



Analysis of the Third Quarter 2015 Housing Report

Bouncing Back: Five Year Housing Plan, 2014-2018

Presented December 8, 2015

INTRODUCTION – Chicago Rehab Network is pleased to present our review of the Department of Planning and Development’s third quarter of 2015 Housing Progress Report to the members of the Committee on Housing and Real Estate and Chicago City Council at large. We also welcome Commissioner David Reifman, and hope that his tenure with the City will be a fruitful period for neighborhood equity and community economic development in Chicago.

This has been a tumultuous few months for our city. From passing a City Budget inclusive of a record-breaking increase in property taxes to a growing, widespread concern about neighborhood safety and personal security, the end of 2015 has been tough in many communities. As the members of this committee and community leaders convene serious conversations about recent events, we at the Rehab Network would like to reinforce the importance of affordable housing to neighborhood stability and individual and family well-being.

Ample research demonstrates the role that home plays in shaping the lives and life chances of children and families. We know that when families lack stable housing, frequent moves—sometimes punctuated with periods of homelessness—are the result. This hyper-mobility arising out of housing insecurity greatly increases family stress, which can aggravate chronic health problems, undermine mental health, and increase incidences of domestic violence¹. On top of that, frequent moves damage children’s social and emotional development, negatively impacting lifetime academic performance and educational attainment².

On the other hand, research also shows that when housing is stable and affordable, outcomes move strongly in the opposite direction; stably housed families are able to focus on the things that are important for well-being and advancement. For this reason, we urge you to treat housing as the foundation, precondition and platform for the improvements and successes we are all working towards in our neighborhoods, and to prioritize housing tools and resources in proportion to the enormity of its role.

¹ “Understand Why Foreclosures Matter: Families Displacement and Housing Instability” http://www.foreclosure-response.org/policy_guide/why_foreclosures_matter.html

² Center for the Study of Social Policy (2011) “Affordable Housing as a Platform for Improving Family Well-Being: Federal Funding and Policy Opportunities”, available at <https://peerta.acf.hhs.gov/content/affordable-housing-platform-improving-family-well-being-federal-funding-and-policy>

In addition to fighting to preserve existing, but seriously threatened, housing resources in Washington and Springfield, like the HOME Investment Partnership and the Illinois Affordable Housing Tax Credit, we encourage the City to work to defray the impact of property tax increases on Chicago families. Remembering that one out of two Chicago households is already paying more than they can afford for housing, it is important to preserve existing, common-sense supports that can be brought to bear in defense of our neighbors who can least afford a higher bill. In a recent Crain's Op-Ed, I called for the City to focus on less regressive ways of raising money, defend existing Class 9 and Class S property tax incentives, and revive the Chicago Homeowners Assistance Program to prevent people from losing their homes to county tax sales. I have attached this op-ed for your review.

Analysis of Third 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 third quarter of 2015.

EXECUTIVE SUMMARY

- Through the third quarter of 2015, DPD reached 79% of planned spending on this year's housing goals, investing \$200 million on affordable rental, home ownership and preservation goals.
- So far this year, City support has helped to add 866 new affordable apartment units to the Chicago market through various programs. This is 68% of the annual goal for new income-limited apartments.
- Of the net-new units committed through 2015-Q3, 45% were for families, 20% were for seniors and 5% were for veterans. 87 units (10%) across three developments will be reserved for CHA tenants.
- Of the net-new rental units, the vast majority (64%) were for households making 50-60%AMI, or between \$38,000 and \$45,600 per year for a family of four.
- Two new affordable apartment developments were greenlighted by DPD in the third quarter: one family (St. Edmund's Oasis) and one senior (J. Michael Fitzgerald Apartments).
- The revised Affordable Requirements Ordinance took effect in October 2015, but some documentation promoting transparency in the execution of the ordinance is missing.
- CRN is releasing two new research briefs and beginning real estate training for 2016.

AFFORDABLE RENTAL UNIT PRODUCTION SUMMARY— Through the end of the third quarter of 2015, the Department of Planning and Development has reached 79% of their annual resource allocation goal (table 1). This strong performance is primarily a consequence of the weight of rental investments, where \$170 million have been committed to affordable apartment programs so far in 2015. Affordable homeownership programs continue to lag, achieving only 59% of resource goals, with the notable exception of Purchase and Purchase/Rehab loans made through the Neighborhood Lending Program, which exceeded annual goals by reaching nearly \$3 million in loans in the third quarter alone. The Department has commented at past hearings that many homeownership programs are

not reaching their goals as a consequence of market weakness lingering from the 2008 recession. Given the success of the NLP in Q3, can DPD provide more detail about the reason no single family TIF purchase-rehab loans have been made and participation in the TaxSmart program remains at 36% of the goal for the 2015?

