively

Total Development Cost: $33,718,414 Rehab Cost Per Unit: $187,325

Policy Updates

ILLINOIS AFFORDABLE HOUSING TAX CREDIT PASSES IN HOUSE AND SENATE On Thursday, December 1, the IAHTC (commonly referred to as the Donation Tax Credit) passed out of the Illinois State Senate after the previous week's House vote of 79-29, now advancing to Gov. Rauner's desk. Since its passage in 2001, the Illinois Affordable Housing Tax Credit has: Motivated the donation of $360 million in assets like land, buildings, and long term leases from private sources to affordable housing development in Illinois. The Donation Tax Credit has:

- Provided key financing for property-tax paying developments representing over $3.3 billion in invested in 51 of 59 Illinois State Senate Districts.
- Preserved or created over 17,000 homes stabilizing seniors, families, veterans and people with disabilities in communities across Illinois.
- Supported more than 25,000 jobs with over $1 billion in wages and business income.

As we celebrate this major advancement, we wish to thank those of you who have assisted us in calling for the DTC's renewal. It would be a great help if the members of the Committee on Housing and Real Estate assist us in these efforts by giving a call to your counterparties in Springfield to let them know you care about this resource in your shared communities. Feel free to call CRN at 312.663.3936 for more information about specific developments in your shared communities to mention on the phone. Your assistance would be much appreciated.

ADDITIONAL RESOURCE– CRN has expanded its community area factsheets by adding a drilled down version of population in the community by gender, age and race/ethnicity as well as an extensive look at real estate context in each community area. You can find this resource at: http://www.chicagorehab.org/policy/research.htm

Campaign for Housing and Community Development Funding
Working to ensure maximum federal resources for housing and community development.

To: **Trump Administration Transition Team**
From: **The Campaign for Housing and Community Development Funding**
Date: **November 30, 2016**
Re: **Opportunities for Expanding Federal Affordable Housing Resources in the New Administration**

The undersigned members of the Campaign for Housing and Community Development Funding (CHCDF) welcome the opportunity to work in concert with the Trump administration to address our country's alarming shortage of safe, decent, and accessible affordable housing—an issue that continues to grow in magnitude, harming millions of low income American families and children, as well as the health of our economy.

CHCDF is an education, strategy and action hub for national organizations dedicated to preserving and expanding federal housing and community development funding for lower-income families and communities. CHCDF's members include a full continuum of national housing and community development organizations, including faith-based, nonprofit, private sector, financial/intermediary, public sector and advocacy groups.

CHCDF's goals have never been more important. America is in the midst of a growing affordable housing crisis. Today, one in four renters in America is spending more than half of their income on rent, and family and young adult homelessness rates are rising in many communities across the country as growing numbers of people are unable to pay for a place to live. Housing costs are rising faster than wages, our nation's infrastructure, including its affordable housing stock, is deteriorating, and the supply of affordable housing and rental assistance has not kept pace.

While every state and congressional district is impacted, housing challenges differ from community to community. There is no silver bullet solution.

Instead, the Trump administration must use every tool available to solve the problem. A comprehensive set of solutions to end housing insecurity in America includes: preserving and rehabilitating our nation's existing affordable housing stock; increasing investment in the production of affordable housing for low income families; and expanding rental assistance and other housing programs that help make housing affordable.

To this end, we wish to offer our recommendations on how the Trump administration can work to expand federal resources for proven and effective affordable housing programs that have helped millions of families break through the cycle of poverty and climb the ladder of economic success. We have also provided an appendix with more detailed information about key federal housing programs that should be supported.

1. The Need for Affordable Housing

The Joint Center for Housing Studies of Harvard University recently reported that nearly three quarters of the nation's 9.6 million lowest income renters—those earning less than $15,000 per year—put more than half of their income towards their housing.[1] These households have little left to spend on basic needs, like food or medicine, and have no means to save for retirement or college. They are also at high risk of falling behind on their rent, being evicted, and becoming homeless, which can set them back further by contributing to job losses and family separations.

Despite the need, just one in four families who are eligible for housing assistance get the help they need. This is because Congress has chronically underfunded federal housing programs. For example, because of underfunding, 10,000 public housing units are lost each year to disrepair, while the public housing capital backlog has swelled to around $40 billion dollars and grows at a rate of $4.3 billion per year. The loss of public housing and of other existing federally-supported housing is something our nation cannot afford.

In recent years, low spending caps required by the *Budget Control Act of 2011* have only made it more difficult to serve low income seniors, people with disabilities, families with children, and other vulnerable populations. Given their proven record in helping lift families out of poverty, the Trump administration and Congress should be expanding federal resources for affordable housing, not shrinking them.

