

The Preservation Compact Progress Report October 2020

The Preservation Lab	2
COVID-19 Pandemic Response	2
Accessory Dwelling Units and Basement Units.....	3
Encouraging Affordability in Strong Markets.....	3
Public Agency Coordination.....	4
Building Code Changes.....	4
Ensuring Fair and Predictable Property Taxes	5
Encouraging Investment in 1-4 Unit Buildings.....	5
Expanding Availability of Energy Retrofits.....	6
Addressing the Impact of Poorly Managed Buildings.....	6
Leading on Naturally Occurring Affordable Housing (NOAH)	7
Building Capacity and Outreach to Owners and Stakeholders	7

The Preservation Lab

The Preservation Compact partnered with the Institute for Housing Studies to investigate preservation challenges with local partners. The first Preservation Lab focused on the current crisis, and strategically deploying existing and new resources to preserve the stability of renters and buildings. The Lab convened a Core Group of local stakeholders to hear from experts in the field. The Lab Core Group discussions tackled:

1. Impacts of COVID-19 on Chicago's rental market to identify the types of tenants and properties that are most at-risk in a prolonged downturn;
2. Existing rental assistance and other support programs that are already in place; and
3. Recommendations about designing rental assistance programs to better serve the needs of vulnerable renters and properties during the pandemic and beyond.

Read the full [Preservation Lab Report here](#).

COVID-19 Pandemic Response

Faced with the COVID-19 pandemic, the Compact developed a dedicated webpage with a curated list of resources for owners and tenants. The Compact also convened partners and hosted webinars to inform stakeholders about resources to help buildings and tenants during COVID-19.

- Compact staff has presented these resources in a variety of contexts, including a panel hosted by Compact partners Metropolitan Planning Council and Enterprise Community Partners, and a webinar hosted by the Neighborhood Building Owners Alliance, also a Compact partner. The City of Chicago Department of Housing shared the resource list with their mailing list, and a number of partners have linked to the dedicated page on the Compact's website.
- The Compact hosted webinars featuring the CHA's new virtual processes; the Chicago Department of Family and Support Services, and Department of Public Health; and the Center for Conflict Resolution.
- The Compact has participated in national and local discussions on policy responses, and have dedicated newsletters to a new "Deep Dive" into critical topics, including unemployment and updated public health guidance related to multifamily rental buildings.

Accessory Dwelling Units and Basement Units

The Compact has worked with community partners, including Communities United, NHS, and Enterprise Community Partners to establish effective policies to facilitate the creation of basement units in 2-4 unit and multifamily buildings.

- The Director of The Preservation Compact co-chaired the policy committee of a new ULI initiative that engaged technical stakeholders to develop policy recommendations for ADUs.
- The Compact hosted grassroots groups with the City of Chicago's Housing Commissioner and staff to discuss basement units.
- The Compact continues to work with ULI and advocates to streamline the City's processes and help create more affordability so the policy can serve more low income renters and moderate income owner-occupants.

Encouraging Affordability in Strong Markets

The Compact created the Opportunity Investment Fund (OIF) to encourage developers to acquire existing rental buildings in strong markets, and keep at least 20% of the units affordable with rental subsidy, such as Housing Choice Vouchers (HCVs) or project-based vouchers. The OIF acts as an incentive by providing low cost mezzanine debt to cover more of an owner's equity requirement. Unfortunately, volume has been down.

- **Fund Restructure**
 - Loan volume has been lower than expected due to a number of factors, including a lower interest rate environment and higher values. Changes to the Fund structure will allow more flexibility to lower interest rates to borrowers, and thereby generate more loan volume. Investors are in the process of approving changes now.
- **Projects**
 - CIC has approved **\$3 million in OIF financing for 15 properties with a total of 383 units**, of which 84 units are affordable. Property locations include Oak Park, Hyde Park, Hermosa, Des Plaines, and Evanston.
- **Investor commitments**
 - The \$34 million Fund includes investments from:
 - Private lenders, including CIBC Bank USA, BMO Harris Bank, Fifth Third, Northern Trust, Byline Bank, and TCF Bank; and
 - The City of Chicago and the U.S. Department of Treasury Capital Magnet Fund.
 - Early support from the JPMorgan Chase Foundation helped fund the pilot projects.

