



Analysis of the Second Quarter 2015 Housing Report

Bouncing Back: Five Year Housing Plan, 2014-2018

Presented September 8, 2015

INTRODUCTION – Chicago Rehab Network is pleased to present our review of the Department of Planning and Development’s second quarter of 2015 Housing Progress Report to the members of the Committee on Housing and Real Estate and Chicago City Council at large. Further, we congratulate David Reifman on being newly named Commissioner of the Department of Planning and Development during this important moment for the city. While in private practice, Commissioner Reifman helped achieve many positive steps for community economic development in Chicago; we hope that these experiences will help him guide DPD at a time when diminished resources, record housing insecurity, and economic inequality challenge all our neighborhoods. It was heartening to see the Mayor instruct his newest commissioner to meet with neighborhood advocates to address local planning concerns at the first budget town hall August 31. We hope that this high level of responsiveness to community concerns and neighborhood stakeholders will be characteristic of Commissioner Reifman’s tenure with the City.

As the City and indeed all Chicagoans struggle with how to resolve the current budget crisis, it is critical that elected and appointed officials engage with neighborhood groups and maintain a commitment to continuously promoting an equity agenda that includes quality affordable housing for all our neighbors who seek it. Although we are facing an extremely difficult fiscal situation, the City cannot allow these challenges to further reduce local housing funds in FY2016. Illinois is currently facing a 93% reduction in federal HOME Investment Partnership dollars, a gutting that effectively eliminates this key source of equity. Millions of HOME dollars have been consistently put to work by DPD in developments like Town Hall Apartments, Pullman Wheelworks, Shops & Lofts at 47th, Zapata Apartments and Casa Queretaro. The loss of these funds would mean a serious reduction in resources to support similar projects. On top of this, the Illinois Affordable Housing Tax Credit, which has provided equity for recent developments ranging from Dorchester Artist Housing to Buffet Place, requires renewal by the Illinois Legislature in order to survive sunset in 2016.

According to the most recent data, nearly half a million households in Chicago are living in housing insecurity¹. The City’s leadership is needed to protect and grow funding in the affordable housing

¹ In 2013, 466,833 households in Chicago were estimated to be paying more than 30% of their income for housing costs. U.S. Census Bureau 2013 American Community Survey 5 Year Estimates - B25106

production and preservation pipeline in order to meet the pressing needs of our city's families, seniors, veterans and people with disabilities.

Analysis of Second Quarter 2015 Housing Activities

Since 1994, the Chicago Rehab Network has analyzed the City of Chicago Department of Planning and Development's quarterly housing reports, which are produced in accordance with the City's five year housing plans and follow the Housing and Community Jobs Ordinance. This report covers the second quarter of 2015.

EXECUTIVE SUMMARY

- Through the second quarter of 2015, DPD reached 60% of planned spending on this year's housing goals, investing \$151.4 million on affordable rental, home ownership and preservation goals.
- City support impacted 702 new construction or rehab affordable apartment units (including units produced through multifamily projects, the Neighborhood Stabilization Program and inclusionary zoning ordinances) through 2015-Q2. This is 55% of the annual goal.
- Of the net-new units committed in 2015-Q1, 44% were for families, 12% were for seniors and 7% were for veterans. 68 units (10%) across two developments will be reserved for CHA tenants.
- Of the net-new rental units, the majority (65%) were for households making 50-60%AMI, or between \$38,000 and \$45,600 per year for a family of four.
- Four new affordable apartment developments were greenlighted by DPD in the second quarter: two family, one senior, and one mixed-income.
- The updated Affordable Requirements Ordinance will come into effect October 13, 2015.
- Six SROs have noticed an intent to sell under the city's SRO Preservation Ordinance so far in 2015. Four out of these six have already passed out of the 180-day preservation period into the open real estate market.
- DPD updated quarterly reporting practices to include more information on accessible units but still lacks information about the income limits for these units.

AFFORDABLE RENTAL UNIT PRODUCTION SUMMARY– Through the end of the second quarter of 2015, the Department of Planning and Development has reached 60% of their annual resource allocation goal (table 1). However, strong performance overall belies some weakness in homeownership and preservation initiatives, which have each reached less than 40% of their funding and units-served goals. For example, only 36 out of a planned 200 households have received Tax Smart mortgage certificates through City partners and only 29 out of a planned 200 households have received repair grants through the TIF-Neighborhood Improvement Program through the second quarter of 2015.