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

	Rental Investments	Ownership Investments	Improvement/ Preservation Investments	Total Investments
First Quarter Commitments	\$64,452,284	\$7,357,028	\$2,015,462	\$73,824,774
Second Quarter Commitments	\$69,356,843	\$4,915,601	\$3,342,640	\$77,644,084
Third Quarter Commitments	\$36,554,205	\$7,266,478	\$4,703,697	\$48,524,380
YTD Commitments	\$170,363,332	\$19,539,107	\$10,061,799	\$199,993,238
Total Funds Anticipated by Year End	\$206,436,492	\$33,048,328	\$14,648,694	\$254,133,514
Percent of Goal Met through Q3	83%	59%	69%	79%

Source: CRN analysis of DPD 2015 Third Quarter Progress Reports

The City’s progress toward its annual unit commitment goals mirrors its progress toward resource allocation goals, with affordable rental programs reaching 81% of the annual goal through the third quarter (table 2). The reason that the units committed figure for Q1 is so much larger than in subsequent quarters is that annual rental subsidies for extremely low-income households³ through the Chicago Low-Income Housing Trust Fund (CLIHTF) are allocated in the first quarter. This year, CLIHTF awarded annual rental subsidies to 2,809 households in Q1. Holding these aside—DPD funded 732 units on top of CLIHTF subsidies in Q1, a figure very similar to the 699 units the City pledged to support in Q2, but still many more than were committed in Q3 (337).

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	281	3,899
Second Quarter Units	699	103	477	1,279
Third Quarter Units	337	91	581	1,009
YTD Units	4,577	271	1,339	6,187
Total Units Projected by Year End	5,625	473	2,137	8,235
Percent of Goal Met	81%	57%	63%	75%

Source: CRN analysis of DPD 2015 Third Quarter Progress Report

³ CLIHTF supports some of Chicago’s most 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).

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 or year. To get a clearer look at new affordable apartments being made available for individuals and families in need, CRN strips away CLIHTF subsidies and 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	4,301
<i>Less Rental Subsidy Units</i>	3,000	2,861
<i>Less Heat Receivership Units</i>	600	377
<i>Less MF Troubled Building Initiative Units</i>	750	197
Net New Rental Units**	1,275	866

Source: CRN analysis of DPD 2015 Third Quarter Progress Report

How is this table constructed from DPD’s 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 (4,301). We then subtract the units covered by those housing programs that are not constructing or rehabilitating rental housing, including rental subsidies under the CLIHTF (-2,861). Next, we compare year-to-date units actually funded (866) 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 866 net-new affordable rental units so far in 2015 (table 3). This is slightly behind for the third quarter: 68% of projected net-new units for 2015. Of these 866 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, 79 of these units (9%) are intended for households making more than the Area Median—45 for families making up to 120% AMI (\$91,200 for a family of four; \$63,840 for individuals) through the Neighborhood Stabilization Program and 34 units that constitute the market rate component of mixed-income developments⁴ (table 4).

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

While we recognize that market rate housing is intentionally included in the redevelopment of CHA properties under the Plan for Transformation, we continue to maintain that the market rate component in mixed income developments should not count toward the total affordable housing financed by the City in 2015.

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	-	-
	16-30% AMI	61	7%
	31-50% AMI	171	20%
	51-60% AMI	555	64%
	60-80% AMI	-	-
	81-100% AMI	-	-
	101+% AMI	79	9%
YTD Units Committed		866	100%
Total Units Projected by Year End		1,275	
Percent of Goal Met		68%	

