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Analysis of the DOH Quarterly Report
4th Quarter, 2008
Presented March 17, 2009

Introduction

The Department's 4th Quarter Progress report marks the final quarter to the City's third Five Year Affordable Housing Plan, *Build, Preserve, Lead*. It is worth noting that the Department and CRN have been engaging in this quarterly reporting process for over 15 years. Many different policies, resources and tools have been created which support the residents of Chicago in need of affordable housing. Over the years, working with this Committee and the Department leadership resulted in the Department and the Council raising resource commitments with every renewal of the Plan, and pursuing goals to obligate its resources in a more targeted way with the focus on key vulnerable populations and residents with the greatest needs.

Despite this rich history, we are in a climate where housing is the most pressing need. Our testimony to the City last month regarding the new housing plan expressed concern over the Department's income targeting goal for homeownership where nearly a third of single family resources in the 2009-2013 Plan will serve households above 100% of the area median income especially in this era of housing hardship. Our analysis of the past five years production reveals that the Department's production fell short of the rental unit goals that serve the lowest income households, while units for upper income households above 80% AMI were on or above target.

Even with the best intentions in setting the goals and targets in affordable housing plans, we recognize that accomplishing these goals come with challenges and often in response to market's fluctuations. We must not lose sight of the real goal to create affordable housing for those who need it most and that means building the economic base from the ground up.

CRN Analysis of New Unit Production: January 2008 – December 2008

CRN's analysis of multifamily unit production is shown in Table 1. The Report states that almost 13,000 units of rental housing were created by the City in 2008. Rental Subsidy units, which are renewed annually, and Heat Receivership units, which is a program under Safety and Code Enforcement, are subtracted by CRN from the multifamily total.

We support the Department's commitment to invest in energy efficiency and green technology. Reducing energy costs is one of the key factors in maintaining long-term affordability and we appreciate the effort of the City in engaging a variety of strategies to address energy efficiency. Under the Energy Savers program, the Department was able to assist residents in 6,514 existing units in 2008 by providing them with compact fluorescent light bulbs. This measure should be noted but not counted as units created to more accurately represent the number of newly created or preserved units. To that end, we subtracted Energy Savers units from the total.

After these adjustments, the net year-to-date multifamily new production added to the overall City's rental housing stock amounts to 2,419 units. We raise this because we believe the city's housing policy has been tilted toward for sale housing and away from rental housing production -- that trend should be reversed in the next Plan.

Table 1.Unit Production by Income- January 1, 2008 – December 30, 2008

Program	Projected Units	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	YTD Total	% of Goal
Multi-Family*	11,084	3,227	5,689	3078	669	197		2	12,862	116%
Less Rental Subsidy Units		*-2,132*	*-1,007*	*0*	*0*	*0*	*0*	*0*	-3,139	
Less Site Improvements and Heat Receivership Units		*-39*	*-179*	*-411*	*-130*	*-31*			-790	
Less Units Receiving CF Lightbulbs		*-893*	*-4362*	*-966*	*-287*	*-6*			-6,514	
CRN Net MF New Units**		*163*	*141*	*1,701*	*252*	*160*	*0*	*2*	*2,419*	22%
Single Family less Multiple Benefits	1,776	0	5	61	62	529	415	460	1,532	86%
Improve and Preserve	2,182	122	615	853	160	299	186	65	2,300	105%

*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, Supportive Housing Rental Assistance, and Safety and Code Enforcement Programs.

New Multifamily Developments

There were three projects approved during this quarter:

Englewood Apartments – a non-profit development of 99 Supportive Housing units in Englewood by Mercy Housing to serve the homeless, disabled and those on CHA waiting lists. The project received $11.3 million in Tax Credit equity generated from 1.2 million in LIHTC reservations

Casa Maravilla - a non-profit development by The Resurrection Project consisting of 73 units for Seniors. The project received a donation of land from the Alivio Medical Center generating $108,400 in Donations Tax Credit equity.

West Haven Park IIC Rental – a for-profit CHA redevelopment of the former Henry Horner Homes in the West Side. The development will include 92 units of mixed-income rental housing—46 will be public housing, 32 affordable rental, and 14 will be market-rate.

