



Chicago Rehab Network
Analysis of the DOH Quarterly Report
3rd Quarter, 2006
Presented November 30, 2006

Introduction

We thank Commissioner Markowski and his staff in the Department of Housing for their consideration of our comments and suggestions from the previous quarter. At the last hearing, we presented several concerns regarding the accuracy of reporting for the Downtown Density Bonus Program. In this Third Quarter report, a new reporting structure has been added in order to clarify the process in which fees are collected from developers participating in the Density Bonus program. Additionally, the current report includes an overview and update of the Troubled Buildings Initiative, and a program that has assisted more than 4,200 multi-family housing units since 2003 and for which CRN has sought clarification in prior analyses. We certainly appreciate the responsiveness of DOH and should serve as a model for transparency in other city departments.

New Unit Production: January 2006 - September 2006

To date, Multi-family unit production is at 5,859 units or 77% of the goal for this year. Single family and Homeownership programs have assisted 1,302 units or 84% of the goal and Improvement and Preservation programs have assisted 1,735 units representing 78% of unit goal. The table below summarizes the unit production levels up to the third quarter and dollars committed for each of DOH program categories.

Table 1. Production Overview- January 1, 2006 – September 30, 2006

	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	YTD Total
Multi-Family*	1,736	1,143	1,926	820	226	7	1	5859***
<i>Less Rental Subsidy Units</i>	1,336	867						2203
<i>Less Site Improvements and Heat Receivership Units</i>	127	81	169	89	75	13	4	558
Net MF New Units**	273	195	1,757	731	151	-6	-3	3,098
Single Family	0	11	37	24	343	518	343	1,302
Home Improvement	90	446	635	126	239	151	48	1,735

*Net Multi Family units after subtracting units receiving multiple benefits

**These are new Multi Family units created through DOH programs not counting units assisted by the Low-Income Housing Trust Fund which are renewed every year, and units assisted by Site Improvements and Code Enforcement Programs.

***is 5,858 on DOH Report

	Total Anticipated Funds	1 st Quarter Commitments	2 nd Quarter Commitments	3 rd Quarter Commitments	Year to Date	Percentage of Goal
Multi Family	\$257,830,005	\$54,640,151	\$47,202,983	\$47,071,711	\$148,914,845	57.76%
Single Family	\$106,922,900	\$25,671,675	\$44,224,792	\$50,184,177	\$120,080,644	112.31%
Home Improvement	\$387,742,587	\$84,182,471	\$96,955,660	\$102,716,079	\$283,054,210	73.00%

Multi-Family Developments

Parkside of Old Town

This project is a new construction of 280 for-sale condominium and townhome units which will include 72 CHA replacement units, 14 affordable for-sale units, and 194 market-rate units. This project by the Chicago Housing Authority is Phase I of the Cabrini Redevelopment.

There are some important points to note about this project:

- The project profile includes reporting only for the 72 CHA replacement units on the units mix and rents and project financing. **Where is reporting for the 14 affordable and 194 market-rate units?**
- The total development cost for the 72 CHA replacement units in this project is \$22,148,425 translating to a per unit cost of \$307,617. This number is extraordinarily high. According to the unit breakdown, there are 26% CHA replacement units, 5% “Affordable” units, and 70% market rate. **What is the explanation for such a high per unit cost and the severe imbalance of the unit mix in this project?**

Rising development costs have certainly resulted in barriers to the creation of affordable housing. Non-profit and for-profit developers alike, who build affordable housing must inevitably face the bottom line—at end of the day, the project’s financing must be able to sustain the development for the long term. It is critical that the city examine how public resources are being leveraged effectively to ensure that public resources for affordable housing are being used appropriately.

Proposed Changes to the Affordable Requirements Ordinance

In October, Mayor Daley announced the expansion of the Affordable Requirements Ordinance by broadening the definition of city assistance to also include zoning changes that increase density and all planned developments. Projects receiving this type of city assistance, including city-owned land, are required to set-aside ten percent of the units to be affordable to households earning 60%AMI for rental units and 100% AMI for for-sale units. Projects receiving financial assistance from the city are required to set-aside 20% affordable units.

These changes mean that zoning regulations and processes could have meaningful impacts to the creation of affordable housing in the city of Chicago. Since the requirements are triggered by a zoning change that increase the floor area ratio allowed in the *base district*, or to one that allows residential use in a non-residential use district, we find a potential barrier in the determination of the base districts in light of the current, unfinished state of the Zoning Remap Project being undertaken by the Department of Planning to reflect the changes set forth by the 2004 Zoning Reform. How will this affect the implementation of the new ordinance if it passes City Council?

