

PROGRAM

Regional Preservation Summit



MARTIN LUTHER KING, JR.
PREPARATORY HIGH SCHOOL
SATURDAY, JUNE 3, 2006
8:30AM - 1:00PM

JUNE 3RD AGENDA

9:00 Registration & Continental Breakfast

9:30 Opening Session: Pat Abrams, The Renaissance Collaborative
Congressman Bobby L. Rush
Jack Markowski, Chicago Housing Commissioner
Jane Bilger, Il Housing Development Authority
Mattie Butler, Woodlawn East Community and Neighbors

10:30 Workshops

HUD Tenants: Wanda White, Teamwork Englewood
Michael Kane, National Alliance of HUD Tenants
Kate Walz, Sargent Shriver Center on Poverty Law
Laverne Nixon, Leader Organizer

Community Resource People
Kevin Jackson, Chicago Rehab Network

Leaders and Organizers: Mattie Butler, WECAN
Overview, Jeff Leslie, Mandel Legal Clinic
Susan Yanun, Logan Square Neighborhood Assoc.
Mayra Casasola and Elvira Diaz, Tenant leaders
Clara Falwiley and Lyn Hankerstron, ACORN leaders

Owners and Managers: Pat Abrams, the Renaissance Collaborative
Jane Bilger, IHDA
Michael Stone, Cook County Assessor's Office
George Gilmore, Chicago HUD Multifamily Office

12:00 Roundtables by Community and/or Building

GOAL OF SUMMIT

- ⇒ To provide factual information about the challenges and opportunities faced in preserving affordable housing.
- ⇒ To enable community leaders and building owners to have a better understanding of options, resources, and preservation strategies.
- ⇒ To enhance partnerships among all stakeholders who are concerned about preserving these units and bettering the quality of life for residents.
- ⇒ To assure that the preservation of these units is part of community planning processes

AFFORDABLE HOUSING IN CHICAGO

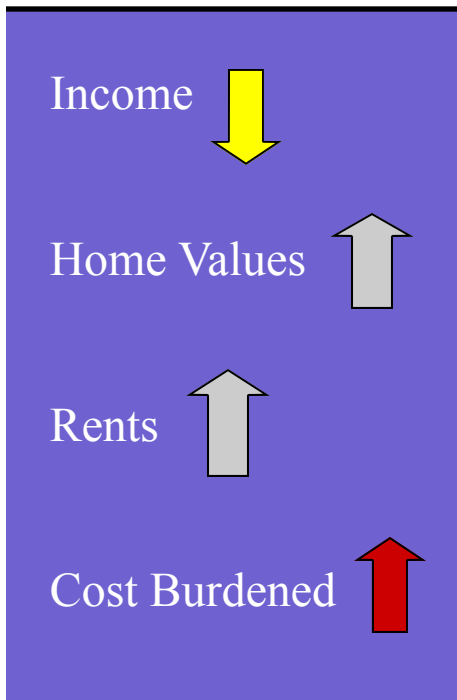
Due to the growing lack of affordable rental housing, we must work together to preserve this valuable community asset.

Over 200,000 households in Chicago are “cost burdened”. That means they are paying more than 30% of their income on housing costs.

Tenants who live in buildings with Section 8 Contracts never pay more than 30% of their income for rent.

The HUD Section 8 Contract pays the difference between 30% of your income and the fair market rent for the apartment. This subsidy goes to the owner for the cost of operating the building in exchange for his keeping the units affordable.

