



Preservation Notebook

A Cook County Preservation Rental Alliance E-Publication

April 2007

[Summary for
March 8 Rental Alliance
Meeting](#)

[Next Rental
Alliance Meeting, May
10th](#)

[Bright Ideas
Lesson Learned
National Housing
Preservation Agenda
Legislative
Update](#)

Dear Reader,

The Cook County Preservation Rental Alliance is one component of the MacArthur Foundation Preservation Compact, which is composed of non-profit advocates, faith-based institutions, community groups, government agencies and other partners committed to preserving affordable housing stock in the county.

Summary for March 8 Rental Alliance Meeting

The first meeting of the Cook County Rental Housing Alliance was held March 8 at First Baptist Congregational Church, and was convened as a forum for preservation stakeholders (community-based organizations, local developers, and resident representatives) to share knowledge and enhance their capacity to preserve federally subsidized rental units; exchange best practices; collect and distribute data; create and promote policies and regulations that support preservation activities and efforts; and coordinate with government agencies, public officials and "preservation-friendly" owners and developers.

Among its objectives are to convene forums where stakeholders can jointly craft and assess strategies to save key at risk properties in Cook County. The alliance is co- convened by the Chicago Rehab Network and the Sargent Shriver National Center on Poverty Law.

Erika Poethig, of the MacArthur Foundation, was the

first to share information about the foundation-supported Preservation Compact, which seeks to stimulate the preservation of one million units of subsidized housing nationally. The Compact was created after it was revealed that for every unit of housing built, two units of affordable housing were lost, according to Poethig.

More specifically, the Compact intends to develop strategies to quicken ground activity in support of preservation, including saving 45,000 units in Chicago by 2020. Subsidized units aren't the only focus, either; of the 353,000 units of affordable housing in Chicago, three-fourths do not rely on subsidies, said Poethig.

One question put to Ms. Poethig was: What is the MacArthur Foundation willing to contribute to support preservation in terms of money, support, or expertise? Ms. Poethig reported that while the Compact is working with key national consultants to develop a new preservation fund that would provide support, to date the fund is in the developmental stage.

Poethig also noted that MacArthur's recent Funders' Briefing informed other foundations of the importance of resources for organizing to support preservation activities. The hope is other locally-based funders will step up to grant resources for organizing, thus supporting MacArthur's other preservation efforts.

Kate Walz, of the Shriver Center, presented the Framework of the Rental Alliance and its core objectives and functions. That framework includes a rapid response team, project autopsies and training and technical assistance.

Alliance meetings are forums where Cook County stakeholders can come together, discuss challenges and successes, and share information, knowledge and experience, she said. There will also be examinations of different projects to share successes, failures, good and bad strategies, and to get ideas from peers in the field, Walz added.

Gené Moreno, of the Chicago Rehab Network, shared data from the Preservation Database related to current at risk federally subsidized rental stock in the county. The data showed 31,000 units of affordable housing (i.e. housing with subsidized mortgages or Section 8 contracts) whose contracts expire between 2006 and 2011, which includes about 281 properties, Moreno said. Strategies need to be developed to encourage owners to maintain affordability, and or work with community stakeholders to transfer ownership to

preservation-friendly entities, said Moreno.

There were questions as to whether the Preservation Database allows for determination of ownership type, for profit vs. non-profit, to analyze the likelihood of unit loss. Various queries into expiring properties can be done at www.chicagorehab.org. It is user friendly and accessible to all, Moreno added.

GETTING INVOLVED: The Alliance is an open table with CRN and the Shriver Center leading the effort, convening meetings and forums based on priority, and input from participants. The Alliance will attempt to address everyone concerned with preservation, i.e. tenants, property managers, owners, government agencies and advocates.

Future meetings may include sessions with those working actively in specific buildings, meaning some meetings may not include the entire Alliance. There is also a desire to create a Speaker's Bureau, and publish cases studies and lessons learned on completed preservation deals. It is important that all Alliance members and participants are mindful of the sensitivity involved with this work, and the information and thoughts shared in the meetings. The Alliance is to be a safe place to gather and grow the awareness of who's doing what and how it's getting done.

