Analysis of the First Quarter 2013 Housing Report

***Accepting the Challenge:* Five Year Affordable Housing Plan, 2009-2013**
Presented May 21, 2013

Introduction

The first quarter of the last year of *Accepting the Challenge* demonstrates the range of the department activities and investments. To the Department's credit the report also reflects the commitment to what in the business world is a process of continual improvement through critical learning that enables the redesign and redirection of programs. Crucial to such an enterprise is the use of these quarterly reports that document not only the performance of the department in meeting its goals but the ever improving report itself in response to this committee's attention and interaction. The new reporting on the Affordable Housing Opportunity Fund this quarter is a case in point as is the expanded Neighborhood Lending Program.

The approved multifamily developments reflect the economic impact that is being generated through DHED. Consider as an example, just the multi family activity in the past quarter as a snapshot: total development cost of $94 million across four city approved developments will yield 418 new homes for Chicagoans. As you know, underneath these numbers lays the real story: the veterans, the families, the seniors, the LBGT community all being housed affordably builds opportunity across Chicago's neighborhoods. The programs and financing to get the job done: from the various federal investments to effective use of city land, to the Illinois Donation Tax Credit and TIFs are all part of the mix. This housing is unmistakably a platform for building the fabric of community – always has been. And when you stop and think about it – its significant impact has numbers: of people lives changed, communities invested and of a local economic engine that creates jobs not only in the construction, but in all the activities of local commerce going forward. The National Multi-Housing Council estimates that the economic impact of constructing or rehabbing 418 apartments contributes $118,320,903 to the regional economy while also supporting 1,204 direct and indirect jobs.

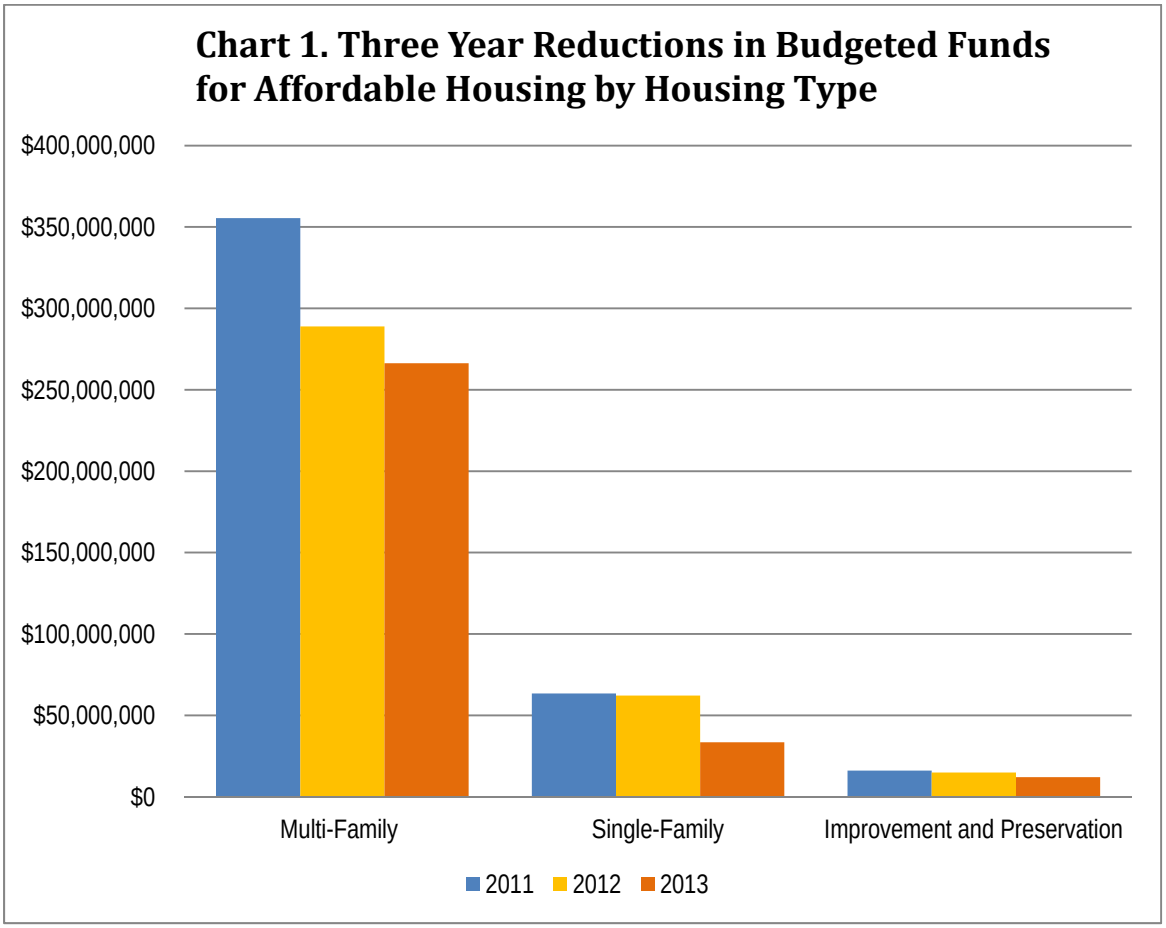
The City of Chicago soon will be starting its Housing Plan - the fifth five-year plan since 1993 when the Chicago Affordable Housing and Jobs Ordinance was signed into law. Previous Housing Plans have created new resources, unprecedented transparency, and solved problems for the benefit of our great city and its neighborhoods. We face challenges not seen since the 1970s but believe that together we can shape the City's plan to rebuild communities.

