Chicago Rehab Network

Analysis of the Third Quarter 2011 Housing Report

***Accepting the Challenge:* Five Year Affordable Housing Plan, 2009-2013**
Presented November 30, 2011

Introduction

The FY 2012 City Budget passed the City Council with a unanimous vote on November 16th, closing a $635 million projected FY 2012 deficit with a slew of difficult cuts and fee increases.

Among the new initiatives introduced in the FY 2012 Budget is a new dedicated housing revenue fund for delegate agencies. Last year, delegate agency funding faced severe cuts until advocates, Aldermen, and communities organized to restore funding in the final FY 2011 budget. Delegate agencies serve as the first point of contact for Chicago communities by providing much-needed economic and community development assistance and maintaining healthy and stable neighborhoods. The Administration's continued support and partnership with delegate agencies ensures that their invaluable role in the community and the City as a whole is sustained. We recognize that the work to preserve this crucial funding must continue and the Department's and City Council's work in holding the line against deeper cuts to delegate agencies should be commended.

With the planning and deliberation of this budget, there was significant reflection that the City is working towards the best scenarios possible presently in addressing the City's structural budget issues. However, we must prepare to face similar difficult choices again next year when it comes to being able to provide critical City services. We have attached our analysis of the FY 2012 Budget and our recommendations in this report. Looking towards the future, we believe that the long-term economic recovery for our City and its residents will be reinforced by the housing programs and comprehensive community development strategies operating through the Department. Our analysis highlights the funding trends and program developments along with several recommendations for program efficacy and can provide a framework for future improvements.

Prioritizing Rental Housing

Findings from a recent report from the DePaul University Institute on Housing Studies, *The State of Rental Housing in Cook County,* show that the ongoing lack of affordable housing in our region will worsen in the coming years. According to the study, there was a shortage of 180,000 affordable housing units in Cook County in 2009, an increase of 9.1 percent since 2005. Considering the impacts of the foreclosure crisis, the ongoing economic slump and unemployment, and increasing demand for rental housing, the study indicates that the gap in affordability will likely increase to 233,000 units by 2020. Since nearly three-quarters of all renters in the County are in Chicago, the shortage will disproportionately impact the City of Chicago. Preservation of existing affordable stock is therefore fundamental for the City's workforce and neighborhood stability.

Federal Housing Resources

The recently passed FY HUD Appropriations Bill includes significant cuts in national housing programs overall which will weaken the city's resources, already evidenced by the near $20 million dollar loss in HOME and CDBG allocation to the city for FY 2012 and diminished funding for the Public Housing Capital Fund (See attached budget impacts chart). Despite these cuts, however, preservation programs remained relatively on track. The bill not only includes provisions that assures a family's ability to pay for housing stays intact, but also for private owners of affordable housing to be able to operate and sustain their rental property.

For instance, the bill includes a provision that preserves the Rent Supplement, Rental Assistance Programs and Section 8 Mod Rehab properties by allowing tenant protection vouchers to be converted into project-based vouchers, and thus supporting long-term affordability. In addition, Project-Based Section 8 was funded at $9.3 billion. While slightly lower than the previous funding level, maintaining this crucial funding means that thousands of housing contracts can be renewed for an additional year.

The City should echo these priorities and focus its housing and economic development goals toward innovative ways to preserve rental housing and minimize displacement. Pivotal to this will be a stronger focus on housing occupancy strategies to be among the City's ongoing priorities. Keeping people in homes will be an investment in them, our communities and our cities. We look forward to working with this Committee, the City and our communities to develop the innovation to try new strategies.

Key Findings – Third Quarter

- **The Department reports that through the end of the Third Quarter of 2011, it has committed a total of $250 million, or 57percent of the goal, and assisted over 6,100 units, or 76 percent of the year's goal.** The progress towards units resource commitments is below the anticipated progress through the end of the Third Quarter.
- **According to ChicagoNSP.org, the City of Chicago has completed 55 units in 28 properties and sold or leased 8 units in 6 properties under the Neighborhood Stabilization Program as of October 21, 2011.** The City of Chicago must spend approximately $20 million per quarter to meet HUD's mandates for all NSP grants.
- **The Department approved four Multifamily Projects this quarter:** This includes 61 units of family housing, 102 units for independent Seniors, and 89 supportive housing units. All four developments are not-for-profit with each incorporating various strategies such as mixed-use rental development on long-vacant land, incorporating green and energy-efficient features, and historic preservation of the former Viceroy hotel.
- **With the acute cut in federal resources, securing and leveraging local resources—private and public—will need to be a top priority.** Reviewing and building on programs like Downtown Density Bonus and Affordable Requirements Ordinance will be an important focus.

