

# Housing Quest

*A Periodic Newsletter about Michael C. Rohrbeck's quest and interest in changing how we produce affordable family housing in Chicago.*

Issue 2

March 28, 2003

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## THE MISSION

In 2003, I'm dedicating myself to efforts intended **to change how we produce affordable housing for families or to determine if there is support for this process of change.** This mission can only be achieved if shared by many who have credibility and influence. Do you believe we can make a difference?

In recent years, the foundation for change has been laid by such groups as the Rehab Network/UIC, the Balanced Development Coalition, the Metropolitan Planning Council, the Housing Roundtable chaired by BPI, and volunteers in Governor Blagojevich's transition team.

*For breakthrough programming to actually benefit extremely low income families (working class people making less than \$20,000 a year) innovation in our methods and funding of affordable housing production must happen. Otherwise, new policies or new money will simply move poor families around.*

## THE HEADLINES

### ***CURL Enables Dress Rehearsal for Housing Quest Discussion/Dialogue***

Thanks to Loyola CURL for asking me to facilitate a Friday morning session on the "obstacles and opportunities" in community development. The discussion was a great dry run for Housing Quest activities. They sent me back to the drawing board however on confusing spreadsheets presented on management costs, development costs and affordability thresholds.

### ***HOUSING QUEST PROPOSALS & PENDING BILLS/ORDINANCES***

Let me recap here some of my ideas for reform and dialogue, and comment on current events, particularly the prospects of Illinois bills ([www.legis.state.il.us/legislation](http://www.legis.state.il.us/legislation)) and Chicago Ordinances.

### ***Housing Quest Ideas for Discussion***

- 1) End layered financing in performing markets, reallocating HOME/CDBG funds to inclusionary efforts in newly developed or existing quality housing by buying down debt pro rata in exchange for rent restrictions
- 2) Do layered financing in depressed markets without performing debt service and ONLY when accountability is unified with one lead agency, and
- 3) Fund in a significant way the Chicago Low Income Housing Trust Fund approach for rent subsidies to complement these efforts; take low income housing to non-minority or higher income areas in a timely way. (see [www.housingquest.info](http://www.housingquest.info) after 4/7/03 for details.)

### ***Comments on Pending Legislation***

#### **HB 2206 Rental Housing Support Program**

This bill is HQ Idea #3 – a doable way to have a rent subsidy program that is a landlord/tenant-friendly alternative to Section 8. An amendment could modify TIF legislation to allow increments to fund local administering agencies and be dedicated back to landlords/families in generating TIFs. (Starting April 7<sup>th</sup>, see details on my hair-brained scheme at [www.housingquest.info](http://www.housingquest.info) or e-mail me your about your interest.)

*(See Page 2 for more interesting stuff)*

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*Comments on Pending Legislation (cont.)***HB 2345 Low Income Housing Initiative**

This bill is about annual housing planning and more frequent reporting on the statewide and local levels; about streamlining/pooling of local, state and federal dollars to support rehabilitation and construction of affordable housing for neediest groups; about providing more deliberate planning/support of "supportive services"; and essentially elevating the issues and solutions for affordable housing.

This recently passed bill targets groups for benefits, including extremely low-income families at 30% AMI or below. That's great. Unfortunately, this bill implies, through its wording and RFP procedures that the only way to produce affordable housing is via government funded construction or rehab and development. Not great.

I believe it should overtly state that local and state plans should consider a range of cost efficient means and methods to create affordable housing for people at or below 30% AMI. This could promote dialogue about cost-benefits in the planning process. Just one example: buying down debt of existing quality housing, thereby bypassing the time and cost-intensive development process (HQ Idea #1). Amended wording may be possible in the Illinois Senate.

The streamlining goal in the bill is furthered by the pooling of funds. I'd suggest that RFP or "plans" support eliminating use of private bank loans for projects in depressed areas. These communities do not have many alternatives to "lasagna-style" financing.