2. The Benefits of Affordable Housing

Access to affordable housing has broad, positive impacts on families, children, and the economy. Increasing and preserving the supply of affordable housing and rental assistance—especially in areas connected to good schools, well-paying jobs, healthcare, and transportation—helps families climb the economic ladder and leads to greater community development. In addition, children who live in a stable, affordable homes enjoy better health and educational outcomes, greater access to economic opportunities, enjoy better mental and physical well-being, and benefit from stronger communities. Research shows that increasing access to affordable housing is the most cost-effective strategy for reducing childhood poverty in the United States.[2]

Housing is also a determinant of health for seniors. As the nation's seniors become a larger and poorer population, access to affordable housing with coordinated services is key to healthy aging and will also bring savings by avoiding costlier institutional settings.

Investing in affordable housing for low income households also bolsters productivity and economic growth, provides a long-term asset that connects workers to communities of

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[1] http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs_2016_state_of_the_nations_housing_lowres.pdf.
[2] https://www.macfound.org/media/files/Affordable_Housing_Child_Enrichment_Stronger_Cognitive_Development.pdf; http://www.cbpp.org/research/housing/research-shows-housing-vouchers-reduce-hardship-and-provide-platform-for-long-term; http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000086-Reducing-Child-Poverty-in-the-US.pdf;

opportunity, supports local job creation and increased incomes, and creates inclusive communities.

3. The Role of Federal Housing Programs

While decent housing remains unavailable or unaffordable for far too many today, the affordable housing crisis would be significantly worse without the federal assistance provided by the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture's Rural Housing Service (RHS).

Since 1934, HUD, the Federal Housing Administration, and RHS have insured over 44 million home mortgages and 50,000 multifamily project mortgages – providing an especially critical safety net during the recent mortgage crisis and ensuing recession. In the past 20 years alone, HUD and RHS have provided housing assistance to more than 35 million households.

Federal programs continue to leverage billions of dollars in private resources to preserve and expand the supply of affordable housing so needed by families of modest means.

Without the opportunity that these programs provided, many of these families would be homeless, living in substandard or overcrowded conditions, or unable to afford other basic necessities because so much of their income would be spent on rent. In fact, a recent analysis of census data conducted by the Center on Budget and Policy Priorities shows that housing assistance raised 4 million people out of poverty in 2012.

4. Opportunities to Increase Resources for Affordable Housing

A. Infrastructure Investments

The Trump campaign has announced that a large-scale investment in infrastructure is a top priority for his incoming administration. Affordable housing is a critical element of any infrastructure package, not only because housing informs other infrastructure needs, but because it provides an enduring investment in economic growth.

CHCDF strongly believes that any infrastructure package should include resources to maintain federally-supported housing and increase the supply of affordable housing for families with low incomes. A comprehensive investment in housing infrastructure should include programs that produce and preserve affordable housing—including the Low Income Housing Tax Credit program (Housing Credit), the HOME Investment Partnerships program, the national Housing Trust Fund, HUD's programs for housing for the elderly and persons with disabilities, and the Community Development Block Grant program—rehabilitate public housing, and expand vouchers and other programs that help make housing affordable. Affordable housing developments should also be eligible for low-cost loans and equity investments if a national infrastructure bank is established by the administration.

High housing costs constrain opportunities for families to increase earnings, causing slower GDP growth. In fact, researchers estimate that the growth in GDP between 1964 and 2009 would have been 13.5% higher if families had better access to affordable housing. This would have led to a $1.7 trillion increase in total income, or $8,775 in additional wages per worker.[3] The lack of affordable housing prevents lower income households from moving to communities with more economic opportunities and makes it difficult for businesses to attract and retain the workers they need.

Like roads and bridges, affordable housing is also a long-term asset that helps communities and families succeed. Without the burden of higher housing costs, families would be better able to move to areas with growing local economies where their wages and employment prospects may improve. Increasing and preserving the supply of affordable housing—especially in areas connected to good schools, well-paying jobs, healthcare, and transportation—will help more families climb the economic ladder and help communities meet their workforce needs.

Each dollar invested in affordable housing infrastructure boosts local economies by leveraging public and private resources to lift resident earnings and local tax revenue, as well as to support job creation and retention. In fact, building 100 affordable rental homes generates $11.7 million in local income, $2.2 million in taxes and other revenue for local governments, and 161 local jobs in the first year.

Finally, it is essential that any initiative to rebuild and expand our nation's infrastructure explicitly focus on investing in affordable housing and transportation that are geographically balanced and equitable for everyone. By investing in affordable housing and transportation infrastructure that promotes greater housing mobility, while also strategically devoting resources to disinvested communities, we can promote housing choice and create more robust, stable local economies.

The Trump administration should also commit to eliminating lead as a major public health threat within five years. To do so, HUD's lead hazard control grant program must carry out risk assessment, inspection and abatement for 1.25 million units over five years – the number of low income, high-risk, pre-1960 housing units with lead paint hazards in which children under six reside or are likely to be born or move into. This will create 15,000 renovation and manufacturing jobs annually and thousands of additional jobs in inspection and administration. Each dollar invested in lead hazard control returns at least $17 in societal benefits.