Downtown Density Bonus and Affordable Requirements Ordinance

The Downtown Density Bonus and the Affordable Requirements Ordinance are programs established at the time of increased housing construction in Chicago, particularly in the high-end market, to provide ways to leverage private investment in affordable housing[1].

Recent reports of thousands of new rental units entering the high-end market in the coming years mean new opportunities to implement the DDB and ARO to support the creation of affordable housing[2]. A recent article in Crain's Chicago Business reports that **more than 5,600 apartments** are expected to enter the downtown market alone by the

[1] As background, the Downtown Density Bonus (DDB), established in 2004, was created in to allow developers in certain downtown zoning districts to add additional density in exchange for either providing affordable housing units or contributing to the City's Affordable Housing Opportunity Fund through in-lieu fees assessed. A developer will receive four square feet of bonus space for market rate housing for every square foot of affordable housing they provide on-site. The Affordable Requirements Ordinance (ARO), established in 2003 and amended in 2007, requires residential developments with 10 or more units to set-aside 10 percent of their units for affordable housing if the development: 1) receives a zoning change that increases density; 2) changes use from non-residential to residential; or 4) receives city-owned land. If the development receives city financial assistance, the set-aside is increased to 20 percent. Like the Density Bonus, the developer can opt to pay an in-lieu fee instead of providing on-site units.

[2] Gallun, Alby. *Pair of downtown apartment builders gets funds to join a crowded field*. Crain's Chicago Business, Nov. 16, 2011. Accessed Nov 18, 2011 http://www.chicagorealestatedaily.com/article/20111116/CRED03/111119864/pair-of-downtown-apartment-builders-get-funds-to-join-crowded-field

end of 2014.[3] That level of production has the potential to generate millions of dollars for the Affordable Housing Opportunity Fund or hundreds of units of new affordable housing.

With renewed interest by the private market in housing development especially in downtown districts, is the City leveraging these investments for affordable housing? Can the Department comment on any anticipated Density Bonus or ARO activities and report on the status of the Affordable Housing Opportunity Fund?

Neighborhood Stabilization Program Update

The most recent progress on NSP (as of October 21, 2011) according to ChicagoNSP.org shows 55 units in 28 properties have been completed and 8 units in 6 properties have been sold or leased. This represents the same number of units or properties completed, and the addition of 4 units in 3 properties that have been sold or leased since the last NSP report two months ago (August 2011). **The slow progress in unit sales raises concern over the ability to leverage program income to finance additional acquisitions and rehab in accordance with the City NSP business model.**

We have included again in our report a summary chart of the City of Chicago's NSP funding expenditures at the end of the third quarter of 2011. Also attached to our report are the full Snapshot Reports from HUD on the City's progress on NSP 1-3. **The reports show that the City must spend approximately $20 million per quarter to meet HUD's mandates for all NSP grants.**

NSP Expenditures Progress Report – City of Chicago (As Of 3Q 2011)							
	Grant Amount	**% Committed to date**	**$ Expended to date**	**% Expended**	**% Expended for Low-Income***	**Program Income (PI)**	**PI as % of Total Grant Amount**
NSP 1	$55.2	100.00%	$29.0	52.0%	23.0%	$0.6	1.0%
NSP 2	$98.0	65%	$10.9	11.2%	4.0%	$0.0	0.00%
NSP 3	$16.0	0.00%	$0.0	0.00%	0.00%	$0.0	0.00%

Source: HUD Snapshot Reports, http://hudnsphelp.info
* NSP requires grantees to devote at least 25% of their grant amount to activities that benefit households with incomes at or below 50% of the Area Median Income (AMI).

Additionally, the City reports that it sought for and was approved to take "a lump sum drawdown" by HUD. **Since NSP is a reimbursement program, how will this change in the grant's administration impact program efficiency? How will this loss reserve function in terms of rates and fees?**

[3] Gallun, Alby. *Rent, occupancies slip in downtown Chicago.* Crain's Chicago Business, Nov. 21, 2011. Accessed Nov 23, 2011 http://www.chicagobusiness.com/article/20111119/ISSUE01/311199982/rent-occupancies-slip-in-downtown-chicago

Analysis of Third Quarter Activities

The Department reports committing about $250 million to assist 6,100 units through the Third Quarter of 2011—or 57 percent of the year's resource commitment goal and 76 percent of the year's unit production goal.

Rental Subsidy units including the **Low-Income Housing Trust Fund**, which are renewed annually, Heat Receivership units, which is a program under Safety and Code Enforcement and Site Improvements units, are subtracted by CRN from the multifamily total in order to obtain a more accurate representation of actual multifamily units created. **After these adjustments, the net year-to-date multifamily new production through the second quarter added to the overall City's rental housing stock amounts to 1,263 units.** (See Table 1).

