Statement for The Record by Chicago Rehab Network concerning Proposed 2008 City of
Chicago Budget

The Chicago Rehab Network is a non-profit coalition of over 40 community development
corporations and housing advocates in the city of Chicago. We present this testimony to bring forth
the issue of affordable housing and its priority within the proposed 2008 City of Chicago budget.

Corporate Fund Contribution to Housing
The city projects $3.048 billion in Corporate Fund availability in 2008 and expenditures totaling
$3.266 billion. This represents a shortfall of $217.7 million for the year 2008. The city attributes
the bulk of this shortfall to the increase in employee wages, pensions, and benefits and a slowdown
in revenue sources related to the real estate market. Despite this decrease, the City’s contribution
from the Corporate Fund to the Department of Housing has increased substantially – it has
doubled to $31 million after many years in the $15 million dollar range.

Reportedly, the significant increase in the
appropriation of Corporate Funds to DOH is due
to the addition of funds from the Downtown
Density Bonus (approximately $13 million) and the
Plan to End Homelessness (approximately $2.6
million). The Zoning Code’s Downtown Density
Bonus requires the inclusion of affordable housing
units in private developments in exchange for
profit gained from increased density. Under this
program, developers who chose not to provide on-
site affordable housing units are required to make a
contribution towards the Affordable Housing
Opportunity Fund.

We raise an important concern regarding the
accounting of these fees as part of the City’s
corporate contribution to the Department of
Housing because these fees are not immediately
collected and are only projected income. In fact,
payments are only due prior to the awarding of building permits which can take several years. As of
this writing, the Department of Housing has only collected $9.1 million out of a projected $32.6
million in fees with some outstanding payments coming from projects that received Plan
Commission approval as early as May 2005.

Recommendations

1. **We recommend that the City invest more of its corporate fund resources towards housing.**

Without question, we are pleased at the development of these new resources and city policies
to support affordable housing. Both the Downtown Density Bonus and the Affordable
Housing Opportunities Fund represent policies which capitalize on a booming real estate
market by capturing private dollars into public expenditures. Of course, as the real estate
market slows down, these resources will also dwindle. This is evident in the decrease of
revenue generated by the Real Estate Transaction Tax which shows an estimated 12.44% loss
from 2006 to the 2008 preliminary estimate, from $339 million to $301.5 million. The demand
for affordable housing requires a greater portion of the corporate fund that will not fluctuate
with the market and is not dependent upon the density bonus.

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2. We recommend that the revenue collected through the Downtown Density Bonus – and through the Affordable Housing Opportunities Fund be shown as actual revenue line items.

As is true for other sources of revenue such as hotel and business taxes, liquor taxes, and permit fees, recording these revenues as such will reveal important snapshots of its contribution to city policies over a period of years.

The need for affordable housing in Chicago is a multidimensional issue which affects owners and renters, individuals and families, people with special needs and the homeless. These challenges are increasing – not dwindling – as evidenced by increasing housing cost burden and foreclosures. Like public safety, education, health, and transportation – quality affordable housing is a critical part of the infrastructure which makes a city work. Without it, the strength of our neighborhoods and the broader community will be compromised.

Thank you for the opportunity to present our comments on the Proposed City of Chicago 2008 Budget.

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