B. Negotiations over Spending Caps

When the *Budget Control Act of 2011* was signed into law, it created very low spending caps for defense and non-defense discretionary programs. These spending caps make it more difficult for Congress to fund affordable housing programs for low income seniors, families with children, people with disabilities, and other vulnerable populations.

While we must work to reduce our nation's deficit over the long-term, balancing our budget should not be done on the backs of the middle and low income families in our nation. Low income families should not be made worse off by deficit reduction.

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[3] http://faculty.chicagobooth.edu/chang-tai.hsieh/research/growth.pdf.

For example, because of the spending caps—and across-the-board spending cuts known as sequestration—100,000 families lost access to HUD's Housing Choice Voucher program and 60,000 fewer individuals were served through HUD Homeless Assistance Grants. The Government Accountability Office (GAO) found that due to a $400 million cut to the Project-Based Rental Assistance (PBRA) program brought about by sequestration, HUD short-funded contracts with 8,000 private owners, representing 49% of the PBRA portfolio. In HUD's other programs, block grants to every community were cut, capital improvements to public housing were significantly reduced—putting viable housing and families at risk—and jobs were lost as a result. The GAO found that the funding cuts made to public housing could lead to harmful long-term effects, including deteriorating living conditions and increased utility costs for the 1.1 million low income households living in public housing.

Since sequestration has gone into effect, Congress has reached short-term agreements to increase spending above the caps and provide limited sequester relief. Most recently in October 2015, Congress reached a two-year agreement to increase the spending caps for Fiscal Year (FY) 2016 and 2017. Low spending caps, however, are slated to return in FY 2018 unless the White House and Congress act again.

For the last several years, Congress agreed that parity was central to any spending negotiations so that the impact of these spending caps fell equally on defense and non-defense programs. Recent, however, President Trump spoke about eliminating parity by lifting the spending caps for defense programs. Such an action could result in placing the full weight of budget limitations on non-defense programs. Moreover, he proposed cutting non-defense spending by an additional 1% each year for the next 10 years. Both of these proposals could devastate HUD and USDA programs, significantly increasing housing poverty and homelessness in America.

We encourage the Trump administration to look instead at progress made in addressing veteran homelessness as a guide. Over the past several years, HUD, the Department of Veterans Affairs, and the United State Interagency Council on Homelessness have reduced veteran homelessness by nearly 50%. That achievement was made possible largely through increased funding directly targeted at those in need of assistance. To address the affordability crisis in America and build upon recent achievements made in decreasing the number of people experiencing homelessness, Congress should increase the number of families able to afford homes through HUD and USDA programs, not reduce it.

Since 2010, HUD's overall budget authority for programs has decreased slightly by $54 million. But, at the same time, the costs to maintain rental assistance has gone up by $3.51 billion. This means that all other HUD programs—outside of rental assistance—have been cut by $3.56 billion to make up this shortfall. The programs hardest hit have been CDBG (-$1.4 billion), HOME (-$900 million), Public Housing Capital Fund (-$600 million), and Housing for the Elderly (-$392 million). The only program outside of rental assistance that has seen significant gains in funding is Homeless Assistance Grants, which saw a $385 million increase between 2010 and 2016. A CR at FY16 levels will ensure more funding cuts to these programs, further impairing their ability to serve Americans with the lowest incomes in communities across the country.

For those reasons, CHCDF respectfully urges President Trump to reconsider his position on parity and spending caps and instead work to reach a broader agreement to left the spending caps for both defense and non-defense Programs. The administration and Congress should work together to replace sequestration with a deficit reduction plan that protects the low income households in need of affordable housing and community development resources. The urgent need felt by so many Americans for help paying rent is among the most pressing reasons for doing so. Replacing sequestration provides an opportunity to increase investments in federal programs that serve low income Americans.

C. Tax Reform

Tax reform also provides an opportunity for the Trump administration to increase resources for affordable housing through the Housing Credit.

The Housing Credit has developed or preserved nearly 3 million affordable apartments, providing homes to roughly 6.5 million low income families over the past three decades. Today, it is the primary source of financing for new affordable housing.

CHCDF encourages both the administration and Congress to work together to pass legislation that expands the Housing Credit and modifies the program to better facilitate affordable housing development for hard-to-reach populations and in challenging markets.

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Thank you for your consideration of our views. To learn more about how HUD programs are currently serving Americans with low incomes, please turn to the appendix. We look forward to working closely with you in furtherance of our mutual goals.

