

# Accepting the Challenge

*Chicago's Five Year Affordable  
Housing Plan for 2009-2013*



City of Chicago  
Richard M. Daley  
Mayor

Chicago Department  
of Community Development  
Christine Raguso, Acting Commissioner



# Letter from the Mayor

Thank you for your interest in the City of Chicago's Five Year Affordable Housing Plan, Accepting the Challenge.

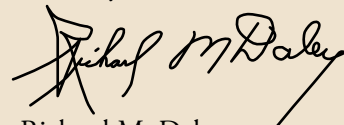
The Five Year Affordable Housing Plan draws on the expertise of people familiar with every aspect of urban housing, including not-for-profit developers and academics, builders and foundation executives, lenders and borrowers, landlords, and tenants. These are the people who make up the housing community in our city, and they have helped make Chicago a national leader in affordable housing, investing more than \$4 billion over the last two decades through a variety of innovative programs.

The success of the Five-Year Affordable Housing Plan, and the ongoing health of our city and its neighborhoods, requires a coordinated effort. Along with housing, we must address issues such as transportation, economic growth and work force development to create and preserve healthy communities and encourage continued community development.

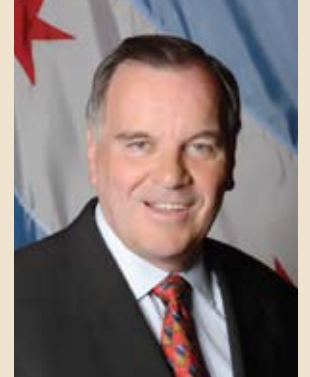
The leaders of Chicago's housing community share a commitment to decent, affordable housing for people of every age, income and background. Affordable housing is a critical ingredient in maintaining and strengthening the outstanding quality of life our residents have come to cherish.

In today's challenging economic times, it is more important than ever to preserve and expand the housing options for all Chicagoans. With this Five-Year Plan as a guide, I am confident we will continue to lead the nation in providing high-quality affordable housing for our citizens.

Sincerely,



Richard M. Daley  
Mayor



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# A Global City A Great Home Town

## Two Decades of Progress

Over the last 20 years, under the leadership of Mayor Richard M. Daley, Chicago has developed an international reputation not only as a great city to visit and do business, but also as a great place to live, work and raise a family. Once considered the crossroads of the United States, Chicago is now recognized as a global city, the center of the Northern Hemisphere.

Chicago's visitors are dazzled by Millennium Park, the lakefront, the dynamic downtown, the flowers and greenery and the wide array of cultural and recreational activities.

But those who delve deeper come away equally impressed by the city's neighborhoods and the excellent quality of life they make possible.

As New York Times columnist David Brooks wrote in 2006, "No American city has progressed as much in the past two decades as Chicago. It's richer, cleaner, more livable . . ."

Chicago's renaissance didn't just happen. It resulted from the willingness of the public, private and not-for-profit sectors to adapt to change, to accept challenges and to work together on behalf of policies that benefit the entire city.

"Chicago has survived by repeatedly reinventing itself," said a Wall Street Journal writer. As smokestack and meat-packing industries shut down or moved elsewhere, Chicago adapted

to the increasingly global economy by attracting new industries that processed information rather than iron or animal parts. Once considered the center of the Midwest, Chicago has now become the center of the Northern Hemisphere and one of the top ten global cities, according to rankings compiled by Foreign Policy Magazine, A.T. Kearney and the Chicago Council on Foreign Relations. Their study placed Chicago eighth in the world among global cities, in rankings based on the amount of business activity; human capital, including ethnic diversity and education; exchange of information with the rest of the world; number and quality of cultural activities; and the city's involvement in international policymaking and dialogue.

These new industries attracted well-educated young professionals and managers, many of whom preferred to live in the city, close to work and to the cultural and recreational opportunities the city has to offer. In the 1990s, downtown Chicago became the city's fastest-growing neighborhood, with 4,000 to 5,000 new housing units each year. High-priced condos and town houses sprang up in close-in neighborhoods such as Bucktown, Wicker Park, West Town and Lincoln Park.

This market-driven residential building boom made Chicago the envy of cities across the nation, many of which continued to lose jobs and residents to the suburbs and watch their economies slide downwards.

But the growth in high-end jobs and housing tells only part of the story of a great city. Chicago is determined to be a city that works for people of every age, income and background. It welcomes new immigrants seeking their piece of the Ameri-



can dream. Its population, like that of the rest of the nation, is aging, and it wants its seniors to be able to remain in the neighborhoods that mean so much to them, near friends, family and places of worship. Low-income working families, long-time residents, previously incarcerated individuals, people with disabilities—all of them deserve the opportunity to live in clean, safe, affordable housing in strong neighborhoods with good schools, parks and other public amenities.

In the 1990s, Chicagoans began a major effort to strengthen their neighborhoods, beginning with the schools, which some experts had declared beyond hope. Chicagoans invested billions in new and renovated school buildings, and they didn't stop there. Additional billions were poured into new libraries, senior centers, police and fire stations and park facilities. These became community anchors, the building blocks for improvements in the quality of life in neighborhoods throughout the city.

A key element in the revival of Chicago's neighborhoods has been affordable housing. In a global city like Chicago, the market simply cannot produce enough affordable housing to meet the needs of low-and-moderate-income individuals and families. Government has to play a role, and Chicago's City government accepted that challenge.

## A Record of Accomplishment

Since 1989 the City invested more than \$4.5 billion in local state and federal funds to create, improve and maintain more than 170,000 houses and apartments for people of modest means. These homes not only have improved the quality of life for those thousands of Chicagoans, they have helped revive and sustain entire neighborhoods. The new residents have attracted new commercial activity to these neighborhoods, which in turn attracted additional residents in a self-sustaining cycle of community renewal.

The Mayor's commitment to affordable housing has been laid out in three successive five-year plans, beginning in 1993. The 2004-2008 plan called for committing \$1,877,090,250 to support 48,085 housing units. Through the second quarter of 2008, we had committed nearly \$2.2 billion to assist more than

39,000 units. Sixty-one percent of those units housed families earning less than \$37,700 for a family of four, or 50 percent of area median income (AMI); and 83 percent were for households making below \$59,600, or 80 percent of AMI.

### The Department's investments have been made through a number of programs:

The Chicago Low Income Housing Trust Fund provided annual subsidies to support more than 2,000 very-low-income rental units for the last several years. The number of units assisted each year reached 3,500 in 2008, as a result of a new program funded by a statewide \$10 recording fee for real estate transactions. The state legislation that created this program was based on the City's model and passed the Illinois General Assembly in 2005 with the City's strong support.

