HOUSING AND ECONOMIC DEVELOPMENT BOND

PROPOSAL OVERVIEW, ALLOCATIONS, AND IMPACT

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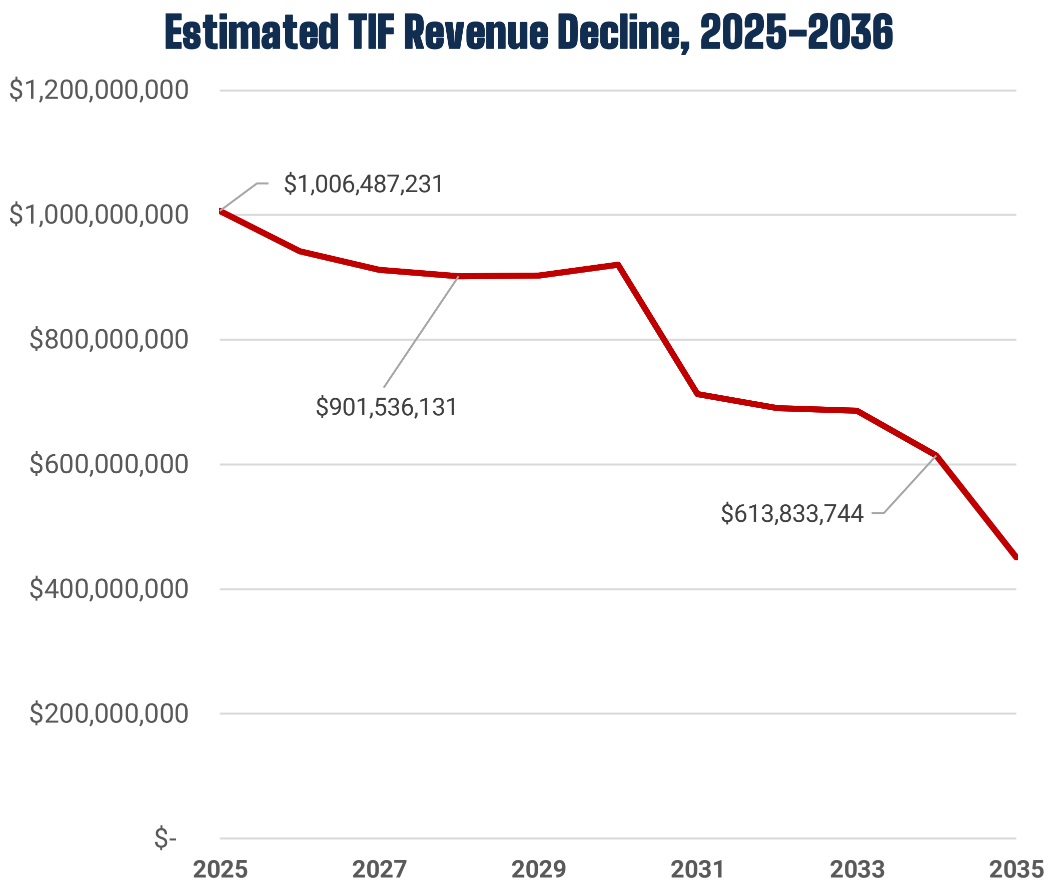
CHICAGO
MAYOR BRANDON JOHNSON

Executive Summary

- The Affordable Housing and Economic Development Bond is a **five-year, $1.25 billion in bond issuance** ($250 million annually) to continue investments in affordable housing and community development projects.
- This is necessary because looming structural declines in key sources will significantly reduce DPD and DOH's available funding. **Without a change, production levels will significantly decline.**
- **This proposal can be implemented without a property tax increase**, by relying on expiring EAV from expiring TIF districts.
- If approved, this would establish a long-term source of flexible, equitable funds and would **allow the City to definitively move away from the TIF program**, which is far more rigid and inequitable.

