Chicago Rehab Network's Progress Report on Affordable Housing Programs of the City of Chicago Department of Housing

July 1995

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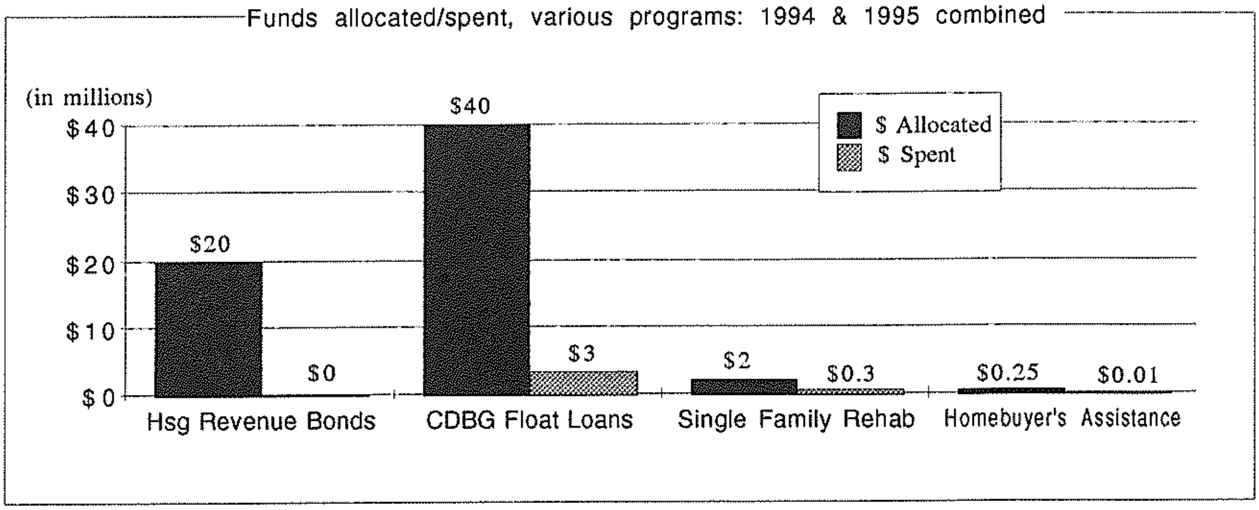
PRAG
POLICY RESEARCH ACTION GROUP

Chicago Rehab Network

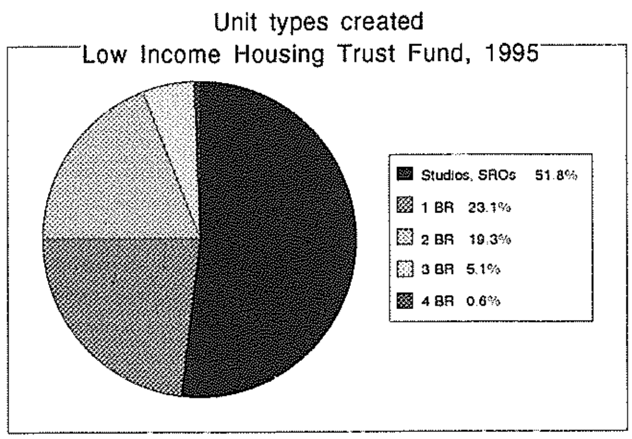
1. DOH is not spending money allocated for new programs.

Four new programs at DOH were allocated a total of $62,265,000 in the 1994 and 1995 budgets combined. Of this money, a total of only $3,469,265 (5.6%) had been spent through the first half of 1995. In the Housing Revenue Bond program, no money at all had yet been spent. These programs are not effectively marketed to developers. In addition, when DOH receives an application for funding the department does not channel the application to underutilized programs, even when the project might benefit.

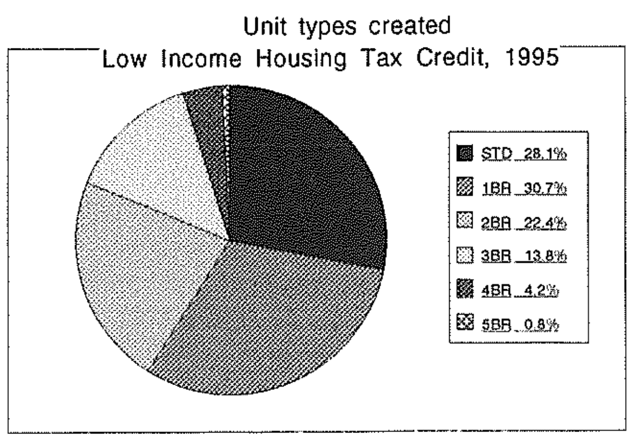


2. Family-sized units are not a DOH priority.

Family-sized housing units are desperately needed in Chicago. Over 50% of the units DOH funded through the Low Income Housing Trust Fund program in 1995, though, were studio units. Only 5.7% of the units contained either 3 or 4 bedrooms.



