Introduction

What has been at the forefront of our minds as well as others in the past week is Mayor Daley’s announcement not to seek another term. The announcement has certainly caused us to reflect on the changes and evolution of the affordable housing landscape in the last two decades under his leadership. It was under his leadership in 1993 when the City made its most significant commitment to affordable housing by creating the first Five Year Affordable Housing Plan of Chicago, at that time committing $750 million over five years. We are at now our fourth Plan with a goal commitment of over $2 billion for affordable housing.

While there have been many positive changes over these years, there have also been missed opportunities. This month we will reach the first milestone in the effort to stabilize communities hit hard by the foreclosure crisis, one brought upon by a housing market that did not value affordability. There are many factors that demonstrate the nature and scope of housing affordability in Chicago today. One of the most striking is to consider how there are approximately 2,000 foreclosures being filed monthly and just this summer more than 200,000 families signed up to be on CHA’s waiting list.

As we look forward to new leadership in our City, we must continue to make affordable housing a priority. We have to ensure that critical resources are maximized so that the neediest populations are served. And above all, we have to make sure that what guides housing policy is the principle that housing is foundational for healthy and stable communities – and a fundamental right for all people.

Finally, with the heightened call for government transparency and neighborhood development, we suggest those so interested would be well advised to understand the work of the Department and this committee in advancing those key principles.

Key Findings and Recommendations

Our analysis of this quarter’s production includes the following points:

- **Multifamily units show a boost in production this quarter** mainly due to Low-Income Housing Tax Credit activity, including the Tax Credit Assistance and Section 1602 Exchange Programs authorized under the Recovery Act.
- **The Department reports that at the end of the second quarter, the City has committed 74 percent of its NSP1 grant**. According to the latest HUD report, as of August 31st, the City has committed $54,073,786 or 98 percent of its NSP1 grant. $1,164,231 must be committed by the end of this month. This success demonstrates the capacity of getting affordable housing accomplished with vital community partners and it is a recovery investment that works for communities.
- **The City of Chicago has been awarded additional NSP funding and more may be on the way**. The availability of new NSP funding would create a new opportunity to re-evaluate the needs of many Chicago communities. We recommend that properties that fall into the
amended definitions of “foreclosed” and “abandoned” are reconsidered for these new rounds of NSP funding.

➢ The City should transfer the unallocated funds from last year’s Property Tax Relief Program of $33 million to its delegate agency fund. These funds would benefit community agencies to continue providing services for the neediest during this difficult economic time.

Analysis of Second Quarter Activities

The Department reports a commitment about $138 million to assist 1,005 multifamily units, $9 million for 233 homeownership units, and $4.8 million to preserve and improve 704 units in the Second Quarter.

New Unit Production - January-June 2010 Production and 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 1,515 units, or 23.7 percent of the multifamily goal. (See Table 1).

Table 1. CRN Analysis of Unit production: January – June 2010

<table>
<thead>
<tr>
<th></th>
<th>Projected Units</th>
<th>0-15%</th>
<th>16-30%</th>
<th>31-50%</th>
<th>51-60%</th>
<th>60-80%</th>
<th>81-100%</th>
<th>101+%</th>
<th>YTD Total</th>
<th>% of Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-Family*</td>
<td>6,387</td>
<td>1,796</td>
<td>1,233</td>
<td>597</td>
<td>926</td>
<td>94</td>
<td>0</td>
<td>107</td>
<td>4,753</td>
<td>74.42%</td>
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<tr>
<td>Less Rental Subsidy Units</td>
<td>-3,000</td>
<td>-1,738</td>
<td>-990</td>
<td>-2,728</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Less Site Improvements and Heat Receivership Units</td>
<td>-1170</td>
<td>-57</td>
<td>-91</td>
<td>-250</td>
<td>-75</td>
<td>-37</td>
<td>-510</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net MF New Units**</td>
<td>2,217</td>
<td>1</td>
<td>152</td>
<td>347</td>
<td>851</td>
<td>57</td>
<td>0</td>
<td>107</td>
<td>1,515</td>
<td>23.72%</td>
</tr>
<tr>
<td>Single Family with Multiple Benefits</td>
<td>1,186</td>
<td>0</td>
<td>4</td>
<td>34</td>
<td>25</td>
<td>100</td>
<td>96</td>
<td>144</td>
<td>403</td>
<td>33.98%</td>
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<tr>
<td>Improve and Preserve</td>
<td>1,950</td>
<td>63</td>
<td>236</td>
<td>447</td>
<td>46</td>
<td>94</td>
<td>51</td>
<td>13</td>
<td>950</td>
<td>48.72%</td>
</tr>
</tbody>
</table>

*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.