Trends from the 2000 Census:



	2000	2003	% Change 2000-2003
Median Household Income	\$38,625	\$40,879	-1.1%
Median Home Value	\$132,400	\$176,675	24.7%
Median Rent	\$616	\$742	12.6%
Cost Burdened Homeowners	56,032	81,007	44.6%
Cost Burdened Renters	183,735	190,466	3.7%
American Community Survey, 2003			

SNAPSHOT FROM 2000 CENSUS

POPULATION

Total Population	2000	2,896,016
Change in Population 1990-2000		4.0%
% Foreign Born		21.7%
Average Household Size		2.67

RACE & ETHNICITY

	2000	Change 1990-2000
White	907,166	-14.1%
African American	1,053,739	-1.9%
Hispanic	753,644	38.1%
Asian - Pacific Islander	125,409	27.0%
Other	56,058	

INCOME

	2000	Change 1990-2000
Median Household Income	\$38,625	9.6%*
Area Median	\$67,900	16.8%*
Persons in Poverty	556,791	-6.0%

INCOME DISTRIBUTION

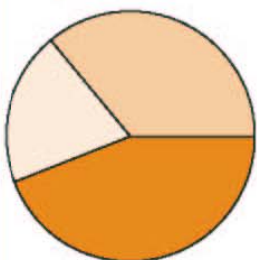
as a % of Area Median Income

Low Income Households (<80%)	703,853	8.6%
Moderate Income Households (80-120%)	196,228	1.2%
High Income Households (>120%)	182,018	-7.6%

INCOME DISTRIBUTION

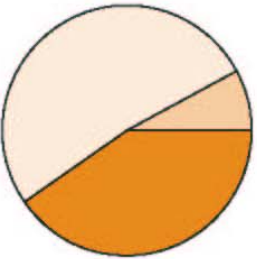
as a % of Chicago Median Income

Low Income Households (<80%)	433,703	3.1%
Moderate Income Households (80-120%)	193,357	6.9%
High Income Households (>120%)	455,039	3.9%



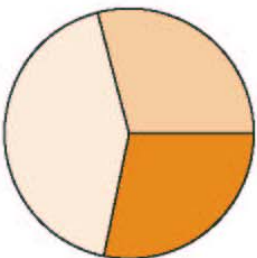
HOUSING UNITS

	2000	Change 1990-2000
Total Housing Units	1,152,868	1.8%
Owner Occupied	464,865	9.3%
Renter Occupied	597,063	-0.5%
Vacant	90,940	-15.7%



UNITS PER BUILDING

	2000
1 Unit	325,241
2-9 units	490,947
10+ units	334,736



HOUSING MARKET

	2000	Change 1990-2000
% Housing Units Built Since 1990	4.5%	
Rental Vacancy Rate	5.7%	-3.9%
Median Gross Rent	\$616	3.3%*
Median Home Value	\$132,400	27.3%*
City Owned Vacant Properties	8,568	
Project Based Section 8 Units	31,475	

AFFORDABILITY AND HOUSING STRESS

Cost Burdened Renters	2000	% of Sample**
Extreme Cost Burdened Renters (paying >50%)	183,735	30.8%
Cost Burdened Owner Occupants	116,679	19.6%
Overcrowded Households	56,032	21.2%
Lead Exposed Children	107,530	10.1%

Households paying >35% of income for housing

** Inflation adjusted
** See Appendix for sample definitions

PRESERVATION FUNDAMENTALS

Between now and 2010 in several south side neighborhoods, over 9000 units of rental housing are at-risk of losing affordability.

What are these properties?

These are federally-assisted privately owned rental properties which include:

- ⇒ Project-based Section 8
- ⇒ Low income housing tax credits
- ⇒ HUD-insured buildings
- ⇒ Limited equity cooperatives
- ⇒ Senior buildings

Why are they at-risk of losing affordability?

- ⇒ owners may fulfill their obligations and “opt-out” of their contracts
- ⇒ the mortgages and/or contracts may expire and the building can be converted to other types of housing or uses
- ⇒ the condition of the buildings may be severely distressed resulting in foreclosure

Opportunities

- ⇒ Many owners want to refinance and upgrade the quality of their buildings and need your involvement
- ⇒ Consensus exists that stable, quality affordable housing allows families, individuals, and communities to prosper
- ⇒ Community organizations and development corporations are located throughout the City that are committed to preserving affordable housing
- ⇒ All residents of HUD-financed housing, have important roles, protected rights, and responsibilities.
- ⇒ The Illinois Federally Assisted Housing Preservation **Act** gives tenants the chance to intervene if an owner plans to terminate affordable rents.
- ⇒ If approached, owner may want to sell.



