Chicago Rehab Network
Department of Housing 4th Quarter 2000 Analysis

In light of Chicago's pressing affordable housing crisis, Mayor Daley's recent announcement of a $150 million increase to the City's five-year housing plan is welcome news. Both the Chicago Rehab Network (CRN) and the City's Department of Housing (DOH) developed or supported the initiatives responsible for this increase: the Low Income Housing Tax Credit increased by Congress last year, and the Illinois Donations Tax Credit now under consideration in Springfield. The City has an excellent record of getting more housing funds from the state and federal government. But Chicago must also commit additional city and corporate money—money with fewer restrictions—to solve the city's affordable housing problems.

In reviewing DOH's total production in 2000, CRN looked at both multifamily rental housing and single-family production. Unfortunately, expenditures and unit production in both areas did not reach goal: multifamily programs met 88% of projected expenditures and 87% of units created while single family programs reached 79% of expenditures and 80% of units. In 1999, DOH was at 134% of their multifamily expenditures goal and 79% of their single-family goal, and while there are always timeline variances in real estate development, CRN believes that for single-family programs there are underlying issues that need to be examined.

MULTIFAMILY RENTAL PRODUCTION

In 2000 there were 971 multifamily rental units created or preserved through DOH funding, a substantial reduction from 1999 production when DOH created or preserved 1,467 units. As CRN has testified all year, **senior housing represents a disproportionate percentage of the overall production in 2000 with six out of eleven projects, 63% of the 971 units, in 2000 for seniors.** The lack of housing creation for families, particularly those with incomes under $20,000 or about 30% of the area median income, flies in the face of documented housing needs. Stable, quality affordable housing allows families to focus on educational and employment success instead of being vulnerable to Chicago's booming real estate market with high rents and tight vacancies. **Affordable family housing must be greater priority for the City. An affordable housing development commitment similar to the City's SRO Initiative, or a family housing study similar to its senior housing study would be a sound first step.**

The 2000 DOH production report illustrates a result of two approaches to housing subsidy—development subsidy and operating subsidy. **CRN finds that a lack of coordination between development subsidy and operating subsidy programs make multifamily rental housing production for very low-income households close to impossible.** DOH receives housing development funding from sources like the Low Income Housing Tax Credit, HOME, and bonds among others, to create or preserve units so that owners pay little or no debt on their projects. But once complete, buildings have operating expenses for utilities, taxes, maintenance and management, which average $350 per unit, per month. The cost of these monthly operating expenses simply cannot be passed on to low-income families. So, while affordable housing developers have access to resources for development, they have a harder time securing adequate operating subsidy.

DOH has an extremely effective rental subsidy program, the Chicago Low Income Housing Trust Fund, which with an average subsidy of $3,500 per year the program reduces rents to as little as $25 a month. As Mayor Daley said at his February 6th press conference, "Chicago runs the largest locally funded rent subsidy program in the country, each year helping approximately 3,000 very low-income families meet their monthly rent." **Given the operating difficulties faced by developers of affordable family housing outlined above, however, the City of Chicago should increase their commitment to the Trust Fund by $500,000 per year and link these new units with their development subsidy programs; this would create more than 140 new units affordable for very low-income families.**

DOH 2000 Multi-Family Rental Housing Production

Income Level Served

Type of Housing	**0-15%**	**16-30%**	**31-50%**	**51-60%**	**61-80%**	**Total**	***Sub-Total***
Preservation							
Stone Terrace			156			156	
							156(16%)
CHA Replacement							
Hearts United II	27					27	
Northtown II	40					40	
							67(7%)
New Senior Housing							
Creiger			44	43		87	
Cottage View			39	58		97	
Gateway			48	47	25	120	
Hegewish		24	24	36		84	
Yale			68		1	69	
Montclare			47	106	1	154	
							611(63%)
New Family Housing							
Antioch Homes			57			57	
Hearts United II				51	29	80	
							137(14%)
	67 (7%)	**24 (2%)**	**483 (50%)**	**341 (35%)**	**56 (6%)**	**971**	

The Affordable Rents for Chicago (ARC) program is supposed to create affordable units but over the last 4 years (1997-200) DOH has only expended 55% of the funds committed to ARC. In 2000 ARC subsidized 31 units, 41% of its goal for the year spending 38% of the money committed to the program. For a number of reasons ARC is unable to achieve its programmatic goals, to meet the worsening housing affordability crisis there needs to be a new rental subsidy response.

SINGLE FAMILY PRODUCTION

Reporting for two very distinct programs, New Homes for Chicago and Homestart, has been combined in the city's report. Unfortunately, combining these two programs obscures effective analysis of production achievement for the New Homes for Chicago program. If the $10 million Homestart bond is removed from the New Homes reporting it can be seen that **only 29% of committed funds were expended and 29% of projected units were created in 2000**. In 1999 DOH was over 140% of its goal on New Homes expenditures, so 2000 may be an anomaly, but the Homestart program should be reported separately to allow for clarity.

The Homestart program has been off to a very slow start with only 44 units committed in 2000. This program, which uses private bond financing to build new homes on a fee basis on city owned land, is not explicitly affordable housing. There are no income targeting or sales price restrictions in the program and there is no commitment to use the proceeds from the sales of the units for affordable housing purposes. If DOH resources are to be used to develop and implement the program there should be an affordable housing purpose. One way to accomplish this is to internally subsidize sales prices in the Homestart developments so proceeds from one home can reduce the sales price for another in the development and allow a lower income homebuyer to purchase the home. This would create a mixed income development and promote homeownership and be a good public purpose for the sale of public land.

RESOURCE CHALLENGE

As discussed earlier the City has been very effective at delivering housing resources from outside sources and meeting the Resource Challenge that was set in the current five-year Plan. In 2000, the City reported almost $60 million in resources achieved towards the $30 million Resource Challenge. These resources were for a broad range of activities, including rental subsidy, predatory loan refinance through NHS, and HOPE VI development at Madden Park Wells. DOH operates in partnership with many public and private entities and its expertise can be crucial to successfully competing for resources. But if DOH claims funds for other entities such as NHS and CHA—whose projects DOH has no administrative responsibility for—as progress towards its own Resource Challenge, the funds should be included in the quarterly reports with unit production goals and income targets.