Public Agency Coordination

Since its inception, The Preservation Compact has been a trailblazer in coordinating public agencies to preserve government assisted properties and streamline monitoring activities. For the past twelve years the Compact has convened an Interagency Working Group to identify and preserve at-risk properties. Interagency representatives include the City of Chicago, Cook County, the Illinois Housing Development Authority (IHDA), HUD, Chicago Housing Authority, and tenant groups.

- Interagency Working Group partners have identified and helped **preserve 4 properties with a total of 427 units in FY2020.**

Properties	Total Units	Affordable Units
Heritage House	200	200
Levy House	56	56
Division Street Rehab	26	26
Commonwealth	145	145
Total	427	427

- The Compact convened a series of meetings with IHDA and the City of Chicago to analyze at-risk LIHTC properties in years 15-30. While most of the individual properties did not appear to be at imminent risk, we are pursuing strategies to further understand portfolio and owner needs, and bolster the capacity of owners to successfully preserve these properties. Compact partner Enterprise Community Partners is sharing their expertise to inform next steps.
- The Compact **created a webpage to highlight our interactive [Interagency Reference Map](#) of government assisted properties across the state.** This includes properties opting out of government contracts, and requirements of the Illinois and Chicago preservation laws.

Building Code Changes

Since 2011, The Preservation Compact and its partners have worked with the City of Chicago Department of Buildings on building code and process changes to lower the costs to rehab and operate multifamily rental buildings.

- The City of Chicago's **Alternative Plumbing Materials Pilot Program allows owners to apply for relief on the plumbing code.** This represents significant cost savings for owners and developers, and are consistent with recommendations developed by the Compact and its partners. According to DOB, **the program has saved over \$20 million for building owners and developers.**
- The City of Chicago passed an updated electrical code, which includes the Compact's recommendations. The Electrical Code expands the use of flexible conduit, and allows electrical load centers to be located outside the unit serviced.
- The City of Chicago adopted major updates to the Chicago Building Code. The new code represents the first comprehensive revisions to the building code in 70 years and includes provisions to help owners do more rehab at lower costs.

Ensuring Fair and Predictable Property Taxes

In 2009, in response to advocacy by The Preservation Compact and others, the Cook County Assessor established a uniform assessment rate for all residential property, significantly reducing property taxes for most multifamily properties. But even with this new structure, many multifamily building owners still need incentives to invest in properties and keep units affordable.

- To encourage owners to invest and keep multifamily rental buildings affordable, the Compact **convened statewide partners to craft a proposal providing a predictable property tax incentive for affordable rental housing**. Compact partners Enterprise Community Partners and Housing Action Illinois helped the proposal get introduced as state legislation by Representative Chris Welch and Senator Sara Feigenholtz. The Compact has conducted extensive analysis to gauge the impact of different proposals, and garnered strong support from many stakeholders.
- To help owners whose Class 9 designation had been revoked, the Compact developed a guide explaining the Class 9 reinstatement process. Many owners are reporting successful Class 9 reinstatement.
- The Illinois Housing Council, a Compact partner, continues working with the Assessor's Office to help coordinate more accurate valuations of subsidized rental housing.
- The Compact regularly conducts outreach to building owners on appeals resources and deadlines for new triennial reassessment periods.

Encouraging Investment in 1-4 Unit Buildings

In 2014, a Preservation Compact working group researched and created the \$26 million (now \$48 million) 1-4 Rental Redevelopment Loan Program to enable responsible investor-owners to redevelop distressed 1- to 4-unit properties. The Compact also secured a \$5 million grant from JPMorgan Chase for CIC, CCLF, and NHS to create the Chicago CDFI Collaborative, which deployed complementary financing to improve the 1-4 unit stock.

- The 1-4 unit activities have continued among partners, and to date, **CIC has acquired over 835 units for rehab since 2015**.
- Originally structured as a \$26 million loan pool, CIC has increased lender commitments to **expand the 1-4 Rental Redevelopment Loan Program pool to \$48 million**.
 - CIC's 1-4 unit loan program has **approved \$38 million in loans for over 620 units of rental housing**.

