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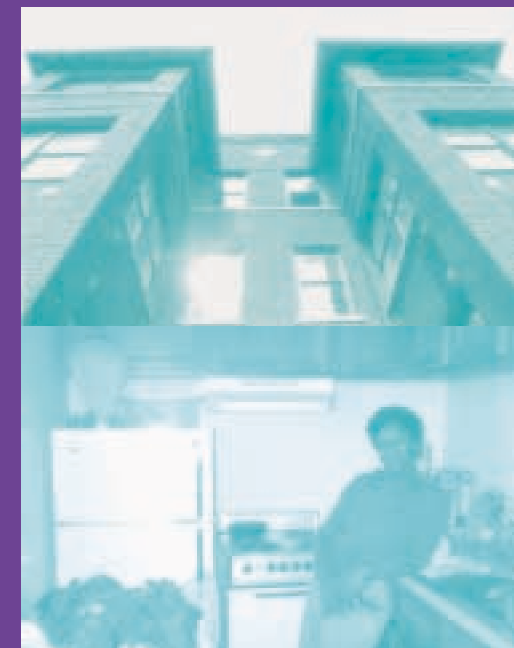
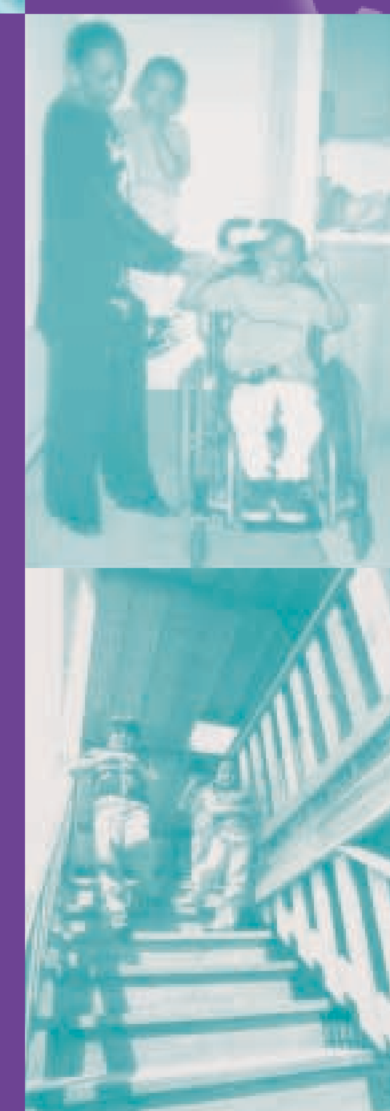


IHARP

First Annual Report
1999



Illinois Assisted Housing Research and Action Project

Acknowledgements

Illinois Assisted Housing Research and Action Project

A project of:	Latinos United Statewide Housing Action Coalition Nathalie P. Voorhees Center for Neighborhood and Community Improvement

This project was made possible by:

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The time and assistance of the staff of the following agencies:

City of Chicago, Department of Housing
Chicago Housing Authority
CHAC, The Chicago Section 8 Housing Program
Illinois Housing Development Authority
U.S. Department of Housing and Urban Affairs

Funding from the following agencies:

The John D. and Catherine T. MacArthur Foundation
The Polk Bros. Foundation
The Woods Fund of Chicago (Support for the Voorhees Neighborhood Center)

Layout and design: Michael Krzewicki

Letter From Sponsors

In the mid-1990s the Statewide Housing Action Coalition (SHAC) and Latinos United (LU) came to an alarming conclusion: housing policy was being established and implemented in a vacuum of information. How many units of assisted housing exist in Illinois? Where are they located and whom do they serve? These are straight forward questions that need to be answered in order for policy makers, government officials, community organizations and others to make informed decisions about the future of Illinois.

SHAC and LU, individually pursuing projects which required an accurate picture of assisted housing in Illinois, were surprised to find that such information did not exist. We each then took the logical, but naive step of deciding to create a comprehensive, unduplicated list of all assisted housing in Illinois. We found that the individual funding agencies did not even have one list which included all projects funded by their various programs. At this point we approached the Nathalie P. Voorhees Neighborhood Center at the University of Illinois at Chicago (VNC) for help. This was the beginning of the Illinois Assisted Housing Research and Action Project (IHARP); a five year journey into the complexities of affordable housing development and data base creation.

The technical difficulties of creating IHARP were staggering but even more staggering is the reality that decisions affecting affordable housing policy are being made every day without accurate information on the current state of housing.

> Public housing units are being demolished with no idea whether there is sufficient housing for the people being displaced.
>
> New developments are being built with no idea whether there are currently enough accessible/adaptable units to meet the needs of people with disabilities.
>
> Decisions whether or not to fund applications to create affordable housing are being made without any idea of the extent of the need in the area to be served.

There is an affordable housing crisis in Illinois. The over 400,000 households in Illinois paying half of their income for housing are at serious risk of becoming homeless. The private housing market is virtually closed to families making less than 50% of area median income and current local, state, and federal resources fall far short of meeting the need. To compound this lack of resources with decision-making based on inadequate information is irresponsible. IHARP will fill the information gap on Illinois assisted housing.

Public access to this information is a step forward, but IHARP is committed to equal access. Many small not-for-profits working for community development of low income neighborhoods will not have the resources to use the IHARP database. To address this problem, IHARP sponsors will provide outreach, education, and technical assistance on using IHARP for local organizing to these groups.

Judy Meima
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About IHARP

The goal of the Illinois Assisted Housing Research and Action Project (IHARP) is to create the first comprehensive listing of assisted multi-family housing units in the state of Illinois. The database includes information both for publically-owned housing as well as for assisted housing that is owned and managed by private for-profit and not-for-profit developers. This database will provide information to guide housing policy at the local, state, and national level and increase the capacity of community groups to affect housing policy creation and implementation.

When completed, IHARP will include a comprehensive list of all multi-family housing in Illinois. Currently the data base includes information from the two major funders of affordable housing in Illinois: the U.S. Department of Housing and Urban Development and the Illinois Housing Development Authority. A complete description of each development is provided through the following information:

- name of development project
- name of project sponsor
- name of managing agent
- type of building: rehab or new construction
- total number of units
- total assisted units
- unit size and rent level
- total project cost and breakdown of all revenue sources
- income levels served categorized by moderate, low, very low, and extremely low income
- address
- name of developer
- type of development
- year funded
- total occupied units
- accessible units
- racial/ethical background of occupants

Each year, IHARP will update the database with information provided by Illinois funders of assisted housing. Fol-lowing the annual update a report on the status of Illinois affordable housing will be released. By 2001, the IHARP database will be available on the Internet, allowing government agencies, developers, researchers, and others to pursue independent research. The IHARP project sponsors will work with community-based organizations to provide assistance in utilizing the data base and designing research projects for local organizing and advocacy efforts.

The IHARP project is a collaboration of Latinos United, the Statewide Housing Action Coalition, and the Nathalie P. Voorhees Center for Neighborhood and Community Improvement at UIC. Brief descriptions of the collaborating organizations follow:

Latinos United: Latinos United originated in 1983 as the Housing Monitoring Committee of the Mayor's Advisory Commission on Latino Affairs. This committee documented the severe under-representation of Latinos in all forms of subsidized housing, and became incorporated in 1989 as Latinos United. Since its inception, Latinos United has worked with the Latino community in Chicago to create affordable housing for Latinos through capacity building, monitoring, education, negotiation, confrontation and litigation.

Statewide Housing Action Coalition: SHAC is the only statewide coalition of community-based groups working for housing justice in Illinois. Two of SHAC's basic policy guidelines are that government subsidies must benefit those in greatest need and that low-income people must be involved in the decisions that affect their homes. SHAC's programs help community organizations increase and protect the supply of affordable housing in Illinois. SHAC achieves its goals by: 1) coordinating public activities; 2) sharing information through forums and publications; 3) providing technical assistance in grassroots organizing, capacity-building, and housing development, and; 4) working at the local, state and national levels to create a public environment that is supportive of affordable housing development.