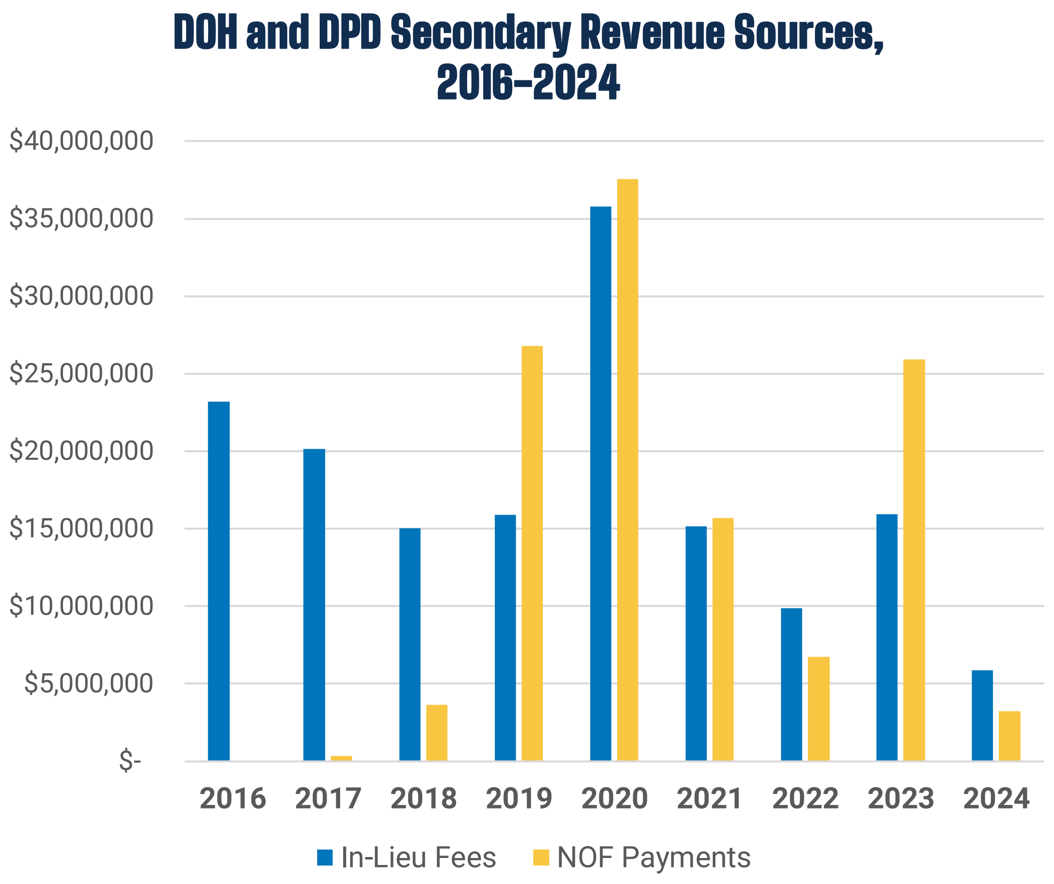
Problem: Increasingly Scarce Resources

- Reputation aside, TIF remains a critical funding source.
  - Over the last four years, DPD and DOH projects were allocated an average of $300 million in TIF per year.
- The TIF program is, however, beginning a significant wind down. Almost 45 districts set to expire through 2027.
  - In 2023, the $311 million in IPT from these districts represented 49% of the City’s net TIF funding.
- In addition to declining revenues, TIF’s shrinking geographic footprint means reduced funding will take place in increasingly fewer locations – an outcome that will accelerate inequity.



Problem: Increasingly Scarce Resources

- DPD and DOH's secondary sources include NOF and ARO in lieu fees.
- While important, these cannot provide the same level of funding as TIF.
  - From 2016-2023, the combined programs revenue was just $276.7 million.
- Reliance on construction starts make them susceptible to larger market forces which are volatile and unpredictable.
  - Revenue collections in 2024 were 50 percent less than all other years.
- Structural changes with ARO mean this decline is likely permanent.



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Problem: Reduced Production and Output

