



Preservation Initiative ToolKit



PRESERVATION FACTS

Invisible Crisis: Expiring Project-Based Section 8

The Issue

The federally funded project-based Section 8 program ties housing subsidy to the unit rather than the tenant. In return for guaranteed operating subsidy, landlords who contract with HUD are required to keep their units affordable. While Congress has all but eliminated funding for new Section 8 projects, it has committed to funding renewals of current contracts. Landlords, however, are not required to stay in the program, and may choose to opt out and convert to market rate rents or condominiums. Existing tenants receive vouchers which they may be able to use in their current unit if the building stays rental. Otherwise, they will be competing for units in a tight rental market. Building-by-building, the invisible crisis is taking shape.

Chicago Rehab Network has mapped the State of Illinois' expiring Section 8 portfolio, and the results are startling.

Local Impact of the Crisis

CRN's analysis of HUD's database shows that between 2004 and 2009, more than 18,000 units are at risk of being lost in Chicago alone. Some of the hardest hit communities are:

Lakeview	626 units
Near North Side	1,135 units
Greater Grand Crossing	1,007 units
Woodlawn	954 units
Near West Side	1,699 units
Uptown	2,480 units
North Lawndale	1,362 units

By the end of 2009, thousands of units—many on the north and south lakefront in areas that have changed significantly in the last 20 years—may be lost forever. This loss compounds the existing affordable housing crisis and the thousands of units lost through the transformation of public housing. Where will Chicago's low income families and seniors live?

Regional Impact of the Crisis

Many suburban communities are already struggling to meet demand for scarce rental apartments. The loss of valuable Section 8 units will only make matters worse. Northeastern Illinois, excluding Chicago, has more than 8,000 units that will **expire between 2004 and 2009**. Communities include:

McHenry County	336 units
Will County	363 units
Cook County (excluding Chicago)	2,865 units
DuPage County	2,009 units
Kane County	1,057 units
Lake County	1,853 units

Statewide Impact of the Crisis

Thousands of units in Downstate Illinois are also threatened by expiring Section 8 contracts, including homes in these counties:

Tazewell County	450 units
McLean County	146 units
Vermilion County	298 units
Sangamon County	254 units
Madison County	558 units
St. Clair County	627 units
Winnebago County	683 units
DeKalb County	760 units
Rock Island County	1,064 units
Peoria County	2,181 units

What Can Be Done

Across the country municipalities have responded to the crisis with measures to avoid opt-outs, protect tenants and build resources for preservation. Maryland, Rhode Island, San Francisco and Seattle require owners to either pay displaced tenants a relocation fee or cover reasonable moving costs. California, Maine and Maryland have instituted rights of first refusal for purchase for tenant cooperatives, non-profits and public housing agencies.

Get the Facts & Take Action

What can you do?

Fortunately, there are solutions to the housing crisis. SB 2329 needs your attention and immediate support.

- 1) **Get the facts**
See the enclosed fact sheets and frequently asked questions about the affordable housing crisis in Illinois. Share the information.
- 2) **Learn what properties are at-risk.**
- 3) **Recruit local community support.**
Write letters to newspapers, sign on endorsers, include an article in your newsletters.
- 4) **Outreach to the political leaders and candidates.**
Visit your elected officials. Talk to them about prioritizing policies that preserve rental housing.
- 5) **Take action to pass SB2329**

March 22, 2004: Illinois General Assembly in Session . . . Passage of SB2329

- SB2329 will move through the Senate for a vote
- Contact your State Senators to sign on as co-sponsors and to vote yes
- Goal is to get at least 35 bi-partisan co-sponsors and 60 or more votes

April 2004: SB2329 Goes to the IL House of Representatives

- Contact your State Representatives to become co-sponsors of the bill
- Send letters/post-cards to State Representatives to request their support
- Schedule visits with IL Legislators about affordable housing in their districts
- Get their commitment for a yes vote on SB2329

Tools: Maps, Housing Fact Sheets, FAQs, Property Request Form

Federally Assisted Housing Preservation Act

The Federally Assisted Housing Preservation Act expands the scope of the existing act to include buildings financed with federal low-income housing tax credits, Section 8 subsidies, and various HUD mortgage insurance programs; increases the number of situations in which owners of assisted housing must give tenants notice and an opportunity to purchase their buildings to preserve their affordability; and grants Tenant Associations the ability to partner with non-profit development agencies or other private parties in making these purchases.