Voorhees Neighborhood Center: The Nathalie P. Voorhees Neighborhood Center for Neighborhood and Community Improvement is an applied research and technical assistance unit at the University of Illinois at Chicago. The mission of the Voorhees Center is to improve the quality of life for all residents of the Chicago metropolitan area by assisting organizations and local governments in efforts to revitalize the many and varied neighborhoods and communities in the City of Chicago and its suburbs. The Voorhees Center has worked with many organizations and coalitions in the region on various projects including housing needs assessments, rent studies, community profiles and market analyses.

Illinois Funders of Assisted Housing

U.S. Department of Housing and Urban Development

The U.S. Department of Housing and Urban Development (HUD) is the primary federal agency responsible for housing and community development programs. HUD administers two block grant programs (HOME and Community Development Block Grant) under which funds are allocated to local agencies which are given fairly broad discretion on how to spend funds. HUD also administers several competitive programs in which developers apply directly to HUD: Section 202 (housing for elderly), Section 811 (housing for disabled), and several mortgage insurance programs. HUD also administers all public housing and tenant-based rental assistance programs which are implemented by local Housing Authorities. HUD also holds a portfolio of developments which were developed from programs that no longer provide funding for new projects (project based Section 8, Section 236 Interest Reduction program). HUD has ongoing oversight responsibility for these developments. Many developments in HUD's portfolio are reaching the end of their contract or use restriction period. HUD administers a number of programs that govern the preservation or conversion of these developments. HUD also administers the Continuum of Care (Homeless) Program which may produce permanent and transitional housing. HUD is also responsible for approving all Consolidated Plans (state and local) which establish the goals and priorities for allocating federal and state funds for housing and community development.

Local Housing Authorities

There are 111 housing authorities in Illinois. These are the agencies designated to implement all public housing programs locally. These programs include: development of new public housing, management of existing units, administering Section 8 Certificates and Vouchers, and a number of other small programs. Most rural housing authorities are at the county level. Larger housing authorities (mainly in urban centers) are also involved in redevelopment and privatization efforts including mixed income housing and home ownership programs.

Illinois Dept. of Commerce and Community Affairs (DCCA)

Illinois Department of Commerce and Community Affairs (DCCA) administers the state Community Development Block Grant program (known as the Community Development Assistance Program, or CDAP, in Illinois) for non-entitlement grantees. This is primarily a single family home ownership program.

The U.S. Department of Agriculture, Rural Development, Rural Housing Services

The U.S. Department of Agriculture, Rural Development, Rural Housing Services is the federal government's major rural credit agency for housing and economic/community development. Major multi-family housing programs include: direct loans & rental assistance (515) loan guarantees (Section 538), community facilities loans such as group homes or assisted living facilities, and farm labor housing.

Illinois Housing Development Authority

The Illinois Housing Development Authority (IHDA) was created by the Illinois General Assembly in 1967 to stimulate private development of affordable housing for persons and families of low- to moderate-income, as well as the elderly and persons with disabilities, through the issuance of tax-exempt and taxable bonds and other programs. Since 1967 IHDA has taken on additional roles in affordable housing development and planning. IHDA currently administers the following programs: Illinois Affordable Housing Trust Fund, HOME Program (for non-entitlement communities), Multi-Family Hous-ing Program (bond financing & IHDA/HUD risk sharing program), Single Family Home Ownership Program (bond financing with local mortgage lenders), and the Low Income Housing Tax Credit Program. Like HUD, IHDA also holds a portfolio of developments which were developed with funding from programs that are no longer active in providing funding for new projects (project based Section 8, Section 236 Interest Reduction program). IHDA has ongoing oversight responsibility for these developments. Many developments in IHDA's portfolio are now reaching the end of their contract or use restriction period. IHDA may participate in HUD programs that govern the preservation or conversion of these developments. IHDA is also responsible for creating the statewide Consolidated Plan which establishes the goals and priorities for allocating federal and state funds for housing and community development.

Local Governments

Municipalities and counties play a role in affordable housing development in several ways. A number of the larger local governments are Entitlement grantees under the Community Development Block Grant Program (46), or Participating Jurisdictions under the HOME program (16). Entitlement communities receive funding directly from HUD, administer these programs locally, and must submit an annual Consolidated Plan to HUD. Those municipalities that are not entitlement communities may compete for funding through the State Community Development Block Grant (known as the Com-munity Development Assistance Program, or CDAP, in Illinois), the HOME Program, or other state and federal programs. Some municipalities also designate local funds for afford-able housing development. The City of Chicago, Illinois' largest city, administers a number of affordable housing programs utilizing a variety of federal, state, local and private resources.

Section 8 - Expiring Contracts and the Mark-to-Market Program

Section 8 is a critical part of the assisted housing stock in the U.S. This program has made rental housing affordable to millions of low-income families around the country by subsidizing tenants' rents. Congress has recently signed into law sweeping changes in how subsidy contracts will be renewed. In brief, when contracts between the Federal government and property owners expire, many owners can decide to "opt-out" of the program. For those that stay in, there is a high likelihood that that subsidy will be converted to a tenant-based form of assistance. With nearly 2/3 of the contracts for Section 8 project-based developments coming due over the next five years, Illinois could stand to lose thousands of permanent affordable units around the state.

Background: In 1974 the Federal government created Section 8 as a means to help assist in the development of affordable housing and to improve communities by providing permanent decent and affordable housing. Section 8 is a rent subsidy program that by itself does not finance the development of affordable housing. Instead, it *guarantees* the rent coming into a building and guarantees owners enough money to cover the cost of developing and managing buildings for low-income people. These properties are affordable to low-income families because they pay no more than 30 percent of their income for rent, and the Federal government pays the rest.

There are two types of Section 8: tenant-based vouchers and project-based subsidies.

- A tenant-based voucher "travels with" a family, which means that they get an official document from the government that allows them to move into any qualified building and pay only 30 percent of their income for rent. A qualified unit is one that meets certain quality standards and has a monthly rent considered reasonable by the government. If the family moves, the voucher (and therefore the Section 8 subsidy) moves with them for as long as they qualify for assistance.