The total resource commitments are tracking below its anticipated target by the end of the third quarter, which is usually the busiest quarter. Breaking down the activities by program, Single family programs are on track in terms of resource commitments, which is at 77 percent of its goal, while Multifamily and Preservation and Improvement programs are at 54 and 57 percent of their goals, respectively. **Since the Department is currently well into the Fourth quarter, can it comment on the status of its resource commitments and whether the Department is on track to finish close to its goals by the end of the year?**

Table 1. CRN Analysis of Unit Production: January – September 2011 Year-to-Date

	Projected Units	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	YTD Total	% of Goal
Multi-Family*	6,387	1,730	1,081	614	168	541	91	95	4,324	67.70%
Less Rental Subsidy Units	*-3000*	*-21*	*-92*	*-211*	*-67*	*-17*	*0*	*0*	*-408*	
Less Site Improvements and Heat Receivership Units	*-1,170*	*-1709*	*-944*	*-*	*-*	*-*	*-*	*-*	*- 2,653*	
Net MF New Units**	*2,217*	*3*	*45*	*403*	*101*	*524*	*92*	*95*	*1,263*	56.97%
Single Family less Multiple Benefits	1,186	0	12	33	25	208	76	137	*490*	41.32%
Improve and Preserve	1,950	83	313	539	92	162	96	38	1,323	67.85%

*Net Multi Family units after subtracting units receiving multiple benefits
**These are new Multi Family units created through DHED 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

The Department approved four Multifamily Projects this quarter:

Zapata Apartments

New construction of 61 multifamily units in four lots in the Logan Square community which have been vacant for decades. The development will be undertaken by Bickerdike Redevelopment Corporation, a non-profit development corporation and will also include community and ground floor commercial spaces.

- **Income targets:**
    - Serving at or below 50% AMI ($37,400 for a family of four)
        - 8 one-bedroom units
        - 18 two-bedroom units
        - 12 three-bedroom units
    - Serving at or below 60% AMI ($44,880 for a family of four)
        - 13 two-bedroom units
        - 8 two-bedroom units
- **Total development cost**:$25,073,571; **Per unit cost**: $411,042

Pullman Suites Senior Apartments

New construction of 60 rental units for independent Seniors in the Roseland community that will incorporate green and energy-efficient features including a green roof and Energy Star appliances.

- **Income targets:**
    - 60 one-bedroom units at or below 50% AMI ($29,950 for a two-person household)
- **Total development cost**: $14,754,225; **Per unit cost**: $245,904

All Saints Residence

New construction of 42 units for independent low-income Seniors in West Pullman neighborhood. The development is financed primarily by HUD Section 202 program, which is a federal program that provides capital for developments targeted at the low-income elderly.

- **Income targets:**
    - 42 one-bedroom units at or below 50% AMI ($29,950 for a two-person household)
- **Total development cost**: $8,395,093; **Per unit cost**: $199,883

Viceroy Apartments

Historic rehabilitation of the former Viceroy Hotel into 89 supportive housing units. The rehab will be financed using a combination of several subsidies including, Donation Tax Credits, Historic Rehab Tax Credits, Low-Income Housing Tax Credits, and tax increment financing.

- **Income targets:**
    - 80 Studios at or below 60% AMI ($31,440 for a one-person household)

  - 9 studios at or below 30% AMI ($15,750 for a one-person household)
- **Total development cost**: $23,093,755 ; **Per unit cost**: $259,480

Homeownership Program Activity

The Department reports a significant spike in Neighborhood Lending Program resource commitments in the Third Quarter. Purchase Rehab program received an increase of approximately $1.1 million from the previous quarter while the Homeownership Preservation program saw more that $8 million in additional funds in the Third Quarter. **What is the source(s) of these additional funds and increase in NLP activities?**

APPENDIX

Table 1. Commitments and Unit Production Totals Reported by Department of Housing and Economic Development – Year to Date 2011

	Total Projected Commitments	1st Quarter Commitments	2nd Quarter Commitments	3rd Quarter Commitments	YTD	% of Goal
Multi Family	$355,442,732	$37,662,400	$88,847,694	$64,887,443	$191,397,537	53.85%
Single Family	$63,504,100	$13,483,715	$15,665,742	$20,048,230	$49,197,687	77.47%
Improve and Preserve	$16,042,832	$1,640,951	$3,536,947	$4,422,583	$9,600,481	59.84%
Programmatic Applications	$1,250,000	$0	$0	$0	$0	0.00%
Total	$436,239,664	$52,787,066	$108,050,383	$89,358,256	$250,195,705	57.35%

	Total Projected Units	1st Quarter	2nd Quarter	3rd Quarter	YTD	% of Goal
Multi Family	5,662	3,427	475	418	4,320	76.30%
Single Family	597	112	161	217	490	82.08%
Improve and Preserve	1,780	201	382	744	1,327	74.55%
Total	8,039	3,740	1,018	1,379	6,137	76.34%