Sincerely,

American Association of Service Coordinators
American Planning Association
Arc of the United States
B'nai B'rith International
Consortium for Citizens with Disabilities Housing Task Force
Corporation for Supportive Housing
Council of Large Public Housing Authorities
Council of State Community Development Agencies
Enterprise Community Partners
Evangelical Lutheran Church in America
Friends Committee on National legislation
Grounded Solutions Network
Habitat for Humanity
Housing Assistance Council
Local Initiatives Support Corporation (LISC)

Low Income Investment Fund
Lutheran Services in America
National Affordable Housing Management Association (NAHMA)
National AIDS Housing Coalition
National Alliance of Community Economic Development Associations (NACEDA)
National Alliance on Mental Illness
National Alliance to End Homelessness
National Association of Housing and Redevelopment Officials
National Center for Healthy Housing
National Coalition for Asian Pacific American Community Development
National Coalition for the Homeless
National Community Development Association
National Council of State Housing Agencies
National Development Council
National Disability Rights Network
National Fair Housing Alliance
National Health Care for the Homeless Council
National Housing Conference
National Housing Law Project
National Housing Trust
National Law Center on Homelessness & Poverty
National Leased Housing Association
National Low Income Housing Coalition
National NeighborWorks Association
National Network to End Domestic Violence
NETWORK Lobby for Catholic Social Justice
Poverty & Race Research Action Council
Public Housing Authority Directors Association
Stewards of Affordable Housing for the Future (SAHF)
Union for Reform Judaism

Appendix

Housing Choice Vouchers

Housing Choice Vouchers (HCV) provide a stepping stone for struggling families to keep a roof over their heads, help make ends meet, and provide a better future for their children. Two studies released in 2015 show how HCVs can help children grow up stable homes, stay in school, and improve their future prospects.

A ground-breaking analysis by Harvard economists Raj Chetty, Nathaniel Hendren, and Lawrence Katz found that young children whose families used a housing voucher to move to better neighborhoods were later more likely to attend college and less likely to become single parents, and earned more as adults, than children in similar families who did not make such moves.[4]

The final report of the Family Options Study, which HUD just released, is the first rigorous, large-scale evaluation of alternative strategies to reduce homelessness among families with children. Families living in shelters in 12 cities were randomly assigned one of several types of assistance, including housing vouchers.[5] Families who were given a housing voucher were much less likely to experience subsequent episodes of homelessness, compared to families who received other types of assistance, the study found. Families using vouchers also experienced significantly less domestic violence, and their children were less likely have behavior problems or to change schools.

HCVs are thus a cost-effective investment that reduces homelessness and improves family well-being, including children's chances of long-term success.

Unfortunately, the demand for vouchers far outstrips their supply. A recent study, conducted by the National Low Income Housing Coalition (NLIHC), looking at waiting lists for public housing and vouchers found that more than half (53%) of HCV waiting lists are closed to new applicants. Of these, 65% of HCV waiting lists have been closed for at least one year. On average, a family will wait 1.5 years to receive a voucher. Twenty-five percent of voucher wait lists for HCVs had a wait time of at least 3 years.[6]

Project Based Rental Assistance (PBRA)

The Section 8 project-based rental assistance (PBRA) program provides rental assistance that is leveraged by the private sector to develop and operate rental homes for 1.2 million low income and very low income households living across the country. Fifty-six percent of these households include someone with a disability or who is elderly. The average income of households receiving PBRA is less than $12,000. PBRA housing stabilizes neighborhoods and contributes to local economic bases. PBRA allows seniors to live in the communities they helped to build, provides modest homes for residents who cannot work because of injury or disability and offers a foundation to build on for young families who are just starting out or who are struggling with our

[4] http://www.nber.org/mtopublic/final/MTO_IRS_2015.pdf.
[5] https://www.huduser.gov/portal/family_options_study.html.
[6] http://nlihc.org/article/housing-spotlight-volume-6-issue-1.

slow economy. Privately-owned properties with PBRA generate $460 million in property taxes for local municipalities annually and directly support 55,000 jobs.

PBRA contracts also act as a critical support for project financing, allowing owners to leverage private debt and equity—often through the Housing Credit—to permit project refinancing and rehabilitation. PBRA supports the stock of long-term affordable housing and helps protect federal investments which would be prohibitively costly to reproduce. According to HUD, the PBRA portfolio leverages over $17 billion in private financing and equity.

Public Housing

Public housing is home to over 1.1 million low income families and an essential asset for local communities. Over half of public housing households are headed by seniors and persons with disabilities. Families with approximately 750,000 children comprise more than 35% of public housing households. Like other forms of rental assistance, public housing residents benefit by affordable, stable housing that frees household resources to focus on employment, education and self-sufficiency. Consequently, public housing authorities, which operate public housing and the Section 8 HCV program, are engaged in developing transformational partnerships with other important and interested stakeholders to benefit children, seniors, people with disabilities, veterans, people experiencing homelessness, and familial caregivers including parents, adult children and grandparents.