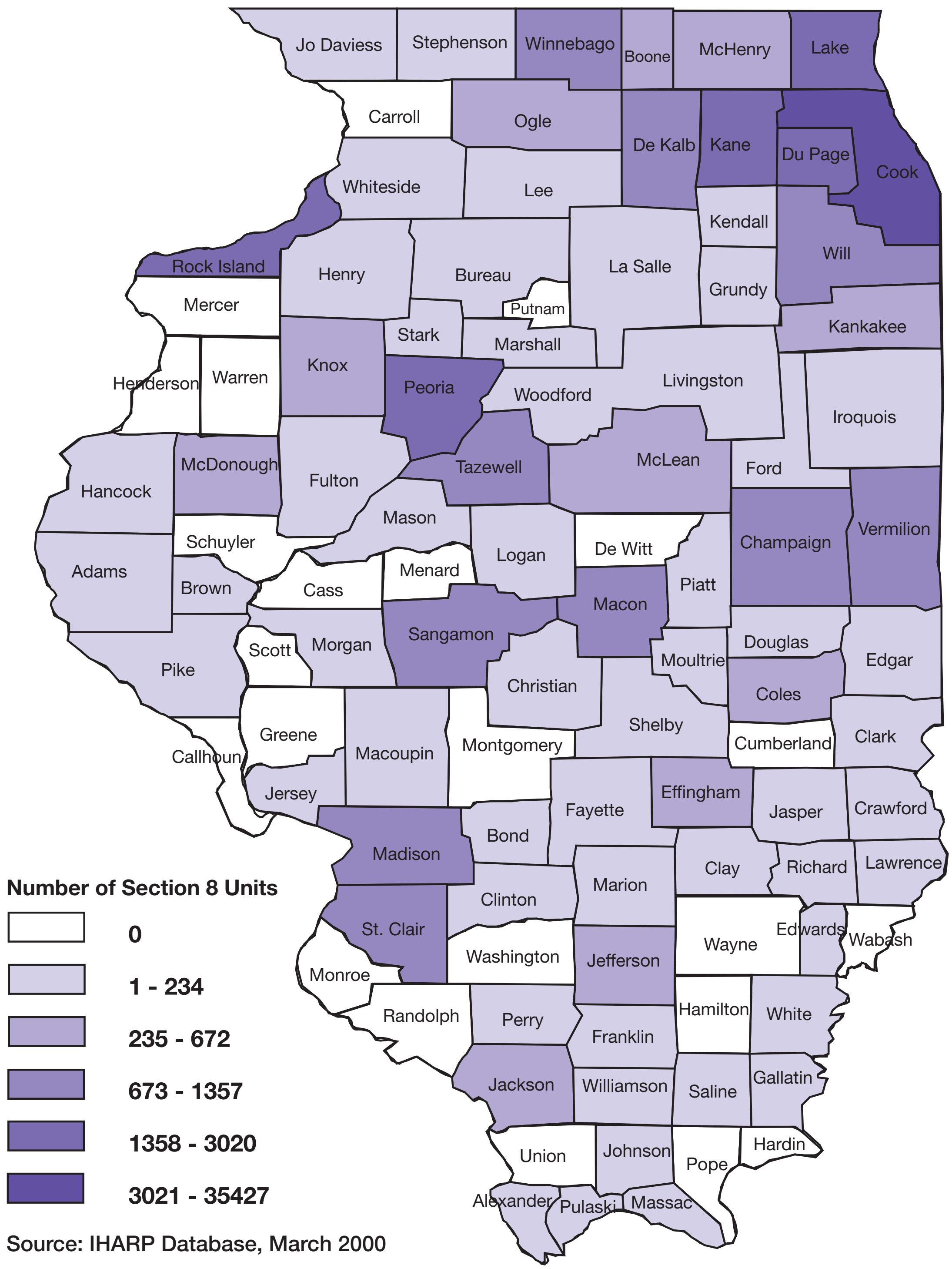
- A project-based subsidy means the Federal government promises to pay the property owner part of the rent for each unit that is designated for assistance and occupied by a low-income tenant. In these buildings, the tenant is still only paying 30 percent of their income for rent. However, they cannot take that assistance with them if they move. Instead, the subsidy remains with the unit, which keeps it affordable for the next low-income family that moves in.

To date, the Section 8 program has produced more than 1.5 million units of low-cost housing nationwide. About an equal amount of households currently receive tenant-based assistance through the Section 8 voucher program. In Illinois, the Section 8 program has helped to provide over 60,000 vouchers and to develop nearly 66,000 units of project-based assisted housing (see Map 1 and Table 1).

Today, the project-based Section 8 program "stands at a cross-road, facing a challenge that threatens its viability for the next 25 years and beyond."[1] Nearly 2/3 of the buildings made affordable with project-based Section 8 have subsidy contracts that will expire between now and 2004. This represents approximately 1,000,000 units nationwide. In Illinois, Approximately 2/3 of the units in Illinois (40,000) have Section 8 subsidy contracts that will expire in the next five years. While many of these units are owned by non-profit organizations, a key concern among affordable housing advocates is that for-profit owners will decide to "opt-out" of the program when their contracts expires. This is especially likely in areas where it will be more profitable for the owner to charge market rate rents.

[1] *Opting Out/In. Department of Housing and Urban Development, Policy Research & Development, April 1999.*

Map 1 • Total Section 8 Units by County



Source: IHARP Database, March 2000

Table 1 • Section 8 Units by County That Can Convert to Tenant-Based Assistance

County	Total Developments in the County	Total Assisted Units (Section 8)	Assisted Units That Can Convert to Tenant-Based	
			No.	%
Adams	4	184	133	72%
Alexander	2	36	36	100%
Bond	1	40	-	0%
Boone	4	347	347	100%
Brown	3	48	-	0%
Bureau	2	38	38	100%
Champaign	11	894	854	96%
Christian	4	211	211	100%
Clark	3	36	36	100%
Clay	5	24	24	100%
Clinton	1	157	157	100%
Coles	8	572	433	76%
Cook	335	35,427	29,261	83%
Crawford	1	6	6	100%
DeKalb	10	750	719	96%
Douglas	1	8	8	100%
DuPage	24	2,412	1,846	76%
Edgar	2	18	18	100%
Edwards	1	10	10	100%
Effingham	4	369	369	100%
Fayette	3	24	24	100%
Ford	3	72	72	100%
Franklin	2	32	32	100%
Fulton	5	207	70	34%
Gallatin	2	26	26	100%
Grundy	1	105	105	100%
Hancock	4	62	62	100%
Henry	1	40	40	100%
Iroquois	2	32	32	100%
Jackson	4	472	472	100%
Jasper	3	36	36	100%
Jefferson	4	319	319	100%
Jersey	2	75	75	100%
Jo Daviess	2	41	18	44%
Johnson	2	60	60	100%
Kane	15	1,799	1,688	94%
Kankakee	8	506	496	98%
Kendall	1	138	138	100%
Knox	6	491	476	97%
Lake	37	3,020	2,734	91%
LaSalle	4	185	155	84%
Lawrence	1	10	10	100%
Lee	4	163	150	92%
Livingston	4	157	141	90%
Logan	2	148	148	100%
Macon	12	1,113	910	82%
Macoupin	3	14	14	100%
Madison	19	1,296	1,059	82%
Marion	2	52	52	100%
Marshall	1	24	24	100%
Mason	1	24	24	100%
Massac	1	104	104	100%
McDonough	5	278	139	50%
McHenry	6	562	540	96%
McLean	7	672	672	100%
Morgan	4	140	40	29%
Moultrie	1	20	20	100%
Ogle	5	259	193	75%
Peoria	26	1,948	1,189	61%
Perry	2	64	44	69%
Platt	1	8	8	100%
Pike	2	16	16	100%
Pulaski	1	24	24	100%
Richland	1	66	66	100%
Rock Island	21	2,268	2,268	100%
Saint Clair	16	822	694	84%
Saline	3	32	32	100%
Sangamon	8	925	776	84%
Shelby	1	8	8	100%
Stark	2	34	34	100%
Stephenson	3	234	174	74%
Tazewell	14	1,252	1,008	81%
Vermilion	10	865	835	96%
White	1	60	-	0%
Whiteside	3	197	173	88%
Will	9	1,031	951	92%
Williamson	1	120	120	100%
Winnebago	20	1,357	1,146	84%
Woodford	2	122	22	18%
TOTAL	**762**	**65,770**	**55,456**	**84%**

Source: IHARP Database, March 200(

Section 8 - Expiring Contracts and the Mark-to-Market Program *continued*

Property owners that want to "stay in" the Section 8 program when their contract expires are subject to scrutiny by HUD to determine that they are eligible to stay in. Eligible properties are ones whose owners are in good standing and the property is in good condition, or at least can be remedied in a cost-effective manner. The next step for eligible properties is to determine if the subsidy should remain project-based or should be converted to tenant-based vouchers. A Section 8 property can be converted to a tenant-based form of subsidy if it is not any one of the following: 1) primarily for seniors or disabled tenants, 2) a cooperative development, or 3) in tight rental market. Regardless of location, HUD's definition of a tight market is that the vacancy rate for the area is less than 6 percent. These rates are provided by the U.S. Census, which generates estimates for the 75 largest Metropolitan areas and statewide totals. In Illinois, this means using either the eight county metro area vacancy rate for buildings in the Chicago region, or the state vacancy rate for areas outside metro Chicago. Based on the most recent Census rates, no location in the State of Illinois is considered a tight rental market.