Source: CRN analysis of DPD 2015 Third Quarter Progress Report

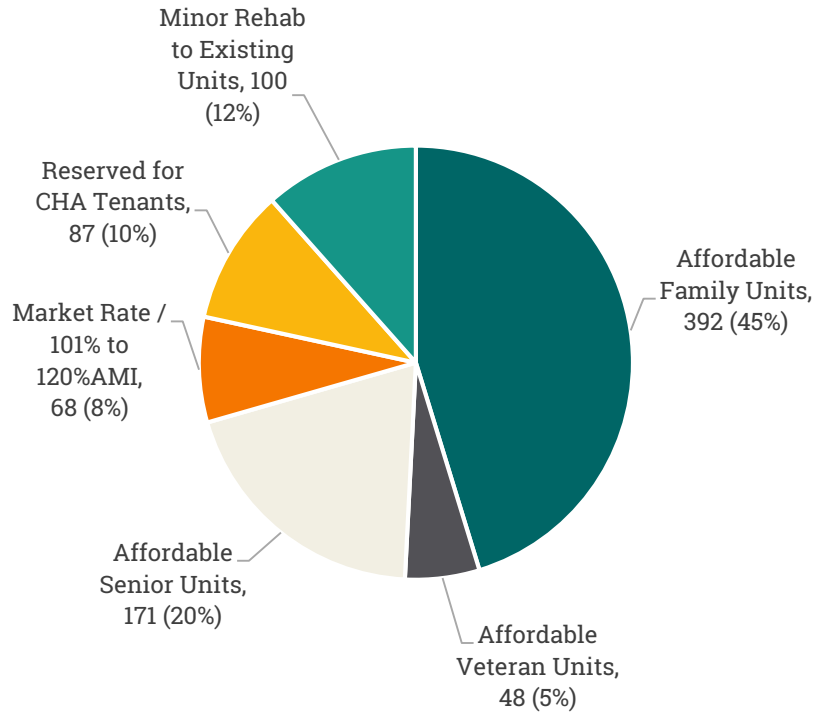
What is the source of these 866 new affordable apartments, and who are they intended to house? Taking a deeper look at the origin of these 866 net-new units sheds some light on the different kinds of developments being achieved through City initiatives (table 5). Through the third quarter, 45% of units planned will serve families, 20% will serve seniors, 5% 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	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
Q3	ARO Rental Units Covenanted	28
Q3	Multifamily Neighborhood Stabilization Units	15
Q3	St. Edmund's Oasis - Affordable	39
Q3	St. Edmund's Oasis - CHA	19
Q3	J. Michael Fitzgerald Apartments - Affordable	63
<i>Subtotal, Q3</i>		164
Total Net-New Units YTD		866

Source: CRN analysis of DPD 2015 First, Second, and Third 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

*"Minor Rehab to Existing Units" describes a planned window renovation at historic Hilliard Homes

DEVELOPMENT SUMMARIES - City Council approved funding for two developments during 2015-Q3:

St. Edmund's Oasis

St. Edmund's Oasis is the newest family development planned to join the portfolio of St. Edmund's Redevelopment Corporation, a 25-year old non-profit community development corporation established by St. Edmund's Episcopal Church to improve the Washington Park community. St. Edmund's Oasis will be built on 14 previously vacant City-owned lots, arranged in two designs. The first design will feature one-, two-, or four-bedroom apartments on the ground floor, topped by three-bedroom duplexes, whereas the second design will provide traditional three-flat apartment buildings. These infill apartments, soon to be located near South Michigan Ave and 61st St, will bring a total of 58 new one- to four-bedroom units, with 19 reserved for CHA tenants. In support of this development, City Council has approved the \$1 per lot transfer for 14 lots valued at a total of \$630,000, a 0% interest loan, LIHTCs generating \$7 million in equity, and Illinois Affordable Housing Tax Credits generating over \$100,000 in equity.

Income Targets:

- 39 one- to four-bedroom units at or below 60% of AMI
- 19 one- to four-bedroom units reserved for CHA tenants (10 at 50% AMI and 9 at 60% AMI)

Total Development Cost: \$20.5 million

Cost Per Unit: \$354,024

J. Michael Fitzgerald Apartments

At J. Michael Fitzgerald Apartments, Elderly Housing Development and Operations Corporation (EHDOC) of Ft. Lauderdale, Florida will be constructing 63 one-bedroom affordable apartments for seniors near Pulaski and Bryn Mawr in the North Park Village community. This development will join four existing affordable senior properties also owned and managed by EHDOC in the immediate vicinity. All the units in this senior building will be accessible to people with disabilities and target individuals with less than 60% AMI, or \$31,920 for an individual or \$36,480 for a couple. These apartments will rent for \$1,128 per month. In support of this development, City Council has approved a no cost 75-year ground lease valued at \$2.5 million, which in turn provides the basis for Illinois Affordable Housing Tax Credits generating \$1.1 million in equity. The City has also allocated LIHTCs providing \$5.3 million in equity.

