CRN Analysis of the Second Quarter 2019 Housing Report

One Chicago: Five-Year Housing Plan, 2019-2023
Presented October 11, 2019, Chicago City Council Committee on Housing & Real Estate

Thank you for the opportunity to present our analysis of the city's second Quarter 2019 as part of *One Chicago:* Five-Year Housing Plan, 2019-2023.

Chicago is in a period of transformation. Companies are moving their headquarters into the city limits, while recent elections have resulted in new leadership and policy priorities. Significant business and housing developments are taking shape, while neighborhood demographics are shifting. And yet, not all Chicagoans are reaping the same benefits. Throughout Chicago, the dire need for affordable housing is shaping the geography of opportunity.

Without stable affordable housing, communities suffer: families forego necessities like food to pay rent and people are more likely to face health challenges, face barriers to education, and lack job security. The Institute of Housing Studies reports that 53% of Cook County renters are rent-burdened, paying at least 30% their income toward housing. This number increases to a staggering 85% for low-income renters, yet despite the demand for affordable housing the supply is decreasing: between 2014 and 2015, 9,000 fewer affordable units were available to low-income renters, and there are currently about 157,000 more people in need of low-cost housing than there are affordable units.

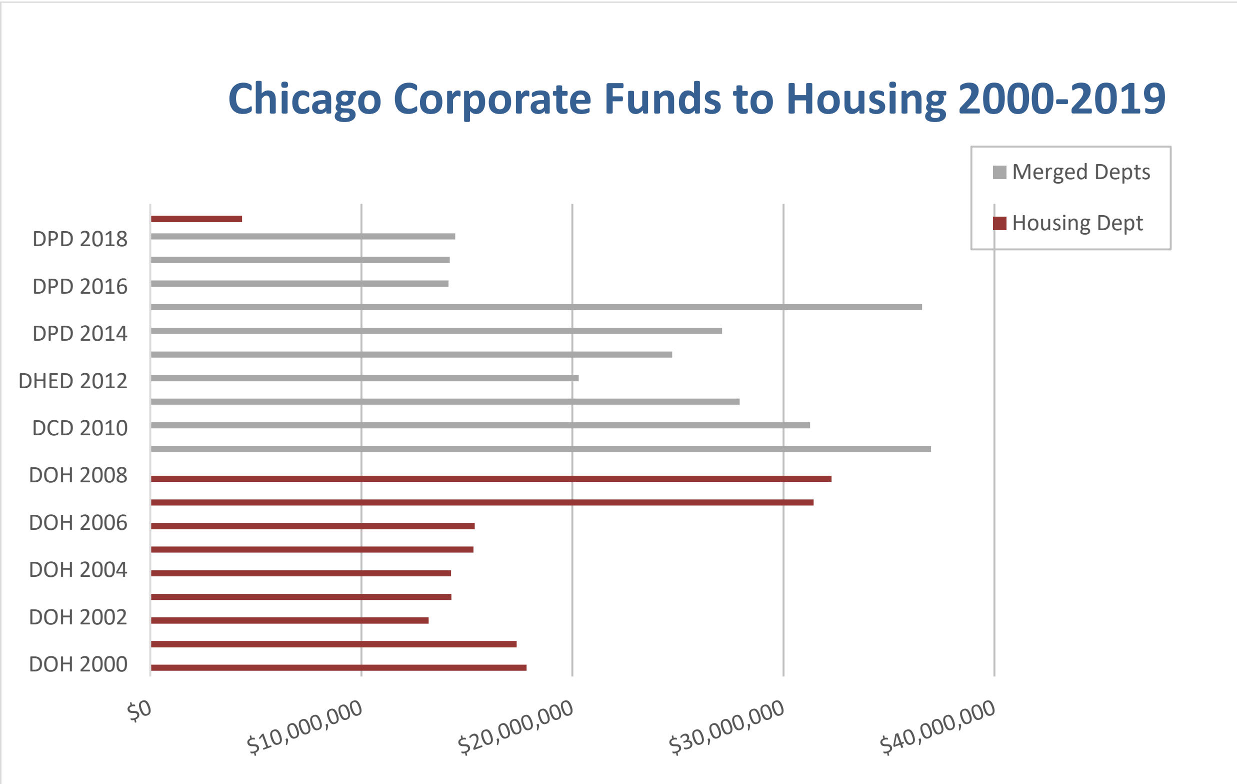
Both disinvestment and gentrification are driving displacement in Chicago, causing low-income communities and communities of color to move as costs rise, affordable housing is lost, and communities fail to receive the investment they deserve. As these changes accelerate, they undermine the character of the city and region, exacerbating racial inequities and threatening our history as a stronghold for working families. The challenge remains to prevent displacement in all neighborhoods.

