Chicago Rehab Network's Analysis of the Department of Planning and Development's Third Quarter 2018 Progress Report

Presented to the Committee on Housing and Real Estate on November 29, 2018

Chicago is in a period of transformation: companies are bringing their headquarters back into city limits, while substantial developments that are being planned, such as Lincoln Yards and Community 78, will have ripple effects for the entire city. Mayor Rahm Emanuel has announced that he will not seek re-election after completing his second term. The Department of Planning and Development has submitted its next Five Year Housing Plan for the city outlining production and funding goals for the next half-decade. And, after years of population decline, Chicago has begun to see growth since 2010.

These changes present a challenge. Often referred to as a "tale of two cities," Chicago continues to be one of the most segregated cities in the nation, and according to research by the Institute of Housing Studies, black households and low-income households are leaving the city as the gap between affordable rental housing supply and demand increases. In the midst of growth and change in the city, it is imperative that we work to ensure that those communities facing or at risk of facing disinvestment and displacement are prioritized. While we are excited to see growth in Chicago, our city's history has proven that growth is not always experienced equitably. The new Department of Housing will have to be vigilant in its agenda to create opportunities and housing for all.

In their November 21st editorial "The mayoral imperative: Spreading opportunity beyond the Loop," *Crain's Chicago Business* notes that "downtown Chicago is prospering, adding jobs faster than the nation as a whole. But much more must be done—by the public and private sectors alike—to bring jobs and prosperity to the rest of the city." We agree: the next leadership body of Chicago will have to be extremely attentive to investments in Chicago neighborhoods, and housing affordability is a proven, ironclad way to assure that such investments create equitable benefits. CRN has presented our "Five Strategies toward Housing Stability," listed on page 6, as a pragmatic starting point on which to build further programs and ideas.

We will make our comments brief due to the short notice of this hearing.

This quarter saw the addition of 87 net-new units serving tenants in income brackets at or below 50% AMI, the first such units produced this year. These units now make up 10% of the total net-new rental units produced during 2018; however, the large majority of units continue to serve tenants whose income is at 51-60% AMI.

The Department of Planning and Development's Commitments and Production Comparison to Plan from January 1, 2018 to September 30, 2018 show that 40.1% of all initiatives have met the proposed goals. As this shortfall is within the rental production portfolio, this may be due to timing as in previous years.

Table 1 - Sources of Net-New Units, 2018 Year-to-Date

Quarter	Source of Units	Units
Q1	Albany Park Initiative	42
Q1	ARO Rental Units Covenanted	35
	Subtotal, Q1	71
Q2	Caroline Hedger Apartments	449
Q2	ARO Rental Units Covenanted	122
	Subtotal, Q2	571
Q3	Montclare Senior Residences of Calumet Heights	134
Q3	Clark-Estes Apartments	54
Q3	ARO Rental Units Covenanted	74
	Subtotal, Q3	262
	Total Net-New Units YTD	**910**

Table 2 - Incomes Served by Net-New Rental Units, 2018 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	42	5%
	31-50% AMI	45	5%
	51-60% AMI	727	80%
	61-80% AMI	20	2%
	81-100% AMI	19	2%
	101+% AMI	57	6%
YTD Units Committed		910	100%
Total Units Projected by Year End		**1,892**	

Table 3 – Housing Dollar Commitments Compared with Annual Goal, 2018 Q3

	Rental Investments	Ownership Investments	Improvement /Preservation Investments	Total Investments
YTD Commitments	89,912,939	24,392,423	14,468,942	*128,774,304*
Total Funds Anticipated by Year End	276,451,000	23,663,691	21,079,014	*321,193,705*
Percent of Goal Met through Q3	**32.5%**	**103.1%**	**68.6%**	***40.1%***