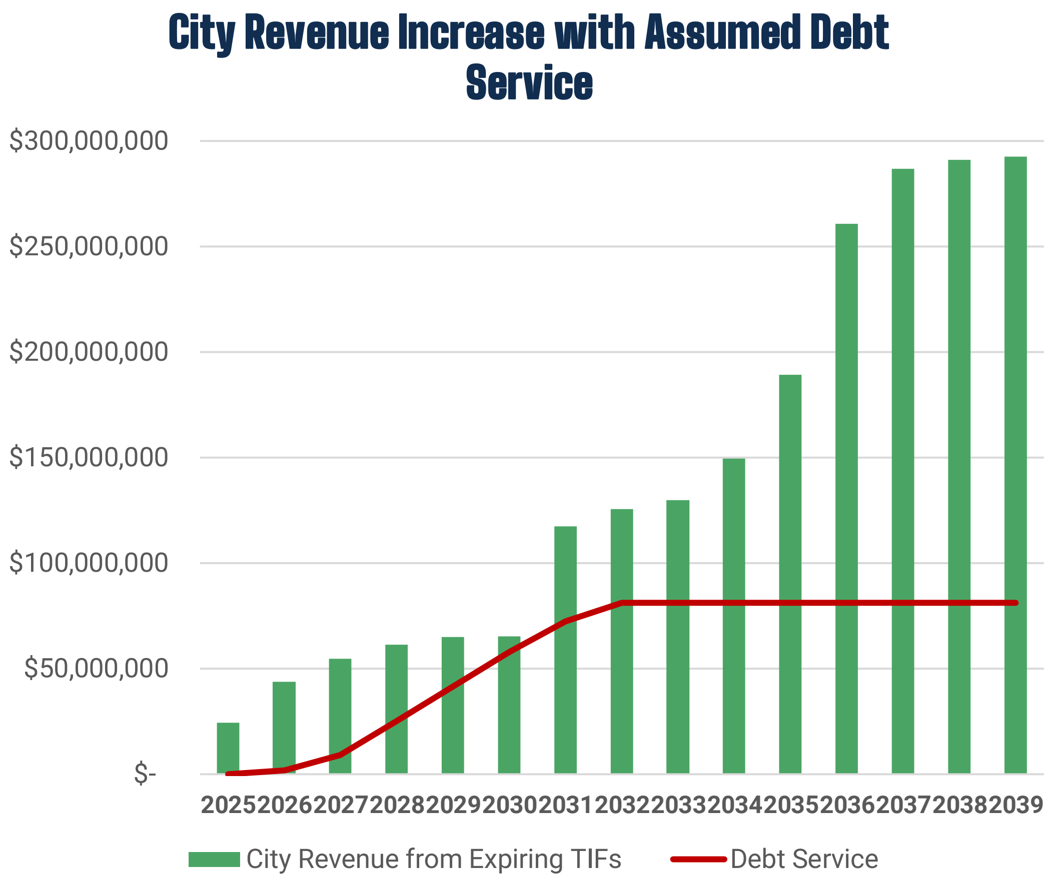
- Over the past three years, DPD and DOH have been able to roughly double their production using Chicago Recovery Plan dollars.
  - In DOH's 2021 funding round, over 2,400 units of affordable housing were awarded funding – roughly double the previous round in 2019.
  - From 2019-2022, DPD awarded 89 larger projects with more than $333.2 million in funds, nearly double the amount of projects from 2011-2019.
- CRP funds are now generally exhausted and output is anticipated to significantly drop without additional sources.
- At the same time, construction expenses have never been higher – rising nearly 30% between 2020 and 2023 – which further reduces the impact of remaining funds.

Solution: a TIF-to-Bond Shift

- These declining sources will be replaced with a five-year bond issuance that would provide $250 million in annual funding with proceeds evenly split between DPD and DOH.
- The success of CRP bonds has shown that the City can use bond proceeds as an equitable, effective, and responsible resource.
- Bonding for these costs is a clear best practice utilized by Chicago's peer cities – including New York, Los Angeles, and Seattle.
- Bond funds ensure that over the next five years, DPD and DOH have the financial resources necessary to accomplish their current functions as well as develop new tools.

Solution: a Revenue Neutral Approach

- All this can be accomplished without an increase to property taxes.
- The expiration of TIFs means that incremental EAV is returned to the City's levy as "New Property."
  - This results in a 15-year cumulative increase of $290 million in new, annual revenue.
- Funds can fully cover $81 million in stabilized debt and still provide significant revenue capacity for other priorities.