58.8% of units created through the Low Income Housing Tax Credit program in 1995 were studios or one-bedrooms, while only 18.8% were three, four, or five bedroom units.



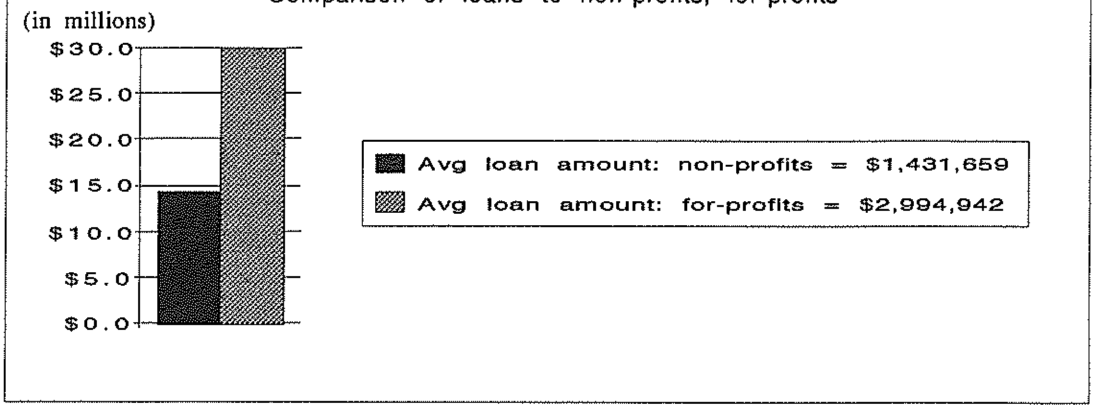
SPECIAL REPORT:

Non-profit vs. for-profit developers: Is DOH playing favorites?

In 1994, twenty-two low-interest loans provided by DOH through the Multifamily Rehab and New Construction program were approved by City Council. Ten of these loans were awarded to non-profit organizations. The other twelve were given to for-profit developers. The following analysis is based on information about these loans provided by DOH. Because the analysis reveals that for-profits and non-profits are treated unequitably, CRN is proposing that DOH (1) implement an objective ranking system to determine which loan applications should be funded and (2) create set-asides for non-profit groups.

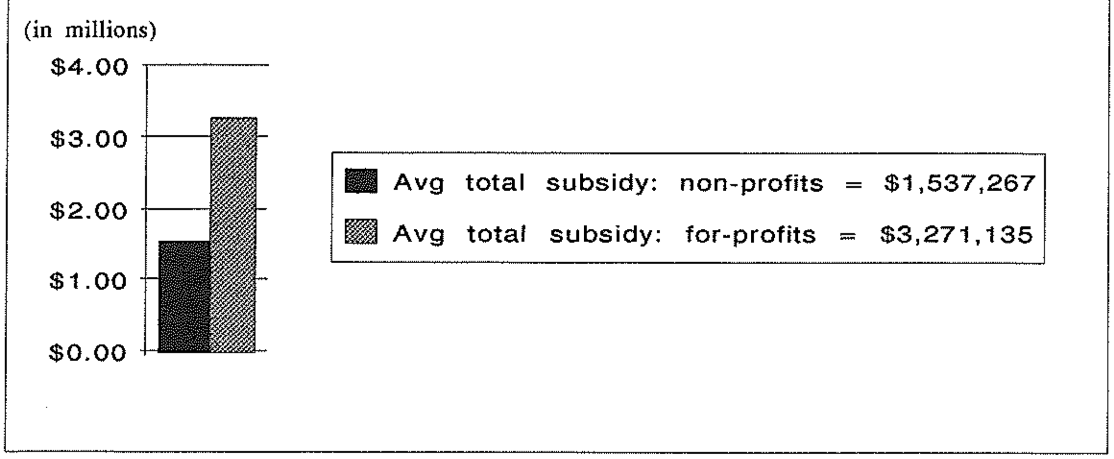
DOH provided for-profit developers with loans that were, on average, twice as large as the loans provided to non-profit groups.

