Chicago Rehab Network
Department of Housing 1st Quarter 2001 Analysis

With this report, the Department of Housing has substantially improved the presentation of the quarterly production reporting. These quarterly reports already provide more information on city department functioning and production than any other department. The new format allows much clearer understanding of information through maps and improved readability, and overall the report should be considered a Best Practice for the City and replicated in other Departments, especially those concerned with the redevelopment of the City at this defining moment including Planning, Zoning and Buildings. The evolution of the DOH report has been gradual; we want to recognize the leadership of those aldermen who have always understood the importance of affordable housing and these reports.

Mapping the New Homes for Chicago historical production information is an example of how much more can be conveyed in this new format than in quarter-by-quarter tables. Similar mapping of the Chicago Low Income Housing Trust Fund would also be interesting, especially if it was compared to the location of Section 8 voucher holders. If, as anticipated, the Trust Fund has a better history of providing subsidized rental housing in non-low income areas there may be important lessons to be learned in the marketing and acceptance of low income housing from the Trust Fund.

MULTIFAMILY RENTAL PRODUCTION

In the first quarter of 2001 DOH created or preserved more units than in all of 2000 (see chart below). The new family and senior units in non-CHA developments were well targeted for households with incomes at 50% or less of area median income. DOH made good use of the Affordable Rents for Chicago (ARC) program and as a result 20% of the units in non-CHA developments were affordable to households with incomes from 16-30% of area median income.

The income mix of the CHA developments show more variation. In the two developments 323 CHA units available to public housing eligible households were created or preserved, primarily in senior housing at Hilliard. The remaining units were targeted at households with incomes of 60% or more of area median income, which starts at $42,300 for a family of four. At Renaissance North half of the units created were the first market rate rental units reported by the Department with rents of $1,575-2,050 for two bedroom units. Even the affordable units created with Low Income Housing Tax Credits, with two bedroom rents at $755-800 for the two developments, will need households with incomes substantially above those of the public housing residents. A development with a continuum of rents, where a household could stay in the same unit as their income grew and neighbors would have a greater chance of sharing some life experiences, would seem to be a better model that could more easily overcome the social and economic challenges of mixed income development. In other parts of the country mixed income developments have followed this continuum model more closely than what is being created in Chicago.

Income Distribution of 1st Quarter 2001 DOH Units

	0-15%	16-30%	31-50%	51-60%	61-80%	MARKET RATE	TOTAL
Non-CHA		53	201	16			270
CHA	323			260	101	29	713
TOTAL	323 (33%)	53 (5%)	201 (20%)	276 (28%)	101 (10%)	29 (3%)	983

The two CHA development projects also have substantially higher soft costs than the more traditional affordable housing projects done this quarter (see chart below). These higher costs, which include financing and transaction fees, architect and legal fees and other non-acquisition and construction costs, partly reflect the complex financing required to complete the developments. Renaissance North had the highest per unit cost at $30,286 while Hilliard had the highest soft costs as a percentage of development costs (16.6%). **With such high public investment for non-acquisition and constructions costs it is essential that as many units as possible be made available to those who need affordable housing the most.**

Soft Costs in 1st Quarter 2001 DOH Projects

PROJECT	SOFT COST PER UNIT	SOFT COST AS PERCENT OF TOTAL DEVELOPMENT COSTS
Casa Puebla	$14,867	8%
Hilliard (CHA)	$22,006	16.6%
Nuestro Hogar	$17,047	12%
Renaissance North (CHA)	$30,286	12.7%
Wheeler	$9,951	9%
Mayfair	$17,708	11.7%

CHICAGO'S RENTAL HOUSING STOCK

Monday's Chicago Sun-Times headline said it best 'Renters Feeling Squeezed Out' – the 2000 Census has found that Chicago is the only major US city to gain population and lose housing units. While owner occupied units increased by 39,606 from 1990 to 2000, renter occupied units decreased by 2,852. There are many factors influencing Chicago real estate development but the lack of rental housing development is going to cripple Chicago's emergence as a major job growth center and a revitalizing Midwestern city capable of attracting a corporate headquarters with the status of Boeing.

CRN has worked with Assessor Houlihan on a set of property tax reforms that would support the development and preservation of rental housing. CRN calls on the Committee on Housing and Real Estate and Mayor Daley to support these reforms as a first step in addressing this crisis through incenting the development of rental housing without relying on precious public resources. As a second step Chicago should follow the example of other cities and suburbs around the country, including Boston and Montgomery County, Maryland, and require the inclusion of affordable housing in all new residential development. Inclusionary housing can help to prevent displacement of existing community residents as a neighborhood revitalizes and ensures that mixed income housing is available throughout the city.

HOMESTART

In CRN's 4th quarter 2000 analysis we recommended that DOH separate two programs, New Homes for Chicago and Homestart, so that production under each program was clearer. DOH has done that this quarter and now the $20 million available as Homestart bonding authority is reported separately. **The current reporting still raises questions because the Homestart program, which has no income restrictions, lists purchases in the 81-120% of area median income column and because the $20 million is not subsidized affordable housing money but construction financing for market rate homes on city owned land. It may be more accurate to list the City resources available under Homestart as the value of the City land, both pre and post development.** With this information it would be possible to track resources generated through the sale of city owned land. **With the potential shortfall of land to meet the production commitments under the CHA Plan for Transformation reported in a recent Tribune article, city owned land must be recognized as a valuable commodity that must be used to the benefit of Chicago's citizens who need it most. Affordable housing should be included in all developments on city owned land. In addition the Committee on Housing and Real Estate should analyze the need for city owned land for the CHA Plan, the results should guide all future transfers of city owned land.**

VALUING AFFORDABILITY

While we recognize the Department's accomplishments in multifamily housing production this quarter we all know that Chicago's citizens face an ever worsening affordable housing crisis with low vacancies and rising rents. CRN recognizes this truth and with our members we will kick-off a new affordable housing campaign called Valuing Affordability at our June 27-29th conference. We invite all the Committee of Housing and Real Estate members to join us in committing to work towards a new social, economic and political value for affordable housing.