Federal Policy Updates

The **American Recovery and Reinvestment Act**, signed into law by President Obama on February 17th , is an unprecedented effort to infuse $787 billion into the state and local communities to jumpstart our ailing economy. Below is a matrix illustrating the Recovery package's housing programs, dollar amounts allocated to the State and the share of the City of Chicago:

Program Grants	$ to State	$ to Chicago	Grantee
Public Housing Capital Funds	$221,498,521	$143,913,180; see Stimulus Project List	Chicago Housing Authority
Neighborhood Stabilization Program	$88,000,000	Competitive; City must apply for funds; grant criteria to be released by HUD in May 2009	State and local governments, non-profits or group of non-profits, and those partnering with for-profits eligible to apply
Tax Credit Assistance Program	$94,676,979	$39,000,000; see Stimulus Project List	IHDA
Homeless Prevention Fund	$70,865,285	$34,356,259; see Stimulus Project List	City of Chicago
CDBG	$46,321,519	$22,459,047; see Stimulus Project List	City of Chicago
Lead Hazard Reduction Grants	$3,088,652	$973,982	UIC Healthy Homes Grant
Section 8 Energy Retrofit	$250,000,000	$10, 000,000	Through HUD OAHP
Project Based Section 8 Assistance	$103,309,941	n/a	236 Contracts Statewide

In addition, ARRA includes several provisions that promote green technology investments. A **Section 8 Energy Retrofit** program will provide funding for energy efficiency retrofits and green technology investments in federally-assisted housing. Although details have not yet been released, we are encouraged by this new funding

The **Tax Credit Assistance Program** will also provide a much needed boost for Low Income Housing Tax Credit projects in the pipeline. In the Mayor's list of stimulus projects released last week, the following projects were listed to receive this important funding:

MLK Apartments	$5,000,000
Roseland Place Senior Apartments	$1,000,000
St. Edmund's Commons	$3,062,007
Oakwood Shores	$3,570,000
Wrightwood Senior Apartments	$6,188,775
Hancock House Senior Apartments	$5,000,000
Hairpin Lofts	$1,400,000
Darul Amaan Senior Center	$2,520,000
Bettendorf Place SRO	$1,575,000
Communities United	$1,684,218
Olive Branch Apartments	$3,000,000
Grove Parc	$5,000,000
TOTAL	**$39,000,000**

We have received inquiries from the press and stakeholders as to the criteria for choosing the projects to receive these dollars. A policy, similar to IHDA's, where the all LIHTC applicants and all approved LIHTC projects are published, would allow the public understand to how different projects are wait listed.

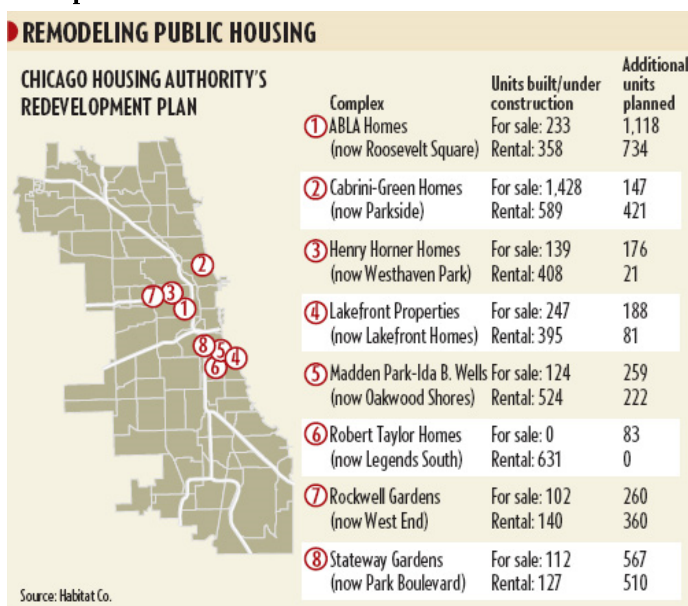
CHA Plan for Transformation

CHA will receive nearly $144 million in recovery dollars to address capital needs backlog, rehabilitation, improvements, and energy retrofits in public housing. During a critical time when many families are experiencing a crisis in affordability, we strongly advocate for these funds to be used to rehabilitate and target units that are 100% affordable for families.