Income Targets:

- 63 one-bedroom units at or below 60% of AMI

Total Development Cost: \$17.7 million

Cost Per Unit: \$280,488

Policy Updates

ROLL OUT OF THE REVISED AFFORDABLE REQUIREMENTS ORDINANCE (ARO)– In October, the 2015 update of the ARO came into effect. We know that new projects have come into the pipeline, and that developers are seeking offsite opportunities to fulfill the requirements of the ordinance. However, the page in the quarterly progress report detailing the newly permitted projects complying with the ordinance was omitted this quarter. Although it appears from Appendix 4 that 28 units were covenanted under the ARO in Q3, it is unclear which new developments triggered the ordinance. Can the Department clarify what is going on in the transition to new rules under the 2015 ARO? We urge DPD to once again to provide detailed information on properties subject to the ARO in Q4 so that everyone can learn as this new iteration of the ordinance unfolds.

NEW RESOURCES FROM THE CHICAGO REHAB NETWORK – In the end of 2015 and beginning of 2016, the Rehab Network will be releasing three resources that may be of interest to members of the Committee and the public:

Upcoming Research Briefs

In response to requests from our neighborhoods and the community development field, and through the generous support of the Allstate Corporation, CRN is soon releasing new research meant to complement our existing Affordable Housing Fact Book data. All members of the Committee on Housing and Real Estate have received Community Area and Ward based fact sheets. These new, supplementary fact sheets are intended to pull together disparate and difficult to access information in a way that can be helpful for a variety of uses, from community planning to weighing proposals for neighborhood revitalization.

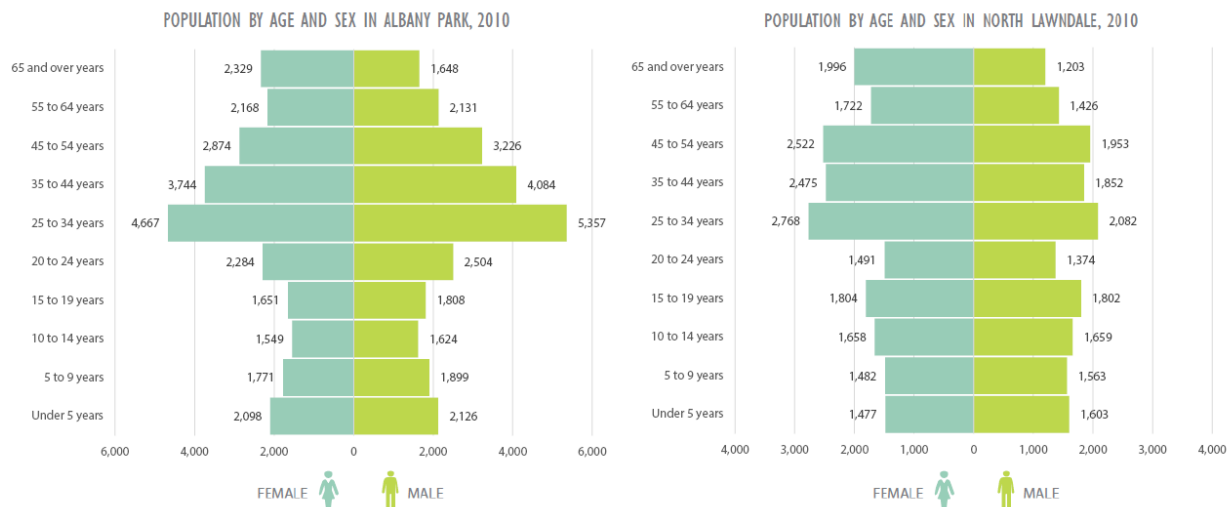
These fact sheets contain very detailed information on age, sex, and race in Chicago community areas gleaned from Census data, as well as aggregated built environment information drawn from the City of Chicago data portal and the United States Postal Office. The built environment indicators include:

- building violations
- construction and rehab permits
- demolition permits
- City-owned parcels by zoning type
- residential and commercial vacancy as reported by local postal workers

Chart 2 and Maps 1 to 3 give an overview of some of the information that will be available. Please contact our office for pre-release copies of your community areas.

