CRN Analysis of the City of Chicago's First Quarter 2018 Housing Report

Bouncing Back: Five-Year Housing Plan, 2014-2018
Presented August 1, 2018, Chicago City Council Committee on Housing & Real Estate

Whereas obstacles before us include loss of population, over-reliance on market forces, application of systemic racist practices against people of color, historic blight and ongoing gentrification, our vigilant leadership is required for a vibrant City with sustainable and prosperous communities. National and local research confirms the role that housing plays in reaching positive health, education, and employment outcomes. Combined with the significant economic benefits that result from community-based models of rehab and construction as well as strengthening life outcomes, expanding the affordable housing supply will benefit the City.

We have to do better and together we can. Many goals from the previous Chicago 5-year plans were met, though each was pegged to a limited pool of resources. This next Plan occurs during increasing income inequality and its consequential turbulence for the City, neighborhoods, and our neighbors. This next Plan must address this instability by expanding what works and facing some big challenges. Certainly more money and greater leadership are required.

We are in the last year of the Bouncing Back plan and the trend line shows that projections are largely being met as shown in **Figure 1**. Changes in population, for instance, require public policy responses and program adjustments to support communities losing population as well as those households and communities most at risk of losing housing stability.

Bold action is needed which will require millions more in subsidy and financing. The consequences of not addressing real housing needs will be more expensive in the long run.
The capacity exists to eliminate the 120,000 unit shortfall (as reported by the Institute for Housing Studies at DePaul University) in affordable housing, and the City's leadership should target that number.

You can see below in **Figure 2** the comparison of resource commitments over the last 5 Housing Plans with the current Plan just exceeding what was set out in 1993. We have seen a reduction of Corporate Funds to $14 million last year from a high of $32 million in 2008 prior to significant ARO receipts.

While a portion of these billion plus commitments are due to reductions in Federal funding, CDBG and Corporate Fund dollars are flexible and more can be committed to housing that is affordable.

Figure 1 – Projected Funding vs. To-Date Actual Commitments, Bouncing Back 2014-2018 Plan

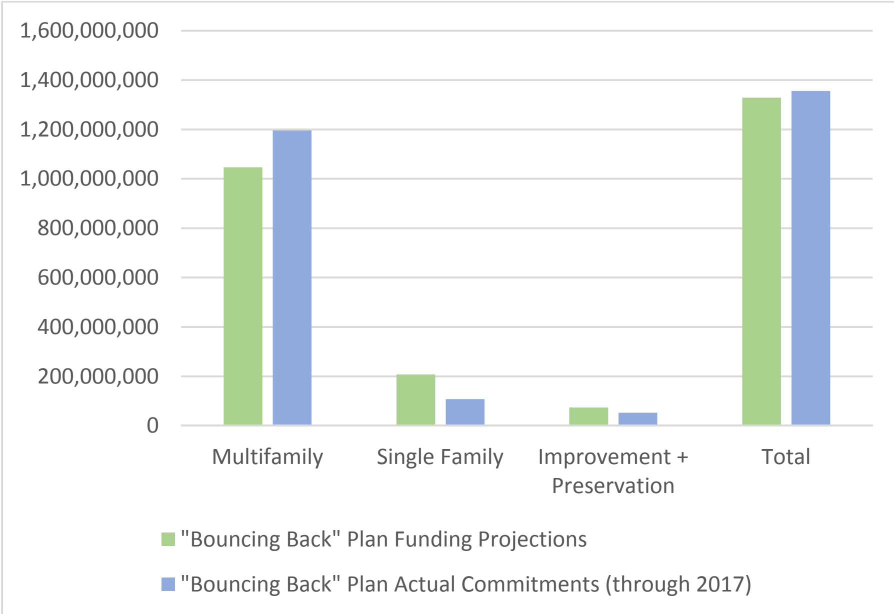
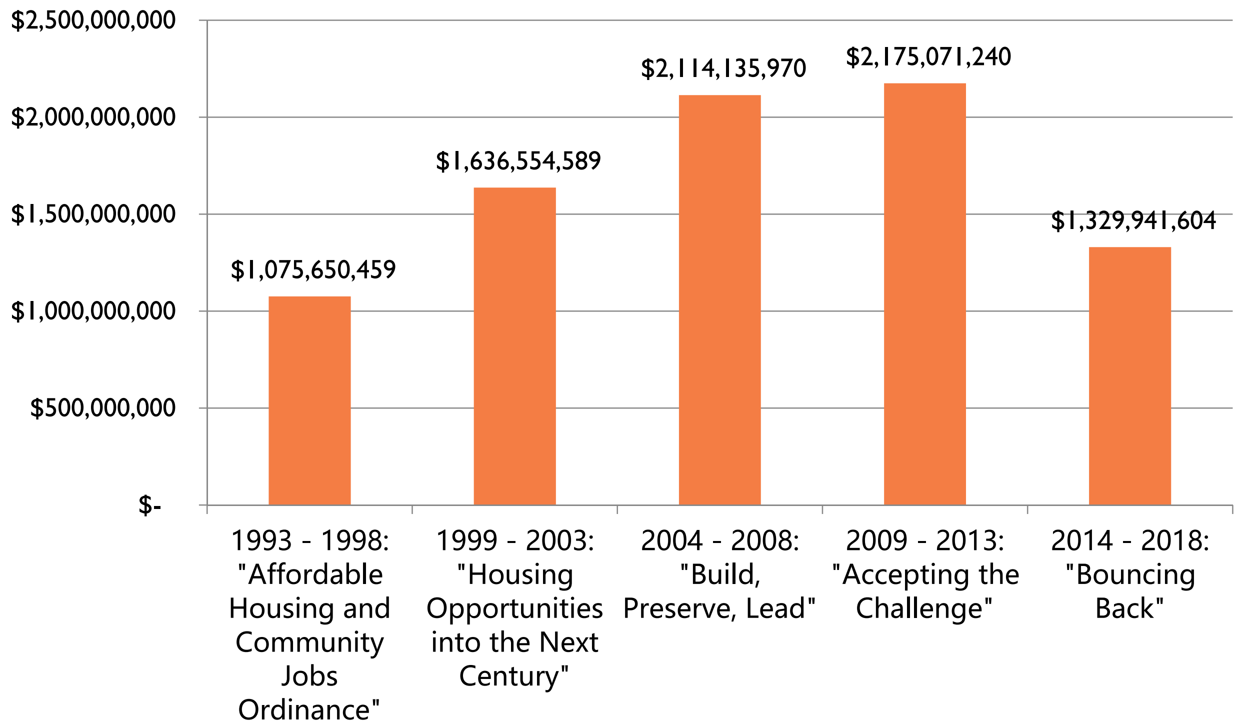


