

Housing Task Force: Housing Innovation Working Group

Members:

Robert Grossinger, LaSalle Bk, Chair

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Rishi Garg, Lt. Governor's Office

Sherry Hamlin, River to River Res. Corp

Julie Hamos, State Representative

Eric Hanson, Joliet H. A.

Scott Kendall, MMA Financial

Richard Koenig, HODC

Jeffery Kuta, Schiff Hardin LLP

Mark Laubacher, The Laubacher Co.

Beth Llewellyn, IAR-PFHO

William Malleris, retired developer

Mike Niehaus, WDC

Larry Nolan, City of Kankakee

Jim Rose, Homestead Corp.

Jacques Sandberg, Pusateri-Sandberg

Julia Stasch, MacArthur Foundation

Mindy Turbov, Turbov Associates

Katrina Van Valkenburgh, CSH

Stanley Watkins, for Congr. Bobby Rush

Mary White Vasys, Vasys Consulting

IHDA staff:

Jane Bilger, Nicki Pecori, Bill Pluta

Housing Innovation – Areas Identified by HTF/Staff:

- Review of current vs. “best practices” processes (e.g., one-stop shop)
- Financing - types and sources, efficiencies
- Leveraging/resources
- Governmental barriers

Meetings Held:

February 17, 2004 - Chicago

March 8, 2004 - Chicago

April 26, 2004 - Chicago

May 4, 2004 - Chicago

Housing Innovation Working Group

As was envisioned when it was created, the nature of the charge of this Working Group was to look across programs and areas of need and recommend actions that would have an impact on multiple areas. These recommendations are also anticipated to have a high impact on the substantive areas of the Annual Comprehensive Housing Plan.

As such, this final report is not in the format of the other groups. It includes further action and developments of recommendations. The major recommendations to date are as follows:

- 1) A joint funding process between State agencies whereby housing development and services funding are coordinated and applied for simultaneously.
- 2) Further research into reducing the impact/applicability of the Illinois Prevailing Wage Rate Act to private-owned housing developments.
- 3) Streamlining the application and reporting processes, starting with State agencies.
- 4) Facilitating or creating a property insurance pool to contain escalating operating costs.
- 5) Pursuit of more equitable tax treatment of affordable housing properties, by: educating local taxing bodies to statutory requirements on assessments; and consideration of expanding Class 9 - Cook County abatements and/or creating a Payment in Lieu of Taxes (PILOT) Program.
- 6) Provide further research into exploring new and underutilized resource development opportunities.

Memorandum

Date: 6/28/2004

To: Rob Grossinger, Jane Bilger

From: Bill Pluta

CC: Jennifer Novak, Nicki Pecori

Re: Summary Notes on Recommendations from April 26, 2004 Meeting-Housing Innovation Working Group

The three agreed-upon areas of concentration established by the Housing Innovation Working Group are as follows:

- (1) Financing and Process Efficiencies
- (2) Resource Creation, Leveraging, and/or Redirection
- (3) Elimination/Reduction of Governmental Barriers

Regarding actual recommendations made under any of these three categories, the Working Group Chair also requested that the following “qualifiers” be kept in mind for each: consistent; predictable; and beneficial.

To begin with, the draft HIWG report submitted to the HTF and its Executive Committee already included a number of recommendations, some in very detailed fashion. But for purposes of the final recommendations (as I understand it), the following were discussed and detailed as ones that the group decided to move forward on:

- (1) Creation of a common application/review process as well as a common compliance reporting process.—This would include a number of separate but coordinated actions within and between State agencies and possibly with federal and local agencies. Short-term: an inventory of the Consolidated Plan-covered programs (existing sources) which could be included in this effort; a review of the development process; a review of past efforts in this area (e.g., the “PERT Compliance Chart”); development of a single reporting format (driven by the first position lender with attention given to government regulations and requirements); a review of the feasibility of a pre-commitment program similar to Nebraska’s CRANE Program in Illinois; research into feasible methods for State agencies to make multi-year commitments (esp. on services funding); Long-term: promoting inter-agency actions toward a joint RFP process. The overall goals are to minimize overlapping administrative requirements, reduce application timing submission problems, having coordinated applications and reducing the administrative paperwork for project compliance reporting.

- (2) Coordination of pooled bond financing and other related efficiencies for smaller and rural projects—Discussed in HI and other WG reports. The idea is to pool several smaller feasible projects together into one pooled bonding issue to realize cost savings and economics of scale.

The concept of bundling was also recommended to be further researched, which can be operationalized by allowing allowing/promoting the application for several (2 or more) proposed scattered-site projects into one funding application. This has already been done with USDA-Rural Development Section 515 and LIHTC (IHDA) preservation projects where there was a change in ownership (acquisition) along with rehabilitation.

- (3) Consideration/research into a State-facilitated or State-supported pooled property insurance program.—This is targeted to assist in controlling rising operating costs for affordable housing developments and achieve economies of scale. Discussion included possible participation by larger in-state insurance corporations (e.g., Allstate, State Farm). A review of other states that have done this was recommended. Suggested to bring in (insurance) brokers to discuss feasibility, potential problems/obstacles, and benefits. Could be promoted to insurance industry as “voluntary CRA compliance” to avoid statutory CRA coverage by Congress.
- (4) Real estate tax treatment –This is a major multi-faceted area that can provide both efficiencies (reduced operating costs) as well as possible new funding streams (by using a portion of collected taxes for services, etc.). Here is a partial list of suggestions:

Short-Term:

- (a) Research applicability of a Cook County Class 9 property tax abatement, and other abatement programs (Class S, Class 3) in other Illinois counties, as well as public education that would be needed to build support for such a program in a larger number of counties. Also research need for statutory/enabling legislation. (Short - term)
- (b) Also concerns/educational needs to ensure all County tax assessors utilize the income approach for affordable housing projects throughout the State. (Short-term)

Research:

- (c) Payment in lieu of taxes (“PILOT”)—Illinois currently allows this for PHAs. Michigan has an innovative PILOT Program which recycles such reductions or cost savings back to the generating property to pay for service for residents. (Long-term)
- (d) Research North Carolina’s State Treasurer’s LIHTC purchase program to review possible applicability to the IAHTC Program (State donations tax credit), with the State Treasurer or other entity acting in lieu of a syndicator.
- (e) Also discussion of Michigan’s alternative business tax (involving a voluntary surcharge (More information is needed.)

- (5) Review of limiting applicability of Illinois Prevailing Wage Rate Act to affordable, privately-owned housing—Review of minimum costs, # of units, private vs. public ownership, calculations method of current rates, and use of appropriate classifications by types of construction; also possibly looking into a review of the recent (2001-2002?) Illinois Attorney General's Opinion and the possibility of legislative intent being clarified by the Illinois General Assembly.
- (6) Other ideas mentioned at the meeting but not fully discussed included:
- Leveraging other private investment.
 - Creation of a Cabinet-level housing department/"housing czar".
 - Innovative ways to create new resources (community services/parking tickets).

Next Meeting:

May 4, 2004 at 9:00 a.m. Further discussion and development of innovative ideas to include in the Working Group report.