Impact of 2012 HUD Appropriations Bill on Illinois Communities - HOME & CDBG

Illinois Recipient	CDBG12 (-11%)	CDBG11	HOME12 (-37%)	HOME11	Total Projected Loss of Infrastructure and Housing Funds
ALTON CITY	$807,917	$907,772	$0	$0	$99,855
ARLINGTON HTS	$226,618	$254,627	$0	$0	$28,009
AURORA	$988,427	$1,110,592	$329,151	$522,462	$315,476
BELLEVILLE	$593,668	$667,043	$0	$0	$73,375
BERWYN	$1,119,461	$1,257,821	$0	$0	$138,360
BLOOMINGTON	$486,885	$547,062	$0	$0	$60,177
BOLINGBROOK	$254,164	$285,578	$0	$0	$31,414
CHAMPAIGN	$621,165	$697,938	$0	$0	$76,773
CHICAGO	$67,476,522	$75,816,317	$17,925,912	$28,453,829	$18,867,712
CHICAGO HEIGHTS	$487,011	$547,203	$0	$0	$60,192
CICERO	$1,181,860	$1,327,933	$0	$0	$146,073
DANVILLE	$785,646	$882,748	$0	$0	$97,102
DECATUR	$1,248,252	$1,402,530	$323,295	$513,167	$344,150
DEKALB	$334,555	$375,905	$0	$0	$41,350
DES PLAINES	$266,794	$299,769	$0	$0	$32,975
DOWNERS GROVE	$176,775	$198,624	$0	$0	$21,849
EAST ST LOUIS	$1,463,237	$1,644,086	$236,154	$374,848	$319,543
ELGIN	$684,519	$769,123	$0	$0	$84,604
EVANSTON	$1,560,514	$1,753,386	$319,048	$506,426	$380,250
GRANITE CITY	$636,271	$714,911	$0	$0	$78,640
HOFFMAN ESTATES	$242,227	$272,165	$0	$0	$29,938
JOLIET	$747,338	$839,706	$279,603	$443,814	$256,579
KANKAKEE	$482,393	$542,015	$0	$0	$59,622
MOLINE	$728,682	$818,744	$0	$0	$90,062
MOUNT PROSPECT	$289,647	$325,446	$0	$0	$35,799
NAPERVILLE	$385,711	$433,383	$0	$0	$47,672
NORMAL	$328,770	$369,405	$0	$0	$40,635
NORTH CHICAGO	$243,409	$273,493	$0	$0	$30,084
OAK LAWN	$219,478	$246,605	$0	$0	$27,127
OAK PARK	$1,536,031	$1,725,877	$0	$0	$189,846
PALATINE VILLAGE	$327,854	$368,375	$0	$0	$40,521
PEKIN	$344,744	$387,353	$0	$0	$42,609
PEORIA	$1,552,128	$1,743,964	$501,752	$796,432	$486,516
RANTOUL	$295,044	$331,510	$0	$0	$36,466
ROCKFORD	$1,711,930	$1,923,517	$568,908	$903,029	$545,708
ROCK ISLAND	$942,518	$1,059,009	$0	$0	$116,491
SCHAUMBURG VILLAGE	$274,016	$307,883	$0	$0	$33,867
SKOKIE	$419,429	$471,268	$0	$0	$51,839
SPRINGFIELD	$1,035,081	$1,163,012	$340,938	$541,171	$328,165
URBANA	$375,099	$421,459	$630,348	$1,000,552	$416,565

Illinois Recipient	CDBG12 (-11%)	CDBG11	HOME12 (-37%)	HOME11	Total Projected Loss of Infrastructure and Housing Funds
WHEATON CITY	$186,860	$209,955	$0	$0	$23,095
COOK COUNTY	$7,884,169	$8,858,617	$3,480,082	$5,523,940	$3,018,306
DU PAGE COUNTY	$2,791,238	$3,136,222	$1,111,829	$1,764,808	$997,963
KANE COUNTY	$960,291	$1,078,979	$452,394	$718,085	$384,379
LAKE COUNTY	$2,043,572	$2,296,148	$947,989	$1,504,745	$809,332
MCHENRY COUNTY	$1,059,053	$1,189,947	$301,713	$478,909	$308,091
MADISON COUNTY	$1,126,129	$1,265,314	$650,297	$1,032,217	$521,105
ST CLAIR COUNTY	$1,171,146	$1,315,894	$581,081	$922,350	$486,018
WILL COUNTY	$1,182,503	$1,328,655	$284,831	$452,113	$313,434
ILLINOIS STATE PROGRAM	$26,152,870	$29,385,247	$13,605,319	$21,595,744	$11,222,802
Total	$139,285,713	$156,500,801	$42,870,644	$68,048,641	$42,393,085
Total Loss to Illinois' Communities					$42,393,085

Data from Conference Committee agreements released Nov 14. H.R. 2112 will be sent to the House and Senate floors on Nov. 17 for a final vote before heading to the President's desk for signature by Friday.