These changes in the program are the result of the *Multifamily Assisted Housing Reform and Affordability Act of 1997*, which established new policies for the renewal of Section 8 project-based contracts. While the goal continues to be making units affordable to low-income tenants, converting to tenant-based assistance means that the unit is no longer guaranteed to be affordable, only that the tenant at the time of the conversion is assured assistance. Once a unit is switched from project-based assistance, the voucher allows the tenant to take the subsidy with them if they move.

Another important feature of this new law is that it made permanent the Mark to Market program (M2M), a new mechanism designed to help HUD restructure debt on project-based Section 8 developments nation-wide. M2M began as a demonstration program in 1996. It was designed to reduce long-term costs of providing subsidies to properties that required "above-market" contract rents to make the economics of the development work. HUD's idea was to restructure the FHA insured debt and reduce rents upon renewal of the subsidy contract. In general, a property is eligible to restructure if it's primary financing or mortgage insurance is from HUD. Ineligible properties include non-HUD insured developments, projects with rents that are below market rate, projects financed under Section 202 and Section 811 (senior/disabled) or through Section 441 of the McKinney Act (SRO housing).

In contrast, HUD introduced the Mark-Up to Market program (MUM) in 1999 as a means to reduce the number of properties with "below-market" rents that might opt-out because they could receive a higher rate on the open market. A key problem was that many of these property owners were opting out of the program when their contract expired because market rates were higher than the contract rents paid by Section 8. To help tenants in these situations, the FY2000 budget authorized HUD to use "enhanced vouchers" to better assure families in properties that opt-out are not forced to move or pay a large portion of income for rent.

The outcome of expiring contracts is only now becoming known. According to HUD, more than 30,000 units in 500 properties have left the Section 8 program nationwide since October 1996.[2] In 1998 alone, 300 properties and 17,000 units were lost as owners decided to opt out, marking a threefold increase from the previous year. Among many factors, this increase in the number of opt-outs is primarily attributed to a strong economy, which has been driving rents up in many metro areas often at a faster rate than income. As a result:

- most opt-outs have been stable properties in low-poverty neighborhoods.
- opt-outs in high-demand areas resulted in a substantial increase in rents, often raising rents above the maximum that the government would pay for rent.
- prior to the availability of enhanced vouchers, many tenants that moved due to a rent increase were often competing for affordable units in an already tight affordable housing market.[3]

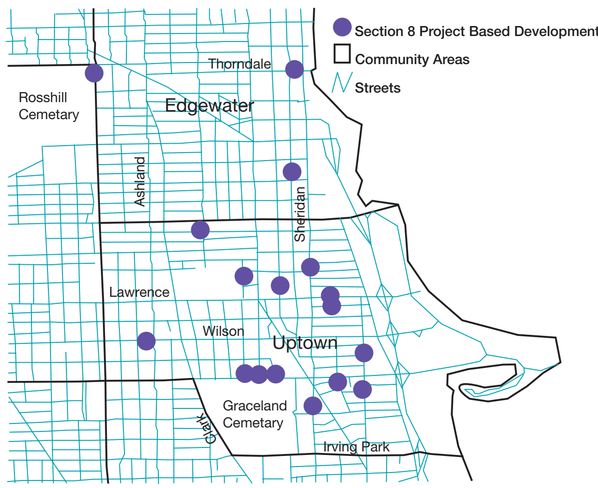
We examine next what has happened so far with regard to opt-outs in Illinois and what might happen in the coming years if many of the eligible projects are refinanced and switched to tenant-based assistance in the Chicago metropolitan region.

[2] *Opting Out/In. HUD/PD&R. April 1999* • [3] *Opting Out/In. HUD/PD&R. April 1999*

Opt-Outs in Illinois

In Illinois, at least 34 different properties have left the Section 8 Program in the last two years, either pre-paying in order to leave or being terminated by HUD. The change in rents in these properties is widely varied, with many increasing by 50 percent or more. In terms of the dollar amount, most properties increased the contract rent by at least $100 per month. Most developments that have pre-paid or voluntarily left the Section 8 program are located in the Chicago metropolitan region. Following the national trends, many of the properties in the City of Chicago are in neighborhoods that have improved significantly in the past few years. This is a concern in Uptown, a "hot neighborhood" in Chicago where low vacancy rates and increased demand continue to drive up rents and encourage owners to convert rental properties to condominiums. Community-based organizations are tracking what is happening with Section 8 since there are 16 properties with 2,168 units that could opt-out of the program in the next five years (see Map 2). Based on the profile of residents in 1998, many are seniors and/or disabled living on very low, fixed incomes (well below $20,000) with very limited housing options.[4]