Approved Multifamily Developments

Multifamily rehab and new construction activity show a significant boost of activity this quarter, especially towards units targeting households earning 31-60% AMI—a net total of about 1,500 units. The increase in production is attributable to the assistance provided under the Low Income Housing Tax Credit and Tax Credit Assistance and Section 1602 Exchange Programs. The
Department approved seven Multifamily developments this quarter, most of which are CHA redevelopment properties.

**Clifton Magnolia Apartments**
- Preservation of a 59-unit project-based Section 8 units in Uptown
- Received $4.3 million in TIF assistance
- Cost per unit: **$278,115**
- **Income targets:**
  - 59 units at < 60% AMI ($45,060)

**Pomeroy Apartments**
- Acquisition and rehab of a 104-unit CHA-owned senior housing building in Edgewater
- Received $11,841,611 in equity generated by $1.3 million in 4% LIHTC
- **Acquisition cost of $5.5 million**
- Cost per unit: **$350,684**
- **Income targets:**
  - 104 units at < 30% AMI ($22,550)

**Oakwood Shores Senior Apartments**
- New construction 76 units of senior housing as part of the redevelopment of Ida B. Wells and Madden Park CHA housing under the Plan for Transformation
- Received $5.5 million in equity generated by $740,843 in 4% LIHTC
- Cost per unit: **$244,015**
- **Income targets:**
  - 12 units at < 40% AMI ($30,040)
  - 4 units at < 50% AMI ($37,550)
  - 59 units at < 60% AMI ($45,060)

**Woodlawn Center South**
- Phase I Redevelopment of Grove Parc Apartments in Woodlawn which would include construction of two new mixed-income buildings: 6227 S. Cottage Grove and 6230 S. Cottage Grove
- Received $3 million in Section 1602 Tax Credit Exchange assistance
- Cost per unit: **$312,808**
- **Income targets:**
  - 6227 S. Cottage Grove
    - 3 units at < 30% AMI ($22,550)
    - 6 units at < 50% AMI ($37,550)
    - 20 units at < 60% AMI ($45,060)
    - 4 Market rate
  - 6230 S. Cottage Grove
    - 4 units at < 30% AMI ($22,550)
    - 6 units at < 50% AMI ($37,550)
    - 21 units at < 60% AMI ($45,060)
    - 3 Market rate

**West End/ Rockwell Phase II A Rental**
- Phase II of Redevelopment of Rockwell Gardens CHA site as part of the Plan for Transformation
- 115 mixed-income rental units in the Near West Side
- Received $5.2 million in LIHTC equity and $1.1 million in TIF assistance
- Cost per unit: **$316,972**
- **Income targets:**
  - 12 units at < 30% AMI ($22,550)
  - 55 units at < 50% AMI ($37,550)
  - 34 units at < 60% AMI ($45,060)
  - 14 Market Rate

**Parkside of Old Town**
- Phase II of Redevelopment of Cabrini CHA site as part of the Plan for Transformation
- 112 mixed-income rental units in the Near North Side
- Received $17.9 million in LIHTC equity and $8.2 million in TIF assistance
- Cost per unit: **$372,512**
- **Income targets:**
  - 39 CHA replacement public housing units
  - 53 units at < 60% AMI ($45,060)
  - 20 Market Rate

**Park Douglas**
- Phase II of Redevelopment of Lawndale Complex and Ogden Courts CHA site as part of the Plan for Transformation
- 137 mixed-income rental units in the North Lawndale
- Received $22 million in LIHTC equity
- $465,435 in Donations Tax Credit equity from the donation of 27 City-owned parcels valued at $774,696 for $1
- Cost per unit: **$320,617**
- **Income targets:**
  - 60 CHA replacement public housing units
  - 49 units at < 60% AMI ($45,060)
  - 28 Market Rate

**Acquisition Cost for CHA-Owned and Rehabbed Properties**

It was in our analysis of the 3rd Quarter 2009 report where we raised the issue of reporting an acquisition cost for CHA-owned properties undergoing rehab. In that quarter, we questioned an acquisition cost of $3.5 million for the Kenmore Apartments which as we understand is owned by CHA pre- and post- acquisition.