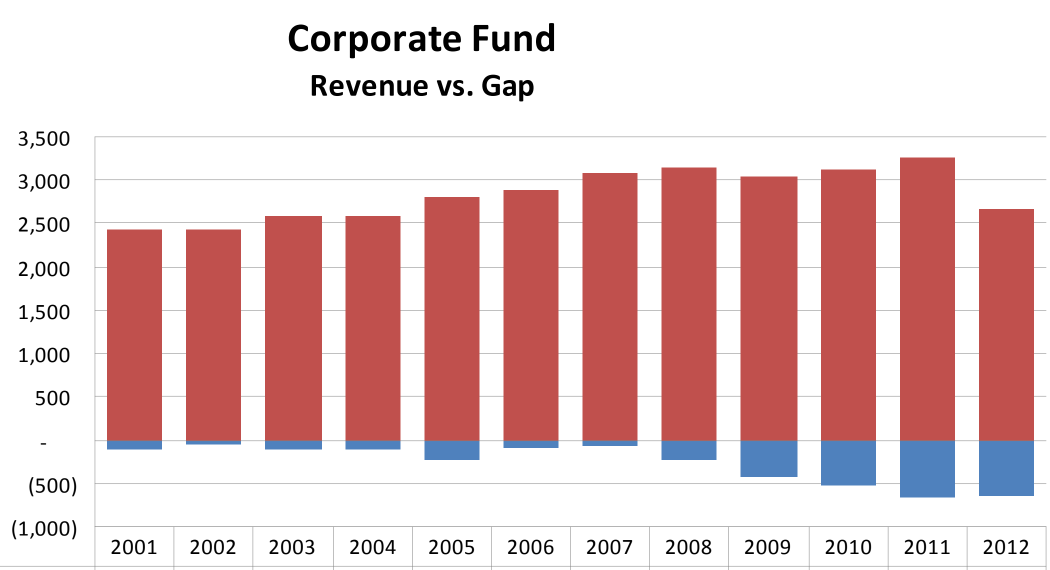
Chicago Rehab Network
53 West Jackson Blvd, Ste. 739
Chicago, Illinois
Phone: 312-663-3936
Fax: 312-663-3562

Analysis of the City of Chicago Department of Housing and Economic Development FY 2012 Budget
October 27, 2011

The Chicago Rehab Network is a non-profit coalition of community development corporations and housing advocates in the City of Chicago and has, for over three decades, collaborated with the city for neighborhood development and worked to preserve and create affordable housing opportunities for Chicago's residents. We bring forth this analysis within the context of community development and affordable housing and their priority within the FY 2012 Budget for the City of Chicago.

The City has operated on a deficit that has grown significantly in recent years. The economic recession of 2008 only further exacerbated the fiscal problems of the City (*see Fig. 1*) and the ongoing foreclosure crisis continues to wreak havoc in many Chicago communities, threatening decades of community building efforts in many areas and leaving behind blocks of vacant buildings and neighborhood blight.

Fig.1. Corporate Fund - Revenue vs. Gap History



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Corporate Fund Revenue	2,423	2,439	2,584	2,582	2,797	2,884	3,090	3,135	3,036	3,130	3,271	2,662
Corporate Fund Gap	-115.3	-58.3	-116.1	-115.5	-220.4	-94.1	-64.5	-217.7	-420	-519.7	-654.7	-635.7

The recession's impacts on Chicago households are also evident as indicated by increasing housing stress. Over the last decade, our research shows that Chicagoans have become increasingly burdened by housing costs, and even traditionally stable and working-class communities are showing signs of growing housing stress:

- Overall, nearly 55 percent of renters citywide spend more than a third of their income on housing. This is an increase of 10 percent from 2000.
- The share of homeowners who are cost-burdened increased to 1 in 2 households from1 in 3 a decade ago.

At Chicago Rehab Network, we have long-maintained that housing is foundational for healthy and stable communities. Housing is a driving force in creating a vibrant economy and affordability is key in order to create a robust and sustainable housing market. By definition, affordability means that a household spends less than one-third of their income on housing; any more means that a household is cost-burdened.