We have specific recommendations outlined in our 5 Strategy Platform that we intend to work on with the Department. Addressing displacement and redlining, identifying resources, expanding community based development – promoting leadership and accountability - this is our mission.

One Chicago occurs during increasing income inequality and its consequential turbulence for the City, neighborhoods, and our neighbors. We all need to address this instability by expanding what works and facing some big challenges. Certainly more money and greater leadership are required. The capacity exists to eliminate the 120,000 unit shortfall in affordable housing, and the City's leadership should target that number.

The growth of the City is inextricably tied to the health of its housing stock. New resources will have to be identified in order to address the quality, safety, and affordability of both rental and ownership housing. CRN and its leadership are committed to working with the Department to initiate a Public Private Finance Initiative 2.0, modeled after the last 1990s joint effort which resulted in 5 unique housing solutions.

Regarding this years' City budget, we continue to call for a return to the 2008 level of Corporate Fund dollars which exceeded $30 million dollars as you can see on the chart on the next page. The Capital Improvement Budget is also an area with flexible resources that could finance affordable housing development.



We are very encouraged about two actions in particular under the new Commissioner's leadership.

First, the growth and expansion of the Chicago Community Land Trust is encouraging and an important recognition that land trusts preserve affordability for future generations and help to avoid displacement due to housing bubbles. We are supportive of the ordinance before the committee today.

Secondly, we applaud the decision to adopt a true accounting of CLIHTF units. This new policy paints a more accurate picture of households benefitting from City funds, while also not clouding the dire need that still exists. Further, we understand this reduces to five year unit goals until more funds are allocated to this important program.

Finally, 19 developments fell under ARO triggers during the 2nd quarter bring 2019 commitments of 168 onsite units, 32 off site units, with $19.8 million paid to the Affordable Housing Opportunity Fund (in lieu funds), the largest number during one quarter to date.

Analysis of Second Quarter 2019 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 2019.

Key Data: Resources, Units, Income Levels

Table 1 – Sources of Net-New Units, 2019

Quarter	Source of Units	Units
Q1	Cicero Senior Lofts	62
Q1	ARO Rental Units Covenanted	94
Q1	Opportunity Investment Fund*	129
	Subtotal, Q1	285
Q2	Sarah's on Sheridan	38
Q2	Southbridge – Phase 1	206
Q2	Paseo Boricua Arts Building	24
Q2	ARO Units Covenanted	84
Q2	Opportunity Investment Fund*	19
	Subtotal, Q1	371
	Total Net-New Units 2019	**656**

Table 2 – Incomes Served by Net-New Rental Units, 2019 Year-to-Date

		Net-New Rental Units	Share of Total Units Produced Per Income Bracket
Income of tenants served	0-15% AMI	-	-
	16-30% AMI	16	2%
	31-50% AMI	55	8%
	51-60% AMI	300	46%
	61-80% AMI	26	4%
	81-100% AMI	26	4%
	101+% AMI	233	36%
YTD Net-New Units Committed		656	100%
Total Net-New Units Projected by Year End		**1,722**	

Table 3 - Housing Dollar Commitments Compared with Annual Goal, 2019 Year-to-Date

	Rental Investments	Ownership Investments	Improvement /Preservation Investments	Total Investments
2019 YTD	90,995,605	7,502,505	6,156,667	*104,654,780*
Total Funds Anticipated by Year End	217,340,000	28,950,000	18,861,065	*265,151,065*
Percent of Goal Met, 2019 Q2	**41.9%**	**25.9%**	**32.6%**	***39.5%***

**Note: The number of funds anticipated by year end for 2019 has changed since the last quarterly report because the Department of Housing no longer includes rental assistance funding in their count of total funds allocated for building and preserving rental units.*

Table 6 – Net-New Housing Unit Commitments in Comparison with Annual Goal, 2019 Year-to-Date

	Total Units Planned for 2019	Total Units Committed Year-to-Date, 2019	Total Units Committed in 2019-Q2
Total Subsidized Rental Units	2,972	1,850	840
Less Heat Receivership Units	*500*	*489*	*44*
Less MF Troubled Building Initiative Units	*750*	*705*	*425*
Net New Rental Units	**1,722**	**656**	**371**

**Note: The number of projected units for 2019 has changed since the last quarterly report because the Department of Housing no longer includes units receiving rental assistance in their count of total built, preserved, and projected rental units.*