The Multifamily Rehab and New Construction Program built and preserved more than 19,000 affordable units from 2004-2008.

The Multifamily Troubled Buildings Initiative has preserved more than 5,600 units in more than 300 buildings from 2004-2008.

Through the Downtown Density Bonus, downtown developers have committed more than \$44 million to affordable housing efforts. The program requires downtown developers either to build affordable units or pay a fee when they are granted the square footage that exceeds zoning requirements.

The Supportive Housing Initiative has invested more than \$80 million to create or preserve nearly 600 supportive housing units during the 2004-2008 plan.

Since 2004, the Department of Housing has committed almost \$200 million in resources toward the Chicago Housing Authority's Plan for Transformation to assist 10 CHA mixed-income communities consisting of 1,590 units of replacement, affordable and market-rate housing. Overall, more than 15,000 housing units have been demolished and more than 16,000 replacement units have been constructed and rehabbed toward the CHA's goal of 25,000.





Since 1989, the Department of Housing has assisted more than 7,400 units of affordable senior housing in 72 projects, almost one-quarter of all the senior units in the city.

**Four years into the 2004-2008 Five-Year Plan, the Department of Housing has already exceeded its goal of assisting 6,045 units of new single-family housing through programs such as:**

- City Mortgage, which provides mortgage financing and down payment assistance to make homeownership attractive and more affordable.
- TaxSmart, which provides an annual tax credit to qualified homebuyers to reduce federal income taxes by an amount equal to 20 percent of the annual interest on a mortgage.
- City Lots for City Living, which allows eligible applicants to purchase vacant City-owned property for the construction of affordably priced for-sale homes.
- New Homes for Chicago, which provides purchase subsidies and assistance with land costs to moderate-income homebuyers. This program has been improved to make it more attractive to developers and first-time homebuyers by focusing subsidies on those who need them most and by offering incentives to encourage construction in difficult-to-develop areas of neighborhoods.
- The Single-Family Troubled Buildings Initiative, created in 2005, which focuses on 1-to-4-unit buildings. Using Community Development Block Grant (CDBG) funds, more than 600 abandoned and vacant properties have been placed into receivership or rehabbed and sold.

**During the 2004-2008 Plan, the Department of Housing invested \$83 million to preserve and improve more than 10,800 units of housing, through programs such as:**

- The Home Repairs for Accessible and Independent Living (H-RAIL) program, which invests CDBG funds to modify homes to make them more accessible for seniors.
- The TIF Neighborhood Improvement Program (TIF-NIP) uses tax increment financing to make exterior improvements on homes in specified neighborhoods.
- The Emergency Housing Assistance Program, which uses CDBG funds to make emergency furnace, roof and porch repairs for low-income households.
- The Historic Chicago Bungalow Initiative has helped renovate more than 2,900 historic bungalows since 2004 through a combination of private grants and assistance from the Chicago Department of Environment. More than 4,000 bungalows have been assisted since the program began in 2000.

**Other Department of Housing programs have prevented foreclosures and helped reduce homelessness.**

The Home Ownership Preservation Initiative (HOPI) has prevented more than 1,800 foreclosures through free counseling, loss mitigation and loan workouts and reclaimed more than 500 vacant, troubled buildings since 2003. More than 10,000 families at risk of foreclosure have been counseled and educated through HOPI. In 2007 alone, more than 6,000 troubled borrowers received access to free credit counseling, simply by calling 311. Under the Mayor's leadership, Chicago was the first municipality in the nation to hold Borrower Outreach Days. More than 2,000 people received in-person assistance at 10 of these events in 2007 and 2008. The Department of Housing also sends out foreclosure prevention information to homeowners within days of a foreclosure filing, giving them an opportunity to work out solutions that might help them retain their homes.



Through the Plan to End Homelessness, which the Mayor unveiled in 2003, permanent housing for the homeless has increased by 67 percent to more than 2,400 units, and more than 3,800 households are being assisted each year by homeless prevention programs. Homelessness decreased 12 percent from 2005 to 2007, based on homeless counts on comparable days.

More than 17,000 households have taken advantage of a new Homelessness Prevention Call Center, which was launched in 2007 to centralize access and screening for prevention assistance.

## Notable Recent Initiatives

Over the last five years, the City has undertaken a number of new and innovative programs to meet its changing housing needs.

The Chicago Community Land Trust (CCLT) was created in 2006 to preserve the long-term affordability of home ownership units created through City programs. Chicago was the first big city to create such a program, which is designed to ensure permanent affordability. Under this program, assisted buyers agree to resell the home to another income-qualified buyer at an affordable price. Property taxes are assessed with consideration for the affordable resale price, rather than the market value. Twenty-one units are currently administered by the CCLT, and an additional 200 homes are in the pipeline to become part of the program.

With support from the Department of Housing, the Preservation Compact was established in 2007 by the John D. and Catherine T. MacArthur Foundation, the Urban Land Institute and other organizations to preserve 75,000 affordable rental units throughout Cook County by 2020.

The City Council approved a Preservation Ordinance in 2007 to help keep apartment buildings affordable after their federal use restrictions expire.

In 2007, the City Council expanded the Affordable Requirements Ordinance to increase the supply of affordable housing while balancing the need with the benefits that result from development. The expanded ordinance requires that new residential developments of 10 or more units make at least 10 percent of the units available at affordable prices if:

- The developer receives City financial assistance; or
- The developer receives any City land, whether discounted or not, or
- Any zoning change is granted that increases project density or allows a residential use not previously allowed, or
- The development is a “planned development,” except for developments outside of the downtown area that do not obtain residential density increases.

In lieu of providing affordable units, developers are permitted to make a payment to the Affordable Housing Opportunity Fund of \$100,000 per affordable unit not produced. The funds will be used to develop new units across the City and to assist the Trust Fund.

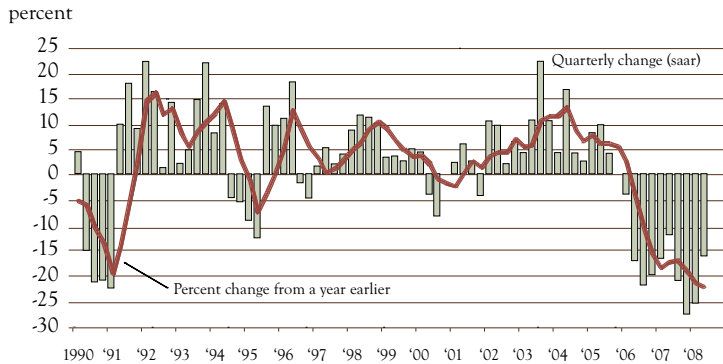
The City convened a Condominium Task Force composed of key stakeholders to explore the issues related to condominium development and conversion and make recommendations for action by the City. The task force is focusing on four areas: 1) a framework for tracking condominium development; 2) protections for tenants in buildings being converted to condominiums; 3) potential controls on condominium conversions; and 4) consumer education.