Prior to the release of the list of the City's Stimulus projects last week, CHA sought approval to demolish 568 units in Harold Ickes Homes. We subsequently learned that a portion of the Stimulus funds will also be used to demolish these buildings. This plan is in conflict with CHA planning documents which indicate that Ickes Homes is slated for rehabilitation. This use of dollars meant for economic recovery provides no clear public benefit if it is to be used to demolish affordable housing without any plan for replacement.

With a completion goal already pushed back five years, CHA's Plan for Transformation, has been further affected by the downturn in the housing and credit markets. An article in Crain's last month highlights the recession's effect on the Plan[1]. According to Crain's who derived their numbers from The Habitat Company, there are 2,800 for-sale units and 2,300 rental units still to be constructed (see graphic). Because the mixed income model hinges on the sales of market-rate units to finance the affordable and public housing units, there is a serious concern that this model is holding up construction of the affordable and public housing units. As we have called for in the past, an independent review should be conducted by uninvolved parties to determine if the benefits of this mixed finance model outweigh the costs.

Graphic: Status of CHA Plan for Transformation



Complex	Units built/under construction	Additional units planned
① ABLA Homes (now Roosevelt Square)	For sale: 233 Rental: 358	1,118 734
② Cabrini-Green Homes (now Parkside)	For sale: 1,428 Rental: 589	147 421
③ Henry Horner Homes (now Westhaven Park)	For sale: 139 Rental: 408	176 21
④ Lakefront Properties (now Lakefront Homes)	For sale: 247 Rental: 395	188 81
⑤ Madden Park-Ida B. Wells (now Oakwood Shores)	For sale: 124 Rental: 524	259 222
⑥ Robert Taylor Homes (now Legends South)	For sale: 0 Rental: 631	83 0
⑦ Rockwell Gardens (now West End)	For sale: 102 Rental: 140	260 360
⑧ Stateway Gardens (now Park Boulevard)	For sale: 112 Rental: 127	567 510

Crain's Chicago Business

Neighborhood Stabilization Program

The Department held a second and well-attended NSP Developer Information Session on February 26. The development community is eagerly awaiting the release of the RFQ and official start of the Neighborhood Stabilization Program.

The city has indicated that occupancy for units rehabbed under NSP may be a challenge in this tough lending environment. Additionally, we recognize that the tight lending environment may also make acquiring financing for construction and rehab just as difficult. We encourage the City to find ways to use NSP funds as credit enhancement or guarantees

[1]Thomas Corfman, "Daley's CHA dream deferred," *Crain's Chicago Business*, Feb. 9, 2009 (http://www.chicagobusiness.com/cgi-bin/article.pl?article_id=31291)

for non-profit developers. This ensures more capacity among developers who are truly committed to affordability and the stabilization of Chicago's struggling neighborhoods.

We also recommend that financial institutions certified as municipal depositories are obliged to be partners in the effort to recover foreclosed properties in Chicago's neighborhoods. The Neighborhood Stabilization Program will certainly benefit from the participation of Chicago's financial institutions and support the Department's "all hands on deck" approach.

City Ordinances

TIF Sunshine Ordinance

Introduced by Aldermen Flores and Waguespack, this amendment aims to make public and easily accessible all documents pertaining to TIF Redevelopment Agreements. TIF is a major source of local financing for affordable housing developments, accounting for almost one-third of local sources of financing for new rental housing developments approved during the last five years.

Also during the last five years of housing production, TIF commitments to rental housing totaled almost $94 million and the Department plans to increase TIF commitments to $100 million to assist 6,200 units in the next five years. TIF financing also includes an affordability requirement—a 20% set-aside for developments receiving TIF assistance. TIF agreements document these kinds of requirements—other terms may also include a minimum number of jobs created—and serve as a way to provide benefits to the community in exchange for public investment. It is important to ensure that the terms established for the use of these public funds are transparent and easily accessible for public inspection.