Map 2 • Properties That Could Opt-Out in the Uptown Community



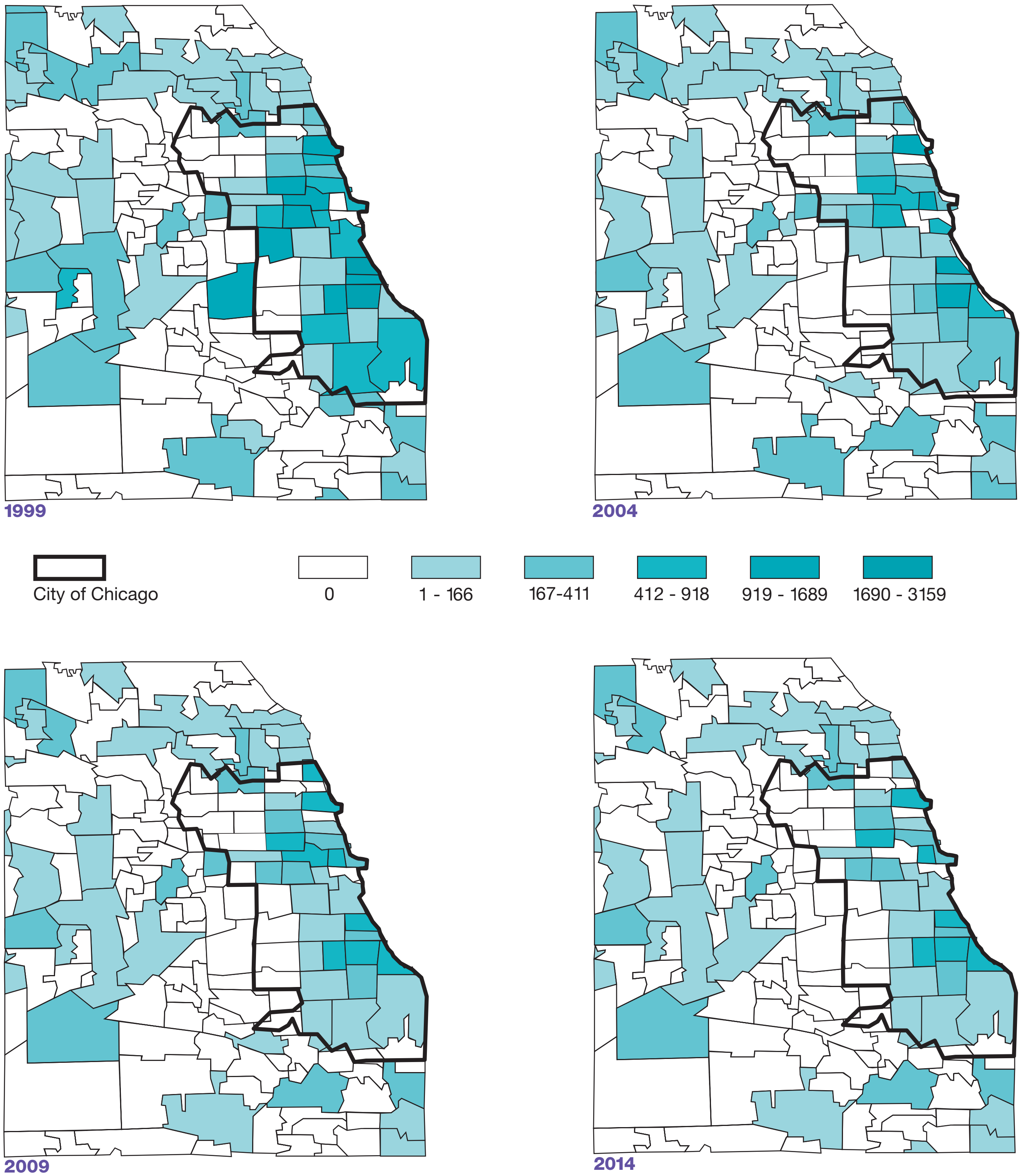
Source: IHARP Database, March 2000

Staying In • Potential Effects of Mark-to-Market and Mark-Up to Market

At this time, 84 percent of the project-based Section 8 units in Illinois are eligible to be converted to a tenant-based form of subsidy when their contract expires (see Table 1). This means a potential loss of 55,000 units of permanently affordable housing. While HUD has tried to increase the likelihood that projects will remain affordable by requiring renewing property owners to sign a long-term agreement to stay in the Section 8 program, this does nothing to assure these units remain part of a long-term affordable rental housing inventory. Map 3 shows the potential impact of restructuring the Section 8 program in the Chicago region in the coming years. A total of 30,000 units could be converted and therefore no longer part of the total inventory of permanent assisted housing in the next 20 years. Most of this loss will occur in the next four years with about 22,000 units -- half of all Section 8 units in the region -- eligible to be converted to tenant-based vouchers.

[4]Any 202/811 project was eliminated, so the proportion of 62 and older is assumed to reflect "senior buildings" that are not automatically exempt but are assumed to qualify for exemption.

Map 3 • Change Over Time in Chicago Region if Section 8 Units Convert



Two Communities Concerned with Changes in Section 8

Westtown

Over the past several decades, the Westtown neighborhood, like so many in Chicago, has been experiencing a real estate boom. While many sections of the community have household incomes far below the city average, others have seen a sharp increase as upper-income households have moved in. Prior to this in the early 1980s, low-income Westtown residents successfully used the project-based Section 8 program as a tool in their struggle to redevelop Westtown for its current residents. Working through Bickerdike Redevelopment Corporation (one of Westtown's community-controlled developers) and other organizations, this struggle included convincing government funders to invest in their community as well as fighting opposition from a growing number of private developers dedicated to "gentrifying" the neighborhood.

Now, the Section 8 program, which was such an important tool for community-controlled development in the past, may combine with private market forces to push poor people out of their communities. The preference for individual-based assistance over project-based assistance causes concern among low-income people, housing advocates and building owners for a number of reasons. Project-based developments can be an integral part of redeveloping communities, providing an important source of affordable and decent (for the most part), housing for the neighborhoods in which they are located.

The link between assisted housing and community development is weakened, if not lost, when properties are switched to tenantbased assistance. As people with vouchers move out of apartments the subsidy for that apartment is lost to the community. Unless the owner can find another certificate or voucher holder, he or she is forced to either rent to an upper-income family or face foreclosure because low-income people cannot afford the rent. For tenants in revitalizing areas such as Westtown, a concern is that this can easily lead to being forced out of a community that they call home. "I worry about our Section 8 contract not being extended," says Annette Threets, shown here with her daughter. "If they (HUD) don't renew these contracts a lot of people will end up homeless–there is just not enough housing."

After years of organizing and hard work, low-income residents are facing the threat of their community being put up for sale to the highest bidder. Threets, a long time resident and active member of Bickerdike, reflects the fear of low-income community residents throughout the state who are calling for modification to HUD's Mark to Market program. These modifications include: 1) making community development needs as high a priority as the economic implications of contract re-newal, 2) increasing community involvement in the contract renewal process including outreach to and education of tenants, 3) increasing the time frame for contract renewal to allow for adequate notification and broader discussion, 4) providing adequate incentives to encourage owners to stay in or to facilitate transfer of property to a community-based not-for-profit developer.

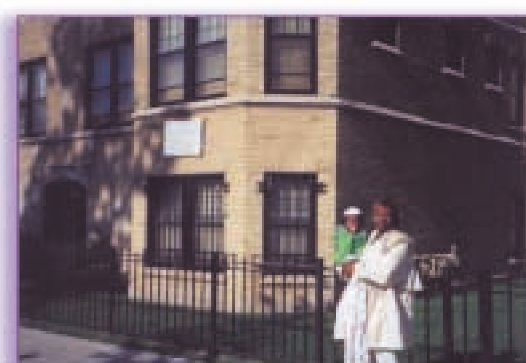
Bloomington-Normal

The twin cities of Bloomington-Normal have experienced an economic boom over the past few years, but the rising economic tide has not lifted all boats. Unemployment is at an all-time low of 1.8%, the area's median income is among the state's highest, and the area has been experiencing a building boom for a number of years. However, for low-income residents, affordable housing is becoming increasingly difficult to find.

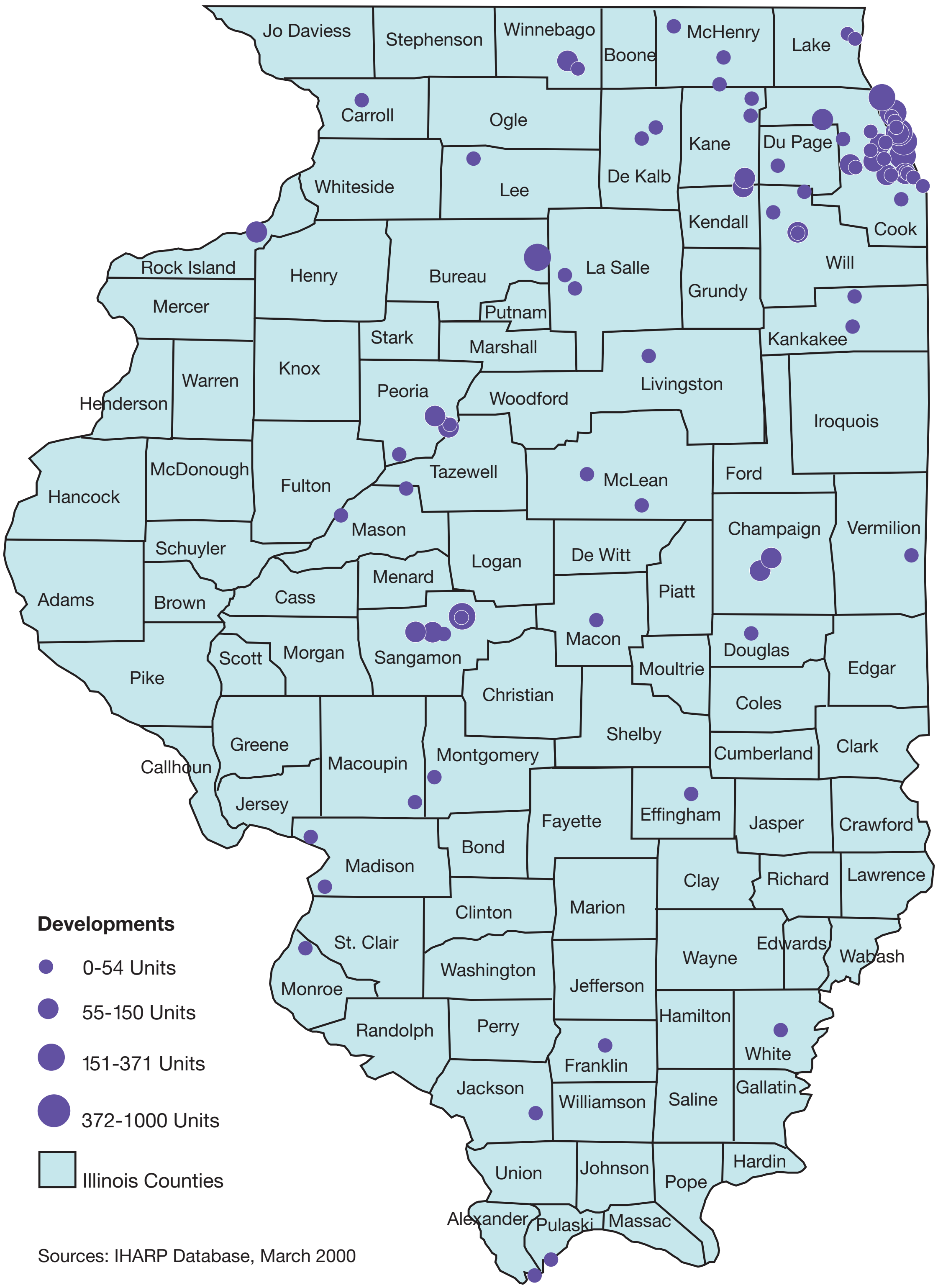
"There just aren't enough affordable rental units around to meet current needs," noted Donna Ferency, Executive Director of Mid Central Community Action which has been serving the area's impoverished residents since 1965. "In addition, the cost of homeownership averages $20,000 more per unit in Bloomington-Normal than in neighboring comparable cities. This further limits the option of persons with low- and moderate-incomes."