Average DOH loan amount per project
Comparison of loans to non-profits, for-profits



DOH claims that this discepancy occurs because non-profits access more of the DOH money available through other programs, such as the Low Income Housing Trust Fund and the Low Income Housing Tax Credit program. The total subsidies provided to non-profits and for-profits, the department claims, are similar. This is not true. The average total subsidy provided to for-profit loan recipients was more than double that awarded to non-profit groups. See the table below.

Average total DOH subsidy per project
Comparison of non-profits, for-profits



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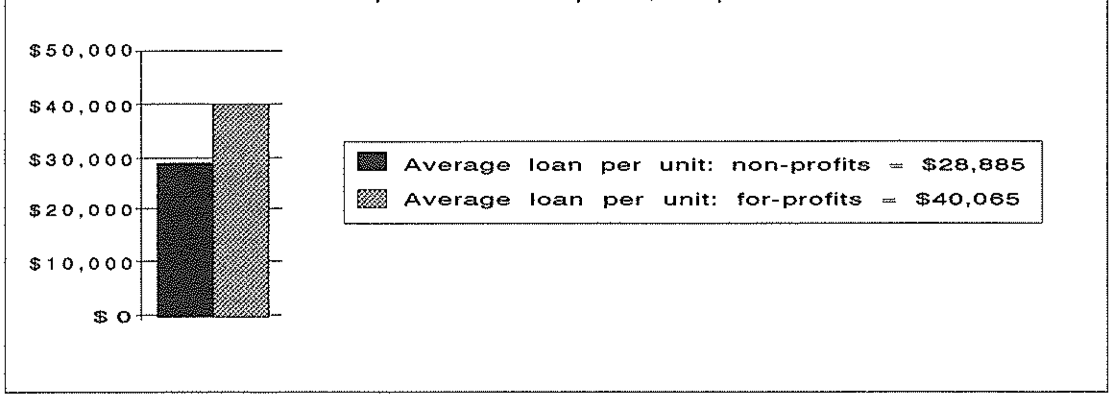
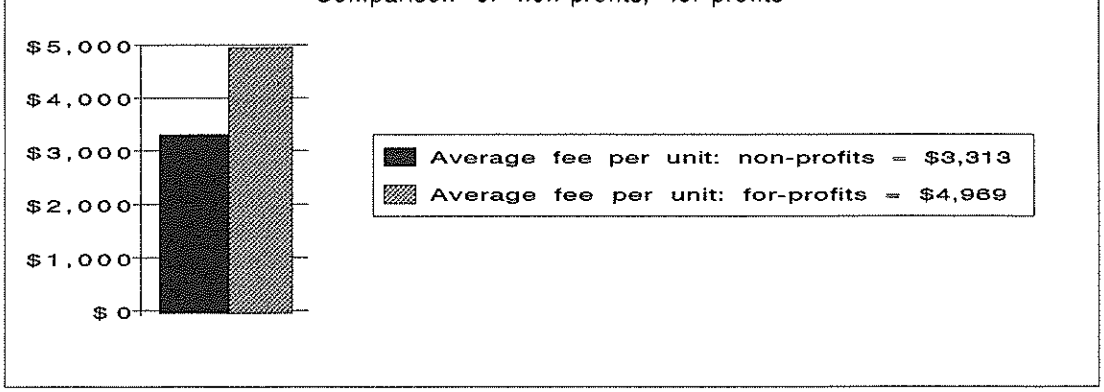
Even when considered on a "per unit" basis, the loans DOH gave to for-profits were much larger than those provided to non-profits.