For Chicago's residents and our workforce, the ability to locate and sustain housing that is affordable relative to their incomes is the first foundation for stability in employment and healthy communities. Growing and retaining Chicago's job base is crucial for the economic health of the City and its neighborhoods. The development and preservation of affordable housing not only gives workers and employers' access to affordable housing, but it also provides the economic engine that supports the vitality of the region and its ongoing economic recovery. (*See Addendum – Local Impact of Affordable Housing*)

Resources for Housing and Economic Development

The FY 2012 budget allocates $20.3 million from the Corporate Fund towards the Department of Housing and Economic Development (DHED), a decrease of about 27 percent from the 2011 appropriation. DHED relies heavily on grants for its resources. For FY 2012, it is anticipated that DHED will receive $29.8 million in CDBG, down 9 percent from the previous year. Additionally, one-time stimulus grants under the American Recovery and Reinvestment Act, including Neighborhood Stabilization grants, will soon end which would significantly reduce available resources for housing.

The City of Chicago's Department of Housing and Economic Development plays a central role in the City's ongoing economic recovery. Federal stimulus grants like the Neighborhood Stabilization Program, which itself funneled more than $160 million in grants to the City, are primarily under the purview of DHED. **The success of these programs requires a fully functional, operational and sufficiently funded Department as the City's lead housing and economic development agency.**

We should also note that the Department of Housing and Economic Development is the second reorganization of several city departments since 2008. The first of which saw the merger of the Departments of Housing, Planning, Mayor's Office of Workforce

Development, and some aspects of Zoning into the Department of Community Development. In FY 2011, the rest of the Department of Zoning – Land Use Planning and Department of Community Development was merged into the current Department of Housing and Economic Development. (*See attachment – DHED Merger Chart*)

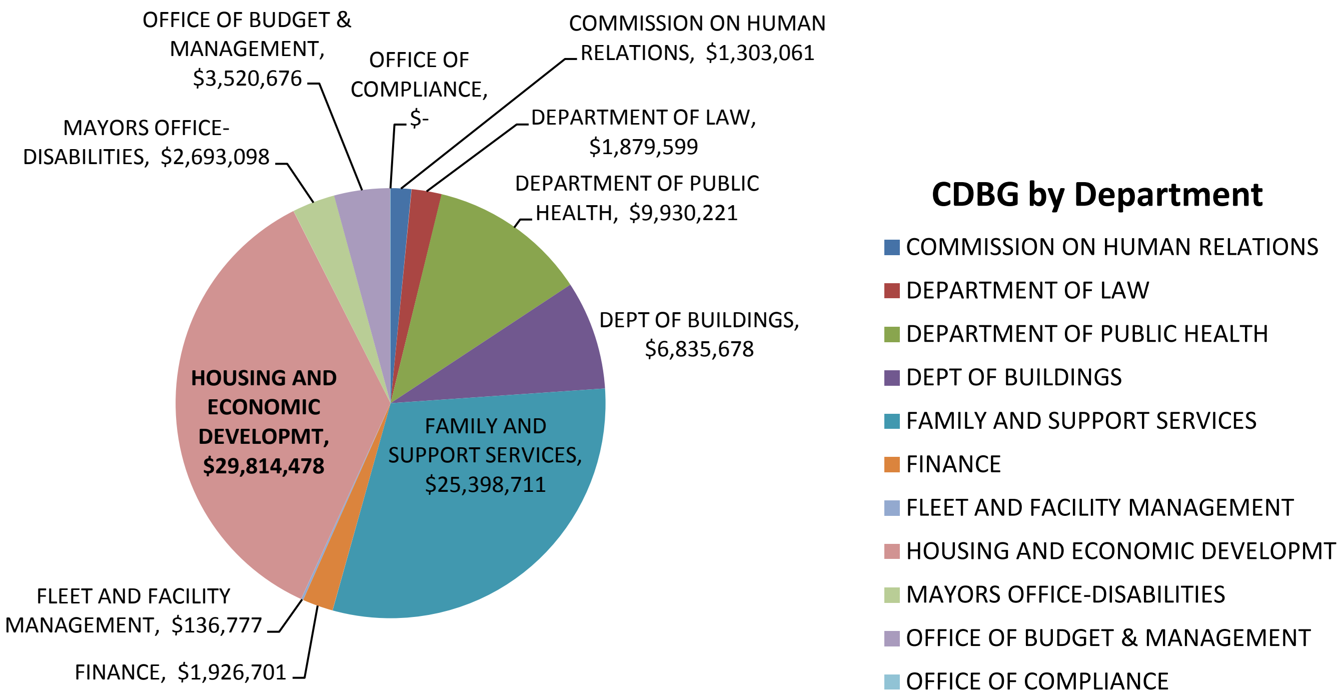
The Department has received a significant reduction in appropriations despite an increase in responsibilities with the assumption of new, additional departments, while also carrying the crucial task of creating housing and jobs for the City. Maintaining its funding is critical for the success of the City's economic recovery efforts.