Bloomington-Normal is typical of the small cities throughout the nation that will be hit hardest by expiring Section 8 contracts. This small metropolitan area (population of just under 100,000) has 394 units in five developments with contracts which will expire over the next four years. Although by all common sense measures, Bloomington-Normal does not have enough rental units for its lower income residents, it does not technically meet the Mark to Market program's technical definition of a tight rental market and, as a result, may lose many of these units.

"We see the extreme effects of the tight housing market in our emergency shelter system" noted Ferency. "Bloomington-Normal's three emergency shelters for the homeless are full most of the time and sometimes people are turned away. Some families have no place to go. Loss of our project-based Section 8 contracts will mean a real crisis for the families with which Mid-Central works. We are definitely committed to working with the tenants and other housing advocates to save these units."



Map 4 • Illinois Affordable Housing Trust Fund Multi-Family Developments



Sources: IHARP Database, March 2000

The Illinois Affordable Housing Trust Fund

In the face of deep federal housing program cuts, the Illinois Affordable Housing Trust Fund (Trust Fund) has become an important source for developing and preserving affordable housing. Since 1990, the Trust Fund has provided about $190 million for nearly 20,000 affordable units throughout the state. This has leveraged over $750 million in other sources. In addition to the output of units, the Trust Fund has helped create a network of affordable housing developers across Illinois. Though the Trust Fund has met only a small fraction of the state's need for affordable units, it has demonstrated that a state program can efficiently and effectively promote the development of affordable housing.

Background: The severe federal housing program cuts of the 1970s and 1980s had a devastating impact on many low-income U.S. communities, taking away funds needed to halt disinvestment and decay. As a result, many states and localities sought local sources to subsidize the preservation and development of affordable housing.

In the 1980s and 1990s, housing trust funds emerged as an effective tool to partially fill the void left by federal housing program cuts. Housing trust funds are a locally controlled and funded source for the preservation and development of affordable housing. Typically, trust funds have dedicated streams of revenue and they are targeted to assist low-income households. By the mid-1990s, 37 states, 39 counties and 34 cities had established housing trust funds in the U.S.

Illinois' Trust Fund: In Illinois, the Illinois Affordable Housing Trust Fund was signed into law in 1989 after a 4-year campaign led by community organizations, housing advocates, government agencies and legislators. The Trust Fund was the first (and to date the only) state funded program in Illinois to support affordable housing preservation and/or development.

The Trust Fund has an ongoing source of revenue through the state's Real Estate Transfer Tax, receiving $0.25 for every $500 in real estate sales in Illinois.

A high priority of the campaign to establish the Trust Fund was the creation of a flexible funding source that could meet the unique needs of the diverse communities throughout Illinois. Accordingly, the Trust Fund can be used to fund a wide array of responses to the state's affordable housing shortage, including:

- acquisition and rehabilitation of existing housing;
- new construction (single family and multi-family);
- adaptive reuse of non-residential buildings;
- special housing needs for the mentally ill, developmentally disabled, elderly, physically disabled, and single-parent families;
- and technical assistance for non-profit developers.

Eligible sponsors include not-for-profit organizations, for-profit developers, and government agencies.

Another priority of the Trust Fund founders was community input and involvement in the program, which is reflected in the role of the Trust Fund Advisory Commission. The Advisory Commission is made up of 15 members, 11 of which are appointed by the Governor. Appointees to the Commission must include at least four representatives from community-based organizations and four representatives from housing advocacy organizations. The Advisory Commission reviews all prospective Trust Fund projects before they are presented to the Illinois Housing Development Authority Board for consideration.

To ensure that funds are spread throughout the state and reach households that are truly in need, there are geographic distribution and household income guidelines for the Trust Fund. Based on state demographics, 64% of available funding is designated to metropolitan Chicago counties, 18% to other metropolitan counties, and 18% to non-metropolitan counties. Funds may only be used for low-income households (households below 80% of area median income) with half of funds set aside for households at or below 50% of area median income.

The Trust Fund is designated as gap financing of last resort. The maximum Trust Fund application amount is $750,000 (recently raised from $500,000) and Trust Fund projects typically utilize several financial sources.

Trust Fund Accomplishments

As of December 1999, the Fund had received about $230 million in revenue and spent nearly $190 million. Trust Fund projects have leveraged over $750 million in other sources for affordable housing preservation and development in Illinois.

Since its inception in 1989, the Trust Fund has provided funding for 18,723 units of affordable housing. Of these units, 10,809 are multi-family rental units and 7,914 are home ownership units. This report focuses primarily on the Trust Fund's multi-family projects.

Besides an impressive output of affordable units, the Trust Fund has supported affordable housing development efforts of for-profit and government entities and has helped create not-for-profit developers, some in areas of the state that had not seen housing development for decades (See Map 5). During the first few years, the Trust Fund sponsored an extensive outreach and technical assistance initiative that spurred the creation of new nonprofit developers and assisted established nonprofit groups in developing Trust Fund projects. The initiative spurred community-based housing development in Decatur, Urbana, Aurora and other areas in the state that had previously lacked community-based developers.

Geographically, the program has fulfilled its guidelines for distributing projects throughout the state. Within this broad geographic distribution, however, several interesting patterns emerge. Trust Fund rental units are more concentrated in the metropolitan Chicago area, with 77.5% of funds for rental units going to metro-Chicago, 13.5% to other metro areas, and 8.5% to rural areas (See Table 2).

Although the Chicago metro region shows a mix of home ownership and multi-family developments, projects outside the Chicago metro area are predominately home ownership. In fact, only 23% of the Trust Fund multi-family rental units are located outside the Chicago area, while 80% of Trust Fund single family units are outside of the metro Chicago area. Trust Fund administrators and project sponsors assert that this shows the Trust Fund's flexibility in re-sponding to local market demands–homeownership is more prevalent outside Chicago (according to the 1990 census, 72% of Illinois non-metro households were homeowners, compared to 62% in metro areas). Advocates express some concern that home-ownership cannot reach the poorest households and scarcity of rental developments outside metro Chicago may indicate impoverished households in non-metro areas of the state are disproportionately under served by the Fund.