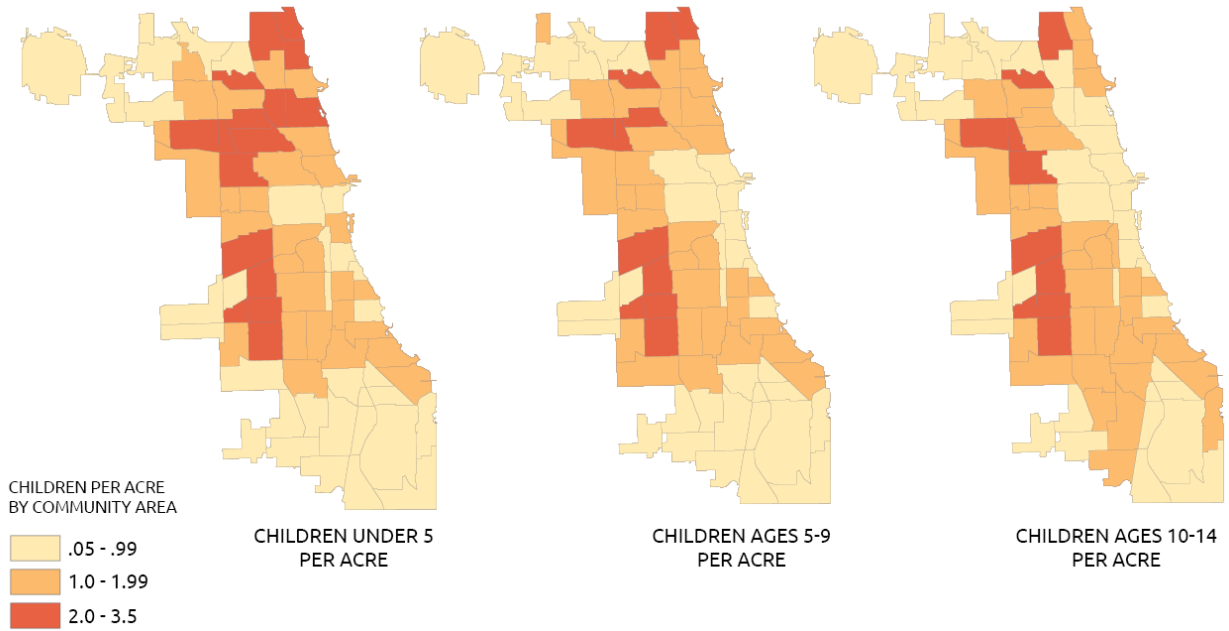
In addition to these supplements to the Affordable Housing Fact Book, CRN is completing a study of properties constructed in Chicago with LIHTC funds since 2004: 13,132 units over 156 buildings representing over \$3.4 billion invested in Chicago communities. See page 12 for more information.

Chart 2 – Example Community Area Population Pyramids



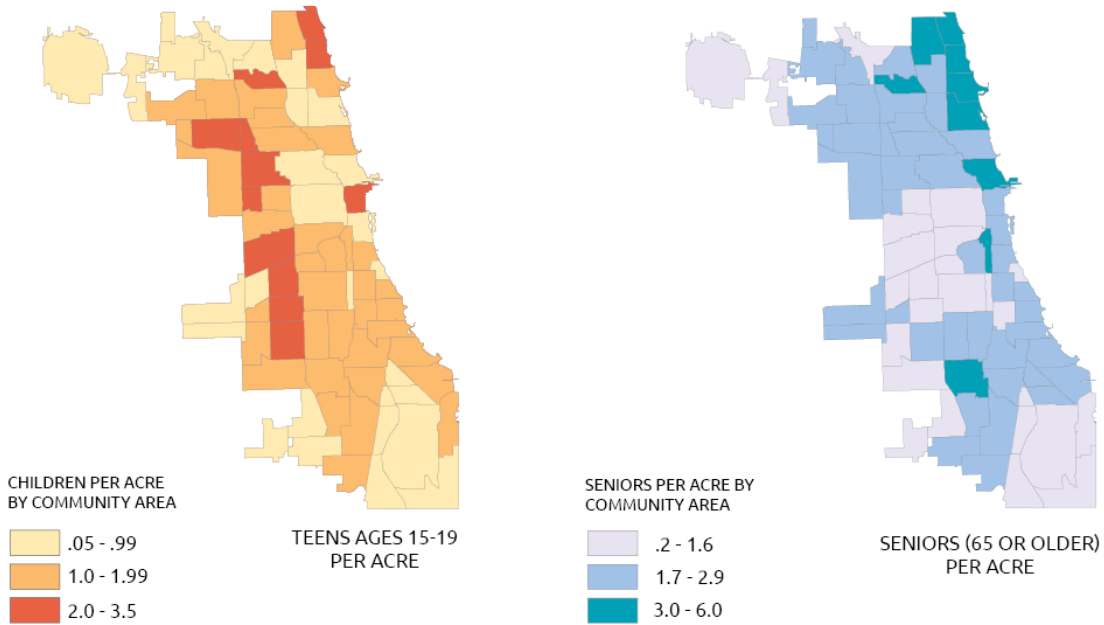
Source: CRN analysis of U.S. Census Bureau data