Fig. 2. Department of Housing and Economic Development Funding History

	2009 as DCD Appropriation ($, in millions)	2010 as DCD Appropriation ($, in millions)	2011 Appropriation ($, in millions)	2012 Appropriation ($, in millions)	*Change 2011 - 2012 (%)*
Corporate Fund	36.8	31.3	27.9	20.3	*(27.2)*
Housing Revenue Fund*	-	-	3.9	7.5	*92.3*
TIF Administration**	-	-	2.1	3.5	*66.7*
CDBG	36.3	34.3	32.9	29.8	*(9.4)*
HOME	29.0	32.2	30.8	28.5	*(6.5)*
Other Grants	275.0	265.2	276.6	254.3	*(8.1)*

** Housing Revenue Fund accounting began in FY 2012*
*** TIF Administration Fund accounting began in FY 2011*

Fig. 3. CDBG by Department



New Initiatives Introduced in FY 2012

The Emanuel Administration's FY 2012 Budget includes several changes that would impact housing and development activities.

Creation of Housing Revenue Fund

Beginning this budget year, a new Housing Revenue Fund (*see page 569 Budget Recommendations*) will be included in the City budget. The new fund will be the source of funds for citywide delegate agencies and provide additional resources for the Department of Housing and Economic Development. It will draw its revenues from participation fees on mortgage bond revenue programs and penalties on developers failing to comply with local hiring regulations. For FY 2012, an estimated $7.5 million is allocated for this purpose.

We support the creation of the Housing Revenue Fund. However we would appreciate clarification on the status of Affordable Housing Opportunities Fund. The Affordable Housing Opportunities Fund was established to receive revenues from in-lieu of fees collected from Downtown Density Bonus and the Affordable Requirements Ordinance. These dollars are then used to fund the Chicago Low-Income Housing Trust Fund as well as other low-income housing programs. We have long advocated for a separate line-item for the Affordable Housing Opportunities Fund and to be accounted for as a Special Revenue

Fund like the CTA Real Estate Transfer Tax Fund. In this Budget, we do not see a separate line-item for AHOF or status of the revenues from the Downtown Density Bonus and Affordable Requirements Ordinance.

TIF Reform

The Office of Management and Budget has established a new policy beginning on FY 2012 to declare a small percentage of uncommitted TIF dollars as surplus every year, which is consistent with State Law and aligned with recommendations from the TIF Task Force. Last year, the previous Administration declared a TIF surplus on about two dozen TIF districts generating about $140 million in surplus, $28 million of which went to the City's coffers after disbursement to other taxing bodies.

For FY 2012, the City will declare about $60 million in TIF surplus which would give the city $12 million. It is unclear which districts will be affected as it is not listed in the public budget documents.

The practice of declaring TIF surpluses annually, while allowed by State TIF laws, is uncommon mainly because, as explained by the TIF Task Force in its report,

"…active districts have a variety of potential projects in various stages of the proposal and approval process…declaring and distributing a surplus is a relatively uncommon event."

Declaring a surplus annually will provide much-needed revenue to the City's operating budget. The fund balance for the top ten highest TIF Districts alone amount to over $266 million at the end of 2010 which translates to about $53 million in revenue for the City of Chicago (See Fig. 4). However, we have some concerns about this new policy.

- **It is unclear what the criteria are for determining which TIF districts would be selected for surplus and how much of its uncommitted balance would be declared as surplus.** The City should publicly disclose the criteria used as well as the proposed TIF districts that would be impacted by this new policy as part of the annual City Budget process to allow for public review. The City must ensure that this policy is does not disproportionately impact communities.

- In agreement with recommendations from the TIF Reform Task Force, greater effort should be made to use TIF towards the creation and preservation of affordable housing. The recently passed **Vacant Building TIF Purchase and Rehabilitation** is an opportunity to do so. While it does not explicitly mandate a TIF allocation for affordable housing, funding for this critical program should be included in the City's Budget, either as part of the TIF Administration Fund or under the Capital Improvement Budget.

The purpose of TIF is to provide funds for capital projects that would revitalize communities. We understand that the City must consider all possible revenue sources at this time but using the TIF to cover the city's operational deficit is a short term fix and unsustainable. **The City should ensure that Tax Increment Financing funds are used for economic development for communities with the greatest need.**

Fig. 4. Top Ten TIF Districts with Highest Fund Balances (as of Jan-11)

TIF Name	Year	Amount ($ Dollars)	End Date
Near South	2011	$ 42,581,300	12/31/2014
Central West	2011	$ 37,976,200	12/31/2024
Near West	2011	$ 28,286,700	12/31/2013
47th/King Drive	2011	$ 24,592,200	12/31/2026
Near North	2011	$ 24,338,100	07/30/2020
Kinzie Industrial Corridor	2011	$ 23,854,400	06/10/2021
North Branch (North)	2011	$ 21,832,700	12/31/2021
LaSalle Central	2011	$ 21,763,000	12/31/2030
Chicago/Central Park	2011	$ 21,690,700	12/31/2026
River West	2011	$ 19,334,200	12/31/2025

Accounting for Resources from Private Sources

Grants towards housing and community development do not include recent resources that will impact the Department of Housing and Economic Development's affordable housing activities. These include the **$100 million** in allocated from the State of Illinois Hardest Hit Fund to create a Mortgage Resolution Fund and the **$20 million** from private sources to establish the Micro Market Recovery Program.