We are pleased to learn the City is going forward this June with a 20-year policy that this committee has ratified and presented for City Council approval four times during the past two decades. The challenge ahead is how to capitalize on this foundation. The question going forward is not how do

we continue to refine program and allocate an existing sum of revenues, but rather what will it take and how do we plan to rebuild housing opportunities and stop the degradation of community. Here is a synopsis of the last four plans:

Five Year Housing Plans:	Affordable Housing and Community Jobs Ordinance 1993	Housing Opportunities Into the Next Century 1999 - 2003	Build Preserve Lead 2004-2008	Accepting the Challenge 2008 - 2013
Budgets	$752 million	$1.29 billion	$1.88 billion	$1.98 billion
Total Units	44,724	35,658	59,835 (5 yr)	64,000
Multi-Family | Single Family	17,500 | 250	13,593 | 7,954	35,000 | 6,000	31,000 | 8,604
Less repairs	28,900	15, 471	18,835	25,000 (approx)
Resource Challenge ?		$150mm	None stated	None Stated
City Commissioner	*Marina Carrott*	*Julie Stasch*	*Jack Markowski*	*Chris Raguso,* Acting Commissioner; *Ellen K Sahli,* Commissioner

Despite the proven stimulus and benefits from a robust housing program, we are very concerned about the budgeting and investment trends over the past two years.



Source: CRN analysis of Affordable Housing Plan quarterly reports, 2011 to 2013.

Key Features of DHED Report:

***Chicago Affordable Housing Opportunity Fund* (AHOF)**

The Department presents a new report on *Chicago Affordable Housing Opportunity Fund* (AHOF) an update on revenues received and allocation of the funds. Revenues since program inception (2003 – 2013) are nearly $ 32 million with $740,630 being generated in the first quarter of 2013. 60% ($19 million) has been allocated to development and the remaining 40% ($12 million) has been allocated to the Chicago Low-Income Housing Trust with half of that going into the corpus of the fund. A particularly important feature of the report identifies the 12 projects wherein the Downtown Density Investment was used for affordable housing development or preservation. 1359 multi-family units were made possible because of the combined $6.5 million of the density dollars leveraging a total development cost of $205,725,114. **With $6 million going to corpus and the density investment chart totaling another $6.5 million, it is unclear how the other $20,000,000.00 was used.**

Affordable Requirements Ordinance (ARO)

The ARO is a key contributor to AHOF. The Department list 7 projects that activated the ARO in the first quarter of 2013 generating 31 units and $4,275,968 million of "In-Lieu of Payments." This represents 40% of last year (2012) numbers of $10.5 million suggesting an active real estate market. Prior to 2012 there had been no reported activity in either program for years.

