Analysis of the First Quarter 2017 Housing Report

Bouncing Back: Five Year Housing Plan, 2014-2018

Presented June 13, 2017

INTRODUCTION – Chicago Rehab Network is pleased to present our review of the Department of Planning and Development's 2017 First Quarter Housing Progress Reports to the members of the Committee on Housing and Real Estate and the larger Chicago City Council. We do acknowledge the "users guide in the department report" as a handy tool and review. 2017 will be noted as a decisive moment for land use policy, and affordable housing for today and Chicago's future. CRN recognizes that more and more aldermen and community leaders are pursuing important affordable housing initiatives across the city from Jefferson Park to Woodlawn, as well as new affordable strategies around the 606 trail and exploring tiny homes. Chicago is a city characterized by the juxtaposition of a skyline pierced by over 60 cranes to neighborhoods experiencing rapid depopulation. While we were pleased, for instance, to recognize the inclusion of affordable housing in the new Framework to Guide the North Branch Development, e.g.: "Allow new mixed-use development at appropriate locations with provisions for affordable housing and publically accessible open space," we would recommend that all such broad based-city redevelopment sites actually increase the provisions for affordable housing so that mixed income opportunities for one Chicago are well established for future generations. This would include the Obama Library site and medical district redevelopment to name a few others.

The media coverage and data reports warrant no less. The strength of the city is its neighborhoods and people; embracing affordability today is the right investment for the future. We want to underscore the importance affordability in every neighborhood. Last month, The Institute on Housing Studies at DePaul University reported rental housing is at its highest rate in recent memory:

"In 2015, 44.2 percent of Cook County households were renters, an increase of roughly 17,900 renter households over 2014 and the highest rental rate since 2000. Conversely, the number of owner households declined slightly by roughly 1,200 households during this same period."

Importantly, the research goes onto underscore, a fact long corroborated by CRN data and reports that the greatest affordability gap are in the clustered areas of "south side Chicago neighborhoods that include Hyde Park, South Shore, Woodlawn, and Washington Park have the largest affordability gap in the County. This area has the largest number of affordable units in Cook County (over 32,000 units), as well as the highest demand for affordable rental housing from low-income households (roughly 46,500 renter households). Consistent with IHS's 2016 State of Rental Housing in Cook County report, the west side submarket covering Humboldt Park, East/West Garfield Park, and

North/South Lawndale and the north side submarket which includes Uptown and Rogers Park continue to have large affordability gaps."

This underscores the importance of preservation. For example, CRN estimates as of 2010 Census in the former cluster on the south shore over thirty five assisted properties exist with approximately 3200 units. Related to this phenomenon, CRN continues to receive requests for assistance on property tax issues that undermine the financial stability of the affordable properties.

A multi-governmental approach that includes the Cook County Assessor office is required for preservation. By way of example, an affordable housing developer reported to CRN monstrous changes in the assessed value of their LIHTC properties. Three examples illustrate the point: one property had a 2016 assessed value of $54,272 and its 2017 reassessment is $119,000; a second property had a 2016 assessed value of $37,271 and a 2017 reassessment of $91,000 and finally, a third building with a 2016 value of $25,840 and a 2017 value reaching $49,000. Class 9 tax status for affordable housing has been wiped out with no awareness by the owner, thus requiring an excessive amount of work, appeals, and additional fees. These changes are untenable and increase community instability. The highest best use of government assisted properties is to keep them affordable.

Analysis of First Quarter 2017 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 first quarter of 2017.