Table 7 – Housing Unit Commitments Compared with Annual Goal, 2019 Year-to-Date

	Rental Units	Ownership Units	Improvement /Preservation Units	Total Units
2019 TYD	1,850	238	748	*2,836*
Total Units Projected by Year End	2,972*	559	2,178	*5,709*
Percent of Goal Met, 2019 Q2	**62.2%**	**42.6%**	**34.3%**	***49.7%***

**Note: The number of projected units for 2019 has changed since the last quarterly report because the Department of Housing no longer includes units receiving rental assistance in their count of total built, preserved, and projected rental units.*

Sarah's on Sheridan

Serving the 46th Ward, Sarah's on Sheridan will provide 38-units of supportive housing for women experiencing chronic homelessness. Built by the non-profit Sarah's Circle, the complex will also have a 50-bed interim shelter and basic services. The development benefits from $3,500,000 in TIF Funds and $14,000,000 in private donations.

Income Targets:

- 12 studio units at 30% AMI
- 8 studio units at 50% AMI
- 18 studio units at 60% AMI

Total Development Cost: $17,500,000 Cost Per Unit: $460,526

Southbridge – Phase 1

This project will provide 68 Harold Ickes replacement units, 112 market rate units, and 26 affordable units. Serving the 3rd Ward, Southbridge – Phase 1 will be the first phase of the construction of a mixed-income development that will create 206 units. Being built on the former CHA-site of Harold L. Ickes Homes, this project is being built by The Community Builders and McCaffery Interests and benefits from $17,000,000 TIF Funds, a $4,573,516 Multi-family Loan, $907,786 in IHDA 4% credits generating $8,804,640 in equity, and $1,620,000 in IHDA 9% credits generating $15,226,477 in equity.

Two issues come forward from this project that we want to highlight.

The cost per unit is over $460,000. This may include costs for the commercial space which would increase the per-unit-cost. Going forward, the City should evaluate the extent to which housing funds are being used to develop the commercial portion of mixed use developments. While there are situations where the local market requires this strategy, the developer/owner will be receiving income on the commercial spaces and that income should be considered when significant public resources have been invested.

Secondly, under the new mayoral administration, the Phases of CHA redevelopment should be transparent and ideally replacement housing should be prioritized. Residents of Harold Ickes who may want to return and/or have the right to return should be informed and have an opportunity to be heard regarding the unit mix of this and other future redevelopment projects.

Income Targets:

- 8 studio units at 60% AMI
- 4 studio units at 80% AMI
- 26 studio units at market rate
- 37 one-bedroom units at 60% AMI (CHA)
- 2 one-bedroom units at 60% AMI
- 4 one-bedroom units at 80% AMI (CHA)
- 4 one-bedroom units at 80% AMI
- 61 one-bedroom units at market rate
- 23 two-bedroom units at 60% AMI (CHA)
- 8 two-bedroom units at 60% AMI
- 4 two-bedroom units at 80% AMI (CHA)
- 25 two-bedroom units at market rate

Total Development Cost: $95,887,300 Cost Per Unit: $465,472

Paseo Boricua Arts Building

Serving the 26th Ward, the Paseo Boricua Arts Building will be a mixed-use space providing a gallery, theater, and 24 residential units at affordable rents. Built by Brinshore Development and the Puerto Rican Cultural Center, the building benefits from $6,000,000 in tax-exempt bonds, $261,392 in 4% credits generating $2,516,451 in equity, $4,245,304 in TIF Funds, and a $4,194,696 multi-family loan.

Income Targets:

- 2 studio units at 30% AMI
- 6 studio units at 60% AMI
- 3 one-bedroom units at 30% AMI
- 5 one-bedroom units at 60% AMI
- 3 two-bedroom unit at 30% AMI
- 5 two-bedroom units at 60% AMI

Total Development Cost: $11,830,323 Cost Per Unit: $492,930

MISSION
The Chicago Rehab Network is a multi-cultural, multi-racial coalition of community-based organizations which revitalize neighborhoods primarily through the development and rehabilitation of housing for low-income community residents. CRN and its members are dedicated to empowering communities without displacement and to building a strong affordable and accessible housing development movement in Chicago, throughout Illinois, and across the nation. CRN strives to meet the needs and promote the common goals of its members which foster socially and economically viable communities.