Neighborhood Stabilization Program (NSP)

76% of NSP funds were recorded to rehab 69 units (40 of which would serve households earning less than 50 % AMI, and 29 units would serve households earning over 100% of AMI). The Department reports meeting its HUD required expenditure goals. The focus on multi-family rental has enabled a ramping up of production and highlights – with only $4.5 million remaining the need to pursue new funding strategies.

Analysis of Quarterly Activities

CRN's analysis of DHED quarterly reports from the Q1-2011 to Q1-2013 period reveals two critical dynamics at work in the City's affordable housing funding streams:

- First, the total amount budgeted for affordable housing is going down. From 2011 to 2103, **$124 million fewer dollars were budgeted**. This decrease cannot be solely attributed to dwindling federal sources. (Table 1).
- Second, the total amount of funds budgeted for affordable housing is not being committed. For 2011 and 2012 alone, this failure to spend budgeted dollars resulted in **$212 million dollars not entering the Chicago housing market** during a critical time. The majority of this gap is in commitment to affordable multi-family units. (Table 2).

Table 1. Change in DHED Total Funds Budgeted for Affordable Housing, 2011 to 2013

	2011	2012	2013	2012 to 2013 Change in Budget
Multi-Family	$355,442,732	$288,880,552	$266,302,599	-$89,140,133
Single-Family	$63,504,100	$62,160,125	$33,460,056	-$30,044,044
Improvement and Preservation	$16,042,832	$14,882,768	$12,074,500	-$3,968,332
Programmatic Applications*	$1,250,000	$1,250,000	$0	-$1,250,000
Total	*$436,239,664*	$367,173,445	$311,839,168	-$124,400,496

** In 2011 and 2012, the Affordable Housing Plan Quarterly Reports included payments to a General Obligation Bond. These payments are not made in 2013.*

Table 2. Funds Budgeted Versus Committed (Actual Spending Compared to Budget), 2011 to 2012

	2011	2012	Average Percent Gap	2011 - 2012 Budget Versus Committed
Multi-Family	($122,458,079)	($87,048,001)	68%	-$209,506,080
Single-Family	$4,954,258	$328,295	104%	$5,282,553
Improvement and Preservation	($1,837,793)	($3,481,336)	83%	-$5,319,129
Total	($120,591,614)	($91,451,042)	74%	-$212,042,656

Table 3. First Quarter 2013 Housing Production

	Year to Date Total Units Produced	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	Total Projected Units by Year End
Total Subsidized Multi-Family Units*	3,432	1,772	1,027	181	278	96	39	39	5,571
Less Rental Subsidy Units	*2,690*	*1,770*	*920*	*-*	*-*	*-*	*-*	*-*	*2,690*
Less Site Improvements and Heat Receivership Units	*43*	*2*	*10*	*22*	*7*	*2*	*-*	*-*	*892*
Net New Multi-Family Units**	699	-	97	159	271	94	39	39	1,989
Total Subsidized Single Family Units*	196	-	6	17	14	98	33	28	861
Total Units Assisted by Improvement and Preservation Programs	217	-	51	44	37	46	27	12	2,062

* Number of units is adjusted to account for a single unit's participation in more than one DHED program.
** This figure represents multi-family affordable housing units created or preserved, and is adjusted to discount both annual rental subsidies (through the Chicago Low-Income Housing Trust Fund) and some other some other assistance, including the City's Heat Receivership and Site Improvement programs.