## Planning for Affordable Housing in a Troubled Economy

Our 2004-2008 Affordable Housing Plan was developed in a strong national economy, which had bounced back smartly from the downturn that began in 2000. Housing prices were rising rapidly; employment was increasing; the stock market was rising; and government revenues were expanding.

The 2009-2013 plan is being created in a much different national economic environment. After growing some 15 percent from 2000 to 2006, the economy began to slow in 2007. The unemployment rate began edging up after falling for three previous years. The economy created 44,700 new jobs per month in previous 2007 and early 2008—fewer than half the number needed to employ the 90,000 new entrants into the economy each month. The inflation rate edged toward a 15-year high, spurred by high energy and food prices. Corporate profits and consumer spending declined. After reaching a historic high in 2007, the stock market dropped more than 1,000 points; and tax collections slowed at every level of government.

### Real Residential Investment



Most important from a housing perspective, residential real estate sales fell some 33 percent from 2005 to 2008 as the overheated market cooled. The burden fell disproportionately on moderate-income first-time borrowers, many of whom took out adjustable-rate mortgages and were unable to meet the higher payments when the rates reset. Others were lured by predatory lenders into taking out home loans they could ill afford. The result was a rising number of vacant and foreclosed homes in many neighborhoods. There were 14,250 foreclosure filings in Chicago in 2007, an increase of 46 percent over 2006 and 105 percent over 2000. The highest concentrations were in low-income and minority communities.

Foreclosures have a devastating impact on neighborhoods. Vacant, boarded and abandoned homes attract vandalism, arson and other crimes. Blighted homes often discourage further investment, limiting opportunities for economic growth within the community. A 2005 study for the Homeownership Preservation Foundation estimated that a single foreclosed, vacant property can cost municipalities up to \$34,000 in police and fire protection, trash removal, courts, unpaid water bills and demolition.

While many individual borrowers were taking out unaffordable mortgages, developers were using readily available credit to convert apartment buildings into condominiums, forcing the tenants to look for new apartments, which were not always available at rents they could afford. When the economy began to turn sour, many of the new condos sat empty.

In summary, the economy has affected our affordable housing efforts in a number of negative ways. Rising unemployment, foreclosures and condo conversions have increased the demand for affordable housing, especially rental housing. Rising food and fuel prices make it even harder for families to pay the rent or mortgage. Rising prices and slow tax collections have left the city, state and federal governments with less money for affordable housing programs and other important priorities. Funding of key federal entitlement programs for Chicago—Community Development Block Grants, Community Service Block Grants, HOME funds and Workforce Investment Act—has decreased steadily since 2000 and fell 10 percent from 2007 to 2008. Based on historical patterns, the current downturn in the housing market could continue almost to the end of our 2009-2013 affordable housing plan.

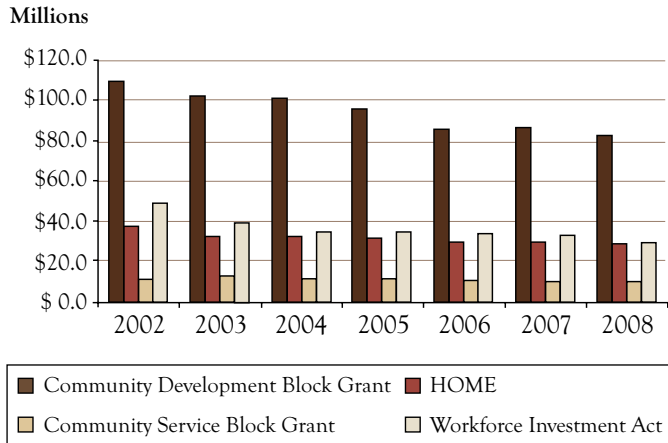
Preparing a five-year affordable housing plan in this environment presents a challenge, but not an insurmountable one. To assist us in developing this plan, the Department of Housing established a 46-member advisory group consisting of not-for-profit developers of affordable housing, community leaders, planners, and representatives of lenders, landlords, builders, real estate brokers, social service agencies and charitable foundations. They held five meetings, hearing presentations from economists, planners, academicians, housing advocates





and City officials. The Department of Housing also held three public hearings, where we heard from residents concerned about the lack of affordable housing in their neighborhoods; from disabled and low-income residents who could not find affordable apartments; and from advocates of housing for previously incarcerated individuals and victims of domestic abuse.

Chicago's entitlement funding has decreased  
Since 2002



Our advisory committee agreed that, at a time when the economy is sluggish and government resources are limited, the Department must be especially creative in finding new ways to encourage affordable housing. It must make every dollar count, and explore every challenge for the hidden opportunity.

Fortunately, Chicago has advantages many other cities do not share. Its neighborhoods have benefited from two decades of investment in community anchors and infrastructure. It already is a leader in affordable housing, with an active and dedicated community of affordable housing advocates who boast an enviable track record. As Eric Belsky, director of Harvard University's Joint Center for Housing Studies, told our advisory committee, Chicago is well-positioned to meet the affordable housing challenge because our "well-stocked toolbox" of successful programs is bigger than those of many other municipalities.

Chicago's diversified economy provides stability during economic expansions and contractions. The peaks are not quite as high as in other parts of the country and the valleys are not quite as low. According to the Office of Federal Housing Enterprise Oversight, the Chicago area ranked fifth out of the 10 largest metropolitan areas in terms of the change in average home prices from April 2007 to April 2008. Prices decreased 1 percent in the Chicago area, compared with a 4 percent decrease in Houston and a 14 percent decrease in Los Angeles. Over the previous five years, Chicago ranked sixth among the 10 largest metropolitan areas, with a 34 percent increase in average home prices, compared with a 75 percent increase in Miami and an 11 percent decrease in Detroit. Many Chicago neighborhoods are quite diverse, with a wide range of both family incomes and housing values. Even as their median home values rise, they still contain many affordable homes.

With guidance from the advisory group and other members of the public, the Department of Housing has developed a plan that is forward-looking, compassionate and realistic. It embodies several principles that, we believe, are shared by most Chicagoans:

- Chicago should continue to be a city of strong affordable neighborhoods, with good housing, schools, parks, libraries and shopping districts.
- Affordable housing is an asset to every neighborhood and to the city as a whole. It helps ensure that Chicago continues to be home to people of many different ages, incomes and backgrounds.
- Affordable housing helps build healthy neighborhoods. It creates a market for new retail stores, restaurants and other neighborhood amenities. Conversely, when City government brings public improvements to a neighborhood, the existing housing becomes more attractive to low-and-moderate income families.





