



## Chicago Rehab Network Analysis of the DCD Quarterly Report 1st Quarter, 2010 Presented June 16, 2010

### Introduction

It has been about a year since the Recovery Act passed, setting an unprecedented effort to stimulate the economy in the aftermath of the collapse of the housing market. Many of the housing recovery programs set into motion last year are due to expire, have already expired, or will reach program milestones. For instance, funds from the first round of the Neighborhood Stabilization Program are to be 100 percent committed by September. The homebuyer tax credit has expired and this would be the final year of eligibility for energy efficiency and weatherization credits. Section 1602 and the Tax Credit Assistance Program, both of which have been instrumental in bringing stalled affordable housing developments back on-line, are also nearing its end. While there is currently legislation in Congress that seeks to extend Section 1602, it would only be for another year.

The stimulus program has been a tremendous source of much-needed financing and resources amid this economic downturn. As we close on the First Quarter of housing production, we want to underscore a concern about resource gaps that will be left once stimulus programs end this year. We know from tracking new and completed foreclosures that housing recovery is still far away. This year on average, about 2,500 foreclosures are completed and about 1,800 new foreclosures are filed per month. The current housing environment does not support creation of homeownership units—a recent Crain’s article shows that the homeownership rate in Chicago has fallen to an eight-year low as foreclosures reduce the number of homeowners and the tight credit market continues to limit access to mortgages. While the demand for homeownership is falling, rental demand is sure to increase.

### Key Findings

- Multifamily resources nearly doubled from last year’s actual commitments, yet the projected unit goal does not show a commensurate increase.
- There were **119 units** acquired under the Chicago Neighborhood Stabilization Program and construction has begun on **six units**. Since the beginning of the program, **211 units** have been acquired, including 109 **multifamily units** and **102 single family units**.
- The Department has committed **\$31.8 million**, or **57.6 percent**, of NSP 1 funds. These funds must be fully committed by the end of September 2010, or be subject to recapture.
- New CHA data on Department-assisted multifamily units under the Plan for Transformation are reported this quarter. A total of **3,929 mixed-income units** have been assisted by the City since the inception of the Plan in 1999, or 22 percent of the total Plan for Transformation housing units delivered to date. Of these, 2,045 are public housing units, 1,341 are affordable, and 543 are market rate.

## Analysis of First Quarter Activities

The Department reports committing about \$102 million to assist 3,700 multifamily units, \$6 million for 171 homeownership units, and \$3.3 million to preserve and improve 246 units in the First Quarter. (See Table 1).

## Analysis of New Unit Production

### January-March 2010 Production and Commitments

At the end of the First Quarter 2010, the Department reports reaching 44 percent of its unit goals and 27 percent of its target resource commitments.

Rental Subsidy units including the **Low-Income Housing Trust Fund**, which are renewed annually, Site Improvements and Heat Receivership units, which are programs under Safety and Code Enforcement, are subtracted by CRN from the multifamily total in order to approximate new multifamily units. After these adjustments, the net year-to-date multifamily new production added to the overall City's rental housing stock amounts to **737 units**, or **11.5 percent** of the multifamily goal. (See Table 1).

**Table 1. Unit production and Commitments by Quarter: January – March 2010**

	Total Projected Units	1st Quarter Commitments	YTD	% of Goal
Multi Family	\$306,288,301	\$102,545,455	\$102,545,455	33.48%
Single Family	\$81,204,190	\$6,709,613	\$6,709,613	8.26%
Improve and Preserve	\$19,210,688	\$3,334,614	\$3,334,614	17.36%
Programmatic Applications	\$1,250,000	\$0	\$0	0.00%
<b>Total</b>	<b>\$407,953,179</b>	<b>\$112,589,682</b>	<b>\$112,589,682</b>	<b>27.60%</b>

	Total Projected Units	1st Quarter Units	YTD	% of Goal
Multi Family	6,387	3,748	3,748	58.68%
<i>Less Rental Subsidy, Heat Receivership and Site Improvements</i>		-3,011		
<i>Net MF Units</i>		<b>737</b>	<b>737</b>	<b>11.54%</b>
Single Family	1,186	172	172	14.50%
Improve and Preserve	1,950	246	246	12.62%
<b>Total</b>	<b>9,523</b>	<b>4,166</b>	<b>4,166</b>	<b>43.75%</b>

\*Net Multi Family units after subtracting units receiving multiple benefits

\*\*These are new Multi Family units created through DCD programs not counting units assisted by the Low-Income Housing Trust Fund which are renewed every year, Supportive Housing Rental Assistance, and Safety and Code Enforcement Programs.