The meeting closed with three different presentations. Hannah Willage, of the Jane Addams Senior Caucus, made a presentation about their campaign to keep the Morningside Property affordable. The Moody Bible Institute had paid off the mortgage and started converting the building into student housing. Michael Goldberg, of Heartland Housing, talked about The Sutherland, 47th and Drexel in Kenwood, and the expiration the 15 year Low Income Housing Tax Credits. He discussed the difficulty of preserving affordability given a \$23 million shortfall needed to improve the property. Moreno also talked the federal housing preservation agenda. *(See below for details on all three presentations.)*

[Go to the Chicago Network website to view materials distributed at the Rental Alliance meeting.](#)

Next Rental Alliance Meeting, May 10th

The next meeting for the Cook County Preservation Rental Alliance is scheduled for May 10th. The location is to be announced. Contact Gené Moreno, 312-663-3936.

Bright Ideas

Hannah Willage: The Power Of Compromise



(Below is a summary of a presentation made by Hannah Willage of the Jane Addams Senior Caucus.) The Morningside Property was originally built as low-income senior housing on the near north side. It was developed and is owned by the Moody Bible Institute, which paid off the mortgage and began converting the building into student housing. No new seniors were being allowed into the building, and current seniors and disabled residents began experiencing discrimination, receiving inadequate unit maintenance and services compared to students.

Upon further investigation, the Jane Addams Senior Caucus was able to determine that while Moody Bible Institute had purchased the building and paid off the mortgage, the building still had an intact Section 8 contract, which subsidized the units occupied by eligible elderly and people with disabilities. The Institute was violating the contract by not renting up and by discriminating against Section 8 tenants in the building. The Jane Addams Senior Caucus is a grassroots, non-profit organization of senior citizens that works to address quality of life issues by organizing older adults to have an impact on local, state, and national issues.

Organizers for the Senior Caucus, who already had relationships with some residents, went into the building and found residents, were feeling pretty powerless. Many didn't know their rights as HUD tenants, and hard work had to be done to get residents to understand those rights in relation to the building's owner, Moody Bible Institute. With the project-based Section 8 contract in place, the Jane Addams Senior Caucus demanded that the Department of Housing and Urban Development and Illinois Housing Development Agency provide appropriate oversight to Moody Bible Institute and ensure residents' rights were not ignored.

Over time getting residents to tap into their power was a significant success, but later it was clear that lessons on compromise were needed. When both sides have power, and deadlines are involved, the ability to reach consensus is important.

The non-negotiable positions were that 201 Section 8

units had to be preserved; everyone in the building would have the right to remain under a Section 8 contract until 2018, and discrimination, which had prevented tenants from getting the same treatment as students, in terms of new carpeting, paint, and access to the building's common areas, would end.

The ideal scenario was to return the building into a 100 percent Section 8 building for low-income seniors and people with disabilities. A lawsuit was filed by the Shriver Center and Moody Bible Institute wouldn't negotiate. Instead the Institute sent a letter to residents stating it wanted the building to be a mix of Section 8 and student housing, and threatened to end the Section 8 contract. It was clear another strategy was needed. One suggestion involved moving all the residents to another building, but for seniors, that option wasn't viable.

An acceptable compromise was found: The contract would be split, such that any tenant from 171 W. Oak had the option, but could not be forced, to move to a nearby building - a building that would enter into a longer project-based Section 8 agreement to run through 2033. This supported one main goal of the Senior Caucus, the preservation of 201 Section 8 units. Second, residents choosing to remain at 171 W. Oak would be able to stay there under the Section 8 contract until 2018, and lastly, discrimination would end.

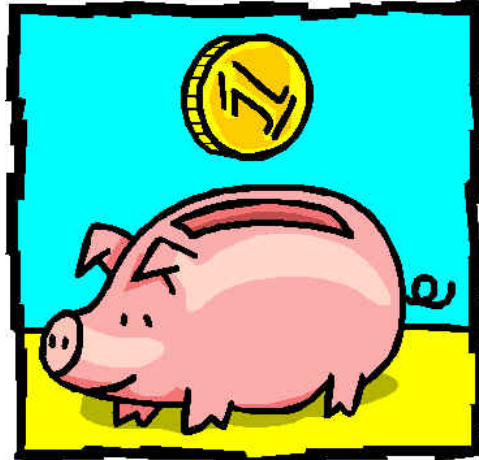
Beyond tapping into critical tenant power, it is just as necessary to prepare residents for negotiation and consensus based on core values. Compromise was difficult at one point because it was hard for residents to recognize that a compromise can be a victory. Tenants must be activated and engaged and trust must be built, but tenants also need to be acquainted with the realities and consequences of different strategies. In particular, residents should know HUD will consider its own liability in every option, and can abate contracts resulting in complete loss of the project-based Section 8.