Average loan per unit
Comparison of non-profits, for-profits



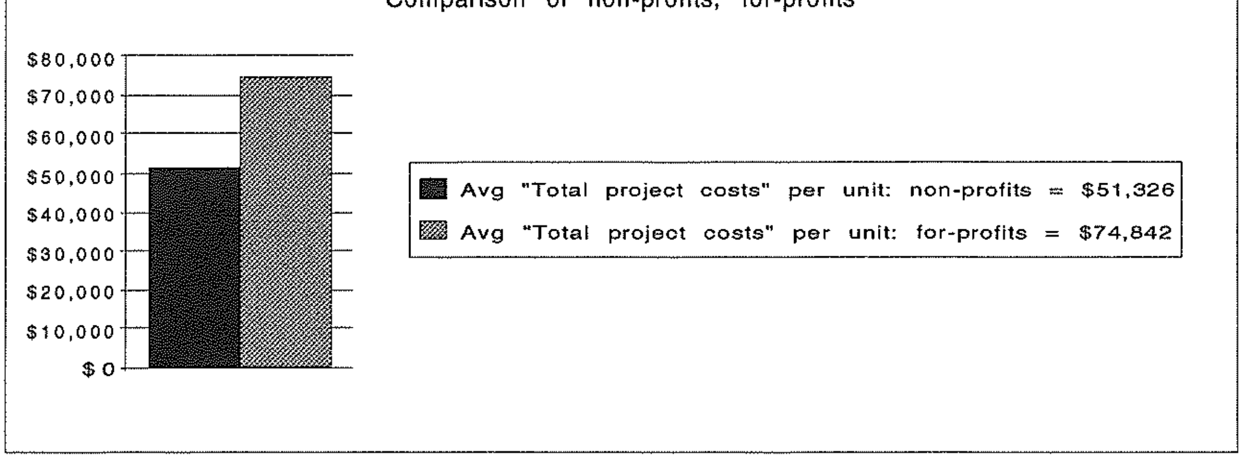
For-profit groups took a per unit developer's fee that was, on average, 50% higher than the fee charged by non-profits.

Average developer's fee per unit
Comparison of non-profits, for-profits



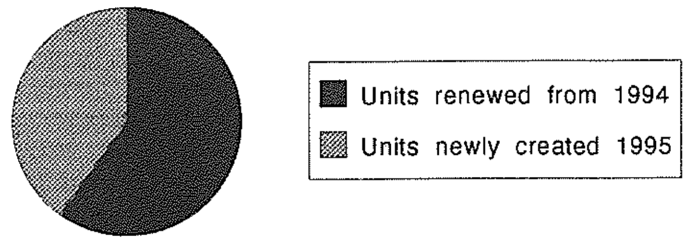
Total project costs per unit created were nearly 50% higher at for-profit projects, compared to non-profit projects.

Average "total project costs" per unit
Comparison of non-profits, for-profits



3. In 1995, DOH claims to have "created" units that it also took credit for creating in 1994.

DOH claims to have created 1472 units of housing through the Low Income Housing Trust Fund program in 1995. However, 60% of these units were simply renewals of 1994 projects. DOH took credit for "creating" these units in both 1994 and 1995.

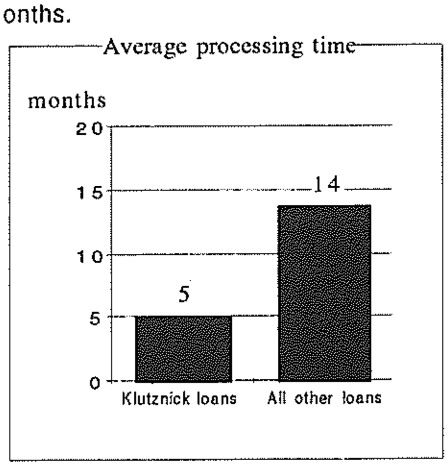


4. DOH continues to count shelter beds as "units created." As the Chicago Coalition for the Homeless maintains, however, a bed is not a home!

Project address	# Shelter beds created	# Beds DOH claimed were units
108 N. Sangamon	25	25
4626 N. Clifton	55	55
1530 N. Sedgwick	40	40
TOTAL	120	120