5 Strategies towards Housing Stability for All Chicagoans

Whereas obstacles before us include loss of population, over-reliance on market forces, application of systemic racist practices against people of color, historic blight and ongoing gentrification, our vigilant leadership is required for a vibrant City with sustainable and prosperous communities. National and local research confirms the role that housing plays in reaching positive health, education, and employment outcomes. Combined with the significant economic benefits that result from community-based models of rehab and construction as well as strengthening life outcomes, expanding the affordable housing supply will benefit the City.

We have to do better and together we can. Many goals from the previous Chicago 5-year plans were met, though each was pegged to a limited pool of resources. This next Plan occurs during increasing income inequality and its consequential turbulence for the City, neighborhoods, and our neighbors. This Plan must address this instability by expanding what works and facing some big challenges. Certainly more money and greater leadership are required. **The capacity exists to eliminate the 120,000 unit shortfall in affordable housing, and the City's leadership should target that number**.

1. Anti-Displacement Policies

Displacement results from gentrification but also from blight and abandonment.

a. Monitor and mitigate high risk conditions including property tax increases, predatory lending, and preparedness for real estate downturns which have disparate impacts on communities of color.
b. Create protective property tax zones in areas experiencing significant investments to protect existing residents; such zones may include offering grants and soft loan programs. Reauthorization of the Chicago Homeowner Assistance Program and Class 9 will immediately serve to halt displacement in many communities.
c. Restrict condo conversion of multiunit buildings except in situations which will result in long term affordability.
d. Affirmatively educate residents (via CBOS) in areas of speculation and predatory real estate practices to deter against panic selling and assist owners with improvements and taxes.
e. Fund intentional affordability via land trusts and limited equity models and co-ops which control the cost of land and taxes as is the case for thousands of market-rate coops along the lakefront.

f. Buildings owned by nonprofit community development corporations provide stability for renters and neighbors. Nonprofit development and ownership of land creates long-term sustainability and these owners should be given every priority.

2. Support and Expand Rental Housing that is Affordable

a. Identification of new resources must be a priority to meet the demand and to improve the housing supply. City Corporate dollars, Section 108 funds, and a city real estate transaction tax can provide innovative funding streams which will create savings from improvements in health and education outcomes.
b. Preserve the existing federally assisted rental stock. Initiate policies and preservation transactions for all LIHTC expirations to ensure preservation of these rental homes.
c. Limit use of public resources to households earning under 60% AMI.
d. Expand city requirements in market development to create more accessible housing.
e. Leadership must offer a vision beyond the ARO to ensure that affordability is a consideration in all large developments. Goose Island, Community 78, and other possible Amazon sites, must have our low income, senior, disabled, and working poor neighbors included.

3. Allocate new Corporate Funds to Serve 3x more households via the CLIHTF

Housing is urgently needed for homeless, fixed income residents and working poor households. Expanding households served will create stability, grow the base of local owners participating in the program, and provide rental subsidy to existing quality affordable housing. City-funded supportive services will be needed to facilitate the stability of many of these households and coalitions will be needed to recruit an expanded base of owners.

4. Single Family Housing Innovation to Address Racial Equity Gaps

a. Create and fund an Appraisal Gap Financing Program to allow existing and potential homeowners to improve homes in areas of systemic disinvestment and redlining.
b. Fund and encourage rental of single family housing units including long term rentals and lease to purchase products which are successful in Peoria and Ohio.
c. Move renters into homeownership as feasible, (as appropriate and determined by nonprofit), including Cooperative properties, opening up affordable rental housing waiting lists.

d. Increase support of CHDOs and CDBG grantees for expanded outreach and service efforts. CBOs are the first to see emergent patterns of housing stress.

5. Impact Analysis Note on Land-Related Legislation

City Council committees should review development impacts before approval of land and development related legislation. This is not meant to encourage NIMBYism nor to allow wealthier areas to block affordable housing. Rather it is to set new public oversight and accountability standards which will consider the immediate and longer term results of big private development and public investment projects.

The purpose is to consider intended and unintended consequences of public and private investments; to reduce negative impacts; and to catalyze positive outcomes that protect people on fixed or low income, that fosters economic/racial opportunity and that prevents cultural displacement.

a. Who is affected by the public and/or private investment on site and in surrounding area.
b. Assess desired results and outcomes as well as possible unintended outcomes, particularly on low income people and people of color.
c. Community engagement plan to include those most impacted.
d. Existing residential and commercial rents, values, and property taxes in relation to proposed land use.
e. Existing population demographics including income and housing cost burdens.
f. Applicability of affordability requirements via zoning, TIF, ARO.
g. Occupancy plan based on target market and evidence of demand to avoid overbuilding.
h. Viable specific steps to avoid residential, commercial, or industrial displacement.