Table 4. First Quarter Funding as a Percentage of 2013 Affordable Housing Goals

	Total Projected Funding by Year End	First Quarter Commitments	Progress Year to Date	Percent of Goal Met
Multi-Family	$266,302,599	$102,505,229	$102,505,229	38.5%
Single-Family	$33,460,056	$11,078,805	$11,078,805	33.1%
Improvement and Preservation	$12,074,500	$1,515,128	$1,515,128	12.5%
Total	$311,837,155	$115,099,162	$115,099,162	36.9%

Approved Multifamily Developments

The City Council approved financing for four Multi-family projects this quarter:

Darul Amaan Senior Apartments
Community Housing Partners XIV L.P. will construct a new 5-story elevator building near Lawrence and Kedzie to house independent seniors.

- **Income targets:**
  - 52 one-bedroom units at or below 50% AMI
  - 4 two-bedroom units at or below 50% AMI
- **Total development cost**: $14 million **Per unit cost**: $250,240

Pullman Wheelworks Apartments
Mercy Housing Lakefront and National Housing Trust/Enterprise Preservation Corp are rehabbing 210 units in former factory and National Register of Historic Places Pullman Wheelworks near 104th and Maryland.

- **Income targets:**
  - 6 studios at or below 60% AMI
  - 122 one-bedrooms at or below 60% AMI
  - 28 two-bedrooms at or below 60% AMI
  - 54 three-bedrooms at or below 60% AMI
- **Total development cost**: $30.1 million **Per unit cost**: $143,506

Hope Manor II Apartments
Volunteers of America of Illinois is building 73 units to house homeless or near-homeless veterans and their families near 60th and Halsted. These units will be sustained through project-based housing choice vouchers and will offer a variety of on-site supportive services.

- **Income targets:**
  - 16 studios or one-bedrooms at or below 30% AMI
  - 21 one- or two-bedrooms at or below 50% AMI
  - 36 one- to four-bedrooms at or below 60% AMI
- **Total development cost**: $23.5 million **Per unit cost**: $321,287