**HB 2233 PTAB Jurisdiction**

This bill is a thinly veiled attempt to disempower the Illinois Property Tax Appeals Board (PTAB). Disguised as reform, HB2233 is an initial step to curtail this agency by restricting its jurisdiction over business appeals. PTAB is the one appeals venue that has proved above political favoritism, punitive action and contribution-related conflicts of interest on property tax appeals. Urge a No Vote with your rep now!

**Chicago Affordable Housing Set Aside Ordinance**

This is a good thing, but 50% of median target is not where the rental need is (\$37,700 family of four). People below 30% AMI could benefit if developers made "in-lieu" of payments to Chicago Trust Fund. HQ Idea #1 might strengthen targeting by making benefit to people at or below 30% directly. Unfortunately, there's likely to be too few qualifying rental projects and the mayor's attempting to dilute the impact further by proposing weak alternatives.

***Globalization & Community Development***

As usual, this year's Neighborhood Community Development Awards were informative, inspiring and provided an excellent networking opportunity. At the event, **Cheryl Corley** and a distinguished panel attempted to connect the issues of globalization and community development. I unintentionally stumped the panel when I asked what lessons we've learned about passing debt through to the poor.

***IHARP Represents Excellent First Step***

Does making the pie (of federal support) bigger really increase the chance that we'll produce more affordable housing for very low income families? Why not consider tax credits as a means to produce housing for people just at 60% AMI and reallocate HOME/CDBG dollars to more efficient affordable housing uses? These were but a few of the odd questions I raised at the recent IHARP conference sponsored by Latinos United, Statewide Housing Action Coalition, IHDA and DOH.

**Judy Meima** of SHAC presented findings on the report in a masterful way. The IHARP report on Illinois tax credit projects breaks new ground by calling into question how complicated these projects are, how difficult they have been to manage financially and how they have failed to meet the needs of extremely low income families. People agreed on the need for a statewide rent subsidy program (see HB 2206), but didn't have time to discuss whether reallocated HOME/CDBG funds were a worthy source for this.

**TIDBITS & NAME DROPPINGS**

Thanks go out to **Peter Levavi** (Brinshore), **Thom Clarke** (Community Media Workshop) and **Maria Sayers** (National Housing Conference) for feedback and referrals; **Gail Schecter** (Interfaith Housing Centerr of NW Suburbs) for her inspiration on home sharing as an alternative means of affordable housing production; **Mary Nelson** (Bethel New Life) on her input into building a Housing Quest alliance; **Valerie Denney** for keeping it positive; **John Padour** for his support for visual arts and community development; and, **Larry Pusateri** for his tolerance of my nagging questions. My appreciation is also extended to peace-makers and affordable housing friends **Mary Jane Haggerty** (anyone need a great staff person?), **Denise DeBelle**, **Valerie Leone** and **Nelson Sears** who provided website assistance (see [www.peacescarves.com](http://www.peacescarves.com)).