Figure 2 – A Comparison of Five Year Housing Plan Totals in 2013 Dollars



As we are coming to the end of the 5th Housing Plan, we want to share a few observations as to current topics.

The chart on **Page 6** depicts the evolving department configurations and corresponding corporate funding allocations for the past ten years. 2008, the last year that we had a Department of Housing, saw the greatest investment in the Department, while in 2017 it received the lowest level of support. Mayor Emanuel is recommending a return to the original department structure—we recommend that he return to the original level of support from the Corporate Fund as well, at $32 million. We appreciate the intent to prioritize and give cabinet-level parity to housing. We call for careful consideration as the perils of removing the DOH from land use functions/responsibilities in planning and zoning could have unintended and disruptive consequences unless the Department has the authority to make affordable housing a component of city planning and zoning.

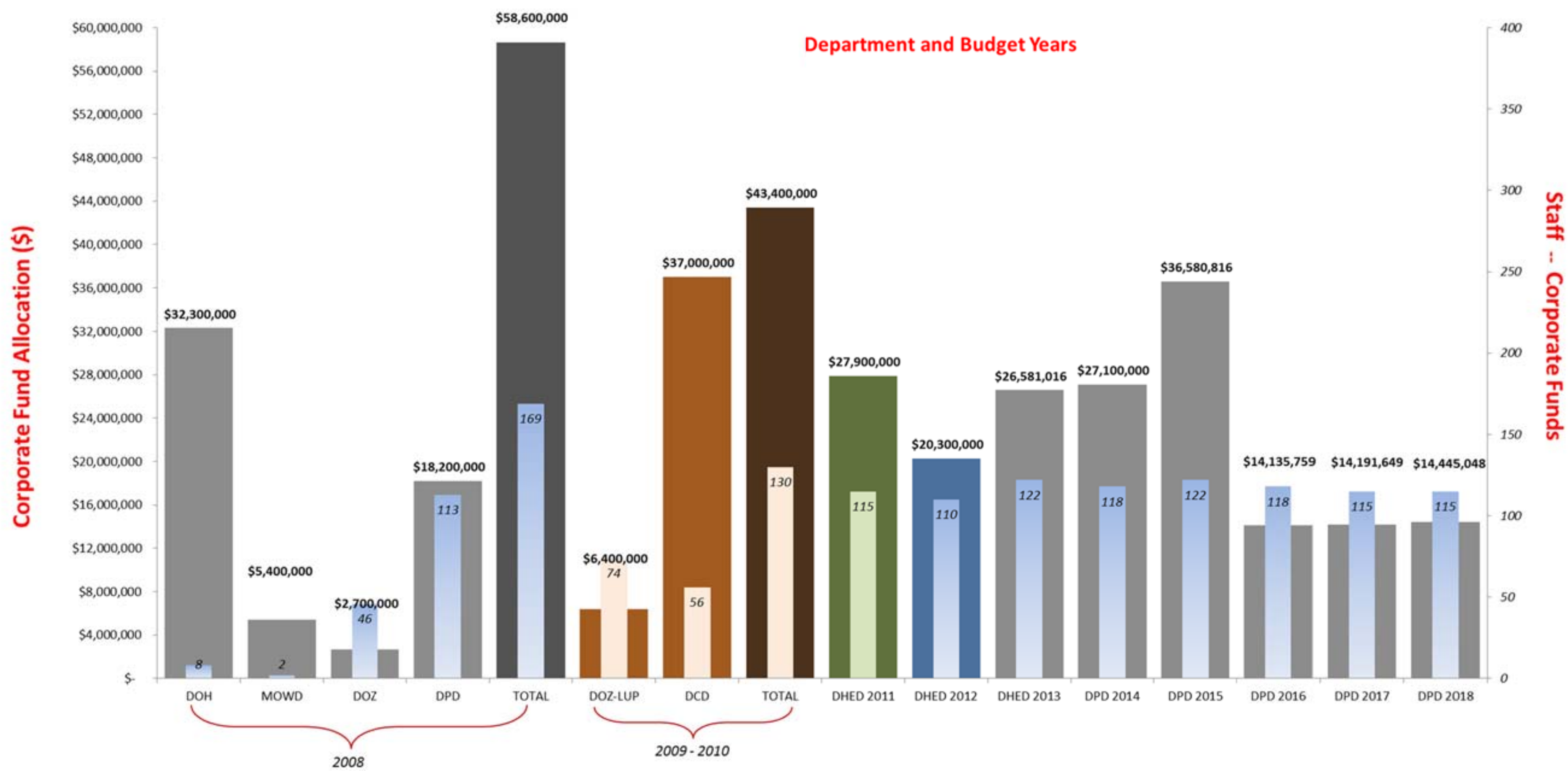
A key stated rationale for merging the departments in 2009 was to enhance coordination between zoning, housing, and planning, as the functions and personnel of the former DOH went into the new Department of Community Development, which coincided with a decrease in overall corporate fund allocations. In the subsequent years, with the exception of 2015, there is a precipitous decline in the corporate amount allocated. In 2008, there was a total of $58,600,000, whereas in 2018 there was a total of $14,445,048 for all the combined functions of the Department of Planning and Development. The need for coordination with other Departments will not diminish after a restructuring.

Furthermore, as we outline in our *Five Strategies toward Housing Stability for All Chicagoans* we call for an impact analysis on land-related legislation. If the city were to implement such an impact analysis, it would force a consideration of intended and unintended outcomes of policy and land matters. For example, the 606 trail has had an unintended, though expected, impact of destabilizing long term residents and accelerating displacement. An Impact Analysis and public discourse could have set policies in place to prevent the rapid and undirected change occurring in those communities which are having a disparate impact on people of color.