Scope

The bill covers any assisted housing development that receives federal subsidies through Section 8, low-income housing tax credits, or various HUD mortgage insurance programs.

Notice Requirement

The bill increases the number of situations in which an owner is required to give tenants and the Illinois Housing Development Authority notice of an impending change in the status of the owner's assisted housing development.

An owner must provide notice prior to any sale or other disposition of the property, any prepayment of existing, federally-held or federally-insured mortgage financing, or any termination of existing, programmatic affordability restrictions, when such event would result in the development no longer being used for affordable housing. Notices must contain detailed information and must be provided at least 12 months prior to the triggering event.

Offer for Sale to Tenant Association

Before the owner may terminate the contract and close their intended sale, prepayment, or termination of affordability restrictions, the owner must offer to sell the property to the Tenant Association. If the affordability status on the property does change, this Act does not apply.

Tenant Associations

A Tenant Association must be formed and within 60 days after receiving notice from the owner, the Tenant Association must give owner notice of intent.

The bill provides that Tenant Associations may enter into agreements with non-profit or for-profit partners to represent the residents and to maintain the development in a manner that preserves it as affordable housing.

Upon reaching an agreement with the Tenant Association, the non-profit or for-profit partner assumes the rights and responsibilities of the Tenant Association under the act.

Offer to Purchase and Purchase

The Tenant Association notifies the owner of its intent to purchase the property.

The sale price is based on the fair market value, without affordability restrictions, as determined by independent appraisers.

Violations by Owner

If an owner violates its obligations, the Tenant Association, or any one or more tenants, may bring a civil action against the owner. If found to be in violation, the owner must also pay the costs, including attorney's fees, incurred by the prevailing party.

For more information, contact Gené Moreno of the Chicago Rehab Network at 312-663-3936.

Frequently Asked Questions

Amending Illinois' Federally Subsidized Housing Preservation Act: SB2329

What do the current laws do?

Illinois actually has two laws that protect tenants of subsidized housing when owners act to terminate subsidy or sell their building. Passed in 1989, the Federally Subsidized Housing Preservation Act (310 ILCS 60) targets sales of some federally-insured buildings, many of which also have project-based Section 8 contracts. A second law covers the prepayment of buildings with IHDA-financed mortgages. Both require the owner to give notice of their intent to IHDA and tenants, and to provide the tenant association with a 'bona fide offer to purchase' the building at a fair market price. The tenant association must respond within a defined time limit and disputes over price are settled through appraisals. These laws are important because they protect tenants and communities from changes that could result in substantial rent increases or displacement. With a protected right to purchase their building, tenants also have an important tool to help them preserve their housing for the long term.

Why should Illinois revise these laws now?

As rents continue to outpace income in Illinois, over 30,000 project-based Section 8 units are at risk of loss in the next five years. At the same time, the first Low Income Housing Tax Credit properties will reach the end of their 15-year use restrictions. Current state laws does not sufficiently protect these properties and without changes, tenant associations and others are unable to use these laws to preserve these units for the long term. With the cost of new affordable multifamily units approaching \$175,000, preservation is a necessary part of the solution to the housing crisis.

What will the proposed amendment change?

- **Cover the right properties.** The definition of 'subsidized housing' must be expanded to include all project-based Section 8 buildings, Low Income Housing Tax Credit properties, or federally-held or federally insured mortgage financing.
- **Improve the state notice requirement.** The state notice requirement for all owner actions should follow HUD's 1-year requirement for terminating Section 8 contracts.
- **Use the correct triggers.** Purchase rights should be triggered by any action that terminates rental assistance rather than just mortgage prepayment or building sale. While prepayment remains a threat to Illinois' federally-assisted stock, the expiration of project-based Section 8 contracts and Low-Income Housing Tax Credits are now the main risk to the stock.
- **Allow preservation partnerships.** All tenant associations should be allowed to transfer their purchase rights to a non-profit or for-profit developer of their choice. Currently, this option is only available for IHDA-financed properties.