In this quarter, the Pomeroy Apartments project reports a $5.5 million acquisition cost. However, like the Kenmore Apartments, this is an existing CHA building and is also being rehabbed by CHA. **What acquisition activity is the $5.5 million assisting?**

**Neighborhood Stabilization Program**

Last week, it was announced that Chicago will receive an additional $16 million of the $1 billion NSP3 funding authorized under the Dodd Frank Wall Street Reform and Consumer Protection Act. The amount of allocation was determined by formula similar to the first round of NSP. In
addition, with the NSP1 obligation deadline approaching, the reallocation of recaptured NSP1 funds will also be forthcoming in the new few months.

According to guidance issued by HUD, recaptured NSP1 funds would be redistributed to high need areas. It is likely that the City of Chicago will be able to access these funds and should the City become eligible, HUD guidance states that all grantees would need to submit another Action Plan Substantial Amendment for the grant. This means that there is opportunity to re-evaluate community areas that would benefit from infusion of stabilization dollars but were not included in the initial target areas. Additionally, we would encourage the City to consider properties which fit the revised definitions of “abandoned” and foreclosed” when determining target community areas for new NSP funding. These revised definitions would enable the city to use NSP dollars to assist families who are still in their homes and at risk of displacement. This Committee has recognized the value to both homeowner and neighborhood when homes are occupied.

NSP1 Progress
At the end of the Second Quarter, the Department reports NSP progress as follows:

- Units acquired: **310 units in 81 properties**
- 152 multifamily units in 6 properties
- 79 single family units in 42 properties
- Units under contract: **36 units**
- Construction started: **23 units (15 properties)**

Federal regulations state that the City of Chicago’s NSP 1 dollars must be committed by **September 30, 2010**, or the funds would be subject to recapture. According to the most recent HUD monthly Snapshot report for the City of Chicago (August 2010, see attached), the City’s NSP Commitments progress is as follows:

- As of August 31, 2010, **$54,073,786**, or **98 percent** has been committed
- **$1,164,231** must be committed by the end of this month
- **All funds must be spent by March 2013**. As of August 31, 2010, **$2,073,400**, or **3.8 percent**, has been spent.

We recognize the hard work of the Department and Mercy Portfolio Services in making a difficult program work. **Upon reaching this benchmark in NSP, we call on this Committee’s leadership to ensure that an evaluation and review process are undertaken so that the key stakeholders learn where commitments have gone, what is working and what requires improvement.**

City Budget

Last year the City of Chicago established a Property Tax Relief Fund using $35 million from proceeds generated by the Parking Meter Lease. The program, which ended on March 31, 2010, was to provide grants of $25 to $200 for eligible households making less than $200,000 a year. We obtained records via FOIA which indicate that of the $35 million allocation for the Property Tax Relief Program, only $1,907,750, or 5 percent, has been drawn down.

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1 [http://hudnshelp.info/media/resources/5435-N-01_NSP1_18MonthNotice_08-23-2010.pdf](http://hudnshelp.info/media/resources/5435-N-01_NSP1_18MonthNotice_08-23-2010.pdf)
We recommend that the balance of these funds—a total of $33,092,250—be reallocated towards those community-based organizations partnering with the city to provide essential services to Chicagoans. Delegate agencies have experienced extremely high demand from community residents especially during this economic recession. We believe that these unallocated funds will help these community agencies to continue providing critical services for the neediest and prevent further deterioration of the community fabric.

It has been proposed in budget discussions that the Department of Zoning is reorganized under the Department of Community Development as a cost-saving measure. **We would support a proposed reorganization of the Department of Community Development to include the Zoning Department as away to prioritize affordable housing in the City’s planning, land use and development policies.** A favorable result of this consolidation is better coordination of all neighborhood development across all pertinent city functions. In addition, Zoning has provided critical tools to leverage the creation of affordable housing in the private market through programs like the Downtown Density Bonus and Affordable Requirements Ordinance.

**Comments on the Condo Conversion Task Force Report**

It was in our CRN 2008 Platform that we called on the City to deal with loss of rental housing due to condo conversions. Our recommendation was as follows:

> “Invoke a moratorium on condo conversions until an effective tracking policy can be developed to analyze and effectively mitigate what the loss of the rental unit(s) will mean to the local community. The U.S. Housing Market Conditions report published in November 2007 found that 16,000 rental units have been lost to conversion in the last 3 years in Chicago. A policy that continues to avoid regulating this development will result in further loss of family rental housing in Chicago.”