Challenges

- ⇒ To use the key opportunity created by the **Act**, Tenant Associations must be created
- ⇒ Market forces and growing gentrification
- ⇒ Condition of existing building
- ⇒ NIMBY attitudes
- ⇒ Limited commitment on Federal Level

SECTION 8 BASICS

BACKGROUND ON SECTION 8

What is “Section 8”?

Section 8 is a federal housing subsidy program for low-income households, created by Congress in 1974. Under this program, the subsidy is the difference between the total rent charged and 30% of the residents’ adjusted gross income. There are two types of Section 8 – “tenant based” (housing choice vouchers) and “project based”. The tenant based voucher gives the holder freedom to use the subsidy at a rental property of their choice, provided that an apartment is available. Project-based vouchers are tied to a specific building, meaning that a person renting at a subsidized development will receive the subsidy while living there. If the person chooses to move out of the development, the subsidy will be provided for the next qualified resident that moves into that unit.

What is an Expiring Section 8 Contract?

The term “expiring contract” refers to the project based Section 8 contract between a building owner and HUD which is coming to the end of its term.

When a contract expires, the rent subsidy is no longer guaranteed. Contract expiration impacts the owners because they have relied on this source of revenue to pay their mortgages and operating costs. Residents are impacted because the subsidy contract is what provides their monthly rental assistance.

What happens when a Section 8 contract expires?

When a contract expires, owners may choose to renew their contracts for up to five years while the rents are adjusted. In addition, they may renew on a one-year basis without restructuring the debt, or they may renew with debt restructuring, or they may opt-out of the contract altogether. As long as a contract is in place, residents will continue to receive a subsidy.

If the owner chooses to opt-out of the program, the project based subsidy will not longer be available. HUD protects the resident by providing them with a tenant-based Enhanced Voucher, which will allow the resident to remain in their current unit if the property remains rental. If the property does not remain rental or the resident wants to move, the resident will receive a tenant based voucher.

How will residents know if the Section 8 Contract is Expiring?

Owners are required to provide residents with 12 month notification prior to expiration when the owner intends to terminate the contract. This notice is a requirement of the Illinois Federally Assisted Housing Preservation Act – which also offers Tenant Associations the opportunity to purchase the buildings within certain parameters.

What action can residents take to keep their homes affordable?

Form a Tenant Association now. Be aware of the expiration date so that you can take action BEFORE you receive a 12-month notice.

ILLINOIS PRESERVATION ACT



Purpose of Act is to provide tenants and public agencies with 12 month notice that an owner is intending to take an action that will result in terminating rent restrictions. The Act lays out a timeline for tenant associations to make an offer to purchase the property and keep it affordable.

1. Requires that 12-month notice be given to tenants and public entities when owner intends to sever affordability restriction.
2. Provides opportunity for tenants to form a Tenant Association for the purpose of purchasing the property(s) and/or to partner with a developer that will maintain the affordability restrictions.

Timeline Example

Lovely Acres Apartments, expiring 12/31/2007

	Legislative Guidelines	Practical Considerations
12/31/2006	Owner gives notice to tenants and to IHDA www.ihda.org 312-836-5200	Tenant Association in formation
By February 29, 2007	Tenants have 60 days to notify Owner of existence of Tenant Association (51% of tenants) and designates representative developer	Assess development options and form partnership with developer.
By April 29, 2007	Within next 60 days, Owner must provide an offer for sale to the Tenant Association	Assess offer for sale and analyze development purchase options
By July 30, 2007	Within 90 days of receiving offer for sale, Tenants shall notify Owner of intent to purchase.	Complete financial feasibility analysis and predevelopment financing package.
By October 31, 2007	Within 90 days, Tenants shall provide Owner with a purchase contract.	Complete purchase contract and development agreements.
	Tenant Association agrees to closing date 90 days from signing of purchase contract with owner.	Work in partnership with new developer