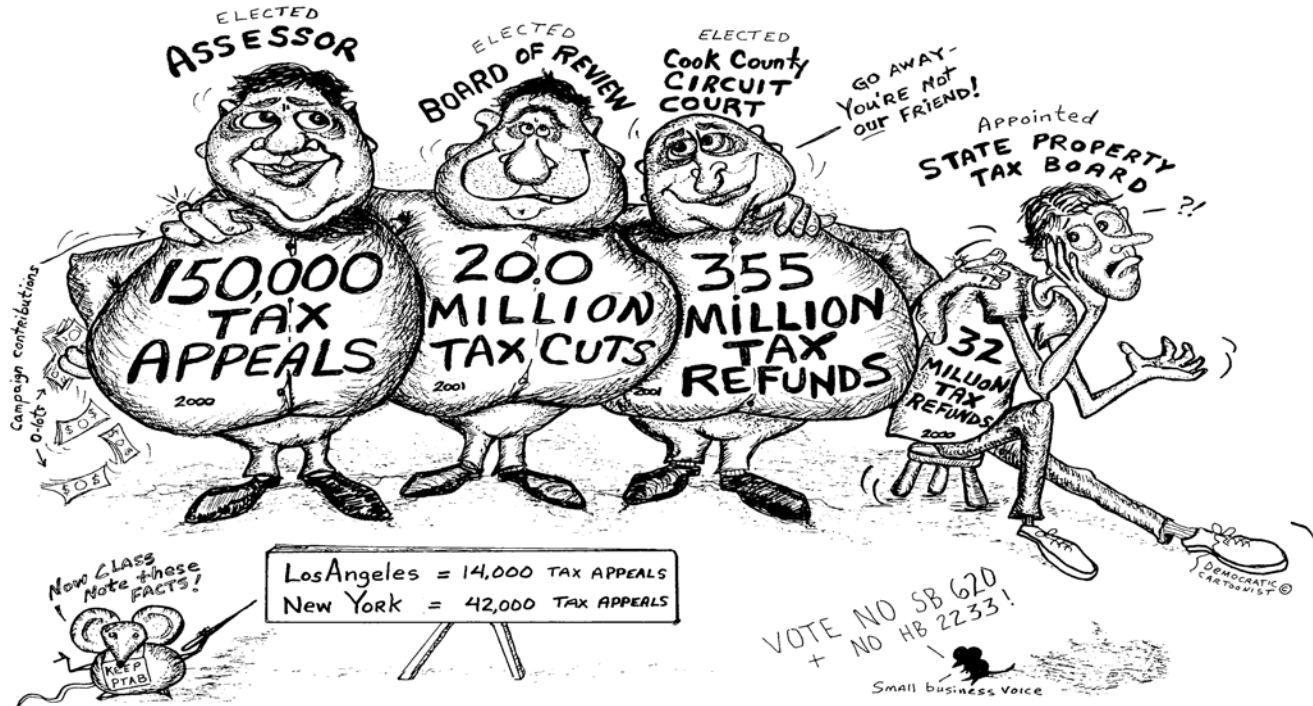
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*Unfortunately, noodling with incentives and classifications in Cook County in an attempt to get incremental savings is an ill-fated effort e.g. Class 9, Class S etc.*

Efforts to reduce property taxes have received justifiable attention in recent years from affordable housing advocates. It is a good step in the right direction because of the emphasis on reducing costs on the management and operating side of affordable housing budgets. Our development budgets/costs can be two cents per unit or a million dollars, but if the numbers don't work getting the rent in line with people's income, it's of no use. Debt service and property taxes are the two most important operating costs we can reduce through public policy. The problem is that the Cook County assessment system is undeniably the biggest, most complex, inaccurate and inequitable of such systems in the country and the savings achieved via advocacy efforts are not enough. It has six major classifications, nine incentive classes and 230 property classification codes

Incentives are few (to taxpayers detriment) for reforming this system for a basic reason grounded in Chicago tradition – corruption. Pardon me, I meant a lack of controls for “appearances of conflict of interest” and ethics. Contributions from lawyers and appeal practitioners before appeal agencies assure virtual incumbency to any elected officials who presides over the system and stay out of jail. The more inaccurate and inequitable the system is, the more money that is made by lawyers and appeal practitioners.

My policy approach to solving this problem is simple by comparison and admittedly idealistic. Make the classification system completely uniform with Illinois' 101 other counties and national standards i.e. taxes at 33% of assessed valuation (except farms, vacant and exempt property), then use tax abatements applied to all units that house persons at or below 30% AMI. The documentation of tenant incomes would be similar to Class 9. The taxing districts could be insulated from harm, similar to the approach proposed in HB 2246 (the Housing Opportunity Tax Incentive Act). Mixed income housing could become more feasible in the private market.

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