EXECUTIVE SUMMARY

- Through the first quarter of 2017, DPD was slow to meet planned spending goals, reaching 17.5% of funds intended for this year's housing goals, investing $42.6 million on affordable rental, home ownership and preservation goals so far this year. This is an improvement from Q1 2016, wherein spending only reached 11% of the goal.
- In 2017-Q1, City support has helped to add 66 new affordable apartment units in market-rate buildings under the ARO. However, his is only 5% of the annual goal for new income-limited apartments.
- Of the 66 net-new units committed through 2017-Q1, 15% (10 units) are for residents earning 31-50% of AMI, and 85% (56 units) are reserved for residents earning 51-60% of AMI.
- No new affordable developments were approved in the first quarter of 2017.
- HUD budget cuts proposed by FY18 President's Budget Request would devastate affordable housing in Chicago and the U.S. as a whole.
- The City has issued a new 2017 Qualified Allocation Plan (QAP) and applications for 9% Low-Income Housing Tax Credits

AFFORDABLE RENTAL UNIT PRODUCTION SUMMARY– So far in 2017, DPD has expended a fairly small amount of housing resources, $42.6 million or 17.5% of planned spending on the year. While this is a normal structural feature of the way the Department makes investments throughout the year, it is worthwhile to note that planned spending across nearly all investment categories is down in 2017 compared with the last two years. Additionally, total investments are down more than $6 million from 2016. All new affordable units that came on-line in Q1 2017 were due to the success of the ARO, which is worthy of note.

Table 1 – Affordable Housing Dollar Commitments Compared with Annual Goal, 2017 Q1

	Rental Investments	Ownership Investments	Improvement/ Preservation Investments	Total Investments
First Quarter Commitments	$35,747,083	$4,382,269	$2,468,594	*$42,597,946*
Total Funds Anticipated by Year End	$204,520,000	$25,794,031	$13,299,239	*$243,613,270*
Percent of Goal Met through Q1	17.5%	17%	18.6%	*17.5%*

Source: CRN analysis of DPD 2017 First Quarter Progress Reports

While a relatively small amount of DPD's financial resources have been expended on the year, the report's units served numbers are much higher in Q1, as high as 57% for multifamily unit commitments. The reason behind this is that annual subsidies through the Chicago Low Income Housing Trust Fund (CLIHTF) are counted in Q1.

Table 2 – Affordable Housing Unit Commitments Compared with Annual Goal, 2017 Q1

	Rental Units*	Ownership Units	Improvement/ Preservation Units	Total Units
First Quarter Units	3,106	191	429	*3,726*
Total Units Projected by Year End	5,450	434	1,763	*7,647*
Percent of Goal Met	57%	44%	24.3%	*48.7%*

Source: CRN analysis of DPD 2017 First Quarter Progress Report

When looking at the City's planned affordable apartment achievements in 2017, it is important to strip away the approximately 3,000 households receiving subsidies through the Chicago Low Income Housing Trust Fund (CLIHTF). Of the 5,450 low-income units the City plans to support in 2017, more than half (3,000) will be annual subsidies through the CLIHTF. Many of these subsidies support the same families year to year. Although the CLIHTF is an important, flexible source of public-private housing support for some of the most vulnerable families in our city, 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 subsides and two key preservation programs that do not directly add new units to the available affordable housing stock in Chicago (table 3).

Table 3 – Net-New Affordable Housing Unit Commitments in Comparison with Annual Goal, 2017 YTD

	Total Units Planned for 2017	Total Units Committed in 2017 YTD
Total Subsidized Rental Units	5,450	3,106
Less Rental Subsidy Units	*3,000*	*2,704*
Less Heat Receivership Units	*400*	*59*
Less MF Troubled Building Initiative Units	*750*	*277*
Net New Rental Units**	1,300	66

Source: CRN analysis of DPD 2017 First 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 (5,450), as well as the City's report of units completed so far to date (3,106). We then subtract the units covered by those housing programs that are not constructing or rehabilitating rental housing, including rental subsidies under the CLIHTF (-3,000). Next, we compare year-to-date units actually funded (66) with the number of new construction or rehab units the City planned to fund in 2017 (1,300). Looking at the production numbers in this stripped-down way lets us understand how many new affordable apartments may actually be added in Chicago throughout the year.