Table 1 – Affordable Housing Dollar Commitments Compared with Annual Goal, 2015 YTD

	Rental Investments	Ownership Investments	Improvement and Preservation Investments	Total Investments
First Quarter Commitments	\$64,452,284	\$7,357,028	\$2,015,462	\$73,824,774
Second Quarter Commitments	\$69,386,843	\$4,914,601	\$3,342,640	\$77,644,084
YTD Commitments	\$133,839,127	\$12,271,629	\$5,358,102	\$151,468,858
Total Funds Anticipated by Year End	\$206,436,492	\$33,048,328	\$14,648,694	\$254,133,514
Percent of Goal Met Through Q2	65%	37%	37%	60%

Source: CRN analysis of DPD 2015 Second Quarter Progress Report

The City’s progress toward its annual unit commitment goals mirrors its progress toward resource allocation goals, with affordable rental programs reaching 75% of the annual goal through the second quarter. The reason that the units committed figure for Q1 is so much larger than in Q2 is that annual rental subsidies for extremely low-income households² through the Chicago Low-Income Housing Trust Fund (CLIHTF) are counted in the first quarter. This year, CLIHTF awarded annual rental subsidies to 2,809 households in Q1. Holding these aside, DPD funded 732 units in Q1—very similar to the 699 units the City pledged to support in Q2.

Table 2 – Affordable Housing Unit Commitments Compared with Annual Goal, 2015 YTD

	Rental Units*	Ownership Units	Improvement/ Preservation Units	Total Units
First Quarter Units	3,541	77	278	3,896
Second Quarter Units	699	103	481	1,283
YTD Units	4,240	180	759	5,179
Total Units Projected by Year End	5,625	473	2,137	8,235
Percent of Goal Met Through Q2	75%	38%	36%	63%

Source: CRN analysis of DPD 2015 Second Quarter Progress Report

The CLIHTF is an important, flexible source of public-private housing support for some of the most vulnerable families in our city. However, counting these units in the same way as new construction or rehabilitation projects receiving City support obscures the number and proportion of new projects moving forward in any quarter. To get a clearer look at net-new affordable rental units funded by the City through non-profit and for-profit developers so far in 2015, CRN strips away CLIHTF subsidies and

² CLIHTF supports some of Chicago’s vulnerable households through rent subsidies to private landlords. The program targets households earning less than 30% Area Median Income, (\$24,250 for a family of four; \$16,000 for an individual) as well as households earning less than 15% Area Median Income (\$11,400 for a family of four; \$7,980 for an individual).

two key preservation programs that do not directly add to the affordable housing stock in Chicago (table 3).

Table 3 – Net-New Affordable Housing Unit Commitments in Comparison with Annual Goal, 2015 YTD

	Total Units Projected by Year End	Total Units Committed YTD
Total Subsidized Rental Units	5,625	4,240
<i>Less Rental Subsidy Units</i>	<i>3,000</i>	<i>2,791</i>
<i>Less Heat Receivership Units</i>	<i>600</i>	<i>364</i>
<i>Less MF Troubled Building Initiative Units</i>	<i>750</i>	<i>383</i>
Net New Rental Units**	1,275	702

Source: CRN analysis of DPD 2015 Second Quarter Progress Report

In order to calculate how many units receiving City funds this quarter expand the net availability of income-limited apartments, the Rehab Network starts with the City’s projected number of rental units planned to receive subsidy this year (5,625), as well as the City’s report of units completed so far to date (4,240). We then subtract the units covered by those housing programs that are not constructing or rehabilitating rental housing, including rental subsidies under the CLIHTF (-2,791³). Next, we compare year-to-date units actually funded (702) with the number of new construction or rehab units the City plans to fund in 2015 (1,275). Looking at the production numbers in this stripped-down way lets us understand how many affordable rental units are actually being added in Chicago throughout the year.

From this stripped down analysis, we see that the City has provided resources for 702 net-new affordable rental units so far in 2015 (table 3). This is right on track for the second quarter: 55% of projected net-new units for 2015. Of these 702 units, the vast majority were for households making less than 60% Area Median Income (\$45,600 for a family of four; \$31,920 for individuals). In addition, 71 of these units (10%) are intended for households making more than the Area Median—37 for families making up to 120%AMI through the Neighborhood Stabilization Program and 34 units that comprise the market rate component of mixed-income developments⁴ (table 4).

Moving forward, DPD should consider refining reporting standards to remove income-unrestricted units from headline affordable housing statistics, as these units by definition are not affordable.