Olympic Village

Alderman Preckwinkle has introduced an ordinance that will ensure that local communities will benefit from the Olympics. Included in the ordinance is a requirement that 30% of units in the Olympic Village be affordable. The ordinance also states that a Community Advisory Committee will be established in the event the Village receives TIF assistance as well as provisions to adequately compensate those displaced by any Olympics construction and coordination of agencies to monitor the housing needs of the homeless. In addition, the ordinance will require Chicago 2016 to provide jobs and contracts to minorities as well as opportunities for apprenticeships and low cost loans and grants

Last month, Chicago 2016 submitted its Bid Book to the International Olympic Committee. With only 8 months until the final decision on which City will host the 2016 Olympics, the plans are moving quickly for the proposed Olympic Village, to be situated on the former Michael Reese Hospital site. The city is due to close on the acquisition in June.

There needs to be clear leadership and oversight within the City during the developer selection process for the Olympic Village and all Olympics-related development for that matter in the event Chicago wins the Bid.

More importantly, the City must conduct a thorough market analysis in this area. In light of the current economic recession, the vast number of condominium units in stalled or foreclosed developments throughout the city, as well as the proposed redevelopment of Lake Meadows immediately south of the Reese site, which will quadruple the current number of units from the current 1,870 units to approximately 7,800[2], it is critical that the post-Games occupancy plan for Olympic Village takes these factors into account.

The City must also begin to create strategies to prevent displacement and preserve affordable housing, especially those in federally-assisted properties, other publicly-assisted properties, and NSP-funded units within the Olympic footprint. The public investment in these units must not be lost due to housing price inflation driven by the arrival of Olympic Games.

[2] Alby Gallun, "Lake Meadows residents criticize Lake Meadows plan," *Crain's Chicago Business,* Feb. 20, 2008 (http://www.chicagorealestatedaily.com/cgi-bin/news.pl?id=28266)

APPENDIX

2008 Commitments and Unit Production Totals Reported by Department of Housing

Production Overview - Dollars Committed- January 1, 2008 – December 30, 2008

	Total Projected Units	1st Quarter Commitments	2nd Quarter Commitments	3rd Quarter Commitments	4th Quarter Commitments	YTD	% of Goal
Multi Family	$219,164,941	$18,543,034	$34,359,450	$76,052,947	$36,347,705	$165,303,136	75.42%
Single Family	$138,934,450	$47,744,239	$44,679,200	$31,255,897	$27,293,873	$150,973,209	108.67%
Improve and Preserve	$19,168,500	$3,918,563	$5,663,877	$4,621,710	$3,744,796	$17,948,946	93.64%
Programmatic Applications	$1,250,000	$0	$0			$0	0.00%
Total	$378,517,891	$70,205,836	$84,702,527	$111,930,554	$67,386,374	$334,225,291	88.30%

Production Overview – Units Assisted- January 1, 2008 – December 30, 2008

	Total Projected Units	1st Quarter Units	2nd Quarter Units	3rd Quarter Units	4th Quarter Units	YTD	% of Goal
Multi Family	11,084	3,843	607	3,018	5,394	12,862*	116.04%
Single Family	1,776	448	465	314	305	1,532	86.26%
Improve and Preserve	2,182	434	639	504	648	2,300	105.41%
Total	15,042	4,725	1,711	3,836	6,347	16,694	110.98%