Outcomes: Production and Innovation

Economic Development: $625 million over 5 years

COMMUNITY DEVELOPMENT GRANTS ($400-500M)

- Small ($250k or less): $50-75m
- Medium ($250k-$5m): $225-250m
- Large (over $5m): $125-175m

SMALL BUSINESS CAPACITY BUILDING ($82.5-115M)

- Small and emerging business loan fund: $75-100m
- Pre-development grants: $7.5-15m

JOBS AND WEALTH BUILDING ($57.5-90M)

- Jobs and workforce training grants: $7.5-15m
- Missing middle housing infill strategy: $50-75m

Affordable Housing: $625 million over 5 years

AFFORDABLE RENTAL HOUSING ($360-390M)

- Build and preserve affordable rental homes: $230-250m
- Social hsg revolving fund: $115-135m
- Multifamily retrofit: $10-15m

HOMEOWNERSHIP ($210-240M)

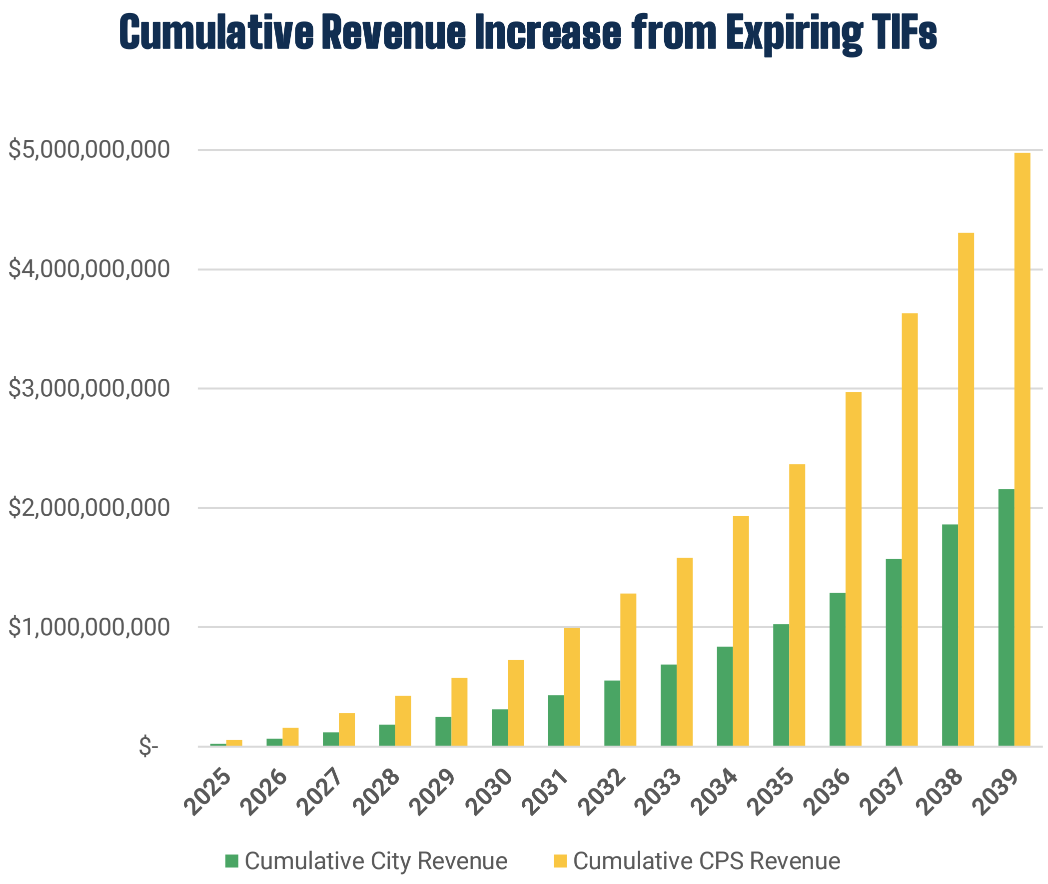
- Purchase assistance, home repair, & promoting ownership: $125-145m
- Rebuilding & preservation: $65-80m
- Single family retrofit: $20-25m

HOMELESSNESS ($20-30M)

- SRO preservation: $20-30m
- Permanent supportive housing included under Affordable Rental Housing

Outcomes: Additional Benefits

- Moves Chicago away from its reliance on TIF, an inequitable and cumbersome funding source.
- Addresses long-standing complaints from communities about the lack of resources in areas of greatest need.
- A long-term, structural change that equitably distributes resources and brings Chicago in line with best practices of peers.
- Provide other taxing bodies, including CPS, with a significant boost.



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