Analysis also shows that there may be some geographic areas of the state that are under served by the Fund. This is illustrated in Map 6, a map of all multi-family units in the metro Chicago area. While the Trust Fund is meeting its statutory requirement to allocate 64% of the funds in metro Chicago, it appears that these developments are somewhat clustered in Cook County.

One method of analyzing the clustering of projects is to compare the percentage share of metro Chicago eligible households in each county to the percentage share of metro area Trust Fund units in that county. Using this analysis, Cook's percentage share of metro Chicago area Trust Fund units (93%) is higher than its share of metro Chicago eligible households (81%). Conversely, while Dupage County contains 6% of the metro Chicago eligible households, less than 1% of the Trust Fund metro units are in Dupage County. Similarly, Lake County has 5% of the eligible households in the metro area, but only only 1% of the metro Trust Fund units. This analysis suggests that Dupage and Lake County may have been under served by the Trust Fund. Further investigation of project distribution in the metro Chicago area is needed.

Sondra Ford, former Community Development Program Director at the Illinois Housing Development Authority who managed the Fund from 1996 to 2000, reports that working on geographic distribution has been a priority. "I would like the fund to be in every corner of the state," said Ford. "There are about 20 counties that we have no projects in–a number on the east side of the state especially. I have tried to determine if they haven't heard about the Trust Fund, if they don't need affordable housing or if they don't have development capacity. With the turnover of staff and with the application rounds we've had, I haven't been able to do the marketing to find out what the issue actually is. If there is a need we want to make sure they know we're here."

The Trust Fund is meeting its legal requirement to allocate funds to very-low income families with half going to households at 50% of median income and below. Unfortunately, existing data does not allow us to determine whether the Trust Fund is reaching households at income levels lower than the guidelines require. Sondra Ford be-lieves the Trust Fund hasn't reached many households below 40% of area median income. IHARP, in cooperation with Trust Fund staff, is initiating a project to further analyze income levels of the households being served in Trust Fund developments.

Sponsors of Trust Fund rental developments (those developments most likely to serve very and extremely low-income households) are primarily private not-for-profit and for-profit developers with government agencies making up only two percent of the total. Unfortunately, the data does not allow for a detailed analysis of project characteristics by sponsor type. This information could help determine if different sponsor types address different needs and direct future policy. This is another area in which IHARP will work with IHDA staff to produce a more detailed future analysis.

While the Trust Fund has been an unquestionable success at spurring affordable housing development, Illinois affordable crisis still looms large. More than 1.6 million Illinois households are eligible for Trust Fund housing. During the Trust Fund's ten year history, funding levels have enabled it to serve less than 1% of the state's eligible households.The Trust Fund has demonstrated that a state program promoting affordable housing can be administered effectively and efficiently in Illinois. The Trust Fund has created an infrastructure for developing and preserving affordable housing in the state, but the challenge remains to secure adequate funding to seriously address Illinois' severe affordable housing shortage.

Map 5 • Trust Fund Sponsors of Multi-Family Developments

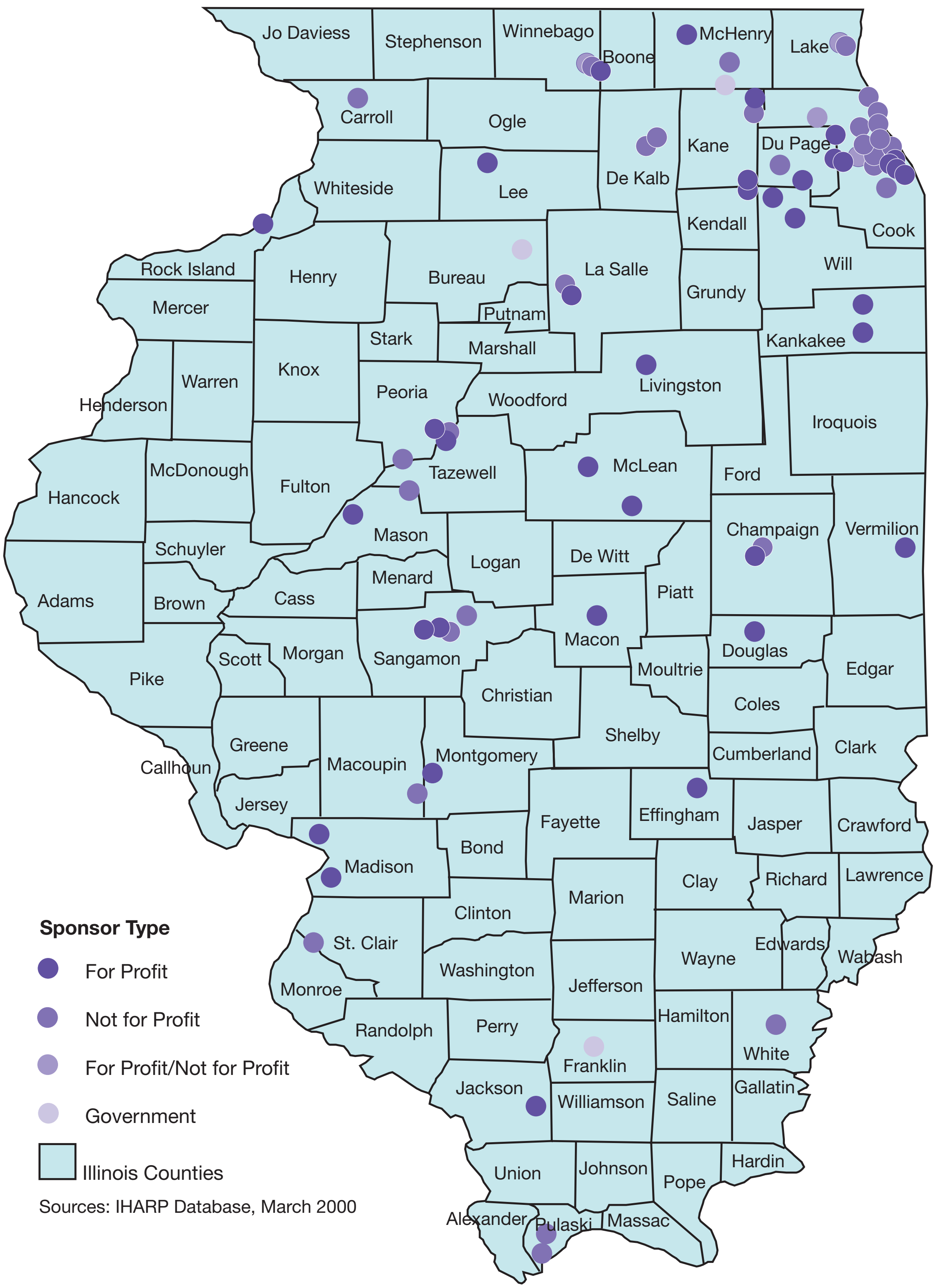
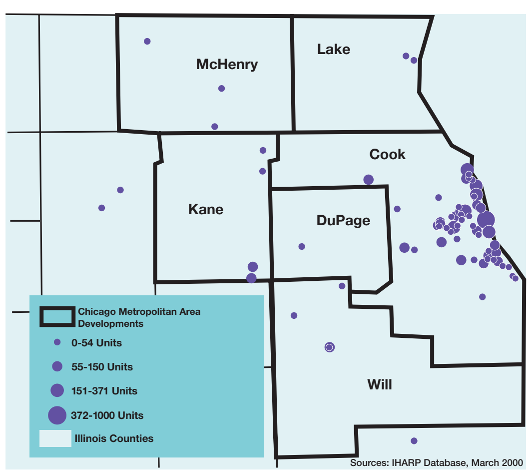


