



A Brief Budget Commentary On Affordable Housing

This brief is focused on strengthening city responsiveness to housing affordability for Chicagoans. The city has made important strides, but as our Affordable Housing Fact Book Update (Fall 2005) indicated, housing real estate costs are outpacing earnings three to one.

In the last several years, affordable housing has become a key priority for the City as articulated in the Plan to End Homelessness, *Build Preserve and Lead*, and the CHA Plan for Transformation. These commitments require continued diligence and increase resources. Only an infusion of resources, along with greater leveraging and accountability of existing resources, can the City meet its' obligations to fulfill these three substantial plans successfully.

After our recommendations, find attached our Policy Platform from Chicago Rehab Network's *Affordable Chicago: The Next Five Year Housing Plan 2004-2008* which can serve as a good checklist towards affordable housing-friendly policies.

New Resources

1. Department of Housing funding from the 2006 Preliminary Estimate is reported at \$15.34 million dollars.

In comparison to other Departments reporting over \$1 million in increases such as those in Business Information Services, Finance, Law, Revenue, Fleet Management, Business Affairs and Licenses, Streets and Sanitation, and Finance General, DOH has an increase of approximately \$100,000 from the 2005 estimated year end figures.

CRN recommends an increase in the annual corporate contribution to the Department of Housing commensurate with the annual % increase of the Transaction Tax. Pegging an annual housing increase to the Transaction Tax is a reasonable way of leveraging resources based on the changing dynamics of the real estate market. According to the 2006 Preliminary Budget, this increase is expected to hit at 17.9%. A parallel increase of DOH budget would add \$2.7 million dollars towards the Department's housing resources.

2. **In order to preserve those affordable rental units and prevent the risk of deteriorating stock, CRN recommends that \$1 million dollars, restricted and time-limited, be allocated to the CLIHTF.** Nonprofits that substantiate both utility increases and insufficient reserves will be able to request grants from this \$1 million pool through the heating season.

The Skyway Fund has provided for several targeted new housing commitments over the last year regarding the Plan to End Homelessness and most recently with the responsive and forward-thinking \$5 million increase to LIHEAP. Increased heating costs for winter 2005-2006 are widely expected to be significant.

Many nonprofit owners of affordable housing are responsible for paying utilities and thus the costs will not be passed on to low income tenants. However, LIHEAP is a resource that can only be tapped by individual households. Thus significant numbers of affordable housing owners will be struggling to pay up to 70% increases in their winter heating bills. Nonprofit owners are both financially-accountable and mission-driven; a significant guarantee for long term affordability.

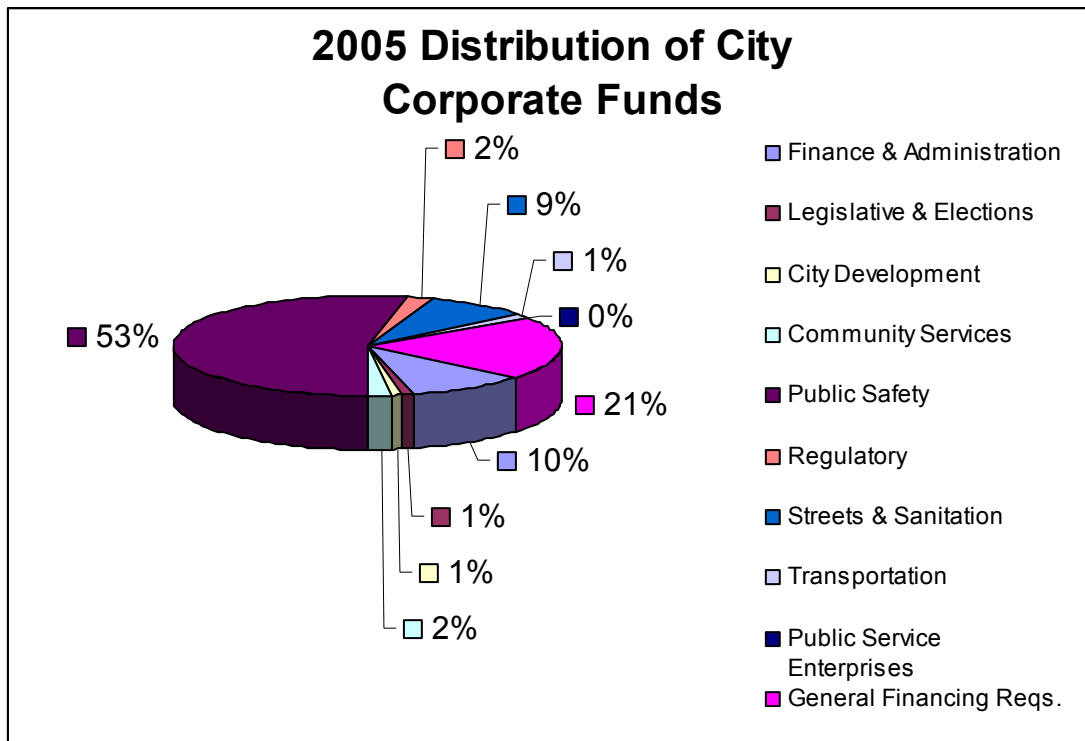
Leveraging and Accountability

The Committee on Housing and Real Estate currently oversees the progress of the Department of Housing as it pertains to the 5-year housing plan. As funding goals and priority programming have shifted, we suggest a broader role for the Committee which takes into consideration these significant funding requirements.