Public housing plays a central role in the country's approach to addressing affordable housing needs. Public housing authorities take innovative approaches to improve their residents' lives across the country, such as workforce development and asset building programs. Public housing authorities also develop innovative funding mechanisms to improve resident wellness and health outcomes through continuum of care models, with the added benefit of achieving savings in Medicaid and Medicare expenses, and reducing hospital and emergency room visits.

The Rental Assistance Demonstration (RAD) is an example of a recent HUD innovation to bring our public housing stock into the 21st century. Deep underfunding has left some public housing properties across the country in need of recapitalization, with a capital needs backlog of over $26 billion. RAD can put some public housing on more stable financial footing by converting its funding stream to project-based Section 8, which is more stable, predictable and flexible, allowing a portion of public housing properties to leverage outside sources of private and public funds needed for repairs, including proven, efficient financing tools like LIHTC. Already RAD has spurred over $3.2 billion in construction financing from the more than 44,000 units that have closed. RAD also allows properties financed under outdated "legacy programs" like Section 8 Moderate Rehabilitation and the Rent Supplement program to convert to project-based Section 8 assistance, further streamlining HUD's operations.

NLIHC's wait list study reported that 11% of public housing waiting lists are closed to new applicants and that of these, 37% have been closed for at least one year.[7] The average wait time is

[7] http://nlihc.org/article/housing-spotlight-volume-6-issue-1.

9 months for public housing. Twenty-five percent of public housing waiting lists had a wait time of at 1.5 years.

Community Development Block Grant Program

The Community Development Block Grant (CDBG) Program invests in rural, urban, and suburban areas by providing flexibly funding for a wide range of community development uses. CDBG is often one of few sources for infrastructure that supports the development of housing. Authorized by Title I of the Housing and Community Development Act of 1974, nearly 1,200 State and local grantees receive a direct allocation of funds through the program annually. More than 7,250 communities have access to the funding. Since 1974, CDBG has invested over $144 billion in communities. This investment has leveraged three to four times this amount, resulting in a $432 billion to $576 billion in non-federal investment in communities over the 41-year life of the program, resulting in a large rate of return on federal investment.

CDBG funding is used locally to aid in the prevention and elimination of blight, address urgent community needs, and benefit low and moderate income people through the provision of public facilities and improvements, public services, housing, and economic development.

According to HUD, between Fiscal Year (FY) 2004 and FY 2013, CDBG economic development activities created or retained more than 421,183 permanent jobs, while the program also provided rehabilitation assistance to more than 1.3 million owner-occupied housing units. From FY 2007 to 2013, CDBG assisted more than 232,000 businesses with business expansion and from FY 2005 to 2013, the program provided or improved public facilities that assisted in providing critical services for more than 33.7 million people. These improvements included sanitary water and sewer systems, improved drainage systems, safe streets and transit ways.

Homeless Assistance Programs

HUD's McKinney-Vento Homelessness Assistance programs provide funding for some of the most cost-effective housing solutions communities use to serve the highest need populations. The program supports over 340,000 housing opportunities for homeless individuals and families. It gives communities the ability to provide emergency shelters and safe havens for homeless households, creates permanent supportive housing for homeless individuals who are experiencing multiple challenges and provides families the ability to quickly move into stable housing while they connect with other services and systems.

Further, Congress has invested heavily in the HUD-Veterans Affairs Supportive Housing (VASH) program to serve homeless veterans and has seen positive results. Since 2009, the number of homeless veterans has been reduced by 33 percent. Communities have made significant improvements to delivering housing and other critical services in order to better serve homeless populations and the nation has seen an overall decrease in the homeless population. But more still needs to be done.

As HUD spends just over $2 billion on programs to support homeless populations through its various programs, it saves other systems a far greater amount of money. Independent studies have proven that an individual cycling between different emergency response systems, like criminal justice and emergency health services, costs approximately twice as much as simply providing stable, affordable housing with wrap around services. With greater investment in HUD's programs to serve individuals and families that are in crisis, we cannot only end homelessness for all populations by 2020, but may help other systems operate more effectively and efficiently.

HOME Investment Partnerships Program

For over 20 years, the HOME Investment Partnerships Program (HOME) has proven to be one of the most effective, locally driven tools to help states and communities provide access to safe, decent, and affordable housing for low income residents. HUD reports that since its authorization in 1990, $27.2 billion in HOME funds have leveraged $132 billion in public and private resources to help build and preserve more than 1.2 million affordable homes and to provide direct rental assistance to more than 285,000 families. HOME advocates estimate that this investment has supported nearly 1.6 million jobs and has generated $101 billion in local income.

With HOME, Congress created a program that provides states and communities with unmatched flexibility and local control to meet the housing needs that they identify as most pressing. HOME is the only federal housing program exclusively focused on addressing such a wide range of housing activities. States and local communities use HOME to fund new production where affordable housing is scarce, rehabilitation where housing quality is a challenge, rental assistance when units are available but unaffordable, and provide homeownership opportunities when those are most needed. Moreover, this flexibility means that states and communities can quickly react to changes in their local housing markets.