Table 2 • Trust Fund Units by County

County	Homeowner Units	Rental Units	Total Units
Adams	22	0	22
Alexander	0	20	20
Carroll	51	24	75
Champaign	233	277	510
Clark	15	0	15
Coles	11	0	11
Cook	1,376	8,165	9,541
DeKalb	0	20	20
Douglas	71	41	112
Du Page	93	0	93
Effingham	0	32	32
Fayette	15	0	15
Franklin	896	43	939
Fulton	110	0	110
Hancock	37	0	37
Henderson	19	0	19
Iroquois	45	0	45
Jackson	119	48	167
Jasper	20	0	20
Jefferson	51	0	51
Kane	32	220	252
Kankakee	88	84	172
Knox	22	0	22
Lake	94	41	135
LaSalle	0	235	235
Lee	0	36	36
Livingston	0	20	20
Macon	0	22	22
Macoupin	60	30	90
Madison	0	33	33
Mason	12	33	45
Massac	10	0	10
McHenry	0	65	65
McLean	40	88	128
Monroe	0	14	14
Montgomery	20	27	47
Morgan	10	0	10
Ogle	3	0	3
Peoria	160	196	356
Perry	51	0	51
Pike	15	0	15
Pulaski	50	40	90
Randolph	30	0	30
Richland	3	0	3
Rock Island	23	110	133
Saline	22	0	22
Sangamon	228	425	653
Shelby	30	0	30
St. Clair	179	0	179
Tazewell	84	0	84
Vermilion	75	42	117
Warren	20	0	20
White	0	21	21
Will	20	140	160
Williamson	438	30	468
Winnebago	66	174	240
Various	2,845	13	2,858
TOTAL	**7,914**	**10,809**	**18,723**

Source: IHARP Database, March 2000

Map 6 • Chicago Metro Region Trust Fund Multi-Family Developments



Benefits of Trust Fund Multi-Family Developments

The Homestead Apartments, Urbana

Lula Jones had fallen on hard times. After coming down with an illness that kept her from working, she lost her apartment. "I was homeless," recalls Jones. "I went and lived with my brother for 6 months. I was lost. Without a home I couldn't get a job. I felt like giving up."

In 1997, Lula Jones was the first resident to move into the newly rehabbed Homestead Apartments in Urbana. The project, funded in part by the Trust Fund, created 25 single room occupancy units from an abandoned Air Force barracks. The Homestead Apartments targets the homeless and those at risk of homelessness and provides on site social services to residents.

The transformation that Jones experienced upon moving into her new apartment shows the dramatic impact a stable home can have on a homeless person's life. "I felt like a new person when I got my apartment," says Jones. "It's a home to me, makes me feel like I'm somebody. Since I moved in I started working again. I love it–I'm happy."

The project, one of the few Trust Fund rental projects located outside of the metro Chicago area, emerged from an in-depth community planning process, which was aided by technical assistance supported by the Trust Fund. The planning process resulted in the creation of a new nonprofit community development corporation, the Homestead Corporation, which was the project developer.

"Without the technical assistance provided with support from the Trust Fund, this project probably never would have taken place," said Deloris Evans of the Homestead Corporation. "Technical assistance and outside help is essential in establishing a new nonprofit and enabling it to develop affordable housing."

WECAN, Chicago

For any low-income family in Illinois, finding decent affordable housing is difficult at best. But for low-income households with a disabled family member, the search for an affordable, accessible unit is especially hard.

Kiawana Butler is the mother of two young boys–Paul and Demetrius. Paul has Cerebral Palsy, a condition that requires him to use a wheelchair.

"We were in transition for a couple of years living with family," said Butler. "It's hard to find an affordable apartment that has accommodations for Paul."

Butler and her sons were one of the first families to move into a 23-unit building in Chicago rehabbed by the nonprofit Woodlawn East Citizens and Neighbors (WECAN) with funds from the Trust Fund. All of the apartments have accessibility accommodations, including widened doorways to accommodate wheelchairs, and three units have extensive accessibility adaptations.

"I wanted a decent place that I felt comfortable in," said Butler. "This apartment was newly renovated, affordable and good for Paul."

A below market interest loan from the Trust Fund en-abled the project to move forward, kept the rents affordable and allowed for the accessibility adaptations in the rehab.

The tracking of accessible units in publicly assisted affordable housing developments facilitates referrals to households in need and measures the ability of public funders to meet the needs of all residents.

IHARP Recommendations

1. Increase to the Fund

The Illinois Affordable Housing Trust Fund has proven to be an efficient resource for affordable housing production. Since the increased real estate transfer tax has been imposed, sales have increased thus proving that this minimal tax has not adversely affected real estate sales. We recommend that the real estate transfer tax be increased an additional $0.25 per $500 sales price, for a total of $0.50 per $500 in real estate sales being allocated to the Trust Fund.

2. Geographic Dispersion

The Trust Fund has made an admirable effort at even geographic distribution of the allocation of funds. There are, however, some under served areas:

- Rental projects serving very low income households in rural areas and small cities.
- Sectors of the Chicago metropolitan region including DuPage and Lake counties.

Although the Trust Fund is primarily demand driven (i.e., it responds to the applications received), there is much that Trust Fund staff, working with housing advocates can do to address this situation. The Trust Fund should implement the following: a marketing plan which includes general statewide marketing and specifically targets under served geographic areas and populations; further investigation of under served areas to determine the need and establish a plan to meet that need; and a program to build the capacity of not-for-profit community-based development organizations with a mission to serve these areas.

3. Maintain All Project-Based Section 8

Public housing and privately owned project-based Section 8 developments are our key source of permanently affordable housing for very low-income people. At this time, we are facing the loss of both as public housing gets “transformed” and Section 8 gets converted. The need to maintain project-based assistance is especially crucial since there has been relatively little production of new low-cost rental housing in recent years. One method to preserve this housing is keep the subsidy project-based. A key here is how we look at the “tightness” of the housing market. Instead of lumping all rental housing together, the vacancy rate should be looked at from within the sector. Based only on the Section 8 project-based developments in Chicago, for example, the current vacancy rate is just under 5%.[1]

4. Monitoring and Accountability

Given the large number of properties that have contracts expiring in the next four years, it is critical that information about the renewal process and the properties themselves be made known to a wider public. This includes making sure that residents are not only notified of what is happening, but also that the community be informed so that they too can be involved in the process early on. A specific concern is that there be more time than is currently allotted for resident and community participation. Another specific concern is that there be access to good data that is both up-to-date and containing pertinent information about the occupancy of each development.

[1] *Based on recent data from HUD’s Multifamily Tenant’s Characteristics System*

How to Use IHARP

The IHARP is dependent on its users to reach its full potential. This sheet offers several options for feedback and participation. Attach additional pages if necessary.

1. I want to help collection information. ______________________________

As of February 2000 the IHARP database includes information from the major funders in Illinois. During the next 24 months we will be adding information from smaller funders and from local municipalities. Support from local communities is essential to get this information quickly and accurately. We will prioritize those communities with local involvement.

2. I found a mistake. ______________________________

Checking the accuracy of the information we receive from funding agencies will be an ongoing task for IHARP. You can help by reporting any mistakes you find below.

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3. I would like assistance in using IHARP to support a local project (briefly describe).

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4. I used IHARP to support a local project and here's what happened:

Name ______________________________

Organization ______________________________

Phone ______________________________

Return to IHARP • c/o SHAC 202 S. State, Suite 1414 Chicago, IL 60604 • Fax 312.939.6047 • shacorg@ameritech.net