CHICAGO REHAB NETWORK

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Chicago Rehab Network

CRN Analysis
DOH Quarterly Report of 2nd Quarter 2005
Presented August 31, 2005

Both the Rental Subsidy Bill and the Donations Tax Credit were signed by Governor Blagojevich since last quarter's report adding millions of dollars in new resources for affordable housing. It is worth noting that Commissioner Markowski's leadership in Springfield was outstanding and critical in passing both bills through the Illinois legislature. We also want to thank the Department for working together to modify the General Contractors' insurance requirements that would have otherwise undermined minority small business participation and increased the cost of development overall.

The volume of housing activity and resources being committed is extremely impressive - with both rental and for sale housing – strong support to nonprofits – and continuing support to CHA. The Rehab Network supports all this activity, and in this report we will be looking for some clarification on several trends that are noted below.

Production Overview

	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	Total
Multi-Family	1,800	1,186	792	94	24	2	0	3,898
Single Family	2	8	28	110	246	359	543	1,296
Home Improvement	96	440	579	100	142	118	30	1,505
MF New Units	409	192	129	42	20	2	0	794

New Unit Production

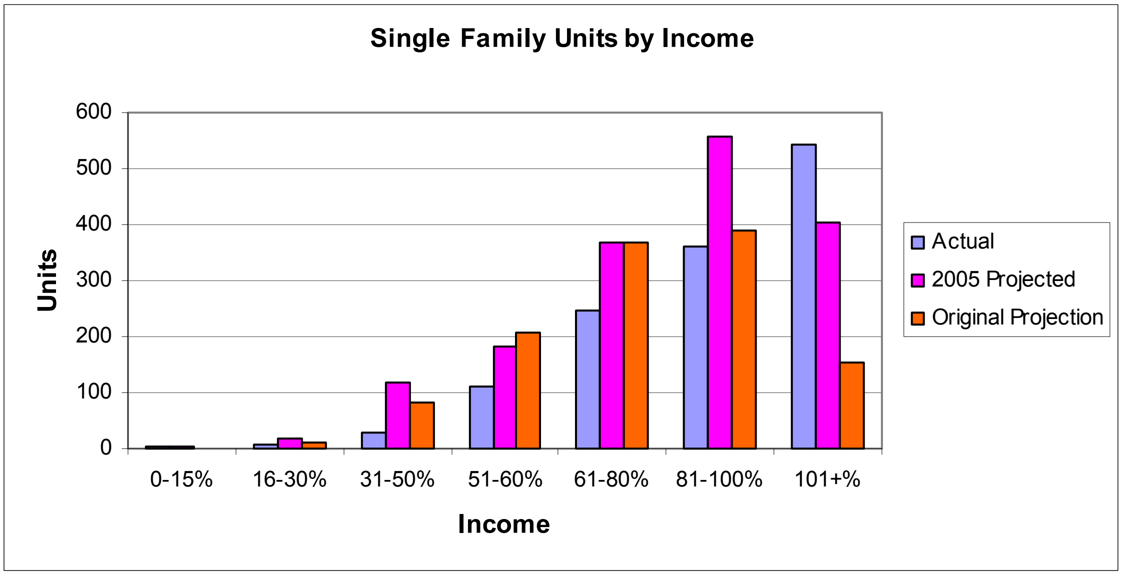
At mid-year, DOH is far ahead in reaching its annual projections for both multi-family and single-family unit creation – having funded 72% of multi-family units and 80% of single family units projected for 2005.

Of the nearly 4,000 units DOH reports producing under multi-family programs, just under 800 of them are actually new units created through the city's new construction and rehab programs. The remainder is existing units that received assistance from building stabilization (966 units) or code enforcement (102 units) programs, or were made affordable for one year through the city's LIHTF rental assistance program (2,036 units). LIHTF units continue to be an essential part of the city's affordable housing inventory, but they are effectively for the same households year to year.

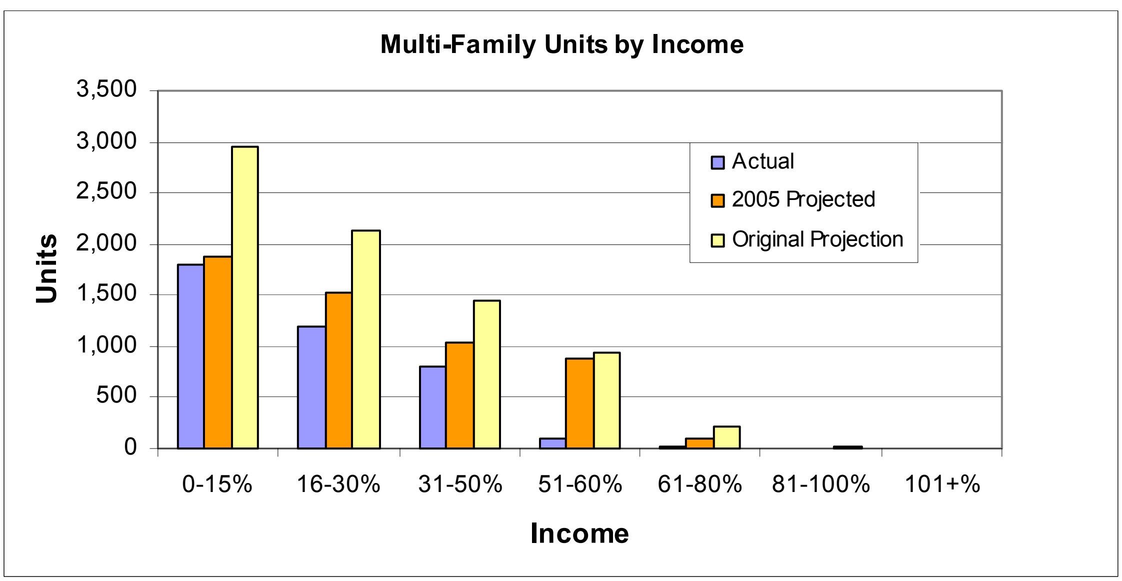
Production vs. Projections

2005 projections have been substantially revised from the city's original 5 Year Plan. Overall production looks even more impressive compared to the 5 Year Plan's original figures, adding up to 89% of multi-family unit goals, and 183% of single family unit goals.