³ CLIHTF subsidies were removed from 18 units in Q2, dropping the total number of households assisted from Q1 (2,809).

⁴ This figure includes one janitor’s unit at 65th Infantry Regiment Veteran’s housing.

Table 4 – Incomes Served by Net-New Affordable Multifamily Developments, 2015 YTD

	Net-New Affordable Rental Units	Share of Total Units Produced Per Income Bracket	
<i>income of tenants served</i>	0-15% AMI	-	0%
	16-30% AMI	61	9%
	31-50% AMI	133	19%
	51-60% AMI	437	62%
	60-80% AMI	-	0%
	81-100% AMI	-	0%
	101+% AMI	71	10%
	YTD Units Committed	702	100%
Total Units Projected by Year End	1,275		
Percent of Goal Met	55%		

Source: CRN analysis of DPD 2015 Second Quarter Progress Report

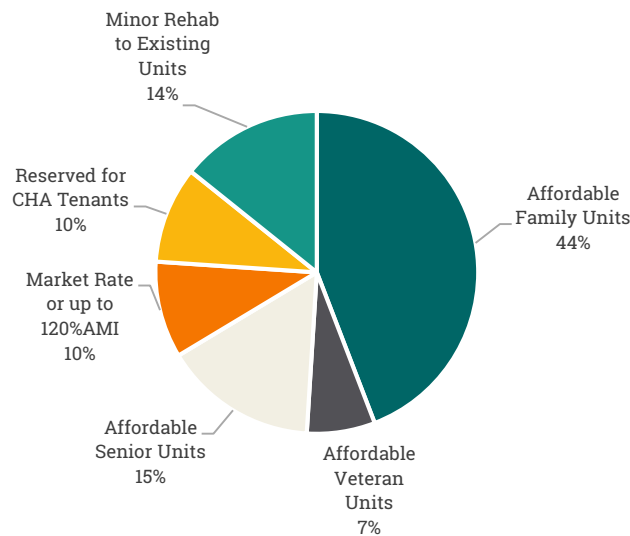
Taking a deeper look at the source of these net-new units sheds some light on the different kinds of developments achieved through City initiatives (table 5). Through the second quarter, 44% of units planned will serve families, 15% will serve seniors, 7% will serve veterans, and 10% will be reserved for CHA tenants (chart 1). All of these development types are important in our communities. CRN appreciates the Department’s commitment to investing in the diverse housing types needed to meet the challenges on the ground in neighborhoods, with a special recognition of increased attention to funding family housing.

Table 5 – Sources of Net-New Affordable Apartments, 2015 YTD

Quarter	Source of Units	Units
Q1	ARO Rental Units Covenanted	24
Q1	Multifamily Neighborhood Stabilization Units	67
Q1	65th Infantry Regiment Veteran's Housing - Affordable	49
Q1	Park Place Family Apartments - Affordable	78
Q1	Hilliard Homes Window Replacement ⁵	100
<i>Subtotal, Q1</i>		318
Q2	ARO Rental Units Covenanted	11
Q2	Multifamily Neighborhood Stabilization Units	6
Q2	Harvest Homes - Affordable	36
Q2	Jeffrey Towers Apartments - Affordable	92
Q2	Jeffrey Towers Apartments - CHA	43
Q2	Montclare Senior Residences SLF of Lawndale - Affordable	108
Q2	Montclare Senior Residences SLF of Lawndale - Market	12
Q2	City Gardens - Affordable	30
Q2	City Gardens - Market	21
Q2	City Gardens - CHA	25
<i>Subtotal, Q2</i>		384
Total Net-New Units YTD		702

Source: CRN analysis of DPD 2015 First and Second Quarter Progress Reports

Chart 1 – Net-New Affordable Apartments by Population Served, 2015 YTD



Source: CRN analysis of DPD 2015 First and Second Quarter Progress Reports

⁵ DPD and CHA are providing funds for the historically appropriate replacement of windows in 100 units at the Bertrand Russell-designed Hilliard Homes for about \$10,000 per unit.

DEVELOPMENT SUMMARIES - City Council approved funding for four developments during 2015-Q2:

Harvest Homes

Harvest Homes Apartments will be constructed through a partnership between People’s Community Development Association of Chicago (PCDAC) and Washington D.C.-based The NHP Foundation. PCDAC is an initiative of the People’s Church of the Harvest Church of God in Christ, which is located on the same block as the Harvest Homes site. These infill apartments, soon to be located near South Central Park Blvd and West Jackson Blvd, will bring 36 new two- to four-bedroom units across 4 three-story buildings in the East Garfield Park portion of the 28th ward. Half of the units in the project will be accessible to people with disabilities and will target families at 30% to 60% of area median income. In support of this development, City Council has approved \$1 million in TIF funds and LIHTCs generating \$10.7 million in equity.