The City has largely used resources from outside of the City's corporate funds towards programs that address the impacts of the economic recession. These private resources are substantial as well as crucial and should be accounted for as part of measuring the Department of Housing and Economic Development's annual benchmarks and progress toward preserving and creating affordable housing.

Oversight and Accountability for Quasi-Governmental Agencies

As we have recommended in the past, an in-depth review of the Chicago Housing Authority's finances should be conducted in order to provide a complete picture of its revenue sources, expenses, and budget priorities. Because the CHA is the largest single recipient of affordable housing resources from the City it is imperative that this agency is included in the City's budgeting process. We do note the Committee on Housing and Real Estate established important step for such accountability by having the Chicago Housing Authority present to the committee this summer.

Along the same vein, Mercy Portfolio Services, the agency charged with administering the Neighborhood Stabilization Programs should also be included in the budget process. As an agent acting on behalf of the Department of Housing and Economic Development, MPS receives millions in NSP funding and is working to advance the city foreclosure stabilization programs and therefore should be part of the City's accountability and budgeting measures.

Performance Metrics

The Emanuel Administration established a new performance metrics system that will serve not only as a way to determine benchmarks and progress for each city department's goals, but will also play a central role in the decision-making process for each department's programmatic and budgetary needs every year.

This new initiative aligns with an earlier statement made by Budget Director Alex Holt who stated that there will not be any automatic increases to department budgets and that every department must justify their expenses as they establish their 2012 spending plans[1]. Performance metrics would become an important budgeting tool for the City.

The Department of Housing and Economic Development already has a process for performance metrics in the way of the Five Year Affordable Housing Plan and Quarterly Progress Reports which reports to the Committee on Housing and Real Estate.

The first Five-Year Plan committed $750 million to create and preserve 18,000 units of affordable housing. Since then, the City has reported on its progress on its production and goals set forth in the Five Year Housing Plan every quarter. In 2009, the City of Chicago unveiled the fourth Five Year Housing Plan for the City of Chicago, *Accepting the Challenge*, committing over $2.1 billion to create or preserve over 50,000 units of affordable housing through 2013.

The Five-Year Plan quarterly reporting process has expanded and grown more successful with each Plan and should serve as a model for establishing performance metrics for every City department. In fact over the years, the clarity about housing programs has enabled the Department to generate new resources and policies that strengthen the City's response to community development in local neighborhoods.

Conclusion

The Small Business Initiative and Diversity Credit Program announced this week by the Emmanuel Administration ought to reinforce DHED housing programs and represent a local job generating focus that compliments comprehensive community development. There exists good examples of this approach through nonprofit community development corporations and other community organizations operating in the city today. The Council and administration have been evolving the city's response to the housing crisis in important ways over the past several months. We submit the above analysis to strengthen community development in the City.

[1] Budget Director Alex Holt's response to a posting in chicagobudget.org: http://citybudget2012.ideascale.com/a/dtd/34667-15048

Local Impact in the City of Chicago and Metro Area

Last year, City of Chicago Department of Housing and Economic Development reports assisting 890 units in newly constructed affordable housing developments. Using the National Association of Home Builders' model on measuring local economic impacts (*The Local Impact of Home Building in a Typical Metro Area Income, Jobs, and Taxes, June 2009)*, construction activity last year for these units in new developments generated **$70 million in local income**, **$7 million in taxes and revenue**, and supported **1,086 jobs in the metro area**.

The ongoing, annual impacts resulting from occupants participating in local commerce **are $20 million in local income**, **$3.5 million in taxes and revenue**, and **285 local jobs.** Local impacts include direct and indirect impacts for residents and local jurisdictions within the metro area.

Units Created in Newly Constructed Multifamily Housing, 2010
890

Total One-Year Impact for Chicago Metro Area		
Local Income	**Taxes and Revenue**	**Local Jobs**
$ 70,310,000	$ 7,360,300	1,086

Ongoing, Annual Impact for Chicago Metro Area		
Local Income	**Taxes and Revenue**	**Local Jobs**
$ 20,470,000	$ 3,515,500	285

DHED Merger History