**Table 2. Unit production by Income: January – March 2010**

	Project ed Units	0-15%	16-30%	31-50%	51-60%	60-80%	81- 100%	101+%	YTD Total	% of Goal
Multi-Family*	6,387	1,766	1,099	276	429	137	8	33	3,748	58.68%
<i>Less Rental Subsidy Units</i>	<i>-3,000</i>	<i>-1,736</i>	<i>-988</i>						<i>-2,724</i>	
<i>Less Site Improvements and Heat Receivership Units</i>	<i>-1,020</i>	<i>-14</i>	<i>-65</i>	<i>-149</i>	<i>-47</i>	<i>-12</i>			<i>-287</i>	
<b>Net MF New Units**</b>	<b>2,367</b>	<b>16</b>	<b>46</b>	<b>127</b>	<b>382</b>	<b>125</b>	<b>8</b>	<b>33</b>	<b>737</b>	<b>11.54%</b>
Single Family less Multiple Benefits	1,186	0	2	15	14	42	36	63	172	14.50%
Improve and Preserve	1,950	5	42	107	17	35	30	8	244	12.51%

\*Net Multi Family units after subtracting units receiving multiple benefits

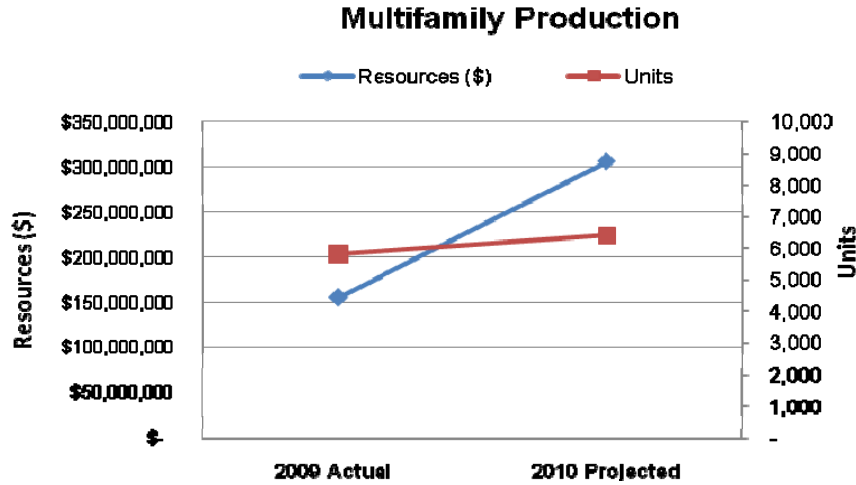
\*\*These are new Multi Family units created through DCD programs not counting units assisted by the Low-Income Housing Trust Fund which are renewed every year, Supportive Housing Rental Assistance, and Safety and Code Enforcement Programs.

## Multifamily Resources

Multifamily resource projections for 2010—\$306 million— nearly doubled last year’s total multifamily commitments of about \$155 million. The increase in multifamily commitments comes primarily from increases in **Multifamily Mortgage Revenue Bonds, Section 1602 Exchange program, and NSP**. Despite the significant increase in resources, the Department projects a unit goal of about 6,400 units, about the same as last year’s total units assisted of about 5,800 units. (See Chart) This year’s projected per unit investment equal to about \$48,000 per unit, a significant increase compared to last year’s actual investment of about \$27,000 per unit. **What factors are contributing to a much higher investment per unit this year?**

Last November, the City declared the entire Chicago area as a Recovery Zone making it eligible for the City to receive \$200 million in additional bonding authority under the Recovery Zone Facility Bond program of the Recovery Act. Is the increase in the Multifamily Mortgage Revenue Bonds due to this \$200 million in additional bonding authority? If so, has there been any housing financing activity under this program thus far?