Moreover, HOME plays a key role in ensuring the success of other federal programs, such as the LIHTC program and U.S. Department of Agriculture Rural Housing programs, because it often provides essential soft funding to fill financing gaps and make affordable housing developments financially feasible.

Housing for the Elderly (HUD Section 202 program)

Enacted to allow seniors to live with dignity by providing housing assistance and a platform for services, the Section 202 Supportive Housing for the Elderly program provides funding to nonprofit organizations to develop and operate housing for seniors with very low incomes. Research has shown service-enriched affordable housing slows the growth of Medicaid costs while also allowing people to age in place. The Section 202 Service Coordinator Grant Program funds trained staff in Section 202 senior housing to assist residents with their needs and provide linkages to community-based services.

According to HUD, senior households with very low incomes are the most likely to pay more than they can afford for their housing. The 2015 HUD study of worst-case housing needs found that out of 7.72 million renter households with worst-case housing, 1.47 million are senior renter households. According to Harvard's Joint Center for Housing Studies, only one in three seniors eligible for rental assistance receives it. Of those who are not assisted, two-thirds have worst-case housing needs.

The Section 202 program has been one of the most successful federal programs for building quality, safe, and affordable senior housing for decades. The program has long been recognized for creating affordable housing serving the nation's most vulnerable seniors that is well managed by mission-driven nonprofits. Seniors residing in Section 202 housing can enjoy an enhanced quality of life as they safely age in their communities. More than 6,000 properties with more than 300,000 rental units have provided housing and, in many cases, supportive services to seniors in both large and small communities.

Unfortunately, in FY 2012 Congress eliminated the Section 202 Capital Advance Program to fund the development of new units. The population of seniors over age 75 will almost double in 2035 compared to 2015. As the U.S. population ages, it will also be much more poor than seniors today, many of whom live in poverty. We must return to building affordable senior housing through the Section 202 program and also preserve and expand other programs that meet the affordable housing needs of our lowest income seniors.

Housing for Persons with Disabilities (HUD Section 811 program)

The Section 811 Supportive Housing for Persons with Disabilities is an essential federal program that assists the lowest income people with the most significant and long-term disabilities to live independently in the community by providing affordable housing linked with voluntary services and supports. Through a substantial body of research conducted over the past 20 years, supportive housing has proven to be a cost-effective and successful approach to addressing the affordable housing and supportive services needs of people with significant and long term disabilities who need community-based supports and services to live in the community. More than 30,000 units of permanent supportive housing have been developed under the Section 811 Capital Advance Program, while an additional 7,500 units of permanent supportive housing are being developed through the Section 811 Project-Based Rental Assistance (PRA) program.

Congress passed major reforms to the Section 811 program in 2010. The reforms are intended to promote a national expansion of integrated supportive housing by fostering partnerships among state housing and health and human service agencies to leverage mainstream affordable housing, Medicaid, and related community-based support services resources, and to ensure people with disabilities most in need can access these new housing opportunities.

The most significant innovation is the new Section 811 PRA option which - for the first time - provides cost-effective PRA subsidies directly to state housing agencies leveraging dollars from other sources of funding for development of new permanent supportive housing units. This new PRA option is intended to identify, stimulate, and support innovative state-level partnerships and strategies to substantially increase integrated permanent supportive housing opportunities. In the final two years in which Congress funded new units for the old 811 capital advance program (FY 2010 and 2011), only 975 units were developed. By contrast, the new PRA program will develop more than 7,500 units of integrated permanent supportive housing with only three years of funding (FY 2012-2014). These PRA units will help generate millions in savings as an alternative to costly institutional care for people with disabilities.

Housing Opportunities for Persons With AIDS

The Housing Opportunities for Persons With AIDS program (HOPWA), was authorized in 1990 through the Cranston-Gonzalez National Affordable Housing Act during the early years of the epidemic as a response to the unique and numerous obstacles faced by individuals living with HIV/AIDS to acquire stable housing, due to poverty, housing instability or stigma. Stable housing has long been identified as one of the greatest unmet needs for people living with HIV/AIDS and their families and housing is a proven cost-effective healthcare intervention. HOPWA prevents homelessness by providing short-term and permanent housing, creating access to life-saving medical care and support services, and promoting adherence to treatments among patients. As such, HOPWA is a powerful tool for prevention of the spread of the virus.

HOPWA affords communities the flexibility – now through 139 eligible formula jurisdictions – to craft HIV/AIDS housing responses to meet their unique needs, whether through the construction of community residences with supportive services, short-term rental, mortgage and utility assistance to people with HIV/AIDS who are homeless or at risk of homelessness or project-based or tenant-based rental assistance for permanent supportive housing. Part of HOPWA's effectiveness is its ability to operate as a gap-filler with other HUD low income housing programs to meet community HIV/AIDS housing need.