Expanding Availability of Energy Retrofits

In addition to pioneering the Energy Savers program, The Preservation Compact has worked with partners to more than double resources from Illinois utilities for multifamily retrofits. Overall, the Energy Savers program, a partnership between Elevate Energy and CIC, has **resulted in over 1,600 buildings with more than 66,500 units being retrofitted** to conserve energy.

Through a combination of Energy Savers loans and other CIC financing, **CIC has provided \$26 million in financing to retrofit 11,100 units.**

Utility Strategy and Resources:

- The Preservation Compact **convened preservation developers and advocates to learn more about the proposed Illinois Clean Energy Jobs Act** as well as other energy efficiency initiatives.

Addressing the Impact of Poorly Managed Buildings

The Preservation Compact convened members of our Leadership Committee and other partners to discuss three large rental portfolios that are in bad condition, destabilizing over 3,600 rental units in Chicago. Staff from CIC's Troubled Buildings Initiative (TBI) and the City of Chicago identified problems early, pursuing code enforcement to improve buildings. Throughout FY 2020, the City and CIC worked to bring resolution to all of the BHF and Equity Build properties:

- BHF portfolios:
 - The first portfolio (13 buildings, 262 units) went through bankruptcy and was sold to Pangea. CIC was the receiver on all 13 buildings.
 - The second portfolio (45 buildings, 518 units) is going through bankruptcy. CIC is the receiver on 8 buildings (162 units). The bankruptcy is scheduled to be finished and ownership transferred by the end of October 2020.
 - One other city portfolio (196 units) and two suburban portfolios (873 units) are expected to go through bankruptcy and be resolved in FY 2021.
- For EquityBuild, 56 of the 111 properties have been sold or have received court approval for sales, and the rest are expected to be sold next year.
- The Compact is working with preservation buyers for the suburban portfolios and assisting suburban municipalities as the suburban properties begin the bankruptcy process. The Compact has also mapped properties to identify concentrations of buildings, is working with state agencies to discourage similar activity in the future.

Leading on Naturally Occurring Affordable Housing (NOAH)

While today this segment of the stock is considered “naturally occurring affordable housing,” or NOAH, the Compact has always targeted the vast unsubsidized affordable rental stock for preservation activities.

- The Compact **produced a best practices guide and a webpage to highlight tools and strategies** to preserve NOAH, especially in strengthening markets.
- To both learn and share strategies to preserve NOAH, the Compact has convened several meetings and actively participated in discussions nationally, including Michigan, Minnesota, Tennessee, Florida, Texas, California, Connecticut, Pennsylvania, and Georgia.

Building Capacity and Outreach to Owners and Stakeholders

All of the work highlighted above helps support an overall policy framework that promotes the preservation of existing affordable rental housing. Outreach activities promoted by the Compact lead to a broader understanding of the importance of preservation.

- The Compact was featured in national and local publications, including:
 - Face the Nation
 - Urban Institute
 - Federal Reserve Bank of Chicago
 - Crain’s Chicago
 - DePaul’s Institute for Housing Studies
- The Director of The Preservation Compact presented at local and regional conferences and meetings, including:
 - Federal Reserve Bank of Chicago panel
 - Funders for Housing and Opportunity panel
 - Hyde Park Community Council panel
 - Urban Institute National Conference
 - Illinois Affordable Housing Forum
 - University of Chicago Harris School Affordable Housing Panel
 - Metropolitan Planning Council Keeping Renters Housed Panel
 - Neighborhood Building Owners Alliance COVID Resources Forum
- The Director provided consultation on:
 - The Preservation Compact model for preserving affordable rental housing to:
 - Chan Zuckerberg Initiative
 - Silicon Valley Preservation Lab project
 - Philadelphia Federal Reserve
 - Enterprise Community Partners Detroit office
 - Developing financing tools to preserve affordable rental housing in strong and strengthening markets to the Madison Development Corporation in Madison, WI