1. The Committee should ensure appropriate oversight for the CHA Plan for Transformation and the Plan to End Homelessness. To the extent that the Department of Housing is responsible for outcomes related to these two plans, including personnel resources and federal grants, progress reports regarding these plans should be included in the quarterly reporting that the Department of Housing provides to the Committee.
2. The Chicago Low Income Housing Trust Fund will be going through significant growth due to the passage of the Statewide Rental Housing Subsidy Bill. As their assets increase, there must be greater accountability between the CLIHTF Board of Directors and the Committee. This would allow for greater integration with City programming, evaluation of intended benefits, and identification of priorities.
3. Over the past several years, the City has acted to encourage private investment to benefit affordable housing outcomes. These new programs and policies (CPAN, Zoning bonuses, the Affordable Housing Opportunities Fund, and other developer requirements) are cross-departmental and require the cooperation and leadership that must extend beyond the strong leadership from the Department of Housing. The Committee should begin to expand its jurisdiction over these real estate matters in order to assure maximum public benefit.

- The City has several key tools to assure a quality affordable housing stock: land, city corporate resources, and federal dollars. Land disposition policies and accountabilities need to be clarified in order to meet City's housing goals, which would necessitate the involvement of the Departments of Planning and Development and Zoning and their disposition and policies and protocols. Currently city procedures often result in processes which actually increase the cost of development, home sales, and rent levels. City land which is sold to nonprofit developers from DPD for thousands of dollars actually results in DOH allocating more federal dollars to cover development costs – all which undermine affordability. An immediate evaluation of land disposition protocols and interdepartmental processes, with a prioritization towards affordable housing, would be effective in strengthening the city's limited resources in meeting the needs of low income Chicagoans.

All city functions are critical to a strong urban fabric. Given the pace of the real estate market and its impact on affordability, an increase in the City Development funding is warranted. The City Development category includes the Departments of Housing, Cultural Affairs, Planning and Development, and the Mayor's Office of Special Events. In 2005 City Development category was the smallest recipient of Corporate Funds.



* Source: 2005 City of Chicago Budget. Total Corporate Funds of \$2,789,438,000.

Policy Recommendations

A sound and comprehensive policy-setting process should result in the identification measures that we believe will result in success. The unit and overall spending goals set in 1998 were met in general. However, particular priorities for spending those resources were not identified, nor were benchmarks set for improvements in particular neighborhoods. To address the uneven development patterns that have occurred we are calling for a place-based approach to neighborhood investment that requires a prioritization of resources based on local neighborhood assets and needs.

CRN recommends that a specialized task force of city elected officials, staff of the relevant city departments, community-based organizations and developers, advocates, and neighborhood leaders join together to adopt a policy framework to guide affordable housing development in Chicago. This effort should provide a structure and process for investment of public and private dollars, while also remaining flexible and responsive to local needs.

Our analysis shows that a comprehensive and coordinated City approach is required. The Departments have few formal processes in place to maximize their efforts in any given neighborhood. Two overarching principles should guide all housing investments: *affordability and long-term preservation of the affordable housing stock*.

Coordinate neighborhood development among city departments to prioritize affordable housing in all city policy-making. Provide coordinated access to the full planning and development capacities of city government. This should include Planning and Development, Buildings, Zoning, Permits, the Chicago Housing Authority, the Chicago Transit Authority, and the Chicago Public School system. Analyze and improve all land acquisition and disposition policies to ensure their consistency with affordability of the housing stock.

Prioritize nonprofit developers in all funding and resource allocations, including the assignment of an expeditor to fast-track nonprofit proposals.

Preserve the existing stock of multifamily rental housing in all areas. Provide incentives for existing owners to renew government contracts, granting capital

improvements for the older assisted stock, and restructuring debt where affordable units are at risk.

View neighborhoods from a community-based asset framework. Current residents should benefit from investment and development. Incentives and protections for long-term residents must be prioritized in all development decisions.

Convey land at no cost to nonprofit developers to maximize long term affordability. Current policy adds unreasonable costs to the development of both single family and multifamily affordable development.

Use the City of Chicago median income to better target public dollars, as opposed to the metropolitan area median. Alternatively, the City should commit to re-setting the income targets as proposed on page 11.

Consider unused industrial and commercial sites for conversion to affordable residential purposes. Encourage mixed use rehabilitation as a source of traditional affordable housing.

Waived fees and expedite processes for any developer of affordable housing. Stakeholder review of internal funding processes suggests the need to reduce development costs through advanced collaboration that prioritizes affordable housing in other City departments to best leverage scarce public resources.

Use land trusts and cooperative models to prevent displacement in both gentrifying areas and areas with lower household income. This policy will encourage homeownership opportunities for households that cannot qualify for conventional financing.

Preserve and bank public land for affordable housing development in areas that are Booming, Bursting, and Filling. Public land in all neighborhoods should be considered for affordable housing before being identified for other uses, including land that is zoned for industrial and commercial uses.

Establish project-funding criteria. Prioritize nonprofit developers, large units for families, income targets that are in line with neighborhood market rents, and protections for long-term residents. Initiate a Qualified Allocation Planning process to guide the distribution of funds, and the impact on particular neighborhoods.