*Source: http://www.chicagorehab.org/resources/docs/2008_policy_platform.pdf*

The recently released Condominium Conversion Task Force Report made four recommendations which will be valuable in supporting the rights of displaced tenants and the rights of the purchasers. These are post-conversion solutions.

Since 2007, Chicago has seen 8,207 condominium units complete the foreclosure process with the greatest number occurring in the 2nd, 20th, 49th and 50th wards. The vast majority of these are conversions from rental properties resulting in displacement of tenants.

The report does not address policies which weigh the cost and benefits in the actual conversion itself. While a moratorium may be politically infeasible, there are municipal precedents for processes that can be put in place pre-conversion. The Zoning process, for instance, requires public review and aldermanic review, which weighs community benefits on zoning changes and provides a minimum threshold of transparency and accountability. These same minimum thresholds should be established to ensure that the private gain of conversion does not overshadow the community need for rental housing.
Weatherization Assistance

With the arrival of the colder months, we would like to remind all about weatherization grants available for multifamily buildings. Owners with low income renters can access these funds to make energy-related building improvements which will improve operating costs and benefit the overall community. Aldermen can refer interested owners to CEDA at 1-800-571-CEDA.
APPENDIX

Table 1. Commitments and Unit Production Totals Reported by Department of Community Development – 2nd Quarter 2010

<table>
<thead>
<tr>
<th></th>
<th>Total Projected Units</th>
<th>1st Quarter Commitments</th>
<th>2nd Quarter Commitments</th>
<th>YTD</th>
<th>% of Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi Family</td>
<td>$306,288,301</td>
<td>$116,998,262</td>
<td>$138,377,257</td>
<td>$255,375,519</td>
<td>83.38%</td>
</tr>
<tr>
<td>Single Family</td>
<td>$81,204,190</td>
<td>$6,709,613</td>
<td>$8,942,345</td>
<td>$15,651,958</td>
<td>19.27%</td>
</tr>
<tr>
<td>Improve and Preserve</td>
<td>$19,210,688</td>
<td>$3,334,614</td>
<td>$4,785,303</td>
<td>$8,119,917</td>
<td>42.27%</td>
</tr>
<tr>
<td>Programmatic Applications</td>
<td>$1,250,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total</td>
<td>$407,953,179</td>
<td>$127,042,489</td>
<td>$152,104,905</td>
<td>$279,147,394</td>
<td>68.43%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total Projected Units</th>
<th>1st Quarter Units</th>
<th>2nd Quarter Units</th>
<th>YTD</th>
<th>% of Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi Family</td>
<td>6,387</td>
<td>3,748</td>
<td>1,005</td>
<td>4,753</td>
<td>74.42%</td>
</tr>
<tr>
<td>Single Family</td>
<td>1,186</td>
<td>171</td>
<td>233</td>
<td>404</td>
<td>34.06%</td>
</tr>
<tr>
<td>Improve and Preserve</td>
<td>1,950</td>
<td>246</td>
<td>704</td>
<td>950</td>
<td>48.72%</td>
</tr>
<tr>
<td>Total</td>
<td>9,523</td>
<td>4,165</td>
<td>1,942</td>
<td>6,107</td>
<td>64.13%</td>
</tr>
</tbody>
</table>
NSP-1 Grantee Report August 2010

Chicago, IL

Grant Number: B-08-MN-17-0002
HUD Region: V
HUD Field Office: Chicago

Total NSP Funding: $55,238,017

Commitments in August: $13,578,378

Total Commitments: $54,073,786 (97.9%)
$1,164,231 more must be committed in September 2010 (1)

LH25 Commitments in August: $1,864,368

Total Commitments to LH25: $20,100,704 (36.4%)
$0 more must be committed to LH25 in September 2010 (2)

Expenditures in August: $0

Total Expenditures: $2,073,400 (3.8%)
$53,164,617 more must be expended by grant end date in March 2013

Total Program Income: $0

(1) The statutory deadline to commit funds is 18 months after award date. The regulatory deadline to expend funds is 4 years after award date.
(2) A minimum of 25% of each NSP-1 grant must benefit Low Income households (LH25) at or below 50% of area median income.