Income Targets:

- 7 two-, or three-bedroom units at or below 30% of AMI
- 9 two-bedroom units at or below 50% of AMI
- 20 three- or four-bedroom units at or below 60% of AMI

Total Development Cost: \$12.6 million

Cost Per Unit: \$350,861

Jeffery Towers Apartments

Interfaith Housing Development Corporation will rehab the historic Jeffery Towers Apartments in South Shore near 71st and Jeffery Blvd. Renovations in the 1920’s-era building will include a new building systems, repairs to brick façades, replacement of bathroom and kitchen fixtures, exterior and interior ramps, as well as mechanical and elevator repairs. 43 units in this 135 unit building will be reserved for CHA tenants through project-based section 8 contracts. 6 Jeffery Towers units will be able to serve extremely low-income individuals through a \$500,000 investment from the Chicago Low-Income Housing Trust Fund’s Multi-Year Affordability through Up-Front Investment (MAUI) program. The City is supporting this development with \$6.5 million in Housing Revenue Bonds and 4% LIHTCs contributing over \$6 million in equity.

Income Targets:

- 6 studio or one-bedroom units at or below 30% AMI
- 41 studio units at or below 50% AMI
- 45 one-bedroom units at or below 60% AMI
- 43 studios or one-bedrooms reserved for CHA tenants

Total Development Cost: \$17.2 million

Cost Per Unit: \$127,187

Montclare Senior Residences SLF of Lawndale

On June 17th, City Council approved the final piece of the financial package to MR Properties LLC for the construction of a 120-unit senior supportive-living facility in the North Lawndale portion of the 24th Ward. The five story mixed-income building, which will be located near South Kostner and West

18th St, will include studio and one-bedroom units as well as a library, a laundry room, a beauty shop, an outdoor patio, a landscaped courtyard, and onsite parking. Residents will also receive onsite supportive services, including housekeeping, meals, recreational programming, and health and wellness services. City support for this development includes a \$220,000 land write-down for City-owned vacant project parcels, a \$3 million multifamily loan, \$2 million in TIF funds, and LIHTCs generating \$10.2 million in equity.

Income Targets:

- 13 studio or one-bedroom units at or below 30% AMI
- 95 studio or one-bedroom units at or below 60% AMI
- 12 studio or one-bedroom units at market rate

Total Development Cost: \$27.6 million

Cost Per Unit: \$230,059

City Gardens

The site of the former Maplewood Courts will be redeveloped under the Plan for Transformation into City Gardens, a new construction mixed-income rental community in the Near West Side. Through a partnership between Brinshore and Michaels, City Gardens will split 76 units over seven three-story walk-up buildings—25 units of which will be reserved for CHA tenants. Amenities will include a 3,100-square-foot community center surrounded by a garden, a children’s play area, grilling/picnic area, open green space, a recycling center, and onsite parking. Green features will include the use of permeable pavers, rain gardens, 32 spaces of bike parking, and energy start appliances throughout. City Council will provide financial assistance for City Gardens in the form of \$3.2 million in TIF funds and LIHTCs generating \$16.5 million in equity.

Income Targets:

- 25 one-, two-, three-, and four-bedroom units at 30% of AMI (CHA replacement units)
- 5 one-, two-, and three-bedroom units at 50% of AMI
- 25 one-, two-, and three-bedroom units at 60% of AMI
- 21 one-, two-, and three-bedroom units at market rate

Total Development Cost: \$28.4 million

Cost Per Unit: \$373,733

Policy Updates

[AFFORDABLE REQUIREMENTS ORDINANCE ENHANCEMENT TO ROLL OUT OCTOBER 13](#) – Next month, new rulemaking will take effect through the revised Affordable Requirements Ordinance (ARO). Last year, DPD convened a diverse development industry task force co-chaired by CRN Board President Joy Aruguete to update Chicago’s inclusionary zoning rules. Through a consultative process, the task force recommended updates to the ordinance that included requiring that some units be built on site in developments receiving benefits from the City, closing a loophole in ordinance language with respect to the Downtown Density Bonus, and tiering the “in lieu of units” fees developers can pay to opt out of a portion of the affordable housing for which they are responsible. City Council passed this update to the ordinance in March of this year.

