



Chicago Rehab Network
Analysis of the DCD Quarterly Report
3rd Quarter, 2009
Presented December 14, 2009

Introduction

The City of Chicago's Third Quarter Progress report on housing production under the fourth Five Year Plan on Affordable Housing comes in the wake of another difficult budgeting process. With several Recovery Act programs just beginning to be implemented, maximizing resources to support affordable housing will remain crucial in the coming year. We look forward to the City's and Department's cooperation and partnership to ensure efficiency and to also make sure that Chicago's neediest residents are able to benefit.

We are encouraged by the Department's efforts on foreclosure mitigation and recovery this quarter, providing new updates on its progress under two federal programs: **Making Home Affordable (MHA)** and the **Neighborhood Stabilization Program (NSP)**.

Our analysis this quarter underscores the value of the quarterly reports especially as new programs like MHA and NSP come on-line. We anticipate that even after economists declare the end of the recession, resources for affordable housing continue to become available and that the role of affordability in our economic stability has a stronger focus. Documenting the recovery effort, the effectiveness of housing programs and its impacts here in Chicago will shape a broader discussion on affordable housing. Furthermore, elected and appointed officials and citizen advocates are better able to determine need, support policies, and promote affordable housing as a true catalyst for economic growth and recovery if armed with information on the housing production across agencies and levels of government.

Key Recommendations

- **Include the Chicago Housing Authority activities in the Quarterly Reporting process annually.** CHA has operated with very little public discourse and dialogue between the communities the impacts of its Plan for Transformation despite being the largest recipient of Federal and Local housing resources.
- **Clarify any discrepancies in unit production totals and resources commitments.** We detail in our analysis several discrepancies in the total units and dollar commitments in the Third Quarter report versus the sums across quarters. While quarter-to-quarter adjustments do occur, such adjustments should be clearly noted.
- **Pursue permanent loan modifications under the Making Home Affordable program and highlight the work with financial institutions.** The City's reports a loan approval rate of 15% for MHA, higher than the national rate of 12%. However, these are only approvals for temporary modifications. Permanent modifications ensure long-term affordability and decrease the risk of foreclosure.
- **Improve reporting on the progress of the Neighborhood Stabilization Program.** Reporting for the Neighborhood Stabilization Program is new this quarter but lacks critical information such as the acquisition strategy, income targeting, and the participating entities involved—knowledge that allows a robust accounting of the City's progress in accordance to the NSP Plan.
- **Report pipeline requests for projects seeking financing assistance.** This is especially relevant for projects seeking federal sources like Low-Income Housing Tax Credits and Neighborhood Stabilization Program dollars. Knowing the demand shapes our understanding of the affordable housing environment and can support the call for additional private and public resources.

Analysis of Third Quarter Activities

The Department reports committing approximately \$43 million to assist over 1,100 multifamily units, \$22 million for 411 homeownership units, and over \$6 million to preserve and improve 748 units in the Third Quarter. Homeownership programs received the largest investment per unit this quarter, at about \$54,000 per unit. Multifamily programs this quarter received approximately \$37,000 per unit and preservation and improvement programs tracked at about \$9,000 per unit.

To date, the Department reports committing over \$165 million to support 7,400 units through the third quarter, representing **70%** of the 2009 unit goals and **50%** of resource allocation goals.

Approved Multifamily Developments

The Department approved three Multifamily Projects this quarter: two senior housing developments and one family housing development:

FAMILY

Legends South Phase A2. Legends South is the redevelopment of the former Robert Taylor Homes in the 3rd Ward. Brinshore-Michaels is the developer.

Details:

- 138 mixed-income rental units with 20 one-bedroom units, 63 two-bedrooms, 48 three-bedrooms, and 7 four-bedrooms.
- Income targets:
 - 60 public housing units
 - 50 affordable at 60% of area median income (\$45,240 for family of four)
- 28 market-rate rental with rents between \$825 (1-br) and \$1,250(3-br)
- Financing includes LIHTC (IHDA and Chicago): Total equity generated is \$30,120,488
- Developer Fee (including Deferred Fee): **\$1,911,214**
- Cost per unit: **\$326,416**

SENIOR

Enola A. Dew Senior Apartments. Enola A. Dew is a new construction senior housing development in the 24th ward. The 60-unit development will receive HUD Section 202 funding and the developer is Habilitative Systems Inc.