Additionally, as the DOH creates a new Qualified Action Plan (QAP), it should reflect an allocation that commits to not less than 50% of the low income housing tax credits be awarded to local non-profit CDCs. More than fifteen years ago, the City made a similar commitment by designating half of all the low income housing tax credits to support the Plan for Transformation. But in fact, there remains a significant network of CDCs and the need for new ones. There is no better guarantee of long-term affordability than investing in these local institutions of community building.

Over a 10 year period, Corporate Fund allocations to housing have changed dramatically. The chart below shows mergers among related departments and the resulting changes in Corporate Fund dollars and staffing levels. In 2018, over $14 million in Corporate Funds are dedicated to the Department of Planning and Development which includes 3 bureaus compared to the $32 million appropriated in 2008 towards just housing purposes.

City of Chicago 10 Year Review of Housing Commitment from the Corporate Fund



Analysis of First Quarter 2018 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 per the Affordable Housing and Community Jobs Ordinance. This report covers the first quarter of 2018.

EXECUTIVE SUMMARY

- A total of 42 net-new units were produced by one project in Q1.
- Q1 saw the addition of 29 ARO units, or 16.1% of the projected 180 ARO units expected for the year.
- During Q1, DPD invested just over $27 million in rental, homeownership, and improvement programs combined.
- Of the 71 net-new units produced during Q1, 27 will be rented out at market rate, while 44 will be affordable.
- 2500 households were supported (very low and extremely low income households) via the Chicago Low Income Housing Trust Fund.