Where has this strategy worked?

Several area tenant associations have successfully purchased their buildings including the 500 tenants at Lakeview Towers (4550 N. Clarendon) in Chicago. In October of 2001, the association acquired the building with a special 'right of first refusal' (similar to the Illinois law) that was included in the building's financing.

In addition to Illinois other states and local governments have similar preservation laws including Maryland, California, Texas, Maine, Denver, San Francisco and Portland. San Francisco's law is helping to bring owners to the negotiating table

DO NOT PRINT THIS PAGE

Insert:

1. At Risk Housing Units in Chicago
front: Chicago Map
back: Chicago Community Area List
2. At Risk Housing Units in Illinois
3. State of Illinois Fact Sheet

REQUEST FOR EXPIRING PROPERTY INFORMATION

NAME: _____

ORGANIZATION: _____

PHONE: _____

FAX: _____

EMAIL: _____

I would like to receive a list of expiring Project Based Section 8 properties in:

IL Senator District _____ Year(s) _____

IL Representative District _____ Year(s) _____

IL County _____ Year(s) _____

IL Chicago Community Area _____ Year(s) _____

FAX THIS FORM TO CRN at 312-663-3562

Please contact Gené Moreno or Ayanna Thomas if you need additional information at 312-663-3936.

Outreach to Elected Officials

Contact your state legislators and the candidates in your district. Get a commitment that they will support the preservation of affordable rental housing, and that they will make housing issues a priority of their leadership for the good of our communities.

- The federally assisted housing stock, including senior 202, Section 8, and Low Income Housing Tax Credit developments, is made up of private owners - both nonprofit and for profit. These buildings bring or result in millions of dollars of federal capital for Illinois communities.
- Rental units that expire from federal affordability restrictions are not replaceable. Project-Based Section 8 is no longer a congressionally-funded program, so preservation of the existing rental stock is paramount.
- Healthy communities have a place for everyone.

***Tools: current legislative sponsors,
sample letters, postcards***

SAMPLE LETTER

Dear Senator / Representative _____:

INSERT INFORMATION ABOUT YOUR ORGANIZATION

More than 30,000 Project Based Section 8 units are at risk of being lost in the next five years. Simultaneously, the first Low Income Housing Tax Credit properties are reaching the end of their 15-year use restrictions. SB2329, introduced by Senator Iris Martinez, will make it possible for low-income families and seniors, who live in subsidized housing to remain in their homes if the affordability contract is extended.

What will the proposed amendment change?

- **Improve the state notice requirement.** The state notice requirement for all owner actions would follow HUD's 1-year requirement for terminating subsidy program contracts.
- **Allow preservation partnerships.** Tenant associations would be allowed to partner with a non-profit or for-profit developer to purchase their building from the owner, effectively preserving the housing stock for residents with limited incomes, like seniors and families.

As rents continue to outpace income in Illinois, and with the cost of new affordable multifamily units approaching \$175,000, preservation is a necessary part of the solution to the housing crisis.

***INSERT STATEMENT ABOUT UNITS IN YOUR COUNTY OR COMMUNITY.
(SEE CRN PROPERTY REQUEST FORM)***

We support this affordable housing legislation and we ask that your vote reflect your commitment to preserving our rapidly shrinking stock of affordable housing for Illinois families.