Current data as of 08-31-2010, prior data as of 07-31-2010
Chicago, IL Commitments Trend (Monthly Commitments)

Chicago, IL Commitments Versus Total Grant Amount

Chicago, IL Expenditures Trend (Cumulative Expenditures)

Current data as of 08-31-2010, prior data as of 07-31-2010
### Budget, Commitments, and Expenditures by Activity Type for Chicago, IL (Cumulative Through 08-31-10)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Budgeted $</th>
<th>Budgeted % of Total</th>
<th>Budgeted Commitments $</th>
<th>Commitments % of Total</th>
<th>Expenditures $</th>
<th>Expenditures % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>$0</td>
<td>0%</td>
<td>$0</td>
<td>0%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>Clearance</td>
<td>$2,021,000</td>
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<td>$856,769</td>
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<td>0%</td>
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<td>Homeownership</td>
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<td>0%</td>
<td>$0</td>
<td>0%</td>
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<td>0%</td>
</tr>
<tr>
<td>Land Banking</td>
<td>$257,542</td>
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<td>$257,542</td>
<td>0%</td>
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<td>0%</td>
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<td>Public Facilities / Economic Development</td>
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<td>0%</td>
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<td>0%</td>
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<td>0%</td>
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<tr>
<td>Residential New Construction</td>
<td>$0</td>
<td>0%</td>
<td>$0</td>
<td>0%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>Residential Rehab</td>
<td>$47,435,673</td>
<td>86%</td>
<td>$47,435,673</td>
<td>88%</td>
<td>$0</td>
<td>0%</td>
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<tr>
<td>Other</td>
<td>$5,523,802</td>
<td>10%</td>
<td>$5,523,802</td>
<td>10%</td>
<td>$2,073,400</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$55,238,017</strong></td>
<td><strong>100%</strong></td>
<td><strong>$54,073,786</strong></td>
<td><strong>100%</strong></td>
<td><strong>$2,073,400</strong></td>
<td><strong>100%</strong></td>
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</tbody>
</table>

Current data as of 08-31-2010, prior data as of 07-31-2010
Chicago, IL NSP-1 Unit and Beneficiary Goals and Achievements

<table>
<thead>
<tr>
<th>NSP-1 ACTIVITY TYPE</th>
<th>Units Goal</th>
<th>Units Achieved</th>
<th>Beneficiary Goal</th>
<th>Beneficiaries Served</th>
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</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Clearance</td>
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<td>Public Facilities / Economic Development</td>
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<td>Residential New Construction</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Residential Rehab</td>
<td>665</td>
<td>502</td>
<td>250</td>
<td>167</td>
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<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>770</strong></td>
<td><strong>502</strong></td>
<td><strong>250</strong></td>
<td><strong>167</strong></td>
</tr>
</tbody>
</table>

Chicago, IL NSP-1 Program and Beneficiary Characteristics

<table>
<thead>
<tr>
<th>BENEFICIARY INCOME RANGE:</th>
<th>Projected Measures</th>
<th>Actual Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 50% AMI</td>
<td>82.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>50% AMI to 80% AMI</td>
<td>11.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>80% AMI to 120% AMI</td>
<td>6.4%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Summary of NSP-1 Reporting Measures and Performance Ratio for Chicago, IL (Cumulative through 08-31-10)

<table>
<thead>
<tr>
<th>(A) Projected Measures</th>
<th>(B) Actual Measures</th>
<th>(C) Percentage (B ÷ A)</th>
<th>(D) % of Grant Expended</th>
<th>(E) Performance Ratio (C ÷ D)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of homes / properties</td>
<td>770</td>
<td>502</td>
<td>65.2%</td>
<td>66.00%</td>
</tr>
<tr>
<td>Number of hholds / persons served</td>
<td>250</td>
<td>167</td>
<td>66.8%</td>
<td>38.99%</td>
</tr>
</tbody>
</table>

(A) is the sum of all unit-denominated measures selected by the grantee (for example, "number of foreclosed homes acquired")

(B) Is the sum of all beneficiary-denominated measures selected by the grantee (for example, "number of units rented to beneficiaries")

If the Performance Ratio (E) is 1.00, that indicates that the grantee's achievement of performance measures is in balance with the grantee's expenditure of funds. A ratio above 1.00 indicates better performance (relatively more performance measures achieved in relation to funds expended). A ratio below 1.00 indicates relatively poorer performance.