Map 1 – Children per Acre by Community Area



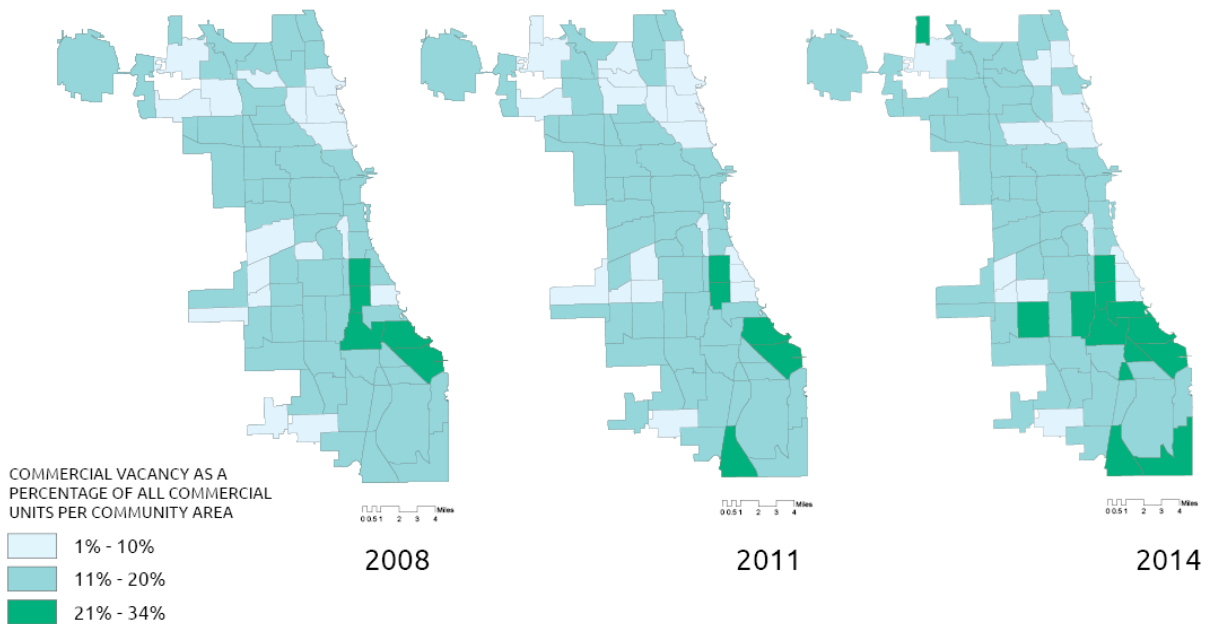
Source: CRN analysis of U.S. Census Bureau data

Map 2 – Teens and Seniors per Acre by Community Area



Source: CRN analysis of U.S. Census Bureau data

Map 3 – Share of Vacant Commercial Units, 2008, 2011 and 2014



Source: CRN analysis of HUD/USPS vacancy data; only available by research license

2016 Community Development and Empowerment Series

Beginning in January of 2016, CRN will be the 19th year of our award winning community development and real estate training. This sixteen day, 128-hour training provides nuts and bolts insight into real estate development from concept to execution, with a special emphasis on the use of affordable housing resources as a community-building strategy. This best-in-class training is useful for everyone from emerging or small time developers to community development corporations and elected and appointed officials. Please visit chicagorehab.org to register, or call us at 312.663.3936. Scholarships are available.