This "compromise" also set a national precedent by splitting the Section 8 contract, with 45 percent staying at 171 W. Oak until 2018, and 55 percent of residents going to another building contracted to remain affordable until 2033.

Lesson Learned

Michael Goldberg Shares Some Wisdom About Tax Credits

(Below is a summary of a presentation made by Michael Goldberg of Heartland Housing.) Heartland Housing, Inc. is the housing partner of Heartland Alliance for Human Needs & Human Rights, a service-based human rights organization that



provides housing, health care, human services and human rights protections to people whose lives are threatened by poverty or danger. The Sutherland Apartment Building was purchased by a limited partnership that included Heartland Housing, a co-general partner and an equity investor limited partner using low-income housing tax credits in the late 1980s with a 15 year commitment to affordability. The building includes 155 units affordable to households earning up to 60 percent of area median income and its loss would mean a significant loss to the south side.

When the partnership was initiated, there was no legal right of first refusal for Heartland Housing as the non-profit partner, meaning at the end of the 15 year affordability commitment the limited partner could have sold the building to anyone. The compliance period was due to expire in June 2005, so in the summer of 2004 Heartland began a long negotiation period with the limited partner and co-general partner to acquire full ownership interest in the building. The organization was successful in the acquisition, but the building has been losing money due to the need for substantial rehabilitation. An estimated \$24 million is currently needed to retire existing debt on the property and complete the rehabilitation, which would ensure the building is preserved as affordable housing for the next 30 years. This raises questions about whether going forward with the building is feasible.

Out of this situation came several lessons Heartland feels others can learn from:

- **Look to the State Donations Tax Credit Program as you go through challenged negotiations and deals.** In the case of the

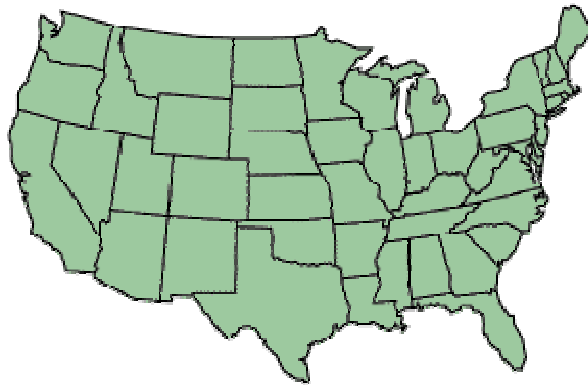
Sutherland, one financing structure that was discussed as part of Heartland's acquisition was to have the partners sell their interests in the building at below market value. The equity generated from the sale of the corresponding "donation" credits would have helped make up a portion of the price difference.

- **When structuring deals, make sure that the building will be adequately upgraded and improved to be viable to the end of the compliance period.** Many early tax credit buildings now coming to the end of their affordability periods were only moderately rehabbed when acquired - now these structures need extensive rehabilitation in a highly competitive market for affordable housing resources
- **Consider that the ability to get funding depends on where you are in line:** The CHA's Plan for Transformation gets half the city's low-income housing tax credit resources, while the Illinois Housing Development Authority's resources must encompass the needs of the entire state.
- **Know what it's going to take to successfully maintain a property for the long term.** It's unclear at this time whether Heartland will secure the needed resources to reposition the property and assure its preservation as affordable housing, but they are still considering options. One option may be to sell the building to a new owner willing to preserve a portion of the units as affordable.

Heartland Housing currently provides on-site property management and holds regular tenant meetings in the building, with some supportive services being provided by its service partner. In addition, formal discussions have begun with the tenants regarding the future of the building.

One question raised at the presentation was: Given that the Metropolitan Tenants Organization has worked with tenants to try and meet with previous management, is Heartland also open to alternative acquisition models that would include the tenants? Michael acknowledged that they are and, as noted above, have already begun having discussions with the tenants regarding the future of the building. In general, non-profits are more willing to meet with tenants and accept management models, ideas, and greater tenant involvement.