However, the revised projections redistribute the balance of production goals from units for very low income households toward households with very high incomes. For instance, DOH raised the number of units projected for households with incomes over 101% of the area median income (which is $75,400 for a family of four in 2005) from 159 in the original plan, to 405 in the 2005 projections. Furthermore, at mid-year, it has surpassed this goal, creating 543 units for households with incomes over the metro area median.



The city's revised projections also cut the number of units to be created for very low income households (under 50% AMI) from 6,694 units projected in the original plan, to 4,580 units. DOH has actually produced 3,816 units for this income category so far this year, a figure more in line with the original projections than the revised ones.



However, units created in the 0-15% and 16-30% income categories are inflated by public housing units being built to replace units torn down by CHA.

DOH-financed 5 Plan for Transformation projects in the first two quarters of 2005, including 659 public housing replacement units. These projects account for 22% of units DOH reported for the 0-15% AMI category, and 24% of those it reported in the 16-30% AMI category.

They also account for more than half of the 543 units DOH has reported assisting for households over 100% of the area median income this year and are associated with public housing redevelopment.

Plan for Transformation Projects Funded - 2005

Q	Project Name	Total Units	Total <30%	101+%
1	Oakwood Shores (Madden Wells)	162	63	102
1	Hilliard Homes II	327	152	
1	Park Boulevard (Stateway)	100	100	139
2	Harrison Courts, Lathrop Elderly, Loomis Courts	344	344	
1	Roosevelt Square Phase I (for sale)	121		40
	Total	**1,054**	**659**	**281**

Furthermore, Plan for Transformation Projects are claiming a disproportionate share of DOH financial resources. For instance, these 5 projects represent 49% of the multi-family loans made so far this year, as well as 100% of the mortgage revenue bonds, 71% of the Illinois Affordable Housing Tax Credits, 43% of TIF funds spent for multi-family developments, and 100% of TIF funds spent for single family developments.

Dollars Spent for Plan for Transformation Projects in 2005
Compared to Total Budgeted and Total Spending YTD

	Total Budgeted	Total Spent YTD	% Spent YTD	Spent on CHA
MF Loans	$39,683,009	$24,618,368	62.0%	$12,000,000
MF Rev Bonds	$67,620,758	$57,620,758	85.2%	$57,620,758
LIHTC	$77,024,291	$54,449,633	70.7%	$3,271,244
State Tax Credit	$2,100,000	$2,113,000	100.6%	$1,500,000
TIF MF	$4,973,000	$4,454,000	89.6%	$1,900,000
TIF SF	$12,039,066	$26,996,066	224.2%	$26,996,666

It would be extremely helpful to have reports from CHA on its spending and production activities in order to better understand the impact of public housing redevelopment on DOH's ability to meet its affordable housing goals.

Spending by Program
Overall, DOH has spent 60% or more of resources projected for all major housing production programs, and in most cases, its progress toward unit production goals exceed its progress toward spending goals – suggesting the city is creating and preserving more housing units with less money than planned. The exception is multi-family TIF spending: the city has funded 58% of the multi-family units it proposed to fund through TIF funds this year, but used 85% of this year's proposed multi-family TIF resources to do it.

Spending on some individual programs raises questions.

CHA-related projects have utilized 71% of all resources available to Chicago under the *Illinois Affordable Housing Tax Credit* during 2005. While it appears that the credit is being given for CHA land donated via the city to a master developer, it is less clear what entity is actually taking the tax credit. In addition, the CHA-held land was essentially "public" land – which is being held in a 99-year lease structure for each new development – and the use of this limited financing resource is questionable in our view.

The city proposed to spend $2,000,000 through the *Troubled Building Initiative* in 2005 to stabilize 756 multi-family housing units. At mid-year, the city reports stabilizing 465 multi-family units, but has spent no money to do so, according to DOH's quarterly report.

Conversely, the Mayor's *Affordable Requirements Ordinance* is designed to use incentives to encourage private developers to create affordable housing units in their developments. DOH has budgeted $0 to fund this program, yet at the end of the 2nd Quarter it reports spending nearly $3 million to create 12 units of multi-family housing through the Affordable Requirements Ordinance ($250,000 a unit), and another $16.6 million to create 69 units of single family housing (just over $240,000 per unit). It is unclear if these figures represent dollars actually spent by the city, or the total value of the units created by the developers.

The report does not reveal the amounts of *in lieu of funds* collected via the Affordable Requirements Ordinance. We would guestimate that the balance is in the several millions and a full accounting of monies received and dispersed for affordable housing purposes would be appreciated.

Finally, we do not support any effort to dilute or decrease the amount of potential funds that can go into the *Affordable Housing Opportunities Fund*. We do not support a proposed ordinance that would add a new fund for developers seeking density bonuses that would diminish the amount of resources that can be used towards affordable housing. We believe this would undermine the Mayor's leadership in incorporating affordable housing into city policy. Any proposal to alter the affordable housing requirements triggered by density bonuses should be one that extends the requirement citywide.