ILLINOIS PRESERVATION ACT

Illinois Federally Assisted Housing Preservation Act – An Overview

Prepared by the Irwin Askow Housing Initiative

Edwin F. Mandel Legal Aid Clinic

University of Chicago Law School

The Act

- ⇒ Enacted July 14, 2004
- ⇒ Codified at 310 ILCS 60/1
- ⇒ Available at www.ilga.gov – use link for Illinois Compiled Statutes

Purpose of the Act

- ⇒ Preserves rental buildings at risk of exiting the affordable housing system
- ⇒ Upon certain triggering events, the Act gives Tenant Associations new rights to purchase their buildings in order to keep them affordable, rental housing
- ⇒ Tenants may act on their own, in partnership with a developer that they select, or assign their rights to a developer that they select

What buildings are covered?

- ⇒ Rental housing, or mixed use with rental
- ⇒ Section 8
- ⇒ HUD mortgage insurance and interest reduction programs – e.g. Section 221(d)(3), Section 236
- ⇒ Section 101 rent supplement program
- ⇒ Section 202 program
- ⇒ Low income housing tax credit properties
- ⇒ Rural rental housing (Section 514, 515)

Triggering events

- ⇒ “Prepayment” -- of HUD insured mortgage
- ⇒ “Termination” -- expiration or early termination of Section 8 contract or Low Income Housing Tax Credit affordability restrictions
- ⇒ sale

Not triggering events

- ⇒ government taking by eminent domain or negotiated purchase
- ⇒ forced sale pursuant to a foreclosure
- ⇒ transfer by gift, devise or operation of law
- ⇒ an owner's sale or other disposition of assisted housing when the property after the sale or other disposition continues to be assisted housing

If triggering event happens, then . . .

- ⇒ Tenant association (must represent majority of tenants) has the right to purchase the building
- ⇒ Tenant association may designate, by contract, a not-for-profit corporation or private purchaser to purchase the building, who then assumes tenants' rights under the Act
- ⇒ Tenant Association/Developer Agreements
- ⇒ “agreement with a not-for-profit corporation or private purchaser in which the not-for-profit corporation or private purchaser agrees to represent the residents and maintain the development in a manner that preserves the housing development's existing affordability restrictions or that would qualify the housing development as affordable housing as defined in the Illinois Affordable Housing Act.”
- ⇒ must set forth the minimum length of time that the affordability restrictions will be in effect
- ⇒ Tenant Association and individual tenants have right to sue to enforce the agreement

Appraisal process

Appraisal of property's fair market value, based on its highest and best use, without affordability restrictions

Tenant association and owner each pick their own appraiser

If first two appraisals differ, then split the difference or jointly select a third appraiser whose appraisal shall be binding

Enforcement

Tenant association and individual tenants have right to sue owner for violations of the Act

An owner found to have violated any provision of this Act shall, in addition to any other damages, pay a civil penalty to each tenant in the assisted housing in the amount of \$500 per tenant, and shall also pay the attorney's fees and costs incurred in bringing the action .

MODEL NOTICE OF INTENT

JAN.23.2006 17:19 3122366543

Stuart Fendler Real Estate

11211 P.006

NOTICE OF INTENT TO TERMINATE SUBSIDY

Name of Property: Shorewind Apartments

Address of Each Building Included in Property: 7000 S South Shore Drive
2373 East 70th Street

Owner: Shorewind, LLC

Property Description: 16 story residential high rise building with 179 apartments

Number of Occupied Units: 168

Anticipated Date of Termination of HUD contract: 1-31-07

Affordability Restrictions: none

Owner/Contact Information: TLC Management Co. 205 W Randolph Chicago IL
60606

312.553.9070

THIS IS NOT AN EVICTION NOTICE. It is a notice to advise all tenants in the property identified above that one of the following actions with respect to the above property will take place on the date referenced above:

- (i) the sale or other disposition of the property;
- (ii) the prepayment or refinancing of a federally insured or federally held mortgage secured by the property;
- (iii) the termination of the property's participation in a federal subsidy program for assisted housing.