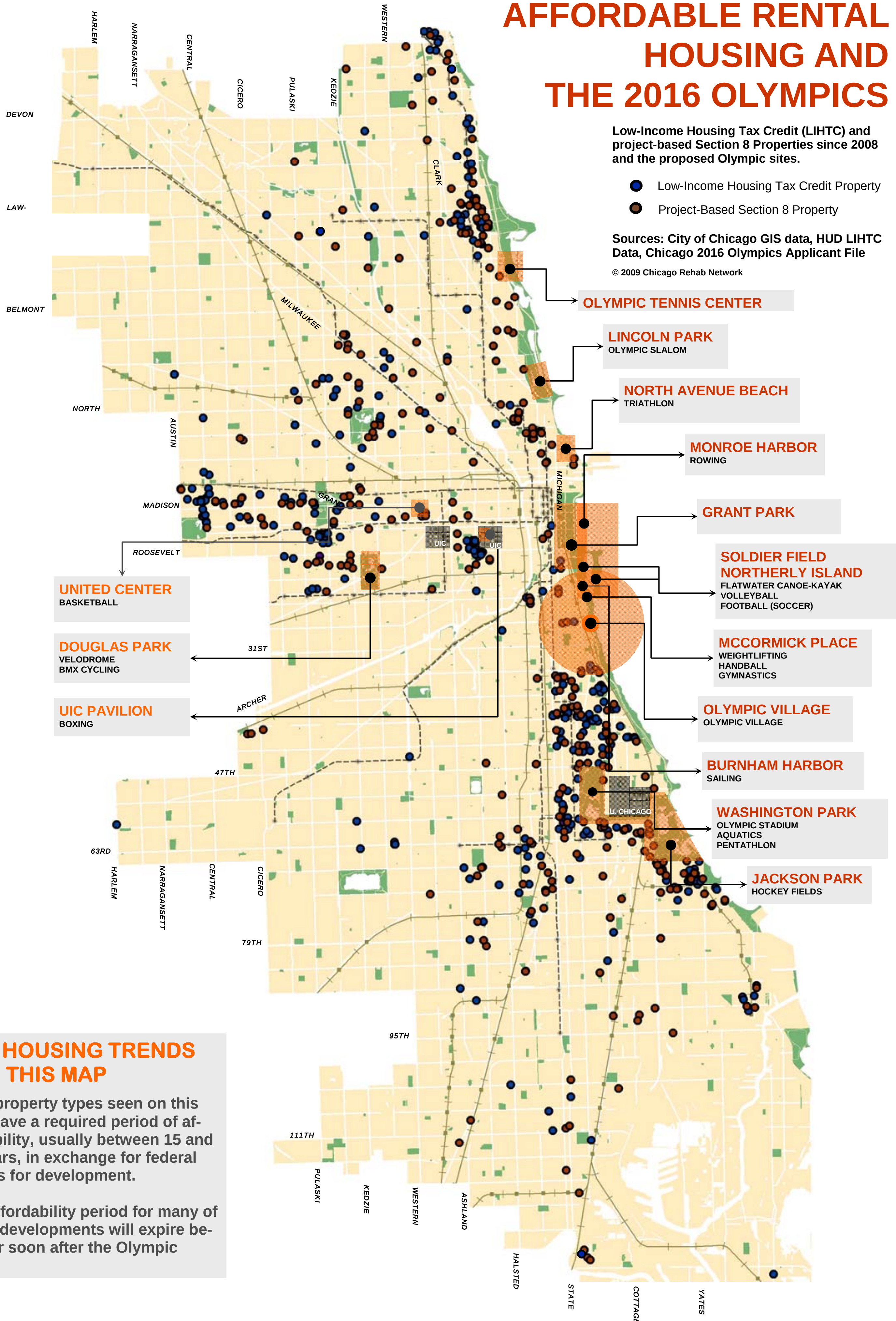
*** Includes 6.514 existing units receiving compact fluorescent lightbulbs**

AFFORDABLE RENTAL HOUSING AND THE 2016 OLYMPICS

Low-Income Housing Tax Credit (LIHTC) and project-based Section 8 Properties since 2008 and the proposed Olympic sites.

- Low-Income Housing Tax Credit Property
- Project-Based Section 8 Property

Sources: City of Chicago GIS data, HUD LIHTC Data, Chicago 2016 Olympics Applicant File



KEY HOUSING TRENDS AND THIS MAP

Both property types seen on this map have a required period of affordability, usually between 15 and 30 years, in exchange for federal dollars for development.

The affordability period for many of these developments will expire before or soon after the Olympic

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Compilation of Chicago Rehab Network Recommendations
Affordable Housing Committee for the 2016 Olympics
February 10, 2009

Recent Olympic Games have created affordability crises in their host cities. Atlanta saw thousands of units destroyed and Sydney and Athens witnessed the loss of affordability throughout their cities. Already, Chicagoans are seeing speculation that will drive up for-sale home prices, rents, and assessments. In order to mitigate the potential loss of affordability and to maximize the positive use of the Olympic Village, the Chicago Rehab Network recommends the following:

• Development without displacement: require no displacement or destruction of housing units. In the event that this requirement is not met, require one-for-one replacement of any units lost to Olympic development

• Build for Chicagoans. The Olympic Village development should use whatever financing tools—Olympic operating surplus or any of the sources affordable developers employ—can create affordable homes for City households, 71% of whom earn less than $75,000 a year