Table 4 – Housing Unit Commitments Compared with Annual Goal, 2018 Q3

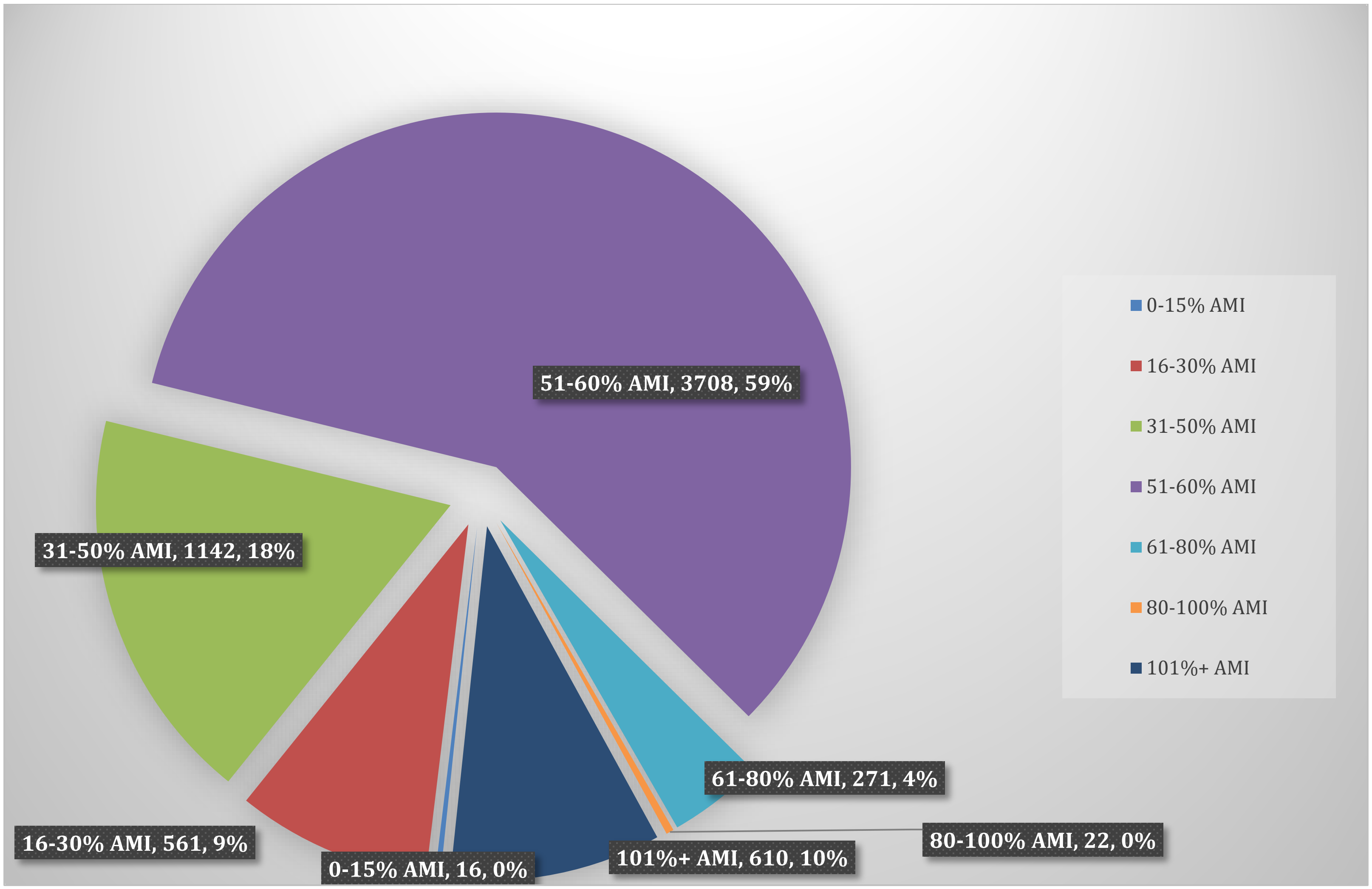
	Rental Units*	Ownership Units	Improvement /Preservation Units	Total Units
YTD Units	4,534	356	1,812	*6,702*
Total Units Projected by Year End	5,854	497	2,198	*8,549*
Percent of Goal Met Through Q3	**77.5%**	**71.6%**	**82.4%**	***78.4%***

Table 5 – Net-New Housing Unit Commitments in Comparison with Annual Goal, 2018

	Total Units Planned for 2018	Total Units Committed in 2018	Total Units Committed in 2018-Q3
Total Subsidized Rental Units	5,854	4,534	592
Less Rental Subsidy Units	*2,812*	*2,734*	*13*
Less Heat Receivership Units	*400*	*169*	*10*
Less MF Troubled Building Initiative Units	*750*	*721*	*307*
Net New Rental Units**	**1,892**	**910**	**262**

In closing, the chart on page 5 serves to remind us that we have more work to do to get beyond the production levels of the last 25 years. Housing for the working poor requires subsidy of some kind and to make a dent in the demand, we will have to advocate for greater resources going forward.

Net New Rental Homes by Income 2014-2018 Qtr 3



5 Strategies toward Housing Stability

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.