In the first quarter the city DPD already reached half (52.4%) of its affordable rental projected units total of 5,854. This feat is not new and is a prominent feature annually of the city's affordable housing production. It has been accomplished by utilizing the Chicago Low Income Housing Trust Fund (CLIHTF) Rental Subsidy Program allocating $16,310,894 in the first quarter representing 112% of their total funds anticipated for the year. The CLIHTF is a vital program serving some of Chicago's poorer households while providing economic support to participating landlords across the city.

The table on **Page 4** provides a 15-year lookback at the funding of this nationally recognized program. This table breaks out the investments into the fund between 2001 and 2016 from the state rental support program, federal grants, and corporate funds as well as the new ARO/AHOF. The year with the highest total was 2007 with $30,573,499 total, serving 2,548 households, with $6,678,499 of that coming from corporate funds. The following year had $7.4 million in corporate funds, the highest in this lookback.

2016 saw the lowest amount of corporate funds committed, at $500,000. *For the new five year plan (commencing 2019) CRN recommends increasing the corporate support to the Trust Fund, enough to serve 3x the households while not decreasing the other funding streams, keeping them at the same level adjusted for inflation.*

Chicago Low Income Housing Trust Fund - 15 year lookback						
	Households Served	**State Rental Support Program**	**Federal Grants**	**Corporate Funds**	**ARO/AHOF**	**Total**
2001	2000	$ 6,052,309	$ 1,800,000	$ 5,700,000		$ 13,552,309
2002	2000	$ 6,100,000	$ 5,700,000	$ 2,900,000		$ 14,700,000
2003	2000	$ 6,530,000	$ 6,700,000	$ 6,100,000	$ 22,000	$ 19,352,000
2004	2000	$ 7,505,000	$ 3,600,000	$ 6,175,000	$ -	$ 17,280,000
2005 RHSP - Passed	2000	$ 7,100,000	$ 1,700,000	$ 6,400,000	$ -	$ 15,200,000
2006	2355	$ 7,120,000	$ 1,827,000	$ 7,100,000	$ 2,000,000	$ 18,047,000
2007	2548	$ 17,300,000	$ 1,795,000	$ 6,678,499	$ 4,800,000	$ 30,573,499
2008	3139	$ 10,700,000	$ 3,600,000	$ 7,400,000	$ 2,600,000	$ 24,300,000
2009	2912	$ 16,200,000	$ 3,309,000	$ 7,060,000	$ 560,000	$ 27,129,000
2010	2894	$ 7,300,000	$ 1,597,000	$ 7,330,000	$ 900,000	$ 17,127,000
2011	2843	$ 4,700,000	$ 106,288	$ 7,330,000	$ 1,600,000	$ 13,736,288
2012	2666	$ 10,728,500	$ -	$ 6,256,700	$ 1,500,000	$ 18,485,200
2013	2691	$ 500	$ -	$ 6,849,263	$ 920,000	$ 7,769,763
2014	2813	$ 1,221,999	$ -	$ 6,804,633	$ 1,700,000	$ 9,726,632
2015	2830	$ -	$ -	$ 4,000,000	$ 5,000,000	$ 9,000,000
2016	2687	$ 14,560,210	$ -	$ 500,000	$ 11,656,997	$ 26,717,207

Data gathered by CRN from CLIHTF Audits and/or Annual Reports.

Includes $1.3 from Parking Meter	Includes $1 million from Skyway Funds

Table 1 –Housing Dollar Commitments Compared with Annual Goal, 2018 Q1

	Rental Investments	Ownership Investments	Improvement/ Preservation Investments	Total Investments
YTD Commitments	18,961,975	4,818,895	3,224,679	*27,005,549*
Total Funds Anticipated by Year End	276,451,000	23,663,691	21,079,014	*321,193,705*
Percent of Goal Met through Q1	6.9%	20.4%	15.3%	*8.4%*

Table 2 –Housing Unit Commitments Compared with Annual Goal, 2018-Q1

	Rental Units*	Ownership Units	Improvement/ Preservation Units	Total Units
YTD Units	3,067	89	408	*3,564*
Total Units Projected by Year End	5,854	497	2,198	*8,549*
Percent of Goal Met	52.4%	17.9%	18.6%	*41.7%*

To get a clearer look at *new* affordable apartments being made available for individuals and families in need (what we refer to as "net-new" units), CRN removes CLIHTF-subsidized units and two key preservation programs (Heat Receivership and Multifamily Troubled Building Imitative) that do not directly add new units to the available affordable housing stock in Chicago (Table 3).