From this stripped down analysis, we see that the City has provided resources for 66 net-new affordable rental units so far in 2017 (table 3). This is only 5% of the annual goal for net-new units, and all of these 66 units are covenanted under the ARO. There were 0 net-new Multi-Family Rehab and New Construction units generated in Q1 2017.

Table 4 – Incomes Served by Net-New ARO Units, 2017 Q1

		Net-New Affordable Rental Units	Share of Total Units Produced Per Income Bracket
income of tenants served	0-15% AMI	-	-
	16-30% AMI	-	-
	31-50% AMI	10	15%
	51-60% AMI	56	85%
	60-80% AMI	-	-
	81-100% AMI	-	-
	101+% AMI	-	-
YTD Units Committed		**66**	**100%**
Total Units Projected by Year End		1,300	
Percent of Goal Met		5%	

Source: CRN analysis of DPD 2017 First Quarter Progress Report

Table 5 – Sources of Net-New Affordable Apartments, 2017 Q1

Quarter	Source of Units		Units
Q1	ARO Rental Units Covenanted		66
		Subtotal, Q1	66
		Total Net-New Units YTD	66

Source: CRN analysis of DPD 2017 First Quarter Progress Report

DEVELOPMENT SUMMARIES – No new developments were approved in 2017-Q1, although an update on Sterling Park Apartments was included in DPD's report.

Sterling Park Apartments

Originally approved in 2014, Mercy Housing Lakefront's Sterling Park Apartments received an additional $10 million in City bonding authority to CHA to complete redevelopment. 2% of units constructed will accommodate sight- and hearing-impaired residents, 20% will be adaptable, and all 181 units will be accessible for mobility-impaired guests. 66 units are reserved for CHA tenants.

Income Targets:

- 24 one-bedroom apartments at 30% of AMI
- 55 one-bedroom apartments at 60% of AMI
- 31 two-bedroom apartments at 30% of AMI
- 21 two-bedroom apartments at 60% of AMI
- 9 three-bedroom apartments at 30% of AMI
- 31 three-bedroom apartments at 60% of AMI
- 2 four-bedroom apartments at 30% of AMI
- 8 four-bedroom apartments at 60% of AMI

Total Development Cost: $66.1 million Cost Per Unit: $365,292

Policy Updates

DEEP CUTS TO AFFORDABLE HOUSING PROGRAMS IN TRUMP'S FY18 BUDGET REQUEST – In recent publications from the National Low Income Housing Coalition (NLIHC), the negative impacts of President Trump's proposed budget cuts are correctly depicted as devastating for a wide variety of HUD programs. As outlined in a recent document from NLIHC, should Mr. Trump's budgetary goals be realized, "HUD would be cut by nearly 15% or $7.4 billion compared to 2017. This could lead to more 250,000 of the lowest income people losing their housing vouchers." By slashing tenant-based rental assistance funding by 5%, an estimated quarter of a million Americans would be at risk of losing safe, stable, and much-needed housing.

Programs vital to Chicago and other municipalities would be gutted, with funding being entirely eliminated for Community Development Block Grants and the national Housing Trust Fund. While this would no doubt be incredibly detrimental to our city, it is important to note that USDA rural housing programs would also be cut, with all funding being eliminated for Section 502 Direct Homeownership Loans, Section 514/516 Farm Worker Housing Loans and Grants, Section 523 Mutual and Self-Help Housing, and Section 504 Rural Housing Assistance Loans. It is clear that both urban and rural housing assistance programs are in grave danger under the current presidency.

To better understand the potential harms caused by accepting cuts proposed by the Trump Whitehouse, see the attached HUD budget breakdown from Enterprise and summary from NLIHC. CRN encourages you to take action on this issue and contact your federal representatives.

CITY CALLS FOR NEW ROUND OF LOW INCOME HOUSING TAX CREDITS– See CRN's attached comments on the 2017 QAP. Applications are due by July 17, 2017.