Sincerely,
Organization Name

Federally Subsidized Housing
Preservation Act

**93rd General Assembly
Senate Sponsors**

Chief Sponsor Senator Iris Martinez (D-20 Chicago)
Chief Co-Sponsor Senator Carol Ronen (D-7 Chicago)
Chief Co-Sponsor Senator William E. Peterson (R-26 Long Grove)
Chief Co-Sponsor Senator Mattie Hunter (D-3 Chicago)

Senate Co-Sponsors

John Cullerton (D-6 Chicago)
Miguel del Valle (D-2 Chicago)
Jacqueline Collins (D-16 Chicago)
Terry Link (D-30 – Vernon Hills)
James Meeks (I-15 Chicago)
Lawrence Walsh (D-13 Elwood)
Denny Jacobs (D-36 Chicago) 
Gary Forby (D-59 – Peoria)
James Clayborne, Jr. (D-3 Peoria)
Donne E. Trotter (D-17 Chicago)
Ira Silverstein (D-8 Chicago)
Barack Obama (D-13 Chicago)
Debbie Halvorson (D-40 Crete)
Rickey Hendon (D-5 Chicago)
Louis Viverito (D-11 Burbank)
M. Maggie Crotty (D-19 Oak Forest)
Don Harmon (D-39 Oak Park)
Antonio Munoz (D-1 Chicago)
William Haine (D-56 Alton)
Susan Garret (D-29 Lake Forest)

Chicago Rehab Network is a citywide coalition of neighborhood-based nonprofit housing groups advocating for policy change at local, state and national levels. For over twenty years CRN has been the leading technical assistance provider in the Chicago region, working to create affordable housing and promote community development without displacement. For more information, please contact Chicago Rehab Network at 312/663-3936.

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Representative

Statehouse Capitol Building
Springfield, IL 62706

valuing affordability through sound preservation policy

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Dear Representative _____,

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Your support of SB2329 will help to preserve thousands of affordable housing units for Illinois families and seniors. Literally millions of invested federal dollars could be preserved. Please contact me to let me know of your support.

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Sincerely, _____

How to find your State Legislators

There are several ways you can find your State Legislators – State Senators and State Representatives:

If you know the Legislative District you can visit <http://www.legis.state.il.us/senate.gov> and look up Senators and Representatives for the contact information.

If you don't know the legislative District, you can visit the Board of Elections website at <http://www.elections.state.il.us/> and search for your districts and/or officials. This website allows you to search by district, officials name, and address.

There are also several publications that will help you locate State Government Officials:

Illinois Handbook of Government published by the Secretary of States Office
Secretary of State

James R. Thompson Center, Suite 5-400
100 W. Randolph
Chicago, IL 60601
312-814-6165

State Legislator Contact Response Form

Your Name: _____

Organization: _____

Phone: _____ Email: _____

Address: _____

City: _____ State: _____ Zip: _____

I met with:

Representative _____ District: _____

Senator _____ District: _____

I wrote a letter to:

Representative _____ District: _____

Senator _____ District: _____

I sent postcards to:

Representative _____ District: _____

Senator _____ District: _____

Senator / Representative Response:

Please fax this response to Gené Moreno or Ayanna Thomas at 312-663-3562.

For more information call 312-663-3936

Recruit local community support

Building community support and awareness is critical in preserving the affordable rental stock in your area.

What you can do:

Meet with local reporters and send letters to the editor of area newspapers. CRN can work with you to craft a letter specific to your local environment.

Inform community, business, and religions leaders of this crisis and urge them to endorse efforts to preserve the affordable rental stock.

Urge them to join you in advocating to decision-makers to preserve existing affordable housing.

Set a goal for recruiting endorsers and sending postcards to your elected officials including the State Representative, State Senator and Governor.

Tools: Endorsement Sheet

SB2329 Endorsers

More than 30,000 Project Based Section 8 units are at risk of being lost in the next five years. Simultaneously, the first Low Income Housing Tax Credit properties are reaching the end of their 15-year use restrictions. SB2329, introduced by Senator Iris Martinez, will make it possible for the more than 30,000 families who live in subsidized housing to remain in their homes by creating more ways to extend affordability agreements.

We support SB2329.

NAME:

ORGANIZATION:

ADDRESS:

CITY: _____

ZIP: _____

PHONE: _____

Fax: _____

EMAIL: _____

PLEASE FAX THIS FORM TO Chicago Rehab Network
AT 312-663-3562.