Table 3 – Net-New Housing Unit Commitments in Comparison with Annual Goal, 2018

	Total Units Planned for 2018	Total Units Committed in 2018	Total Units Committed in 2018-Q1
Total Subsidized Rental Units	5,854	3,067	3,067
Less Rental Subsidy Units	*2,812*	*2,662*	*2,662*
Less Heat Receivership Units	*400*	*133*	*133*
Less MF Troubled Building Initiative Units	*750*	*201*	*201*
Net New Rental Units**	1,892	71	71

Table 4 shows that of the 71 units committed so far in 2018, 62% are affordable, with 33 units serving households at 51-60% AMI and 11 units serving households at 61-80% AMI. 27 units, or 38% of total units, are market rate. So far in 2018, no new or rehabbed units are affordable for households at or below 50% AMI. Figure 5 shows the proportion of units produced in each income bracket over the entire Five Year Plan so far, again demonstrating that the majority of rental units serve those households whose incomes are at 51-60% of AMI. The next largest group is 31-50% AMI, with the fewest rental units serving those at or below 15% AMI.

Table 4 – Incomes Served by Net-New Rental Units, 2018

		Net-New Rental Units	Share of Total Units Produced Per Income Bracket
Income of tenants served	0-15% AMI	-	-
	16-30% AMI	-	-
	31-50% AMI	-	-
	51-60% AMI	33	46%
	61-80% AMI	11	16%
	81-100% AMI	-	-
	101+% AMI	27	38%
YTD Units Committed		**71**	**100%**
Total Units Projected by Year End		1,300	

Figure 6 – Single Family Homes Produced by AMI, 2014-2017

1648 homes

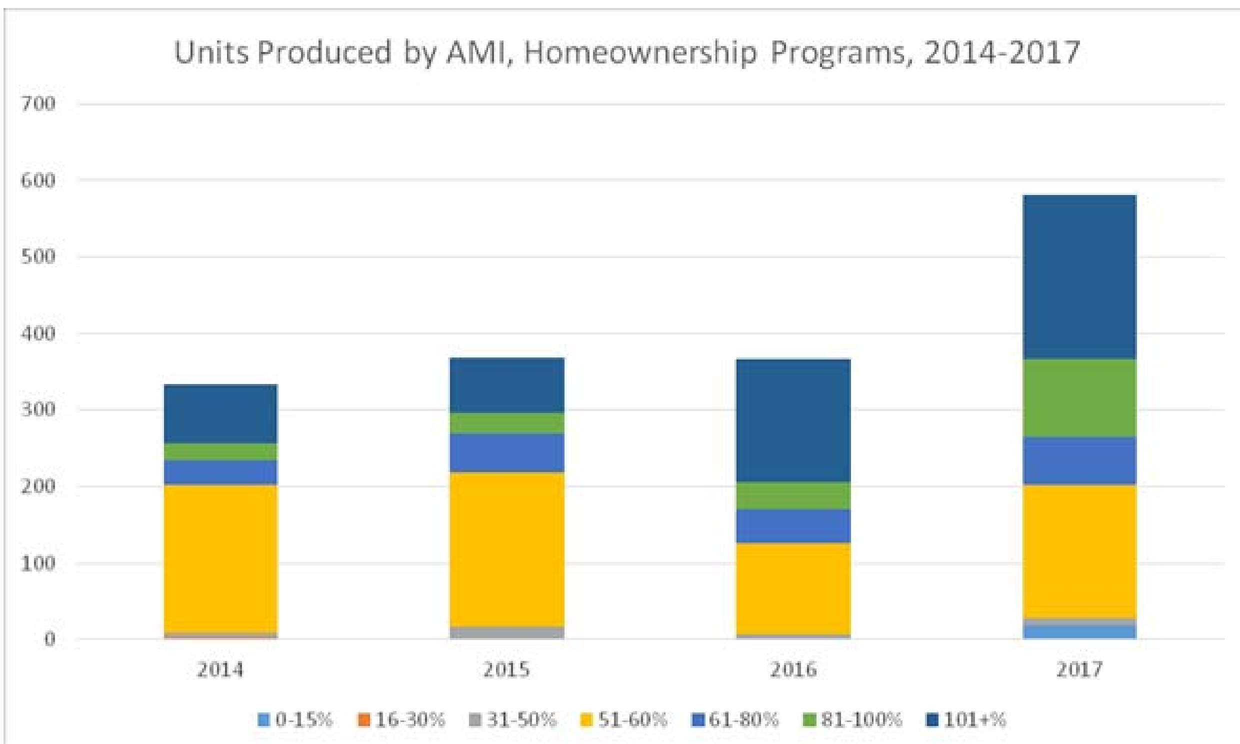
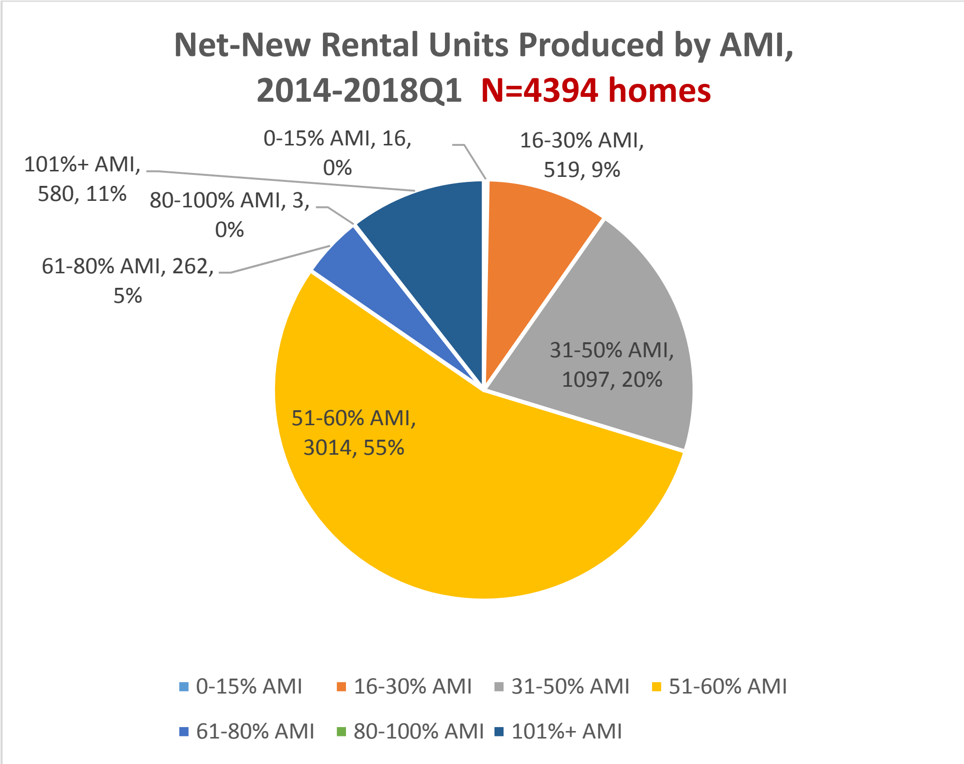