- Affordable housing is good for the economy of the entire city. When housing costs are minimized, low-and-moderate-income families have more money to spend on other items, including education, the passport to a better life for their children. Affordable housing also creates jobs in construction, building management and other industries.
- Affordability means more than just the size of the rent or mortgage payment. A home is more affordable when it uses less energy, when it is less expensive to build and operate, when taxes are reasonable and when nearby mass transit makes driving unnecessary.
- Government support is necessary to ensure an adequate supply of affordable housing in Chicago. Government's role should be to work in partnership with the private and not-for-profit sectors.
- While homeownership has many positive effects on a city, it is not for everyone. The most critical need in Chicago is for affordable rental housing for those at the lower end of the economic spectrum.
- Supportive housing must remain a high priority. Many Chicagoans need social services in addition to housing, to help them turn their lives around.
- The Department should continue to direct the majority of resources toward the neediest individuals and families.
- We will need to be flexible, creative and open to new ideas.

The Five-Year Affordable Housing Plan for 2009-2013 calls for investing \$2 billion to assist 50,000 housing units. This is a modest increase over the 2004-2008 Plan but a realistic one in the current economic climate. If the economy improves more rapidly than economists now expect, the City will respond appropriately to new opportunities that might arise. We will use every tool at our disposal. At a time of limited resources, we must invest more wisely and strategically than ever before.

**One-Year Change (%) in Average Home Value:  
First Quarter, 2007—First Quarter, 2008  
Ten Largest Standard Metropolitan Statistical Areas**

Houston	4.43
Dallas	2.05
Philadelphia	0.59
Atlanta	0.02
CHICAGO	-1.15
New York	-1.65
U.S. Average	-1.71
Washington, D.C.	-9.14
Miami	-10.68
Detroit	-10.81
Los Angeles	-14.28

**Five-Year Change (%) in Average Home Value:  
First Quarter, 2003—First Quarter, 2008  
Ten Largest Standard Metropolitan Statistical Areas**

Miami	75.38
Los Angeles	63.12
Washington, D.C.	56.44
Philadelphia	52.28
New York	50.53
U.S. Average	34.84
CHICAGO	34.29
Houston	26.06
Atlanta	17.36
Dallas	16.20
Detroit	-11.45

Source: Office of Federal Housing Enterprise Oversight



# The 2009-2013 Plan

## Introduction

In the tradition of Chicago's willingness to adapt, accept challenges, and work together on behalf of policies that benefit the entire City, we are embracing change once again with our new Department of Community Development. This new department, which merges housing, planning, and workforce development, will allow us to more comprehensively address aspects of community development and revitalization.

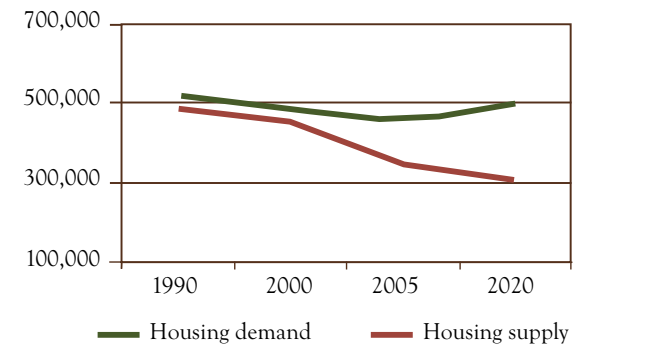
It will play a key role in enhancing the stability of our neighborhoods at a time when cities all over America are facing steep challenges.

## Affordable Rental Housing

Our top priority will be to build and preserve affordable rental housing, the housing option of individuals and families with the lowest incomes, including seniors, people with disabilities, veterans, previously incarcerated individuals, recent immigrants and homeless individuals and families. Our efforts will be directed toward all types of rental housing, small buildings as well as large, because they all play an important role in meeting the housing needs of low-income Chicagoans.

The shortage of affordable apartments in the Chicago area is expected to get worse. According to a study by the Real Estate Center at DePaul University, "If recent trends in the Cook County housing market continue, the supply of affordable rental units will decline by 38,000 from 2005-2020 to a level of only 315,000. Over the same period, it is expected that demand for affordable rentals will rise by 34,000 to more than 500,000 units. The net result in 2020 will be more than 185,000 households seeking, but unable to find, affordable rental housing in Cook County."

Cook County Affordable Rental Housing Supply and Demand 1990-2020



## Rent Subsidies

The Chicago Low Income Housing Trust Fund currently provides annual subsidies to 3,500 apartments occupied by households earning less than 30 percent of area median income. At least half its resources go toward households earning less than 15 percent of the area median income, or \$11,300 for a family of four in 2008. We will continue this efficient and popular program and look for ways to increase the availability of rent subsidies.

## Construction of Rental Housing

We will seek to spur the construction of new multifamily housing by developing new ways to make the federal Low Income Housing Tax Credit more viable.

Under the Low Income Housing Tax Credit program, federal tax credits are allocated to developers of affordable housing who sell them to investors, mainly financial institutions. Because of declining housing and credit markets, many financial institutions have less profit to shield through tax credits, so they are buying fewer of them. The reduced demand for the credits has lowered their price, leaving funding gaps that have to be made up through funds from government or non-profit institutions. This in turn also means lower production because fewer deals will find financing in a given year. In order to make the Low Income Housing Tax Credits as attractive as possible to investors, we will consider revisions to our policies and procedures related to this program.

We will explore additional ways to use free-market mechanisms, similar to the Affordable Requirements Ordinance and Downtown Density Bonus, to create affordable housing. We will consider making affordable housing part of public capital projects and private mixed-use developments. We already combine the development of senior centers with the creation of affordable housing units as well as new retail stores.

We also will look for ways to expand the use of Tax Increment Financing (TIF) to spur the construction of new affordable housing. TIF is an economic development tool that allocates new property tax growth within a designated area toward public projects that specifically benefit that area.

## Preservation of Rental Housing

With construction of new affordable rental housing facing an uncertain future, it is even more important that we preserve our existing supply. Preservation often is more cost-effective than new construction.