Although several things will change through this revision of the ARO, one thing will not: the ARO continues to be a voluntary program wherein developers agree to be responsible for at least 10% affordable units in exchange for a benefit they have applied for and received from the City. The Homebuilders Association of Greater Chicago along with Hoyne Development has brought suit (2015-CH-12866) against the City of Chicago alleging that the requirements of the ARO constitute an unconstitutional “takings” of developers’ assets. CRN supports the City and commends the promise from the Mayor’s Office to “defend our ordinance vigorously⁶.”

The enhanced ARO is a win for Chicago and an example of stakeholders working together to generate solutions to our city’s pressing problems. The monies generated from these new ARO fees—whether \$175,000 or \$50,000 per unit—will all go into the Affordable Housing Opportunity Fund (AHOF) to support extremely low-income renters through the Chicago Low-Income Housing Trust Fund and to support DPD’s low-cost loans to developers of affordable housing. Since 2003, the ARO and Density Bonus together have generated over \$73.6 million for the AHOF. The enhanced ordinance promises to increase these resources while also achieving the goal of building units onsite.

Moving forward, it will be important to continue to build the local capacity—among developers, community development practitioners and elected officials—to understand and use the updated ARO to help create ample housing choice across Chicago. We attach as an appendix to this report both a FAQ and a flow chart of the rights and responsibilities of developers under the revised ordinance.

SINGLE ROOM OCCUPANCY (SRO) PRESERVATION ORDINANCE ACTIVITY - One new property has triggered the Notice of Intent to Sell or Transfer Property under the Single Room Occupancy Preservation Ordinance (Chicago Municipal Code Title 5 / Chapter 5-15) since DPD’s last quarterly hearing. 2611 N Sawyer in Logan Square joins the Mark Twain Hotel in the Gold Coast in the preservation period. **Since the beginning of 2015, four SROs have been lost: 2001 N. California, the Marshall Hotel, the Carling Hotel, and the Darlington Hotel.**

SROs in Currently in the Preservation Period:

Notification: September 1, 2015

End of SRO Preservation Period: February 26, 2016

2611-15 N. Sawyer in the 35th Ward

Contact: Dawn Overstreet / Sperry Van Ness | 312-756-7335

Notification: April 17, 2015

End of SRO Preservation Period: October 14, 2015

Mark Twain Hotel at 101-13 W. Division in the 27th Ward

Contact: Laura Eisenberg | 702-860-5777

⁶ <http://www.chicagotribune.com/business/ct-affordable-housing-lawsuit-0829-biz-20150828-story.html>

2611 N Sawyer, which bills itself as “some of the nicest furnished rooms for rent in Chicago⁷,” is a perfect example of the type of property the SRO Preservation Ordinance was designed to protect: it is steps from the blue line in rapidly gentrifying Logan Square and appears to be in excellent physical condition⁸.

Interior and exterior shots of 2611 N. Sawyer:



The City’s leadership is needed to convene a conversation around and generate solutions to impediments to mission-based organizations making use of the preservation period to divert SRO units from condo conversion. Identifying impediments and generating strategies to overcome them will help increase the capacity of preservationist to take advantage of the 180 day waiting period and requirement for “good faith negotiations” in the ordinance. Without these gap-filling measures, the SRO preservation periods will pass unused and the city will continue to hemorrhage SRO units at a time when the demand for affordable housing is at a record high.

NEW REPORTING: ACCESSIBLE UNITS – CRN appreciates the responsiveness of DPD in Q2 for responding to calls from CRN and allies to include more detailed reporting on affordable, accessible units in the Quarterly Progress Report. However, it continues to be important for the Department to include information on the income limits these units serve to maximize the value of the report to the citizens and organizations relying on these resources. The income piece is critical because we need to *understand the intersection of affordability and accessibility*. People with disabilities frequently live on very low fixed incomes. Although approximately 30% of people with disabilities are employed nationwide, and the majority of them work in low-wage jobs. People with disabilities whose only income is Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) are unable

⁷ <http://www.2611sawyer.com/>

⁸ According to <http://www.2611sawyer.com/accomodations.htm>

to afford most currently available “affordable” housing in Chicago; for example, individuals with income only through SSI can afford only about \$211 per month on housing. For this reason, it is critical to understand not just the accessibility standards of units produced, but also the income groups able to access them⁹.

⁹ Access Living (2014) “Disability Rights Action Coalition for Housing: Equal Access Across Chicago”