Figure 7 – Net-New Rental Units Produced by AMI, 2014-2018Q1



DEVELOPMENT SUMMARY QUARTER 1, 2018

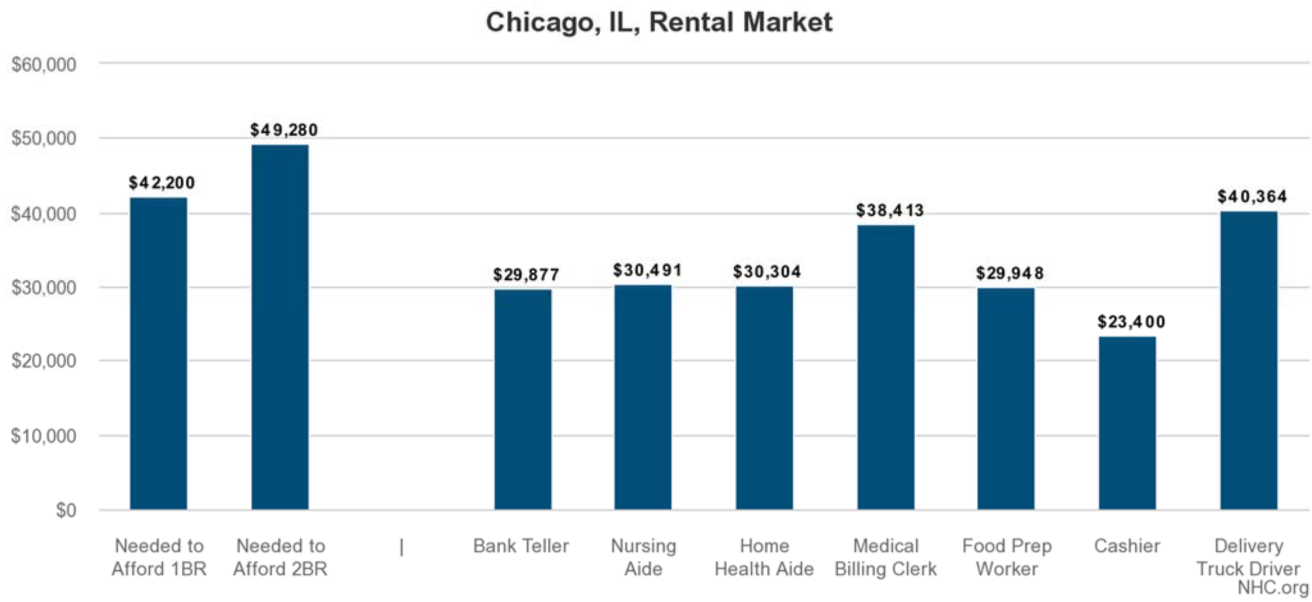
Albany Park Initiative

This effort is sponsored by Communities United and developed in partnership with CMHDC and Enterprise Chicago with financing from the Community Investment Corporation and the City's Affordable Housing Opportunity Funds. Serving the 30th, 31st, 36th, 37th, 40th, and 50th Wards, the Albany Park Initiative involves the acquisition and rehabilitation of 18 foreclosed or pre-foreclosed vacant duplexes, two-flats, and other one-to-four unit buildings on the North, Northwest, and West Sides.

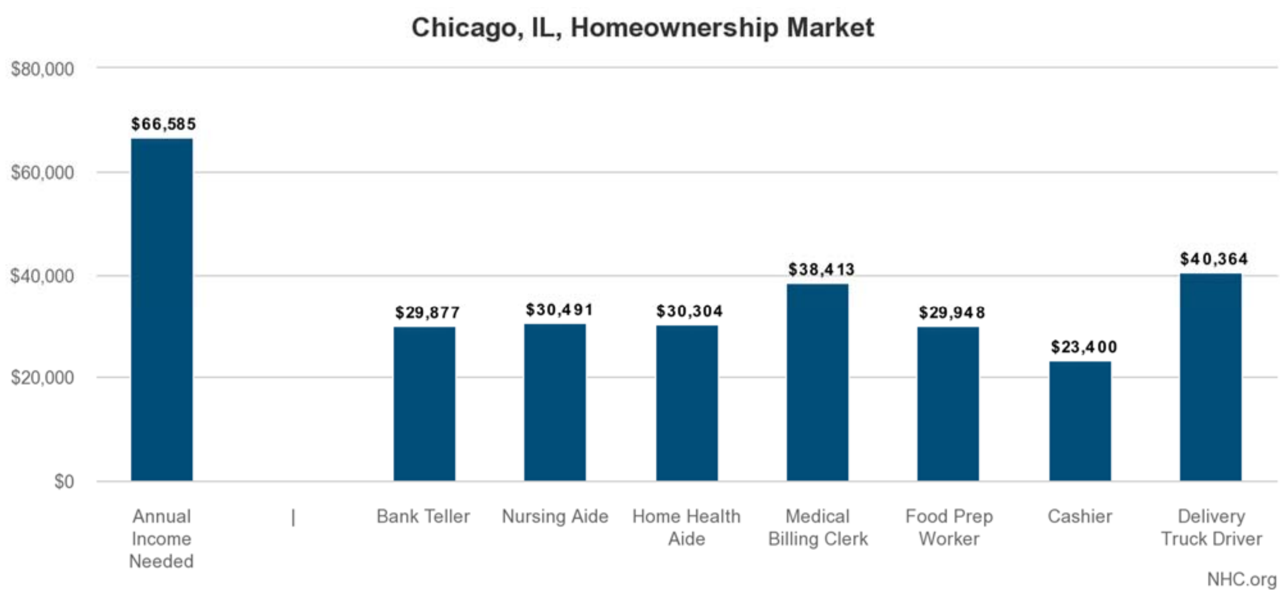
City assistance will enable the developer to refinance a portion of an earlier high-interest loan, allowing 15 of the total 42 units to be rented to households below 80% of AMI. All units have been rehabbed and reoccupied with rents ranging from $550 - $1375. The enabling ordinance for this city loan named a new program called PEAR, Preservation of Existing Affordable Rental, and set out a requirement that 20% of the total units be affordable to households earning up to 80% of AMI or $63,200 for a 4-person family or $44,250 for an individual renter.

As other organizations work to preserve vacant or at-risk rental housing in their communities, we would expect that demand will drive the need for a higher percentage of affordable units.

Using the National Housing Conference's 2017 Paycheck to Paycheck tool can be helpful as one small part of considering what housing affordability means for different workers/employees. You can see below that the 7 different workers (chosen from a list of 75) could not afford the average 1 or 2 BR apartment in Chicago.



If you were looking to understand if your local bank tellers could afford your community, this would be a great tool.



MISSION
The Chicago Rehab Network is a multi-cultural, multi-racial coalition of community-based organizations which revitalize neighborhoods primarily through the development and rehabilitation of housing for low-income community residents. CRN and its members are dedicated to empowering communities without displacement and to building a strong affordable and accessible housing development movement in Chicago, throughout Illinois, and across the nation. CRN strives to meet the needs and promote the common goals of its members which foster socially and economically viable communities.