HOPWA continues to be an uncontrovertibly efficient and cost-effective program, with 96 percent of clients receiving long-term assistance in 2015 achieving housing stability and 70 percent receiving transitional housing remaining stably housed or at reduced risk of homelessness. During the 2014-2015 program year, 11,577 individuals were newly placed in housing, including 2,106 who were formerly homeless, 95 percent having contact with healthcare providers, and 94 percent accessing and maintaining health insurance.

Without additional resources in the current fiscal year, implementation of the long awaited HOPWA formula update—importantly switching from counting cumulative AIDS to living HIV/AIDS— may result in the loss of housing assistance to more than 3,000 households. Though need is vastly greater than the 49,125 households served by the program in the current year, HOPWA is key to preventing and ending homelessness among people with HIV/AIDS by enabling them to access and adhere to care resulting in better individual and community health outcomes

Lead Hazard Control and Healthy Homes

HUD's Office of Lead Hazard Control and Healthy Homes (OLHCHH) has enabled communities with large numbers of pre-1978 housing and pre-1940 rental housing, respectively, in which there are high rates of childhood lead poisoning cases, to identify and control lead-based paint hazards in eligible housing.

Recent research confirms that housing policy has a profound impact on public health, and for any public health agenda to be effective, it must include a housing component. The statistics and key findings regarding the long-term effects of housing-related health hazards are alarming. Over half a million children under five years old in the U.S. have elevated blood lead levels. Childhood exposure to lead can have lifelong consequences including decreased cognitive function, developmental delays, behavior problems, and, at very high levels can cause seizures, coma, and even death. Asthma is a leading common chronic disease among children in the U.S and leads to high levels of school absences; 26 million people in the U.S. have asthma, including 9.5 percent of children under 18 years old. In 2007-2008, the economic costs to society of lead poisoning and asthma were estimated at $50 billion and $56 billion respectively.

The number of children under five with blood poisoning would have included an additional 265,000 children if not for HUD programs' actions to control hazards in over 370,000 housing units. These funds are vitally important for helping cities and states end childhood lead poisoning. Healthy homes interventions prevent injury, neurological and respiratory diseases, and cancer and even death from toxins such as carbon monoxide and radon. Each dollar invested in lead hazard control returns at least $17 and positions children and their families for greater opportunities in the future.

American Healthy Housing Survey data from 2005-2006 estimated that 37 million housing units have lead paint, and 23 million units are estimated to have significant lead-based paint hazards (in the form of deteriorated lead paint, contaminated house dust and/or contaminated bare soil). 3.6 million of these households are estimated to currently house children under six, of which 1.1 million are low income. HUD's lead hazard control grant program should carry out risk assessment, inspection and abatement for the 1.25 million high-risk units in which young children reside or are likely to be born or move into.

Fair Housing Programs

There are two federal programs dedicated solely to assist in the enforcement of the Fair Housing Act—an essential role in ensuring that all households can access a range of housing options and opportunities. The Fair Housing Initiatives Program (FHIP) funds private fair housing organizations, and the Fair Housing Assistance Program (FHAP) funds the fair housing enforcement programs of state and local government agencies.

FHIP funds private fair housing organizations to provide education and outreach to their local populations and housing providers, and to enforce the Fair Housing Act by investigating allegations of rental, sales, homeowner insurance, and lending discrimination. FHIP is a competitive grant program administered by HUD's Office of Fair Housing and Equal Opportunity. In 2012 and 2013, FHIP-funded organizations investigated 38,600 complaints of housing discrimination across the country for families and communities, more than twice that of all state and federal agencies combined. According to HUD, 71 percent of the cases in which a FHIP organization is a complainant result in conciliation or a cause finding, making it a highly successful federal investment in addressing housing discrimination. In FY 2014, HUD awarded FHIP grants to more than 100 private fair housing and other qualified nonprofit organizations in 40 states and the District of Columbia.

State and local government agencies certified by HUD to enforce fair housing laws that are substantially equivalent to the Fair Housing Act receive FHAP funds. HUD funds FHAP agencies by reimbursing them based on the number of cases they successfully process. In addition, FHAP funds help cover administrative expenses and training. Between 2013 and 2014, FHAP agencies investigated 13,254 complaints of housing discrimination.