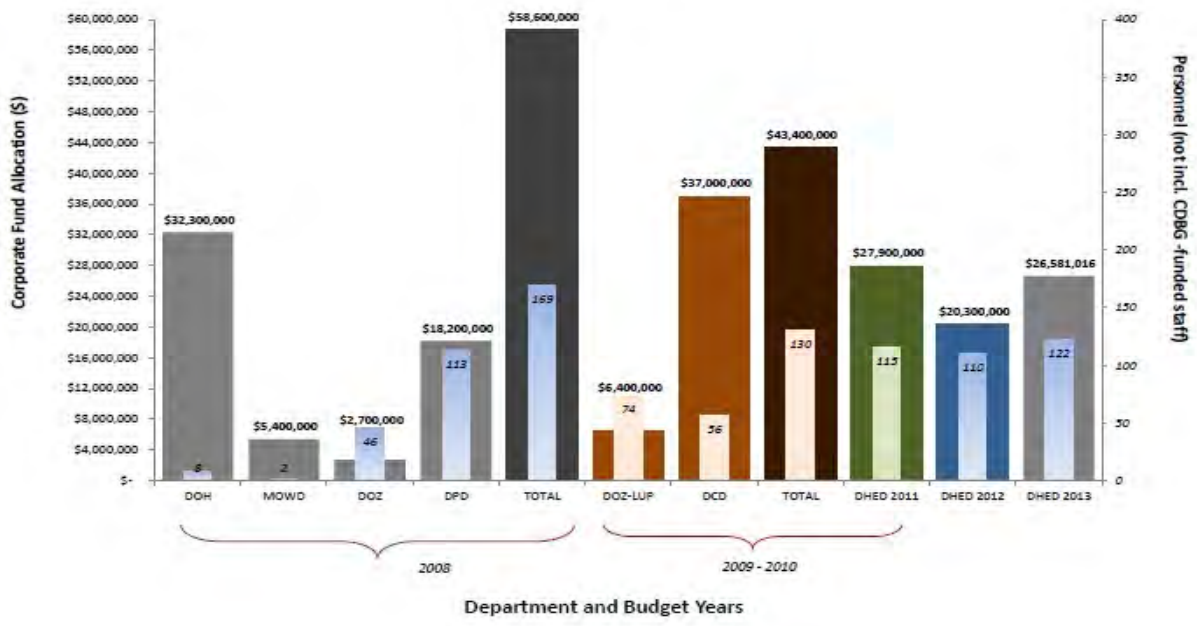
Town Hall Senior Apartments

Heartland Housing in partnership with the Center on Halsted will rehab a former police station and build on adjacent property to create a complex containing 79 LGBT-friendly senior housing units and ground-floor commercial space near Halsted and Addison. **Income targets:**

- 16 studios or one-bedrooms at or below 50% AMI
- 59 studios or one-bedrooms at or below 60% AMI
- 4 one-bedrooms at or below 80% AMI

- **Total development cost**: $27 million **Per unit cost**: $342,317

2013 Budget Recap: ARO Brings Housing Resources



In this the second budget of Mayor Emanuel's administration, housing resources will greatly be reduced due to expiring federal grants. Over $277 million in grant dollars was committed towards DHED functions in 2012; in 2013 $163 million is expected as Neighborhood Stabilization Program deadlines draw near.

Corporate fund resources will *increase* by almost $6 million to $26 million in 2013. The Chicago Low Income Housing Trust Fund remains $3 million below pre-2011 levels.

Chicago will receive just over $93 million in Community Development Block Grant funds for 2013, just under $35 million of which is committed for Dept of Housing and Economic Development purposes. To view budget analyses, click here.

For the second year in its history, the Budget reflects revenues captured from the Affordable Requirements Ordinance showing $4.8 million. Per the ordinance, 40% of these funds are to be dedicated towards the Trust Fund with the remaining 60% to be dedicated for affordable housing purposes. Over $25 million has been paid to through 2011 with an additional $10 million committed from qualifying developments in the first 6 months of 2013 alone.

Read the Affordable Requirements Ordinance Developers Guide and Fact Sheet along with the Waiver Form to better understand project requirements.

City of Chicago

HOUSING FACT SHEET

Chicago Rehab Network

** adjusted for inflation to 2010 constant dollars, i.e., 2000 dollars have been increased to account for the 26% change in the real value of the dollar from 2000 to 2010*

POPULATION	2000	2010	10 YEAR CHANGE
Total Population	2,896,016	2,695,598	-6.9%
Percent Immigrant (Foreign Born)	21.7%	21.1%	-2.9%
Total Households	1,061,928	1,045,560	-1.5%
Average Household Size	2.7	2.5	-5.6%
Total Family Households	632,558	576,793	-8.8%
Average Family Size	3.5	3.4	-2.9%
Total Non-Family Households	429,370	468,767	9.2%
Percent of Residents In Poverty	19.6%	21.0%	6.8%

RACE + ETHNICITY	2000	2010	10 YEAR CHANGE
White	1,215,306	1,210,628	-0.4%
Black or African American	1,064,999	886,964	-16.7%
Asian	125,963	146,633	16.4%
Multi-Racial	84,434	72,947	-13.6%
Some Other Race	405,315	374,750	-7.5%
Latino (of Any Race)	753,733	778,629	3.3%

INCOME*	2000	2010	10 YEAR CHANGE
Median Household Income	$48,911*	$46,877	-4.1%
Households Earning < $25,000	276,107*	300,788	8.9%
As a Percent of All Households	26.0%*	29.1%	12.0%
Unemployment Rate	6.2%	11.1%	79.0%