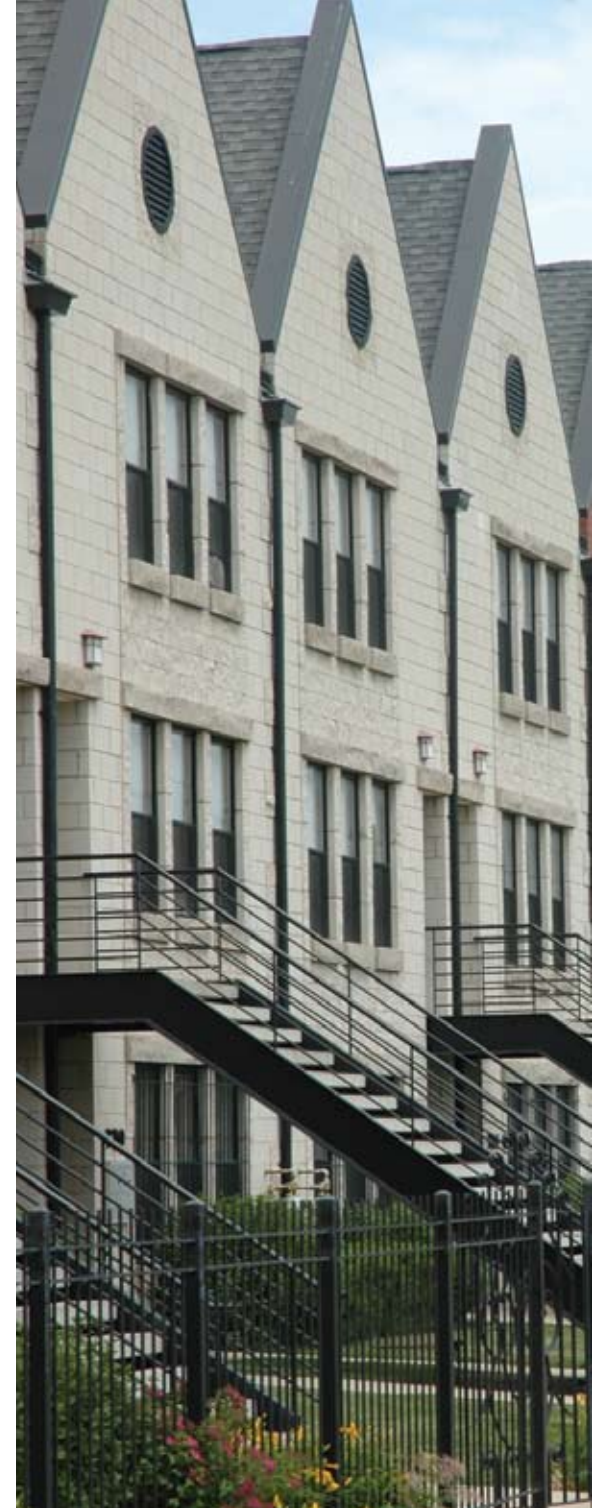
From 2009 through 2013 we intend to preserve more than 5,000 rental units through the Multifamily Troubled Buildings Initiative. Under this initiative, troubled buildings are referred to the Department by the Police and Buildings departments, community policing volunteers and community organizations. When owners fail to bring their buildings into compliance with the City building code, the Initiative allows the City to use a number of strategies, including seeking a court-appointed receiver; transferring City liens to the Community Investment Corporation for foreclosure; purchasing delinquent notes of foreclosure; and selling the notes to lenders.

We intend to preserve more than 5,600 units in partnership with the Preservation Compact during the 2009-2013 Five-Year Plan. The City is making \$150 million in tax-exempt bonds available for this program and has committed \$12 million through 2010: \$6 million to the Troubled Buildings Initiative and \$6 million for an acquisition fund to gain control of rental buildings and to make grants to help responsible owners repair their buildings and reduce energy costs.

We will look for ways to leverage market activity to create incentives to support preservation, including exploring opportunities to leverage unused density to support affordable housing.

The Department will continue to educate landlords and tenants on their rights and responsibilities under the Residential Landlord-Tenant Ordinance and the new Preservation Ordinance. The Preservation Ordinance was passed in 2007 and requires building owners to give 12 months' notice before federal subsidies expire, so tenants have time to seek a developer who could keep the building affordable. The owner also must notify the City, which could look for a qualified developer who could maintain the building as an affordable rental property. If the owner seeks to sell to a market-rate developer, the affordable developer has the right to match the purchase price.

We will work with the Departments of Police, Buildings and Law to enforce the Slum Nuisance Ordinance. Vacant buildings with a history of building code complaints or criminal activity could eventually be forfeited and assigned to nonprofit developers for rehab through the Troubled Buildings Initiative.



## Supportive Housing

One of the principles behind the Five-Year Plan is that housing alone is often not sufficient to help people meet the challenges that confront them. The Supportive Housing Initiative provides rental assistance and supportive services to help individuals and families with special needs maintain permanent housing. These services include counseling on finances, parenting, substance abuse and employment.

The Department will develop a new plan, similar to our Senior Housing Plan, which will identify the communities most in need of supportive housing and create a pipeline of service-enhanced developments.

## Chicago's Plan to End Homelessness

The Department will continue to be a partner in implementing the Plan to End Homelessness. This plan seeks to end homelessness by 2012 by realigning Chicago's homeless service system from a shelter-based to a permanent housing-based system. The Plan provides services to help people address the problems that caused them to become homeless and to keep people from becoming homeless again.

## Public Housing

The Department will continue to be a major partner in the Chicago Housing Authority's Plan for Transformation, the largest and most ambitious public housing makeover in the history of the United States. Over the last eight years, it has changed lives and transformed neighborhoods by breaking down the barriers that separated residents of public housing from the rest of the community. The Plan for Transformation calls for replacing high-rise buildings with mixed-income developments, integrated physically, economically and socially with the surrounding communities.

## Senior Housing

As the population continues to age, in Chicago and throughout the nation, senior housing becomes increasingly important. Seniors are an important part of the social fabric of Chicago, and the Department is committed to helping them remain here.

The Department will move forward with its Five-Year Senior Housing Plan for 2006-2010, which aims to create 4,000 units of senior housing, using a variety of models: independent living, HUD Section 202 developments, supportive-living facilities, condominiums and full-service senior communities. Three years into the Senior Housing Plan, the Department has created 884 units, representing three quarters of the goal.

We also will develop an initiative aimed specifically at "grand-families," grandparents raising grandchildren.

## Foreclosures

The Department will devote considerable effort to the foreclosure crisis: preventing foreclosures whenever possible and, when they do occur, helping reduce their impact on families and neighborhoods.

One of the keys to foreclosure prevention is early intervention. The Department will expand its outreach efforts to encourage borrowers to seek assistance at the first sign of difficulty in meeting their mortgage payments.

Through HOPI, immediate financial counseling will continue to be available to troubled borrowers who call 311. In addition, the Department will continue its Borrower Outreach Days at locations throughout the city to help those in the hardest-hit communities stay in their homes. At these events, Chicago residents at risk of foreclosure can meet with lenders and financial counselors to help get their mortgages back on track.

