

## *Housing Quest*

A search for better ways to create  
Affordable Housing For Families

### **Capital Required for Advance Funding of Rent Subsidies for Family Rental Housing in Chicago**

The chart below illustrates what it would cost (the Net Present Value) over different time periods to fund rent subsidies up front in existing, quality housing. It's estimated that \$6,000 would be an adequate annual subsidy initially and further assume that one-half of future rent increases (at 4%) would be shared by the tenant. Different levels of investments are calculated, which vary depending on the term and the assumption of whether the investment would earn 3% or 4% on average.

<b>Monthly Subsidy</b>	<b>Year</b>	<b>Yearly Subsidy</b>	<b>Initial Investments</b>
500.00	1	6,000.00	NPV 4% @ 20 yrs
510.00	2	6,120.00	<b>\$96,549.90</b>
520.20	3	6,242.40	NPV 4% @ 15 yrs
530.60	4	6,367.25	<b>\$75,806.13</b>
541.22	5	6,494.59	NPV 4% @ 10 yrs
552.04	6	6,624.48	<b>\$52,947.31</b>
563.08	7	6,756.97	NPV 4% @ 7 yrs
574.34	8	6,892.11	<b>\$38,127.99</b>
585.83	9	7,029.96	
597.55	10	7,170.56	NPV 3% @ 20 yrs
609.50	11	7,313.97	<b>\$106,360.17</b>
621.69	12	7,460.25	NPV 3% @ 15 yrs
634.12	13	7,609.45	<b>\$81,683.00</b>
646.80	14	7,761.64	NPV 3% @ 10 yrs
659.74	15	7,916.87	<b>\$55,772.20</b>
672.93	16	8,075.21	NPV 3% @ 7 yrs
686.39	17	8,236.71	<b>\$39,608.06</b>
700.12	18	8,401.45	
714.12	19	8,569.48	
728.41	20	8,740.87	
<b>Total Rent</b>		<b>\$145,784.22</b>	

In high cost metro areas, total development costs of between \$200- 250,000 per unit that benefit families at 50 or 60% of median income are becoming more common in association with layered public/private financing. These kind of projects often require additional infusions of credit or subsidies after 7-10 years. Although we could quibble about the assumptions, its clear from this analysis that approximately two affordable units could be created for families earning less than 30% AMI for the total development cost of one unit over the period of 20 years. Approximately five affordable units could be created for every one developed over 7 years. Since programmatic initiatives like these may be eligible uses of CDBG funds, and certainly is possible with flexible local sources, why don't we give it a try? It could address vacancy concerns of owners, enhance the longer term viability of rental housing in gentrifying communities, and be a cost-effective approach to creating housing opportunities in rural and small town areas.