The Department's long-awaited fair housing initiative, the Affirmatively Furthering Fair Housing (AFFH) rule, has the potential to expand residential integration and reduce disparities in access to opportunity across neighborhoods and communities separated by race, class and disability. The AFFH rule is intended to reduce barriers and support integration to increase opportunity. The AFFH rule will also help guide HUD program participants, including states, local governments, and PHAs to meet the obligation established by the Fair Housing Act to affirmatively further fair housing. The Trump administration should help ensure that this rule is effectively implemented

National Housing Trust Fund

The primary purpose of the national Housing Trust Fund (HTF) is to expand the supply of rental housing that is affordable for extremely low income (ELI) households. At least 90 percent of the funds must be used for rental housing and at least 75 percent of the rental housing must be affordable for ELI households (100 percent of HTF funds must benefit ELI households if there is less than $1 billion in the HTF). While the program does not receive appropriated funds from HUD (the program is funded by a modest annual fee on Fannie Mae and Freddie Mac), it is administered by the agency.

HTF grants are made to states, which have wide latitude in deciding how to use them as long as they are serving ELI renters. Funds can be used for a broad range of costs associated with the construction or rehabilitation of units designated for ELI households in multifamily properties. Up to a third of the HTF dollars can be used for operating costs, including the capitalization of operating reserves. The HTF is poised to provide every state and the District of Columbia with these much needed resources for the first time in 2016.

The HTF will serve as an incentive to bring other resources to bear on the development and preservation of rental housing that extremely low income households can afford. Two of its attributes make this possible. First is the deep income targeting. There is no other federal program that provides new money to support rental housing development targeted to ELI households. In order to use HTF dollars, a developer has to include some units in a project that are affordable for extremely low income households.

The second attribute is the HTF's flexibility. It provides capital grants or loans that can be coupled with LIHTC and other sources of capital. Funds can be used for a wide range of costs associated with the construction or rehabilitation of units designated for ELI households in multifamily properties. Projects can be designed based on local market conditions, local priorities, and local resources.

Capital Magnet Fund

The Capital Magnet Fund (CMF) provides flexible funds to attract private capital investment into affordable housing proprieties. The CMF provides a source of funding for Community Development Financial Institutions (CDFIs) and nonprofit housing developers to finance affordable housing and related economic development activities. It is administered by the Community Development Financial Institutions Fund (CDFI Fund) of the Department of the Treasury. Through the CMF, the CDFI Fund provides grants to certified CDFIs and nonprofit organizations to support the financing of affordable housing and, in some instances, related community development activities. CMF awardees may use their award to (1) provide loan loss reserves; (2) capitalize a revolving loan fund; (3) capitalize an affordable housing fund; (4) capitalize a fund to support economic development activities or community service facilities; (5) provide risk-sharing loans; (6) provide loan guarantees; or, (7) support operations pertaining to the administration of the CMF award (no more than five percent of an award may be used for operations). An organization must leverage its CMF award with other sources of capital; the leveraged amount must be at least 10 times the amount of the award.

In FY 2010, Congress provided a one-time appropriation of $80 million for the CMF. Applicants in FY 2010 requested over $1 billion to fund projects with projected eligible project costs of over $23.4 billion. The 23 awardees from FY 2010 are comprised of 13 non-profit housing organizations and 9 CDFIs, including 14 organizations that are serving non-metropolitan areas. Through 2013, $89 million was deployed, indicating that awards have begun recycling and redeploying award dollars. Awardees have financed 8,971 affordable housing units in 34 states, DC and Puerto Rico. The $89 million of investment has supported over $1.68 billion in total eligible project costs, for a leveraging ratio of over 19:1.

Funding for CMF is provided through the same source as funding for the National Housing Trust Fund- a very small, annual assessment on new business revenues generated by Fannie Mae and Freddie Mac. This funding source must be protected, and any subsequent reforms of the housing finance system should ensure a continued source of funding for this program

USDA Rural Housing Programs

The U.S. Department of Agriculture's (USDA's) Rural Development (RD) arm runs several rental housing programs (and homeownership programs) through its Rural Housing Service. Together, these programs serve more than 800,000 households.

Under the Section 515 program, USDA RD makes direct loans to developers to finance affordable multifamily rental housing for very low income, low income, and moderate income families, for elderly people, and for persons with disabilities. Section 515 loans have an interest rate of 1%, amortized over 50 years, to finance modest rental or cooperatively-owned housing.

The Section 514 farm worker housing program also makes direct loans; they have a 1% interest rate for 33 year terms. Some Section 514 borrowers, such as nonprofits, are also eligible for Section 516 grants.

Sections 515 and 514/516 funds can be used for new construction as well as for the rehabilitation of existing properties. Funds may also be used to buy and improve land, and to provide necessary facilities such as water and waste disposal systems. However, no new rental properties have been developed under Section 515 since 2011; the program's entire appropriation for the last few years has been used to preserve existing units.

Very low, low, and moderate income households are eligible to live in Section 515-financed housing. Section 514/516 tenants must receive a substantial portion of their incomes from farm labor. Residents' incomes average about $12,700 per year. The vast majority (93%) of Section 515 tenants have incomes less than 50% of area median income. More than half of the assisted households are headed by elderly people or people with disabilities.