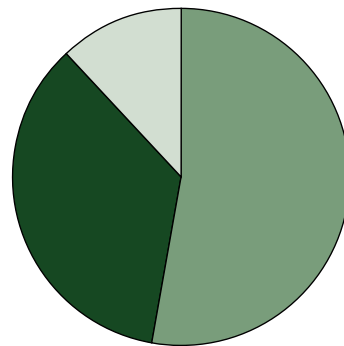




The foreclosure crisis is not limited to single-family homes and condominiums. According to the Woodstock Institute, over 35 percent of foreclosures on residential properties in Chicago in 2007 were on 2-to-6-unit apartment buildings, primarily in minority and low-income communities. This is a critical problem, because a foreclosure on one of these buildings can force six times as many people into the rental market as a foreclosure on a single-family home. Funding mechanisms must be developed for the acquisition of these buildings to retain them as active rental properties.

At the urging of Mayor Daley, the Illinois General Assembly passed legislation in 2008 to strengthen protections for renters impacted by building foreclosures. Also in 2008, the Chicago City Council passed an ordinance requiring tenants to be notified within 7 days of a foreclosure filing. The City will continue outreach to ensure such tenants are aware of their protections and where to find help.

**Residential Foreclosure Filings by Building Type  
2007**



■ 1-Unit Building ■ 2 to 6 Unit Building □ Condominium

Chicago's foreclosure prevention programs have been recognized nationally, and we will continue to implement and expand them. But despite our best efforts, foreclosure sometimes is unavoidable. In those cases, the Department will work with community groups, not-for-profit organizations and the federal government to find buyers or renters for homes that have be-

come vacant because of foreclosure. Using funds appropriated through the Housing and Economic Recovery Act of 2008 and additional leveraged private funds, our public-private initiative will seek to put vacant, foreclosed properties back into productive use as quickly as possible. The initiative will oversee and coordinate targeted revitalization efforts in key areas of Chicago to mitigate the impact of foreclosure on our neighborhoods.

Our acquisition strategies will include expansion of HUD's \$1 Homes program and bulk purchase of bank-owned properties. We also are working with national partners to see whether certain properties can be unlocked from securitization. Our disposition options include sale to an owner-occupant, lease-to-own, rental, and when necessary, demolition.

Community partner organizations will provide input on the real estate market in specific areas of their communities; identify and counsel potential homebuyers, renters, and lease-to-own participants; and monitor the management of rental properties.

## Housing and Economic Recovery Act

The Department will provide leadership in implementing the Housing and Economic Recovery Act of 2008 to support affordable housing and community development in Chicago. In addition to providing emergency assistance for redeveloping foreclosed homes, this legislation creates several new opportunities for the Department and its partners. For example, we will work with our partners to develop a strategy for using mortgage revenue bonds to refinance subprime mortgages. We also will work to ensure that Chicago developments receive funding from the newly created Housing Trust Fund and Capital Magnet Fund.

## Homeownership

Though affordable rental housing will be the Department's top priority, we will continue to promote and support homeownership through proven, time-tested programs, including City Mortgage, TaxSmart, City Lots for City Living and New Homes for Chicago. Our Five-Year Plan calls for providing homeownership assistance to 8,000 units.



## Stimulating Market Activity

Changes in the economy and financial sector have significantly affected homeownership demand. Fewer buyers are able to qualify for mortgages, and some would-be buyers are reluctant to purchase due to perceived volatility in the marketplace. The Department will take a number of steps to increase demand for homeownership.

As lenders tighten their credit requirements, thousands of Chicagoans will need help in learning how to save money and enhance their credit scores. The Department will work with educational and financial institutions to provide renters, as well as homeowners, with counseling, financial literacy courses and savings programs.

We will consider modifying our program of purchase-price assistance to stimulate market activity. Currently, purchase-price assistance is available to low income buyers who purchase homes produced through New Homes for Chicago and the Chicago Partnership for Affordable Neighborhoods (CPAN). We will explore the possibility of expanding this program to provide purchase-price assistance to buyers of single-family homes and condos that are sitting vacant because of foreclosure or reduced demand. In some cases, this assistance may be connected to a requirement for long-term affordability.

The Department will also intensify its marketing efforts for City-assisted for-sale developments and will work with lenders to ensure that buyers have access to appropriate mortgage products.

## Employer Assisted Housing

The Department will continue to work with local employers to develop programs that give their employees incentives to buy homes near their workplaces. Employer-assisted housing helps employees reduce commuting costs, encourages homeownership, strengthens neighborhoods, builds employee loyalty and reduces turnover.

## Preservation of Single-Family Housing

The 2009-2013 Five-Year Plan will continue our programs to preserve and improve the city's aging housing stock. The 2009-2013 Plan calls for investing over \$100 million to assist nearly 10,000 units through the Single-Family Troubled Buildings Initiative, Home Repairs for Accessible and Independent Living (H-RAIL), the TIF Neighborhood Improvement Program (TIF-NIP), and the Emergency Housing Assistance Program.

## Neighborhood Lending Program

The Neighborhood Lending Program (NLP), a partnership between Neighborhood Housing Services of Chicago, the City of Chicago, and more than 20 lending institutions, provides access to capital for purchase, rehab, and refinancing of single family homes. The loan products offered through NLP support affordable homeownership, prevent foreclosures, and help revitalize Chicago neighborhoods. The 2009-2013 plan calls for the Department to invest \$250 million to assist 2,900 homes.

## Other Paths to Affordability

Discussions of affordable housing tend to focus on construction costs, rent subsidies and interest rates, but these are only part of the picture. Housing can be made more affordable by reducing energy costs, creating new efficiencies and aligning government policies.

## Reducing Energy Costs

In addition to rent or mortgage payments, households pay considerable sums for utilities and transportation and those costs can be minimized through wise government policies.

In 2003, the Historic Chicago Bungalow Initiative was established to provide financial assistance to homeowners to make their bungalows energy efficient. A \$3.5 million grant from the Illinois Clean Energy Community Foundation funded three green bungalow model block projects to showcase new technologies in energy efficiency. To date over 1,000 units have received assistance under this initiative.

The green building techniques saved each bungalow \$700 to \$1,000 a year in energy costs—the equivalent of saving \$60 to \$80 a month in mortgage payments. In addition, green building helps the local economy by creating jobs in industries that produce environmentally sound building materials.

We expect additional funding for energy-saving initiatives to be made available over the next several years from local utilities, as well as the federal government. Mayor Daley's Chicago Climate Change Action Plan has a goal of retrofitting 400,000 housing units by 2020 and reducing energy use by 30 percent.

The Department will work closely with the Department of Environment to ensure that affordable housing developments have a high priority in receiving grants or incentives for energy conservation.