5. The politically prominent Klutznick family receives special treatment at DOH.

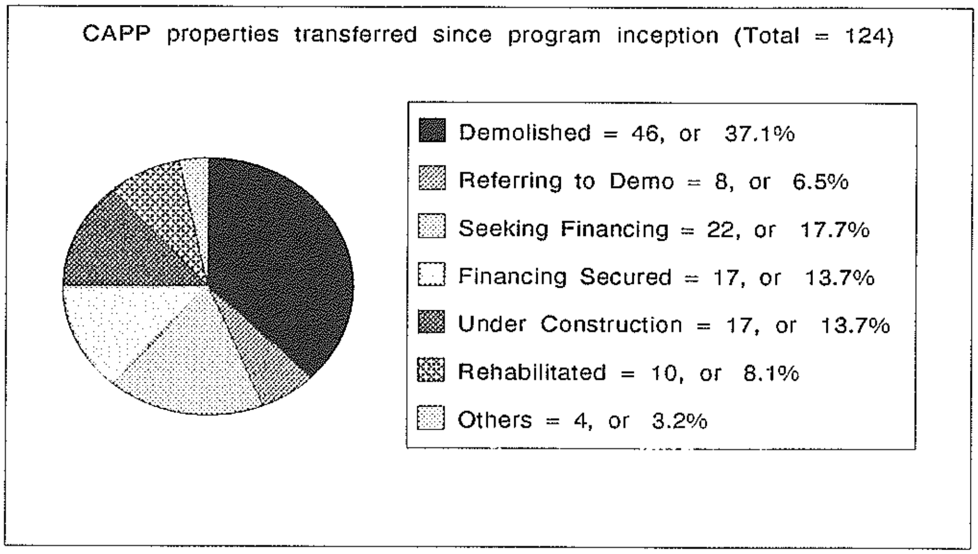
DOH required only 5 months, on average, to process three 1994 loans to the Klutznicks, who operate the Senior Lifestyle Corporation. The average processing time for all other loans was 14 months.



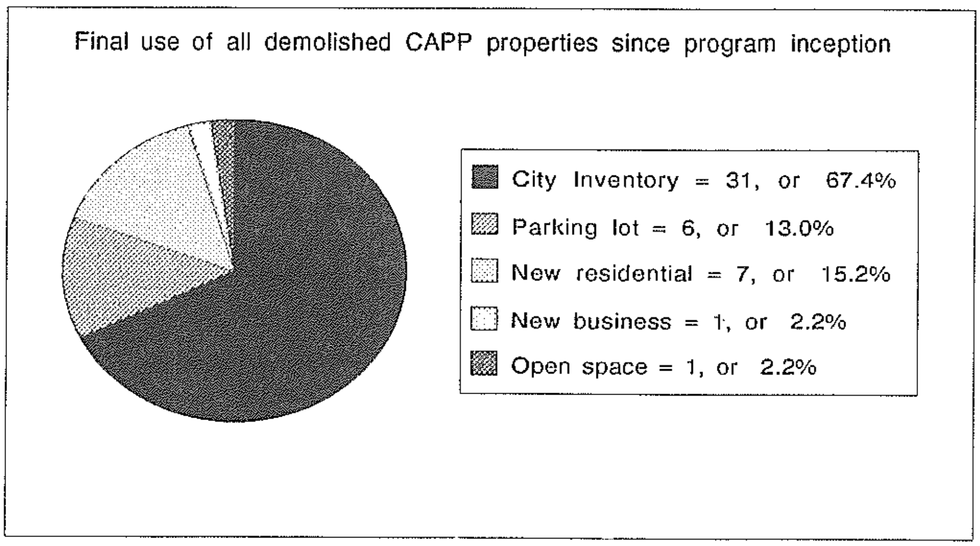
Recommendation:
The DOH loan processing system must be streamlined. The department typically requires over a year to process a loan. CRN recommends that the Chicago Housing Partnership develop a more efficient process.

6. *The Chicago Abandoned Property Program (CAPP), created to encourage the renovation of abandoned buildings, demolishes them instead.*

The Chicago Abandoned Property Program (CAPP) was designed to get structurally sound, vacant properties into the hands of developers who will renovate them. The program accepts properties only if they are structurally sound enough to be rehabbed. Since the inception of the program three years ago, only 10 buildings have been renovated (as of March 31, 1995). In contrast, 54 buildings, or 43.6% of all the properties transferred by the program, have either been demolished or are headed towards demolition.



After demolition, two-thirds of the CAPP properties are simply added to the rolls of city-owned property. The remainder are developed to serve various purposes.



In addition:

- **CRN members report that DOH requires a year and a half to two years to process CAPP buildings from application to property transfer. As a result, renovation costs are much higher than they otherwise might be.**
- **The CAPP program often rejects the applications of developers who would rehab buildings. CRN is aware of at least 14 viable applications by non-profit developers which were rejected by CAPP.**

Direct questions and comments regarding this report to Chicago Rehab Network (312)663-3936