Chicago Rehab Network
Department of Housing 2nd Quarter 2000 Analysis

The City Council, Mayor Daley and the Department of Housing are to be commended for their foresight and leadership in addressing predatory lending. In a short time unscrupulous lenders can devastate communities and undo years of hard work by public and community leaders. We urge the city to continue to strengthen the ordinance to discourage conventional lenders from participating in these predatory business practices.

Since its January kickoff hundreds of Chicago's leading community development professionals have worked on the Department's Forum on Housing Solutions to develop recommendations to address priorities identified in the *Housing Opportunities Plan.* As DOH reviews these reports and develops an implementation strategy it is important to ensure that these new activities are funded with new resources not by shifting existing resources. As our report discusses 2000 DOH funding has not addressed family housing needs and DOH participation in public housing replacement is very expensive. In the past 18 months the Department has both taken on a new activist role in housing policy with the predatory lending ordinance a prominent result, and has applied for many diverse programs under the Department which often results in new, small programs. As DOH implements the Forum solutions we urge them to focus on activities that will have broad impact and will not detract from their core activities of funding affordable housing in the most timely, efficient manner possible.

SENIOR HOUSING

In our first quarter report we noted DOH's high funding rates for senior projects. As we review the second quarter report we find that, once again, DOH dollars are primarily going for senior projects. Of the 563 units assisted by DOH through the end of the second quarter of 2000, 456 have been for seniors. So far this year, 5 out of 7 or 74% of projects funded by DOH have been for seniors.

This high rate of funding for senior projects is problematic for two reasons. As we discussed in the first quarter report, there are other subsidy sources for affordable senior housing – the HUD 202 program and CHA senior buildings. According to the Regional Rental Market Analysis, there are more families without affordable housing than seniors. We do not dispute the need for affordable, quality senior housing but production at current levels is out of balance with Chicago's housing needs and is not creating units for households which have no other housing subsidy programs.

If there is a need for senior housing then it should be affordable to seniors with the lowest incomes. But almost no units developed in 2000 are for very low-income seniors with incomes under 30% of area median income (AMI). Of the 456 senior units created through the second quarter no units will be available for seniors at 15% or less of AMI, and only 12 units serve seniors making $14,250 per year or less (30% of area median income for a 1 person household) [see chart below]. DOH does have a program to make these units more affordable – Affordable Rents for Chicago (ARC), which historically has not fully expended its money. At the halfway point of 2000 only 23% of ARC funds have been committed. This program could make a portion of the senior units created in 2000 available to the senior population with the worst housing needs.

2000 Senior Housing Development with DOH Dollars

Developer	0-15% AMI	16-30% AMI	31-50% AMI	51-60% AMI	61-80% AMI	Total Units
Cottage View Forprofit 1st Quarter 2000	0	0	**39** at $530	**58** at $588-777	0	97
Creiger Apts. Forprofit 1st Quarter 2000	0	0	**44** at $350-500	**43** at $350-500	0	87
Gateway Forprofit 2nd Quarter 2000	0	0	**48** at $477	**47** at $587-693	**25** at $698-820	120
Senior Suites Forprofit 2nd Quarter 2000	0	**12** at $290-330	**29** at $455-538	**43** at $539-595	0	84
Yale Forprofit 2nd Quarter 2000	0	0	**68** at $440	0	0	68
Units Totals By Income Group		**12**	**228**	**191**	**25**	**456**
Percentage Units By Income Group		**3%**	**50%**	**42%**	**5%**	

A senior with an income at 30% of AMI, or $14,250, can afford to pay $356 per month.

A senior with an income at 50% of AMI, or $23,750, can afford to pay $593 per month.

A senior with an income at 80% of AMI, or $35,150, can afford to pay $878 per month.

HOUSING THOSE WHO NEED IT MOST

Striking a balance between policy preferences and limited available resources can be very difficult. Program and selection criteria can serve some policy preferences and make it difficult to achieve others. Funding senior housing, and other small units such as SROs, at the current levels achieves certain policy goals including maximizing the number of units created for resources expended, and siting subsidized housing in previously unserved areas. But the Department's *Housing Opportunities Plan* contains other policy priorities that are not being met at the same level.

If project scoring relies exclusively on a cost per unit measure then senior projects have an advantage over family units because they are smaller. The Department should ensure that their scoring does not work against family housing by also evaluating cost per bedroom and cost per square foot. Related to this issue is the cost of rehab versus new construction, and developing affordable housing in areas where there is an established real estate market that drives up acquisition prices. The *Housing Opportunities Plan* prioritizes preservation of existing buildings to maintain the character of communities. Rehab of these older buildings into housing that meets the needs of today's households may be higher cost than new construction but there are larger public policy goals that must be taken into account. Similarly there are many communities that need of affordable housing but lack city owned land or a real estate market with depressed prices so that affordable housing development will have higher acquisition costs. Creating affordable housing in these communities fulfills mixed income goals and may provide housing close to jobs and transportation. Again there may be a higher price to achieve these public policy goals.

DEVELOPING MIXED INCOME HOUSING

Mixed income theory in the replacement of pubic housing has been made concrete with the two phases of Hearts United and the first phase of North Town Village. The developments contain a total of 339 units with 28% of the units available to former residents of public housing (income from 0–17% of area median income), 4% from 31-50%, 48% from 51-60%, 8% from 61-80% and 11% from 81-100%. In reality mixed income means combining very poor families and families with incomes from $30,000 to $40,000 (those at 51-60% of area median income). The first Hearts United project only had units for these two income groups. By now it should be completed and rented up, it would be interesting to know who is living there and if the project has met its original income projections.

One way in which these developments differ from other DOH reported projects is in the reporting of acquisition costs. Usually acquisition costs are reported in the total development cost and included in the calculation of cost per unit. At North Town Village, land acquisition, infrastructure improvements and environmental work was paid for with $8.6 million in TIF proceeds. This was not included in the calculation of the total development cost per unit, which at $199,456 per unit was the highest per unit cost DOH funded in 1999. Acquisition costs of $25,000 were reported in the first phase of Hearts United, the second phase has no acquisition cost reported. To accurately understand the cost of creating mixed income developments all development costs must be reported.

Each of these projects received substantial public investment from many sources and total project costs for these 339 units exceeds $64 million. In the coming months CRN will analyze these projects to determine the resources that will be needed to meet the replacement housing goals contained in the CHA Transformation Plan and to understand the impact of these mixed income ratios on the availability of housing for Chicago's working poor.