We look for creative ways to build affordable housing that contains the most green features at the lowest cost, using environmentally friendly, locally produced building materials whenever they are economically feasible. Green building is not an all-or-nothing proposition. A variety of environmental features can be incorporated into any building, and we can choose those that make the most sense for each project.

The City's expedited green permitting process offers developers an additional incentive to build green. And we will work with the Cook County Assessor's Office to explore the possibility of real estate tax incentives for green construction and retrofits.

## Transit-Oriented Development

With gasoline costs rising, transportation can add thousands of dollars a year to living costs. The Center for Neighborhood Technology reports that some suburban families spend as much as 26 percent of their income on transportation, almost as much as they spend on housing. In compact, transit-rich communities, the Center reports, transportation can take up as little as 14 percent of household income.

The Department will encourage developers of affordable housing to seek sites with easy access to public transportation and will encourage mixed-use, transit-oriented developments that include affordable housing. We also will look for ways to implement an affordable housing density bonus program near transit nodes.

## Creating Efficiencies

When the economy is sluggish and government resources are tight, we must work even more efficiently to make the most of every dollar. However, as members of our advisory committee reminded us, the cheapest products and procedures are not always the most cost-effective in the long run. We will work with experts in the field to study the costs associated with the construction and preservation of affordable housing.

The Department will review policies and procedures involved in the creation and preservation of affordable housing with an eye toward making them more efficient.

We will seek to align the operations of all City departments involved in housing to the greatest extent possible.

The need for affordable housing is not unique to Chicago; it extends throughout the Chicago metropolitan area. The Department will work with the Metropolitan Mayors Caucus and the Chicago Metropolitan Agency for Planning to coordinate housing efforts throughout the region.





## Maintaining Affordable Rental Housing

We will explore the possibility of expanding the Chicago Community Land Trust (CCLT) to cover rental housing. The program, designed to maintain long-term affordability of initially subsidized homes, currently applies only to for-sale housing.

One of the key benefits to CCLT homeowners is a reduction in property taxes. The CCLT will also position itself to offer the property tax benefit to existing homeowners in exchange for long-term affordability.

## Advocacy and Leadership

A nation as rich as ours should work to make affordable housing available to those who need it. The Department will continue to work at every level of government to ensure that affordable housing remains a priority and receives its fair share of any new state or federal funding that becomes available.

We also will advocate for government policies that enable low-and-moderate income residents to obtain and remain in housing they can afford. This could include reducing property taxes, better social services, tougher regulations of predatory lenders and additional financial counseling, and seeking every opportunity to advocate for policy and financial resources to address foreclosures.

Chicago is a national financial center, home to large numbers of creative and talented finance experts in private industry, universities and the nonprofit sector. The Department will seek to marshal this expertise in an effort to make this city a national leader in developing new and innovative financing tools to expand affordable housing.

Affordable housing is not solely a government responsibility. Whenever possible, the Department will work with its non-governmental partners to achieve our common objectives.

## Moving Forward Together

Meeting the housing needs of Chicago's low-and-moderate-income residents in an uncertain national economy presents a major challenge.

In a diverse city with a wide variety of housing, there is no one-size-fits-all solution. Under the Mayor's leadership, Chicago has become a national leader in the field of affordable housing by successfully implementing a number of different programs, each aimed at a specific housing need. Over the next five years, we will continue to make the most of all these programs. And as new needs arise, we will develop new programs to address them. We will continue to call on the best minds in the field to help us become even more innovative and creative as we adapt to changing circumstances. The Department will be ready and eager to take advantage of positive developments over the next five years, such as an unexpected improvement in the national housing environment or the selection of Chicago as the host city for the 2016 Olympic and Paralympic Games.

Fortunately, Chicago has a long tradition of partnerships involving the public, private and not-for-profit sectors. We have a multitude of individuals and organizations dedicated to creating and preserving affordable housing and removing the obstacles that keep too many of our residents from a decent home.

Chicago also has a tradition, extending back for more than a century and a half, of meeting the most daunting challenges. This is a city that rebuilt after a disastrous fire, reversed the flow of a river and reinvented itself time and again. It's a city that has the energy and creativity to find new ways to ensure that its residents are able to live in decent, safe affordable housing.



# Estimated Five Year Unit Production 2009–2013

(Anticipated use of resources subject to program review and budgetary authorization)

Program Name	5-Year Estimated Funding	5-Year Projected Units Assisted by Income Level							Total Units
		0–15%	16–30%	31–50%	51–60%	61–80%	81–100%	101 + %	
<b>TO CREATE AND PRESERVE AFFORDABLE RENTAL HOUSING</b>									
<b>MULTIFAMILY REHAB AND NEW CONSTRUCTION</b>									
Multifamily Loans	\$145,450,915	610	430	2,150	1,610	150	0	0	4,950
Multi-year Affordability Through Up-front Investments (MAUI)	\$18,375,000	213	212	0	0	0	0	0	425
TIF Subsidy	\$100,000,000	100	170	1,265	940	25	0	0	2,500
Tax Credit Equity	\$325,000,000	550	440	2,850	2,160	200	0	0	6,200
Multifamily Mortgage Revenue Bonds	\$300,000,000	300	250	1,720	1,300	180	0	0	3,750
City Land (Multifamily)	\$5,000,000	125	85	435	325	30	0	0	1,000
City Fee Waivers (Multifamily)	\$6,000,000	935	660	3,325	2,480	225	0	0	7,625
Illinois Affordable Housing Tax Credit (value of donations/equity)	\$10,000,000	110	80	390	290	30	0	0	900
<b>RENTAL ASSISTANCE</b>									
Low Income Housing Trust Fund (LIHTF) Rental Subsidy Program	\$72,650,000	1,900	1,100	0	0	0	0	0	3,000
Supportive Housing Program	\$18,000,000	400	0	0	0	0	0	0	400
<b>SAFETY &amp; CODE ENFORCEMENT</b>									
Heat Receivership	\$6,250,000	200	910	2,075	660	155	0	0	4,000
<b>MULTIFAMILY PRESERVATION</b>									
Troubled Buildings Initiative	\$10,000,000	0	0	4,500	0	0	0	0	4,500
TIF-NIP (Multifamily)	\$3,750,000	0	0	0	437	438	0	0	875
MF Neighborhood Stabilization Program	\$38,000,000	20	100	200	0	0	0	0	320
Preservation Compact: Preservation Loan Fund	\$25,800,000	75	50	260	200	15	0	0	600
Energy Savers	\$2,500,000	4,100	4,100	1,635	165	0	0	0	10,000
<b>SITE ENHANCEMENT</b>									
Site Improvements (Multifamily)	\$3,750,000	105	480	1,090	345	80	0	0	2,100
Subtotal	\$1,090,525,915	9,743	9,067	21,895	10,912	1,528	0	0	53,145
Less Multiple Benefits	██████████	(2,372)	(2,272)	(9,861)	(6,908)	(675)	0	0	(22,088)
Net, Creation and Preservation of Affordable Rental	\$1,090,525,915	7,371	6,795	12,034	4,004	853	0	0	31,057
Breakdown of Income Level Distribution, % of Net		24%	22%	39%	13%	3%	0%	0%	100%