Also, this ordinance requires inter-departmental cooperation between the city’s Zoning, Planning, and Housing departments. **Which city department(s) will be responsible for monitoring these zoning changes as applications are received and/or approved? Who is accountable for ensuring that the provisions of the Ordinance are applied?**

Additionally, because the affordability requirements rely upon zoning changes that increases density, we find a potential issue with these new provisions as it relates to the overall impact of the ordinance on the stock of affordable housing. In the years prior to the 2004 Zoning Reform and at the height of a housing development boom, requests for zoning more than doubled from 300 to more than 600.¹

It is because of this inefficiency in the system that a massive zoning rewrite was undertaken in the first place. The goal of the reform was to become more in tune with development issues in the city and reduce the number of zoning requests as a result of an outdated zoning ordinance. It is unclear how the Zoning Reform has or will affect the need for zoning changes for residential developments since its adoption. **Therefore, we believe an analysis must be undertaken in order to fully assess how the city's housing stock will benefit from the new provisions of the Affordable Requirements Ordinance.**

To assist in gauging any future impact, an updated inventory of city-owned land should be conducted in order to provide benchmarks for analysis. Furthermore, CRN proposes that the definition of city-owned land include residential, commercial, government, and industrial parcels.

Concrete Block Ban

We would like to bring to the Committee's attention an issue of great concern to the affordable housing development community. As reported by Gary Washburn of the Chicago Tribune on October 28, 2006, the City of Chicago has banned the use of concrete block in new city buildings.

The application of this policy will increase development costs because face-brick will also be applied to cover any concrete block.

This policy will, without question, increase affordable housing costs, and in turn, increase sales prices and rent levels for low to moderate income Chicago residents.

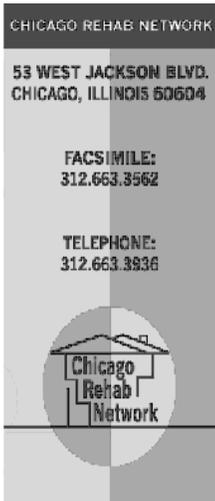
Not only is it counterproductive to require such a building standard for affordable housing programs—which are financed with public dollars—but we are dismayed at the lack of coordination with other city goals.

We would expect that good government practice requires a formal process that would evaluate the costs and benefits of any policy or regulation that impacts affordable housing. An immediate repeal of this policy as it applies to affordable housing should be enacted. Further, the Committee should consider instituting a practice of applying an Affordable Housing Impact Note analysis to city policies and regulations to assess possible burden on Chicago residents.

¹Joseph P. Schwieterman and Dana M. Caspall. *The Politics of Place: A History of Zoning in Chicago*, 119.

CHAC Issue

Attached to this report is CRN's position as it pertains to the CHA's new **Site and Neighborhood Policy** which impacts whether or not Housing Choice Voucher holders have a range of choices. CHA has recently released proposed amendments to the existing policy and a public comment period for these proposed changes is scheduled from **Nov. 8th – Dec. 7th, 2006.**



Letter to Callie Baird, CHA

Callie Baird
Chicago Housing Authority
Management Analyst & Planning Office
626 West Jackson Boulevard
Chicago, IL 60661

Re: Proposed Amendments to HCV Program's Site and Neighborhood Policy

Dear Ms. Baird,

We would like to thank the Authority for its reconsideration of the Site and Neighborhood Policy, and for its invitation to public comment. We are encouraged by this level of responsiveness on the part of the CHA to the community of affordable housing providers, residents and advocates. We look forward to continuing open communications and sharing ideas, and we believe that both the advocacy community and the CHA can continue to be a real resource for each other.

In regards to this particular policy, we find the CHA's revisions to be a thoughtful effort to address the concerns we put forth, including the unintended penalization of revitalizing areas, and the sweeping association of vacancy with crime. The proposed changes, which exempt lots under construction and provide a more detailed picture of what an unsafe vacant lot looks like, are a definite improvement from the previous policy.

On the whole, the Chicago Rehab Network still maintains that the policy should be reversed. Despite its good intentions, we believe that the broader consequences of limiting choice in this manner outweigh the benefit gained. The following are our expanded comments and recommendations.

To review our communications with the CHA thus far, the Chicago Rehab Network has made several different arguments on the contradictory and misguided nature of this policy. We have pointed out that: (1) the policy's limitations on affordable housing developers and voucher holders work at cross-purposes with neighborhood revitalization and government investments in affordable housing; (2) the policy has a disparate impact on minority communities and thus hinders those it claims to serve; and (3) the policy's sweeping nature has never had a solid basis in legislative authority. CRN also made several recommendations on ways to drastically revise the policy, if a reversal was impossible. These included making broad exemptions to government-owned properties and other publicly funded developments, as well as relying more on police knowledge and guidance to make determinations about drug and gang activity.

While the current revisions make an effort to address some of these contradictory effects, they have not reformed the policy into a fair and effective rule. The proposed guidelines concerning how to determine whether a lot is well-maintained or dangerously overgrown with shrubs reinforce the reality that these judgments about neighborhood are inherently subjective.