Chart 1. Multifamily Production Comparison



- 2009 Actual multifamily production: \$155 million to assist 5,804 units = **\$26,724/unit**
- 2010 Projected multifamily production: \$306 million to assist 6,387 units = **\$47,812/unit**

### Approved Multifamily Developments

The Department approved five Multifamily developments this quarter, including a family development, a preservation of two development, one senior housing, an artist loft, and two SROs.

#### Oakwood Shores Terrace and Medical Center

- 48-unit family rental housing in Washington Park with 36 units targeted for households earning 60 percent AMI (\$45,060 for a family of four)
- Includes 28,000 square feet of commercial space for a medical office
- Received four city-owned land parcels for \$1.00
- Cost per unit: **\$304,668**
- **Income targets:**
  - 36 units at < 60% AMI
  - 4 units at Market rate

#### Hancock House

- 89-unit senior housing development in West Pullman with studio and one-bedrooms serving mixed-income households earning less than 60 percent AMI.
- Received Tax Credit Assistance Program and Section 1602 Exchange gap financing as well as 6 City-owned parcels for \$1.00
- Cost per unit: **\$218,345**
- **Income targets\*:**
  - 7 units at < 15% AMI (\$9,015)

\* Income limits are for a two-person household

- 7 units at < 30% AMI (\$18,050)
- 40 units at < 50% AMI (\$30,050)
- 26 units at < 60% AMI (\$36,060)

**Hairpin Lofts and Logan Square Community Arts Center**

- Rehab of the former Morris B. Sachs Building into a 28-unit, one- to two-bedroom artist lofts in Logan Square targeted to incomes at 30 to 60 percent AMI.
- Includes a Community Arts Center and several green and energy efficient features.
- Received \$6 million in TIF funds from the Fullerton/Milwaukee TIF District and land write-down of \$2.9 million
- Cost per unit: **\$433,783**
- **Income targets:**
  - 4 units at < 30% AMI (\$22,550)
  - 8 units at < 50% AMI (\$37,550)
  - 13 units at < 60% AMI (\$45,060)

**Mercy Preservation Housing (850 West Eastwood and Harold Washington SRO)**

- Acquisition and rehab of two apartment buildings in the Uptown: 850 West Eastwood and Harold Washington Apartments.
- **850 West Eastwood**
  - 231-unit rental housing rehab which will include extension of existing Section 8 HAP contract
  - **Income targets:**
    - 231 units at < 60% AMI (\$37,550)
- **Harold Washington Apartments**
  - 69-unit SRO supported by project-base Section 8 units
  - **Income target<sup>+</sup>:**
    - 69 units at < 60% AMI (\$31,560)
- Includes a Community Arts Center and several green and energy efficient features.
- Cost per unit: **\$204,200**

**Bettendorf Place SRO**

- Rehab of a former convent into a 23-unit SRO in South Chicago for homeless persons with HIV/AIDS and includes- in-house social services.
- Received \$4.9 million in Section 1602 exchange funds
- Cost per unit: \$219,352
- **Income targets<sup>+</sup>:**
  - 2 units at < 30% AMI (\$15,800)
  - 3 units at < 40% AMI (\$21,040)
  - 18 units at < 50% AMI (\$26,300)
  - 1 Custodian unit

---

<sup>+</sup> Income limits for a one-person household

## Neighborhood Stabilization Program

At the end of the First Quarter, the Department reports NSP progress as follows:

- Units acquired: **119 units** (in 25 buildings)
  - **71 multifamily units** in three buildings
  - **48 single family units** in 22 buildings
- Units under contract: **50 units**
- Construction started: **6 units**

Since the beginning of the program, 211 units have been acquired, including 109 multifamily units and 102 single family units.

We are pleased to hear that the Department will incorporate new details about the progress of its NSP implementation based on several and repeated recommendations which have been submitted in order to enhance NSP reporting. These include: program income generated, units demolished, low-income targeting, and Land Trust units. However, we note that this quarter's report lacks some key information reported last quarter when detailed NSP reporting began, such as the **number of units identified for acquisition, units assessed**, and more importantly, **the amount of NSP funds committed thus far**. Accordingly, we have attached the most recent HUD NSP Snapshot report for Chicago, which shows the following progress with the funds as of June 1, 2010:

- **\$31.8 million, or 57.6 percent**, has been committed.
- **\$23.4 million must be committed by September**.
- **\$308,887, or 0.56 percent**, has been spent.