This notice is to advise you that the Federally Assisted Housing Preservation Act [310 ILCS 60] gives you certain rights. Tenants living on the property may form a tenants association and negotiate with the owner to purchase the property, subject to certain restrictions. Tenants may also enter into an agreement with a not-for-profit corporation or other entity to represent them in negotiations with the owner. If the negotiations are successful, the tenants association can buy the property. A more detailed discussion of the provisions of the law is attached to this notice as Exhibit A.

If you have any questions with regard to this notice, please contact the following individual at the number listed:

Nancy Farrell

312.553.9070

Dated: 12-15-05

01/23/2006 04:45PM

OWNERS AND MANAGERS

Learning Objectives:

1. Understand resources available to owners:
 - ⇒ County
 - ⇒ City
 - ⇒ State
 - ⇒ Federal
2. Learn of the Il Preservation Act

NOTES:

HUD TENANTS

Learning Objectives:

1. Importance of Tenant Associations
2. Understanding the Illinois Preservation Act as a Tool
3. The roles of stakeholders and how to work with them

NOTES:

LEADERS AND ORGANIZERS

Learning Objectives:

1. Understanding tools and strategies for preservation
 - ⇒ The Preservation Act and Importance of Tenant Associations
 - ⇒ Community Ownership and Mutual Housing
 - ⇒ Community Agreements
 - ⇒ Partnership with Preservation Purchasers

NOTES:

COMMUNITY RESOURCE PEOPLE

Learning Objectives:

1. Understand the Preservation Crisis
2. Learn about the Illinois Preservation Act
3. How to support tenants' and their efforts to create Associations
4. Learn of resources for technical assistance.

NOTES:

TENANT ASSOCIATIONS

WHY ORGANIZE A TENANT ASSOCIATION?

1. A Sense of Community
2. Unity=Strength=Protection=Support
3. Establishes influence to resolve conflicts
4. Under the II Preservation Act, forming an Association offers the opportunity to protect your affordable home.

HOW CAN I FORM A TENANT ASSOCIATION?