One major reason why the logic of this policy fails is that there are already regulatory protections that govern the conditions and maintenance of vacant and abandoned properties. If there are existing safety hazards presented by the poor maintenance of vacant lots and buildings, then the liability for redressing these dangers falls to the owners of such properties, and to the

City for enforcement. The onus of dealing with improper property maintenance should not fall on voucher holders.

More seriously, the policy of steering voucher holders away from certain communities based on their higher rates of vacancy contradicts the principles of facilitating choice and fair housing, two of the fundamental objectives of the Chicago Housing Authority. It is important to recall that the legislative origin of the Housing Choice Voucher program, and the CHA's current Moving to Work Agreement with HUD, is "to increase housing choices for low-income families."

Reflecting this legislative imperative, the Code of Federal Regulations (CFR) expressly affirms the principle of "freedom of choice," asserting that a family "may receive tenant-based assistance to lease a unit located *anywhere in the jurisdiction*" of the PHA, and in some cases beyond. PHAs "may not directly or indirectly reduce the family's opportunity to select among available units." The site and neighborhood factors that are listed in the CFR which may render a choice ineligible do not explicitly include crime or vacancy rates. On the contrary, both the QHWRA and the CFR are explicit about defending against any expansions of the HQS that would "severely restrict housing choice."

Unfortunately, the CHA conceived of this policy without going through the proper examination of its impact on housing choice by HUD. Currently, there are tens of thousands of vacant lots across Chicago that are owned by the City alone. CRN has already heard estimates that around 25% of voucher holders are being rejected due to this rule. If this policy continues, even in revised form, we are concerned that it will have a damaging impact on choice.

This policy also works against another legislative imperative, embedded in the Plan for Transformation, to "affirmatively further fair housing." A look at the distribution of vacant lots and buildings across the city makes clear that this policy has a disparate impact on low-income minority communities. Although the original intention of the policy was not discriminatory in nature, its conception ignored the impact it would have on voucher holders from communities on the south and west sides of the city, where vacant land and buildings are most concentrated.

CRN understands that PHA's are challenged with balancing the safety of voucher holders with their ability to choose where to live. However, we believe that the current policy goes too far in limiting choice, and that its disparate impact has the unfortunate consequence of redlining areas of Chicago. Just as importantly, we believe this policy does not efficiently or effectively ensure that voucher holders will avoid unsafe areas.

A visit by CHAC operators to a block to count lots and buildings and measure the height of grass cannot be an accurate method of assessing the value of a community. The problem here is the false notion that areas with low vacancy rates are free from crime, while areas with high vacancy rates are inherently unsafe. It is illustrative that there are housing developments that have been approved as CHAC receiver sites that were then disqualified by CHA's own rule.

Perhaps most significantly, we believe that it is fundamentally more efficient and just to allow voucher holders themselves to balance an area's advantages and disadvantages, and make the final determination of where to live. The CHA should certainly assist voucher holders in this process, but CRN believes that there are better alternatives that avoid severely restricting housing choice, and work positively with communities and law enforcement to address safety concerns.

First, the CHA could locate and present positive choices in communities it has explored and found to be healthy or revitalizing, whether through an actively updated bulletin that allows all families to match their needs, or through individualized notices to families in the search process. This would ensure the availability of choices the CHA deems safe, but would allow families to compare options and make the final determination.

As to the issue of drug and gang activity, we suggest again that the CHA coordinate with CAPS and the Police Department to monitor the areas in question. These are the departments that can provide reliable information on areas with current or chronic problems with crime, and hence where there are actual and not potential threats to voucher holders. The CHA could also take proactive steps towards reporting unidentified properties that pose clear threats to neighbors, by working with City law enforcement and the State Attorney's nuisance abatement division. Again, the CHA should offer its findings to allow voucher holders to evaluate their importance relative to all the other important factors in choosing a home. If a family has lived in a community or has relatives in a community, for instance, these may be just as important considerations to a family's health and well-being as a nearby vacant lot.

To summarize, CRN knows there are both practical and principled reasons why this policy should be reversed. We do find the CHA's efforts to improve the rule an honest effort to address our shared concerns. Nevertheless, it is out of respect to the CHA's core goals and principles that we ultimately recommend the rule be reversed.

We hope the CHA continues to take these serious points into thoughtful consideration. Please don't hesitate to contact us for further assistance.

Sincerely,

Kevin Jackson
Executive Director
Chicago Rehab Network

Cc: Sharon Gist Gilliam, CEO, Chicago Housing Authority
William T. Riley, Executive Director, CHAC, Inc.
Mayor Richard M. Daley
Commissioner Markowski, Department of Housing
Senator Durbin
Senator Obama