**The Department should continue its NSP progress updates with the information as reported in the Fourth Quarter.**

There is also a need for clarification regarding the reporting of NSP Activity. The chart on Appendix page 73 gives a First Quarter total of 125 units. However, the six units under construction have already been counted at the end of 2009 as "Acquisitions" and are essentially being double-counted this quarter. We recommend providing cumulative reporting for NSP, similar to the Density Bonus reporting, and indicating the status of each project as "Acquisition", "Rehab/Under Construction", "For Rent/For Sale", "Occupied/Sold", or "Canceled" if applicable.

### Recapture Provisions and NSP 3

Federal regulations state that the City of Chicago's NSP 1 dollars must be committed by **September 2010**, or the funds would be subject to recapture. Last month, the Obama Administration expressed support for funding for a third round of NSP. In addition, HUD Secretary Shaun Donovan announced that recaptured funds will be reallocated to hardest-hit communities, which would be determined according to updated foreclosure and vacancy rates. The City has committed **\$31.8 million, or 57.6 percent**, as of June 1, 2010. In order to commit all funds by September, the City needs to commit an average of about **\$6 million a month**.

## Foreclosure Prevention

Our research on foreclosures filed and completed show that the crisis is not slowing. In fact, between January and April of this year, there have been over 10,000 completed foreclosures in Chicago. As it relates to foreclosure counseling, are their sufficient resources being allocated to organizations working with households in foreclosure? Is the HAMP insufficient to meet the needs of our neighbors? What steps are being taken to advocate for changes to this program and to encourage financial institutions to reset mortgages?

## New Reporting on CHA Multifamily Developments

CRN has repeatedly called for the inclusion of CHA use of public resources and project reporting in these quarterly reports. The addition of new reporting on the number of Plan for Transformation units assisted with City funds represents a great start towards increasing transparency in CHA, the largest single recipient of affordable housing resources from the City.

According to the report, a total of 3,929 mixed-income units have been assisted by the City since the inception of the Plan, or 22 percent of the total Plan for Transformation housing units delivered to date. Of the City-funded units, 2,045 are public housing units, 1,341 are affordable, and 543 are market rate.

Figure 3: FY 2009 CHA Units completed

FY2009 Annual MTW Report				
Unit Completion Summary				
Development Category	Planned FY2009 Unit Delivery	Actual FY2009 Unit Delivery	Total Public Housing Units Delivered through FY2009	Projected Total Units by End of Plan for Transformation*
Mixed-Income/Mixed-Finance Family Housing	155	150	2,935	7,704
Senior Designated Housing Rehabilitation	172	194	9,178	9,382
Scattered Site Housing Rehabilitation	0	0	2,543	2,543
Family Housing Rehabilitation	543	531	3,156	4,978
To Be Redeveloped	0	0	0	200
Property Investment Initiative	0	0	0	193
<b>TOTAL NUMBER OF PUBLIC HOUSING UNITS</b>	<b>870</b>	<b>875</b>	<b>17,812</b>	<b>25,000</b>
<b>PERCENTAGE OF 25,000</b>	<b>3.48%</b>	<b>3.50%</b>	<b>71.25%</b>	<b>100.00%</b>

\*Based on FY2010 Annual MTW Plan projections.

From 2009 Moving to Work Annual Plan

Public housing units are a large part of the City's housing stock. As the CHA opens its Family Wait List, there is an ever-increasing need to understand the universe of affordable housing options in the City of Chicago, especially in this economic climate. Accordingly, CHA reporting in the quarterly progress reports should include information on vacancies and occupancy status for all developments, including for-sale units.

## **Weatherization Grants Available**

Some people aren't aware that The Illinois Home Weatherization Assistance Program (IHWAP) has grants for multifamily buildings as well as low income homeowners. In Chicago, CEDA received almost \$40 million in stimulus funding through the Illinois Dept of Commerce and Economic Opportunity. As of May 1, CEDA has spent just over \$6 million.

Multifamily building owners who have 66% of their units occupied by households earning under 200% of poverty can apply for funding to make energy efficient building improvements. Interested owners should contact CEDA at 1-800-571-CEDA.