Details:

- 59 one-bedroom units and one two-bedroom manager's unit
- City-owned parcel conveyed for \$1 (\$360,000 land write-down)
- Developer Fee: **\$520,492**
- Cost per unit: **\$191,247**

Kenmore Apartments. Kenmore Apartments is an existing CHA building and is a recipient of Recovery Act dollars under the Public Housing Capital Fund awarded to CHA. The project is a rehabilitation of 100 senior units targeted to incomes at 60% or below area median income.

Details:

- \$19 million from Public Housing Capital Fund for rehabilitation
- 4% LIHTC and MF Bonds
- Acquisition Fee: **\$3,500,000**
- Developer Fee (including Deferred Fee): **\$1,847,079**
- Cost per unit: **\$300,387**

The high cost for the Kenmore Apartments of more than \$300,000 per unit for rehabilitation is disproportionate when compared to the other senior housing development approved this quarter, Enola A. Dew, which reports a cost of \$191,000 per unit and is a new construction. An acquisition cost of \$3.5 million reported for the Kenmore building is reported for this property owned by CHA pre and post acquisition.

Developer fees of more than \$1.9 million for Legends South and \$1.8 million for Kenmore Apartments are reported which is in conflict with a \$1 million cap according to standing Departmental policy.

Approved Homeownership Projects:

The New Homes for Chicago program is the most active of all housing programs this year, surpassing its resource allocation and unit production goals for the year by significant margins. At the end of the Third Quarter, resource allocation goal is at **188%** and unit production under New Homes is **220%** of the year's goal. Home prices under New Homes are capped at \$195,000 for single-family homes/condos and \$265,000 for two-flat buildings. Buyers should not earn more than 120 % of the area median income, or \$90,480 for a family of four. We would hope that in all cases of new homeownership construction, a strong buyer pool has already been identified to avoid project collapse.

Three Homeownership developments under the New Homes for Chicago program:

- **Wildwood Green Homes**
 - Seven city-owned parcels for \$1 in Humboldt Park under the New Homes program
 - Developed by Helios Realty
 - 10 single family homes with green features
- **New Homes of West Monroe**
 - Seven city-owned parcels in Austin and Garfield park under New Homes for Chicago program
 - 13 single family and 7 two-flat by Karry L. Young Development
- **Diverse Development**
 - 23 city-owned parcels in West Englewood under New Homes for Chicago
 - 23 single family homes and homebuyer counseling will be conducted by Spanish Coalition for Housing, Chicago Urban League, and ACORN

\$100 Million Loan Pool

The Department has created a \$110 million Loan Pool to be administered by Neighborhood Housing Services for home purchase, home improvement, and foreclosure mitigation. The loan pool is expected to assist between 1,300-1,400 homeowners who are unable to access credit or are in danger of foreclosing.

Making Home Affordable

The City has been working diligently to implement President Obama's Making Home Affordable (MHA) program through Neighborhood Housing Services' *Fix Your Mortgage* events. According to the Department, the *Fix Your Mortgage* event has made the following progress under MHA:

- 1,191 Homeowners attended
- 900 application reviews
- 532 loans submitted to servicers for modification

- 80 approvals for temporary modifications from servicers, or 15 % success rate¹ (*approvals for trial modification/loan modifications submitted*)

The Department's work in foreclosure outreach and its effort to encourage more financial institutions to participate in the Making Home Affordable program is laudable. The nature and scope of the foreclosure issue warrant greater discussion on what is working and not working with financial institutions' participation.