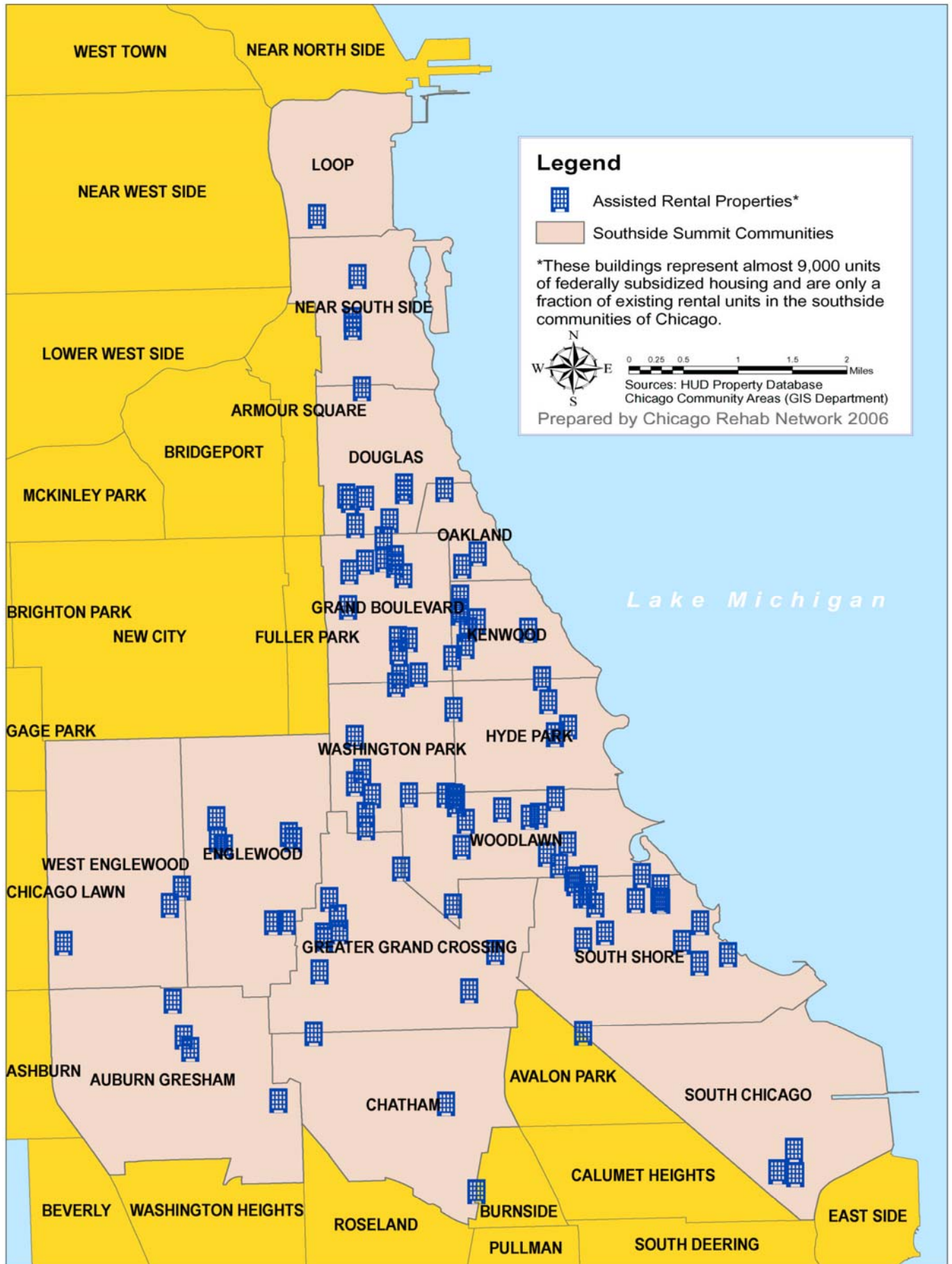
- Step 1 Get others involved. Talk to fellow tenants about the need to discuss common concerns, issues or problems.
- Step 2 With a Core group of residents, select a date for first meeting. Make calls, knock on doors, and/or pass out flyers. This Core group can serve as the Steering Committee.
- Step 3 Under the Illinois Preservation Act, an Association (representing 51% of all tenants) can exercise the right to preserve your housing affordability if the owner intends to terminate subsidy.
- Step 4 A key goal of the Tenant Association should be to have 51% of the tenants as members of the Association. This will comply with the requirements of the Act.

THE TENANT ASSOCIATION IS A VEHICLE TO PRESERVE AND IMPROVE YOUR HOME

Actions the Steering Committee must take:

- ⇒ CALL for support — local community organizations or the Chicago Rehab Network
- ⇒ REQUEST assistance to navigate obstacles and bureaucracy
- ⇒ KNOW your expiration date
- ⇒ CONNECT with your local elected officials (alderman, state rep, congressman)
- ⇒ GET training
- ⇒ MEET with your management company and the owner to discuss his/her intentions

Southside Assisted Rental Housing



SUMMIT CO-CONVENERS



Butler-Linden Apartments

CLARETIAN ASSOCIATES * CHICAGO REHAB NETWORK * FIRST CONGRESSIONAL DISTRICT HOUSING COMMITTEE * GENESIS HOUSING DEVELOPMENT CORPORATION * GREATER AUBURN GRESHAM DEVELOPMENT CORPORATION * INTERFAITH OPEN COMMUNITIES * KENWOOD OAKLAND COMMUNITY ORGANIZATION * QUAD COMMUNITIES DEVELOPMENT CORPORATION * REBIRTH OF ENGLEWOOD * THE RENAISSANCE COLLABORATIVE * THE STUDENT/TENANT ORGANIZING PROJECT * TEAMWORK ENGLEWOOD * WOODLAWN COMMUNITY AND NEIGHBORS * WOODLAWN DEVELOPMENT ASSOCIATES