• Establish allocations from all revenue generated as a result of the Games—hotel, airport, taxi, tourist taxes, and other fees—to fund affordable development tools like Chicago's Affordable Housing Trust Fund and Land Bank

• Commission a local university to conduct a housing impact study that carries a mandate to preserve Chicago's stock of affordable housing both citywide and in areas most affected by the Games

• Expand the Land Trust to include rental properties, and evaluate ways that other affordable development tools can be expanded or refined to be more effective

• Develop a system of "circuit breakers"—housing courts, foreclosure filings, and other indicators—to alert the City of impending loss of housing units, with special concern toward multi-unit rental properties in danger of foreclosure

• Craft an ordinance to control increases in rents to ensure affordability during pre-Games development

• Target affordable units in the Olympic Village to low- and moderate-income renters, and use the Chicago median income as a metric of affordability

• In light of the Olympic commitment to the UN's Agenda 21, implement practices for increased transparency within both City offices and the Chicago 2016 bid.

The strategies that this committee recommends should realize that housing impacts as a result of the Olympic Games will reach beyond the footprint of the Games venues to every corner of the City. Furthermore, Chicago's experience with the national foreclosure crisis has reaffirmed the need for a strong base of rental homes. Any strong community development strategy for the Olympics must prioritize the preservation of rental housing.

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Chicago Rehab Network Update on the Olympic Village
Chicago 2016 Affordable Housing Advisory Committee

The Chicago Rehab Network's participation in Chicago 2016's affordable housing advisory committee has provided an opportunity to air concerns about affordability as well as to learn a great deal more about the plans for the Olympic Village than are provided in the Bid Book. A summary of that information follows below.

• The Olympic Village plan portrayed in the bid book is not finalized. Rather, the drawings, financing details, and site plans represent *one option* for the Games that demonstrates financial solvency to the International Olympic Committee.

• Though details are not finalized, the current plan calls for the creation of 2280 units of zero to three bedrooms spread across 21 thirteen-story towers over the 18-acre south half of the Michael Reese Hospital site. These towers will house approximately 16,000 athletes and officials.

• The approximate breakdown of these units is: 10% Studio, 40% 1 bedroom, 40% 2 bedroom, 10 % 3 bedroom. Post-Games plans currently call for 18-19 of the 21 towers to be sold primarily as condo units with a price point of $400-450,000. The other towers will be student housing

• Chicago 2016's market research, provided by URS and S.B. Friedman, advises an almost exclusively for-sale post-Games use model, offering an absorption rate of 280-350 units per year, and thus an 8-10 year time frame for full absorption of the southern half of the site. Currently, 20% of the units will be set aside for affordable housing.

• The prospective development team would control the entire 37 acre site, which stretches from 26th Street on the north end to 31st Street on the South, and from Cottage Grove to the Lake. During the Games, the north half of the site will consist of a temporary transportation complex and a temporary athletes' plaza.

• The site also includes plans for a pedestrian/automotive bridge over Lakeshore Drive and the Metra racks to connect the Village with the beach. A number of temporary (possibly permanent) facilities like an amphitheater, soccer field, and vending stands will be constructed on the beach. The bridge will be converted to a pedestrian walkway after the Games.

• Regardless of the design, plans call for the development team to deliver a shell-and-core Olympic Village. The Olympic Committee for Operating the Games (OCOG) will then use $217 million—designated by Chicago 2016 for Olympic Village development in the bid book budget—to ready the units for the athletes.

• The compact preliminary plan—which calls for nearly eight athletes per room—and IOC guidelines require modifications to units unsuitable for a rental or for sale market. During the Games, all rooms in the units will be designated for temporary bedroom space and include limited fixtures. After the Games, the $217 million budget will cover tear-out, and the developer may resume work on the site, converting units to market-ready models.

• The City will close on the Michael Reese site on June 30 at a price of $86 million. Medline, the owner of the site, will make a $32.5 million dollar donation to the City for site remediation. A new TIF district on the Olympic Village site is also expected to help finance the development.

• Construction will begin no later than 2012, before which the City and Chicago 2016 will have a joint RFP for the Village site.