It is also important to note that the success rate is determined by approvals for trial modifications which last between three to six months. Last week, the Treasury Department released its progress report on MHA through November 2009. **The report shows that only 4% of borrowers are able to receive long-term mortgage relief.** Of the 728,408 active modifications, only 31,382 of those are permanent modifications. Greater effort to pursue permanent modifications is necessary in order to make a full impact on the foreclosure crisis. Given that there are calls to cancel the program, we are interested in the Department's recommendations.

Neighborhood Stabilization Program

The NSP program seeks to stabilize neighborhoods through the acquisition of vacant and foreclosed homes and implement any one of the strategies indicated in the City's NSP plan. NSP will enlist the help of local stakeholders or *Participating Entities* selected by the city through a Request for Qualifications process. The City received \$55 million for this program and these funds have to be obligated by September 2010. The City expects to assist up to 2,500 units over the next 3 to 5 years. The Third Quarter Report includes a progress update on the Neighborhood Stabilization Program. **The City has assisted 11 units under NSP to date. Progress can be tracked by visiting www.chicagonsp.org.**

Chicago Neighborhood Stabilization Program Activity
January 1-September 30, 2009

Address	Number of units	Acquisition Price	Community Area	Ward	Date Closed
6405 S. Rockwell Street	1	\$34,421	Chicago Lawn	18	9/21/2009
6614 S. Campbell Avenue	1	\$30,757	Chicago Lawn	15	9/21/2009
7721 S. Carpenter Street	2	\$19,053	Auburn Gresham	17	9/22/2009
6966 S. Woodlawn Avenue	1	\$30,000	Greater Grand Crossing	5	9/22/2009
7622 S. Cregier Avenue	1	\$24,000	South Shore	8	9/23/2009
3412 W. Walnut Street	2	\$34,000	East Garfield Park	28	9/25/2009
7143 S. University Avenue	1	\$33,600	Greater Grand Crossing	5	9/25/2009
7217 S. Ellis Avenue	2	\$6,537	Greater Grand Crossing	5	9/30/2009
Total	11	\$212,368			

From 3rd Quarter Progress Report, Appendices, page 79

We appreciate the new reporting for the NSP. However, we offer the following recommendations to improve the reporting process. We also recommend that this information is placed on the NSP website.

1. Identify the Strategy to be used for each acquisition: Acquisition for Rehab, Rehab for Rental, Rehab for Homeownership, Acquisition for Land Bank, Demolition, New Construction, Homebuyer Financing/Loan Pool, and Administration.
2. Identify the Participating Entity(ies) involved in each acquisition.
3. Identify the Lenders involved in each acquisition.

¹ The national average is 12 % according to most recent Making Home Affordable Monthly report available at <http://makinghomeaffordable.gov/docs/MHA%20Public%20111009%20FINAL.PDF>

4. Identify income targeting for units assisted by NSP, recalling the 25% requirement to create units targeted to incomes at 50 % or less that the area median income (\$37,700 for a family of four)
5. Track and report the balance of NSP funds each quarter in order to determine progress according to NSP’s commitment timeline and goals.
6. Report the pipeline of requests and denials for projects seeking NSP dollars.

Implementing these recommendations will make for a more robust accounting of the City’s progress with NSP and track its progress in relation to the City’s NSP Plan.

In addition to reporting improvements, we ask the Department to clarify its acquisition process. It is our understanding that selected Participating Entities are able to access NSP dollars for foreclosed and vacant properties they have acquired themselves.

It has also been brought to our attention that a large multifamily property that was foreclosed was denied NSP funding. We recognize that large multifamily properties in foreclosure present serious challenges. Nevertheless, we believe that the opportunity to preserve multifamily rental housing remains a priority and it is in the city’s interest to clearly track the status of such properties. Such tracking aligns with the “pipeline request and disposition” status requested by this Committee in the past.

Analysis of New Unit Production

January-September 2009 Production and Commitments

CRN’s analysis of multifamily unit production in the first quarter is shown in Table 1. The 3rd Quarter report includes several discrepancies in unit tallies and total dollar commitments. For example, the Department reports a year-to-date multifamily unit production of 4,975 units. However, the sum of the units produced per quarter as reported is 5,589 representing a discrepancy of 614 units. Other inconsistencies are summarized in the chart below.