HOUSEHOLDS BY INCOME LEVEL*	2000	2010	10 YEAR CHANGE
Less Than $25,000	276,107*	294,967	6.83%
$25,000-$49,999	314,246*	239,856	-23.6%
$50,000-$74,999	213,108*	174,536	-18.1%
$75,000 or More	258,503*	321,387	24.3%

HOUSING UNITS	2000	2010	10 YEAR CHANGE
Total Housing Units	1,152,868	1,194,337	3.6%
Total Occupied Housing Units	1,061,928	1,045,560	-1.5%
Owner-Occupied	464,865	469,562	1.0%
Renter-Occupied	597,063	575,998	-3.5%
Homeowner Vacancy	1.7%	4.0%	135.3%
Rental Vacancy	5.7%	10.1%	77.2%

UPDATE: RECENT CHANGES IN MEDIAN HOME SALE PRICE*

2009	$223,608*
2010	$200,000
2011	$166,737*
2012	$175,695*

UPDATE: RECENT MORTGAGE FORECLOSURE FILINGS

PERCENT OF ALL HOMES WITH MORTGAGES THAT WERE FORECLOSED, 2009 TO 2012

16%

2009	22,685
2010	23,364
2011	18,671
2012	18,407

RENTAL HOUSING COST BURDEN*	2000	2010	10 YEAR CHANGE
Median Monthly Gross Rent	$780*	$916	17.43%
Paying >30% of Income in Rent	37.9%	50.2%	32.5%
Renters Paying Less Than $750/mo	322,260*	171,098	-46.91%
Renters Paying $750 to $999/mo	168,065*	163,279	-2.85%
Renters Paying $1000 to $1,499/mo	63,477*	136,899	115.67%
Renters Paying $1,500 or More/mo	30,036*	58,626	95.18%

OWNER HOUSING COST BURDEN*	2000	2010	10 YEAR CHANGE
Median Monthly Owner Cost	$1,540*	$1,934	25.60%
Paying >30% of Income for Mortgage	27.8%	49.5%	78.1%
Owners Paying Less Than $ 1,000/mo	44,869*	28,074	-37.43%
Owners Paying $1,000 to $1,499/mo	67,370*	72,033	6.92%
Owners Paying $1,500 to $1999/mo	40,194*	91,384	127.36%
Owners Paying $2,000 or More/mo	28,367*	171,642	505.07%

COST BURDENED HOUSEHOLDS BY INCOME LEVEL

	RENTERS		OWNERS	
INCOME LEVEL	2000	2010	2000	2010
Less than $25,000	72.8%	89.9%	66.7%	88.2%
$25,000-$49,999	38.7%	59.2%	42.1%	65.6%
$50,000-$74,999	5.8%	13.6%	19.0%	51.9%
$75,000 or More	N/A	3.1%	4.0%	18.1%

Data primarily come from Nathalie P. Voorhees Center (UIC) analysis of the 2000 Decennial Census, the 2010 Decennial Census, and 2010 American Community Survey (5-year estimates). Recent median home sale price and foreclosure filings come from MRED (mredllc.com) and the Woodstock Institute (woodstockinst.org), respectively. Non-family households are composed of singles or unmarried, unrelated people. Racial categories follow the Census Bureau's definitions to include those who have identified themselves as that race alone, as of two or more races, or as some other race. Additionally, under this definition structure, whether a person is Latino or not is defined as an ethnic (as opposed to racial) category. Thus, Latino individuals are both a member of one of the racial categories as well as the Latino ethnicity. Vacant units are currently unoccupied but still for sale or rent, seasonal homes, or additional units fit for habitation but otherwise not for sale or rent. Units where foreclosure has been initiated (occupants removed) but not yet legally completed (sold at auction) belong to this third category. Vacancy does not cover units under construction, unfit for habitation, or set to be demolished. For more information on CRN's inflation adjustment methodology, contact Elizabeth Scott at escott@chicagorehab.org. CRN is grateful to the Chicago Community Trust for its support of this research.

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