National Housing Preservation Agenda



**Strategies
and
Priorities for
Issues at
the National
Level**

In her
presentation
on the
federal
housing

preservation agenda, Gené Moreno of CRN called for collaboration with other national organizations, and pointed out the key Illinois congressional lawmakers who enjoy seniority that can have a major impact on legislation.

The federal preservation agenda calls for:

- Appropriation of funds sufficient to renew expiring projects
- Provision of preservation funding matching grants
- Appropriate sufficient funds to encourage renewal of Rural Housing programs
- Passage of the Multifamily Assisted Housing Reauthorization Act.
- Renewal of authority of Section 318 to facilitate transfer of preservation projects
- Reactivation and funding of the Section 514 technical assistance program
- Provision of preservation incentives for expiring mortgages
- Extension of enhanced voucher provisions to replace all units
- Elimination of eligible project status for Sec 8 Mod Rehab
- Secure Exit Tax Relief where property is sold to preservation purchasers

The final elements of the platform are to clarify state and local authority to enact preservation laws and ensure that owners remain bound by Section 8 rules until one year after legally sufficient notice.

CRN is presently involved with OAHP (Office of Affordable Housing Preservation-HUD) and the renewal of the Section 514 Technical Assistance Program (what

used to be ITAG, OTAG), Moreno said. In addition, TRIO has \$10 million to be distributed towards tenant involvement across the country, she noted. "We are involved with the 514 stakeholder advisory committee to assure that Illinois can regain these resources for tenant outreach," said Moreno.

Legislative Update

By Todd Nedwick, National Housing Trust



Here's an update on what's being done to help Congress adopt effective measures to preserve affordable housing. Last week, the National Preservation Working Group (NPWG)-a collaboration of tenants, advocates, developers, and owners all driven by a sense of urgency about the need to preserve affordable housing - delivered a set of targeted legislative recommendations to key congressional staff in efforts to help preserve tens of thousands of federally assisted and insured, affordable rental homes.

I think all affordable housing advocates share our sense of hope about the opportunity before us. At the federal level, we believe the time is right for a set of measured, targeted, economical efforts to safeguard existing affordable housing. The legislative proposals submitted to Congress by the NPWG last week are just that: practical solutions that come at no or little cost to the federal government, but would have a significant impact on the number of affordable apartments preserved each year.

Our policy recommendations are divided into five categories: maintain housing at risk of being converted to market rate; restore housing at risk of loss due to deterioration; protect and empower residents facing conversion; provide better data to facilitate preservation transactions; and provide exit tax relief.

Among our top priorities are:

- improving the Market-to-Market program;
- allowing Rent Support and RAP subsidies to be converted to project-based Section 8 assistance;
- improving owners' ability to transfer Section 8 from a property beyond repair to another

- property in the same community;
- saving Section 8 moderate rehabilitation properties by permitting them to mark-up-to-market and ending the prohibition on using tax credits with moderate rehabilitation assistance; and
- ensuring that cities are given a fair opportunity to save HUD properties within their jurisdiction.

You can download the document containing our recommendations and review the legislative solutions we've compiled. [Click here.](#)

Preserving federally assisted housing is the essential first step in solving our affordable housing crisis. If adopted, our legislative proposals would save tens of thousands of valuable subsidized apartments and protect low-income tenants at danger of losing their homes.

[Read more about the work of the National Housing Trust.](#)

The Cook County Preservation Rental Alliance is one component of the MacArthur Foundation Preservation Compact, which is composed of non-profit advocates, faith-based institutions, community groups, government agencies and other partners committed to preserving affordable housing stock in the county.

The Preservation Compact, a unique approach to the critical role of housing affordability, represents a potential breakthrough in strengthening rental stock by focusing and reinforcing preservation opportunities, activities and transactions. The Preservation Compact has six interwoven keystone initiatives that will increase successful preservation. The keystones include:

- *developing a preservation fund to increase capital flow;*
- *cutting red tape through an interagency council;*
- *creating a rental housing data clearinghouse and early warning system on expiring subsidies*
- *helping owners cut costs through an energy efficiency program;*
- *developing a Chicago Area Rental Housing Alliance;*
- *reducing property taxes on multi-family rental buildings.*

Gené Moreno
Chicago Rehab Network

Email: gene@chicagorehab.org