Table 1. Unit production and Commitments by Quarter: January – September 2009

	Total Projected Units	1st Quarter Commitments	2nd Quarter Commitments	3rd Quarter Commitments	YTD - Actual	% of Goal	Reported by DCD	Difference
Multi Family	\$190,424,953	\$18,654,623	\$36,486,670	\$42,660,039	\$97,801,332	51.36%	\$97,726,832	\$74,500
Single Family	\$112,708,750	\$14,423,249	\$18,161,639	\$22,101,792	\$54,686,680	48.52%		
Improve and Preserve	\$20,029,688	\$2,020,456	\$4,420,672	\$6,702,838	\$13,143,966	65.62%		
Programmatic Applications	\$1,250,000	\$0	\$0	\$0	\$0	0.00%		
Total	\$324,413,391	\$35,098,328	\$59,068,981	\$71,464,669	\$165,631,978	51.06%		

	Total Projected Units	1st Quarter Units	2nd Quarter Units	3rd Quarter Units	YTD - Actual	% of Goal	Reported by DCD	Difference
Multi Family	7,365	4,039	386	1,164	5,589	75.89%	4,975	614
Single Family	1,126	182	273	411	866	76.91%		
Improve and Preserve	2,085	243	482	748	1,473	70.65%		
Total	10,576	4,464	1,141	2,323	7,928	74.96%		

Rental Subsidy units including the Low-Income Housing Trust Fund, which are renewed annually, and Heat Receivership units, which is a program under Safety and Code Enforcement, are subtracted by CRN from the multifamily total. After these adjustments, the net year-to-date multifamily new production added to the overall City’s rental housing stock amounts to 695 units. Again, the total units reported did not equal the sum of units reported by income level (See chart below).

Table 2. Unit production by Income: January – September 2009

	Projected Units	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	YTD Actual	% of Goal	Reported by DCD	Difference
Multi-Family*	7,365	3,150	169	313	376	314	33	46	4,401	59.8%	4,975	-574
<i>Less Rental Subsidy Units</i>	-3410	-3,313							-3,313			
<i>Less Site Improvements and Heat Receivership Units</i>	-277	-74	-44	-173	-49	-44	-7	-2	-393			
Net MF New Units**	3,678	-237	125	140	327	270	26	44	695	18.9%		
Single Family less Multiple Benefits	1,126	0	4	84	46	219	227	327	907	80.6%	978	-71
Improve and Preserve	2,085	77	435	632	86	135	73	41	1,479	70.9%	1479	0

Low Income Housing Tax Credit

The Department opened the first application round for TCAP and Section 1602 (Exchange Program) last quarter. **What is the status of the application process?**

As we have noted in the past to this Committee, the City should provide a list of applicants and awardees similar to IHDA’s reporting process. We recommend that the Department carefully document all pipeline requests and denials for Tax Credits in order to understand the affordable housing environment and the need for additional federal resources.

IHDA also recently approved an Intergovernmental Agreement with the City of Chicago regarding Section 1602 Funds. The resolution authorized the City to return eligible credits as part of the exchange program. It also states that IHDA is the sole recipient of Section 1602 funds for Illinois and it must enter into written agreements with the City to sub-grant any Section 1602 funds. **How much of the City’s credits have been returned and what is the availability of credits for the next year?**

One such project benefiting from the TCAP and Exchange programs is **St. Edmund’s Townhomes**. St. Edmund’s Townhomes in the 20th ward was approved during the November 24th Housing and Real Estate Committee. The project will receive \$12 million in funding from TCAP and Section 1602 programs. These credits were exchanged by the Department as part of the Treasury’s Section 1602 program and \$9 million in exchange funds for the project was generated. The additional \$3 million came from the Department’s TCAP award. While it was originally awarded \$1 million in LIHTC, St. Edmund’s could not get investors because of the current credit market. These new programs allow for the necessary gap financing for “shovel-ready” affordable housing developments stalled by the credit crisis.