# Estimated Five Year Unit Production 2009–2013

(Anticipated use of resources subject to program review and budgetary authorization)

Program Name	5-Year Estimated Funding	5-Year Projected Units Assisted by Income Level							Total Units
		0–15%	16–30%	31–50%	51–60%	61–80%	81–100%	101 + %	
<b>TO PROMOTE AND SUPPORT HOMEOWNERSHIP</b>									
<b>SINGLE FAMILY REHAB AND NEW CONSTRUCTION</b>									
New Homes for Chicago/City Lots for City Living (value of City-owned land)	\$18,000,000	0	0	0	0	150	300	150	600
Chicago Partnership for Affordable Neighborhoods (CPAN)	\$6,000,000	0	0	0	0	50	100	50	200
Affordable Requirements Ordinance (Single-family)	\$75,000,000	0	0	0	0	0	500	0	500
City Fee Waivers (Single-family)	\$6,000,000	0	0	0	0	310	630	310	1,250
<b>SITE ENHANCEMENT</b>									
Site Improvements (Single-family)	\$1,250,000	0	0	0	0	250	500	250	1,000
<b>ABANDONED PROPERTY TRANSFER PROGRAMS</b>									
Troubled Buildings Initiative (Single-family)	\$10,000,000	0	0	0	0	560	190	0	750
HUD Homes & Preserving Communities Together	\$0	0	0	0	0	55	20	0	75
SF Neighborhood Stabilization Program	\$95,500,000	0	0	0	50	200	200	250	700
<b>HOMEOWNERSHIP ASSISTANCE</b>									
City Mortgage	\$224,250,000	0	0	30	75	245	430	370	1,150
TaxSmart (Mortgage Credit Certificate Program)	\$112,500,000	0	0	25	30	130	225	215	625
Public Safety Officer Homeowner Incentive Program	\$625,000	0	0	0	0	10	50	140	200
Teacher Homebuyer Assistance Program	\$3,500,000	0	0	0	0	90	270	490	850
Home Purchase Assistance	\$15,000,000	0	0	190	170	315	135	190	1,000
Neighborhood Lending Program: Purchase/Purchase Rehab (NHS)	\$100,000,000	0	40	60	120	230	250	550	1,250
Neighborhood Lending Program: Homeownership Preservation (NHS)	\$110,000,000	0	50	70	75	170	135	150	650
Subtotal	\$777,625,000	0	90	375	520	2,765	3,935	3,115	10,800
Less Multiple Benefits	/ / / / / / / / / /	0	0	(189)	(187)	(717)	(968)	(674)	(2,735)
Net, Promotion and Support of Homeownership	\$777,625,000	0	90	186	333	2,048	2,967	2,441	8,065
Breakdown of Income Level Distribution, % of Net		0%	1%	2%	4%	25%	37%	30%	100%

# Estimated Five Year Unit Production 2009–2013

(Anticipated use of resources subject to program review and budgetary authorization)

Program Name	5-Year Estimated Funding	5-Year Projected Units Assisted by Income Level							Total Units	
		0–15%	16–30%	31–50%	51–60%	61–80%	81–100%	101 + %		
<b>TO IMPROVE AND PRESERVE HOMES</b>										
Emergency Housing Assistance Program (EHAP)	\$40,300,000	350	1,500	2,650	0	0	0	0	0	4,500
Home Repairs for Accessible and Independent Living (H-RAIL)	\$9,100,000	300	1,280	685	135	100	0	0	0	2,500
Targeted Blocks	\$3,800,000	40	60	75	40	25	10	0	0	250
TIF-NIP (Single-family)	\$10,000,000	100	200	250	100	150	200	0	0	1,000
Neighborhood Lending Program: Home Improvement (NHS)	\$40,000,000	50	50	90	40	175	95	150	0	650
Historic Chicago Bungalow Initiative	\$5,000,000	0	0	225	260	560	365	90	0	1,500
Subtotal	\$108,200,000	840	3,090	3,975	575	1,010	670	240	0	10,400
Less Multiple Benefits	//	0	0	0	0	0	0	0	0	0
Net, Improvement and Preservation of Homes	\$108,200,000	840	3,090	3,975	575	1,010	670	240	0	10,400
Breakdown of Income Level Distribution, % of Net		8%	30%	38%	6%	10%	6%	2%	0%	100%
<b>PROGRAMMATIC APPLICATION TBD</b>										
G.O. Bonds	\$7,500,000	200	200	200	200	200	0	0	0	1,000
Less Multiple Benefits	//	(100)	(100)	(100)	(100)	(100)	0	0	0	(500)
Net, Programmatic Application TBD	\$7,500,000	100	100	100	100	0	0	500	0	500
<b>PROGRAMMATIC INITIATIVES: NET TOTAL</b>	<b>\$1,983,850,915</b>	<b>8,311</b>	<b>10,075</b>	<b>16,295</b>	<b>5,012</b>	<b>4,010</b>	<b>3,637</b>	<b>2,681</b>	<b>0</b>	<b>50,022</b>
Breakdown of Income Level Distribution, % of Net		17%	20%	33%	10%	8%	7%	5%	0%	100%
<b>OTHER INITIATIVES</b>										
Citywide Resource Centers	\$5,395,680									
Housing Resource Centers	\$4,049,980									
Homeownership Counseling Centers	\$2,097,500									
Community Housing Development Organization (CHDO) Operating Support	\$3,700,000									
<b>SUBTOTAL, OTHER INITIATIVES</b>	<b>\$15,243,160</b>									
<b>OPERATING &amp; ADMINISTRATIVE EXPENSES</b>										
Corporate	\$10,888,415									
CDBG	\$68,674,860									
HOME	\$12,500,000									
NSP	\$15,500,000									
<b>SUBTOTAL, OPERATING &amp; ADMINISTRATIVE EXPENSES</b>	<b>\$107,563,275</b>									
<b>GRAND TOTAL</b>	<b>\$2,106,657,350</b>	<b>8,311</b>	<b>10,075</b>	<b>16,295</b>	<b>5,012</b>	<b>4,010</b>	<b>3,637</b>	<b>2,681</b>	<b>0</b>	<b>50,022</b>