5 Strategies towards Housing Stability for All Chicagoans

Whereas obstacles before us include loss of population, over-reliance on market forces, application of systemic racist practices against people of color, historic blight and ongoing gentrification, our vigilant leadership is required for a vibrant City with sustainable and prosperous communities. National and local research confirms the role that housing plays in reaching positive health, education, and employment outcomes. Combined with the significant economic benefits that result from community-based models of rehab and construction as well as strengthening life outcomes, expanding the affordable housing supply will benefit the City.

We have to do better and together we can. Many goals from the previous Chicago 5-year plans were met, though each was pegged to a limited pool of resources. This next Plan occurs during increasing income inequality and its consequential turbulence for the City, neighborhoods, and our neighbors. This Plan must address this instability by expanding what works and facing some big challenges. Certainly more money and greater leadership are required. **The capacity exists to eliminate the 120,000 unit shortfall in affordable housing, and the City's leadership should target that number**.

1. Anti-Displacement Policies

Displacement results from gentrification but also from blight and abandonment.

a. Monitor and mitigate high risk conditions including property tax increases, predatory lending, and preparedness for real estate downturns which have disparate impacts on communities of color.
b. Create protective property tax zones in areas experiencing significant investments to protect existing residents; such zones may include offering grants and soft loan programs. Reauthorization of the Chicago Homeowner Assistance Program and Class 9 will immediately serve to halt displacement in many communities.
c. Restrict condo conversion of multiunit buildings except in situations which will result in long term affordability.
d. Affirmatively educate residents (via CBOS) in areas of speculation and predatory real estate practices to deter against panic selling and assist owners with improvements and taxes.
e. Fund intentional affordability via land trusts and limited equity models and co-ops which control the cost of land and taxes as is the case for thousands of market-rate coops along the lakefront.

f. Buildings owned by nonprofit community development corporations provide stability for renters and neighbors. Nonprofit development and ownership of land creates long-term sustainability and these owners should be given every priority.

2. Support and Expand Rental Housing that is Affordable

a. Identification of new resources must be a priority to meet the demand and to improve the housing supply. City Corporate dollars, Section 108 funds, and a city real estate transaction tax can provide innovative funding streams which will create savings from improvements in health and education outcomes.
b. Preserve the existing federally assisted rental stock. Initiate policies and preservation transactions for all LIHTC expirations to ensure preservation of these rental homes.
c. Limit use of public resources to households earning under 60% AMI.
d. Expand city requirements in market development to create more accessible housing.
e. Leadership must offer a vision beyond the ARO to ensure that affordability is a consideration in all large developments. Goose Island, Community 78, and other possible Amazon sites, must have our low income, senior, disabled, and working poor neighbors included.

3. Allocate new Corporate Funds to Serve 3x more households via the CLIHTF

Housing is urgently needed for homeless, fixed income residents and working poor households. Expanding households served will create stability, grow the base of local owners participating in the program, and provide rental subsidy to existing quality affordable housing. City-funded supportive services will be needed to facilitate the stability of many of these households and coalitions will be needed to recruit an expanded base of owners.

4. Single Family Housing Innovation to Address Racial Equity Gaps

a. Create and fund an Appraisal Gap Financing Program to allow existing and potential homeowners to improve homes in areas of systemic disinvestment and redlining.
b. Fund and encourage rental of single family housing units including long term rentals and lease to purchase products which are successful in Peoria and Ohio.
c. Move renters into homeownership as feasible, (as appropriate and determined by nonprofit), including Cooperative properties, opening up affordable rental housing waiting lists.

d. Increase support of CHDOs and CDBG grantees for expanded outreach and service efforts. CBOs are the first to see emergent patterns of housing stress.

5. Impact Analysis Note on Land-Related Legislation

City Council committees should review development impacts before approval of land and development related legislation. This is not meant to encourage NIMBYism nor to allow wealthier areas to block affordable housing. Rather it is to set new public oversight and accountability standards which will consider the immediate and longer term results of big private development and public investment projects.

The purpose is to consider intended and unintended consequences of public and private investments; to reduce negative impacts; and to catalyze positive outcomes that protect people on fixed or low income, that fosters economic/racial opportunity and that prevents cultural displacement.

a. Who is affected by the public and/or private investment on site and in surrounding area.
b. Assess desired results and outcomes as well as possible unintended outcomes, particularly on low income people and people of color.
c. Community engagement plan to include those most impacted.
d. Existing residential and commercial rents, values, and property taxes in relation to proposed land use.
e. Existing population demographics including income and housing cost burdens.
f. Applicability of affordability requirements via zoning, TIF, ARO.
g. Occupancy plan based on target market and evidence of demand to avoid overbuilding.
h. Viable specific steps to avoid residential, commercial, or industrial displacement.