

The Preservation Compact
Progress Report
April 2021

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The Preservation Lab

The Preservation Compact partnered with the Institute for Housing Studies to launch a new initiative called the [Preservation Lab](#). The objective of the Lab is to identify preservation challenges, investigate topics with a Core Group of local stakeholders, and then publish findings on each topic.

- The first Lab focused on stabilizing tenants and buildings during the COVID-19 pandemic. The process launched last summer, and the [Lab Report](#) was published in October 2020.
- The second Lab launched in January 2021, and is focusing on [preserving naturally occurring affordable housing \(NOAH\)](#) with an analysis of Chicago's NOAH stock, owner types, and neighborhood types. The Lab will illustrate how these different dynamics inform NOAH preservation strategies.
 - As a complement to the NOAH Lab, the Compact is hosting a NOAH Panel in April featuring Los Angeles and Chicago to highlight targeted approaches to preserve NOAH facing different kinds of challenges.

COVID-19 Pandemic Response

Faced with the COVID-19 pandemic, the Compact has proactively worked with partners to promote resources for rental owners and tenants, including hosting several webinars, and creating a [dedicated webpage](#) with a curated list of resources for owners and tenants. The Compact:

- Created a new [emergency rental assistance collaborative webpage](#) with the Illinois Housing Development Authority, the City of Chicago, and Cook County. The Compact convenes weekly meetings with all three agencies to coordinate programming and messaging about the new rental assistance as they design and administer the new round.
- Works with national partners to advocate for critical rental assistance resources to ensure stability during the COVID crisis, including participating in a national Urban Institute working group that developed a recent position paper on preserving small rental buildings.
- Developed a new "Deep Dive" e-newsletter to provide readable and practical details about complex subjects. Topics include [new rental assistance initiatives](#), the [expanded unemployment program](#), and [responding to public health issues](#) in buildings.
- Hosted webinars featuring the [City, County and IHDA discussing their upcoming rental assistance programs](#), the [CHA's new virtual processes; programs and resources](#) through the Chicago Department of Family and Support Services, and Department of Public Health; and [mediation resources](#) for tenants and landlords offered through the Center for Conflict Resolution.

Accessory Dwelling Units and Basement Units

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

- The City of Chicago passed a new ADU ordinance based on recommendations from a [ULI initiative about ADUs](#). The Director of The Preservation Compact was on the steering group, and co-chaired the policy committee.
- The Compact is now collaborating with community partners to work with the City in an effort to clarify and streamline the City's processes to ensure effective implementation of the ordinance.

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 a portion of an owner's equity requirement.

- Fund Restructure
 - Loan volume was lower than expected due to a number of factors, including COVID impacts, a lower interest rate environment and higher values. To increase loan volume, investors agreed to change the Fund structure, allowing more flexibility to provide attractive terms to borrowers. The new LLC agreement was signed by all of the investors in early December.
- Projects
 - To date, OIF has approved \$3 million in financing for 15 properties with a total of 383 units, of which 84 units are affordable. Property locations include Hermosa, Beverly, Hyde Park, Oak Park, 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;
 - The City of Chicago;
 - 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 four properties with a total of 1,031 units (774 affordable) in the last six months.

Properties	Total Units	Affordable Units
Pines of Edgewater II	279	279
Gill Park Coop	260	260
Lincoln Park Plaza	252	147
Island Terrace	240	88
Total	1,031	774

- Based on the Interagency model, The Preservation Compact launched a new Single Room Occupancy (SRO) Interagency Initiative.
 - This working group is a proactive, collaborative effort across sectors to identify and target SROs for preservation, bringing a strategic, city-wide lens to a previously piecemeal approach.
- The Compact convened the directors of IHDA, Cook County, HUD, the City of Chicago, and the Chicago Housing Authority to discuss priorities, and how the Interagency can support those priorities.
- The Compact analyzed at-risk LIHTC properties in years 15-30 with IHDA and the City of Chicago. 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. The Compact is coordinating with the Illinois Housing Council on next steps.

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.
 - With the support of government, industry, and advocate partners, the proposal was introduced in both chambers, and the Senate bill passed the Revenue Committee with unanimous support.
 - The Compact conducted extensive analysis on the impact of the incentives based on a Civic Federation report, concluding that the proposal would result in a minima burden shift to other classes in Cook County.

Encouraging Investment in 1-4 Unit Buildings

In 2014, a Preservation Compact working group researched and created the \$26 million (now \$35 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 861 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 \$35 million.
 - CIC's 1-4 unit loan program has approved \$38 million in loans for 624 units of rental housing.
 - After the 2008-2009 housing crash, the financing program was established to overcome the incredibly low appraisals. Over the years, property values have been re-established, and homeownership demand has returned. Demand for this program is gradually diminishing as homeownership becomes more prevalent. This program has served its purpose and will probably be phased out over the next several years, and most of this stock will be owned by owner occupants.

Building Code Changes

Since 2011, The Preservation Compact and its partners have worked with the City of Chicago Department of Buildings (DOB) 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 it is consistent with recommendations developed by the Compact and its partners. According to DOB, the program has saved over \$34 million for building owners and developers.
 - The Preservation Compact is coordinating with DOB as they consider efforts to incorporate this pilot program into the building code.

Expanding Availability of Energy Retrofits

In addition to pioneering the Energy Savers program, The Preservation Compact has worked with IL Energy Efficiency for All (IL EEFA) partners to expand Illinois utilities' energy efficiency programs for multifamily retrofits.

- Through a combination of Energy Savers loans and other CIC financing, CIC has provided \$26 million in financing to retrofit 11,315 units.
- The Compact and CIC engaged in the IL Utilities 2022-2025 Portfolio Planning Process via the Stakeholder Advisory Group and Income Qualified Energy Efficiency North Committee to provide multifamily program design and implementation ideas.

Addressing the Impact of Poorly Managed Buildings

The Preservation Compact convened members of the Leadership Committee and other partners to discuss three large rental portfolios in bad condition, destabilizing almost 4,500 rental units in the Chicago area. Staff from CIC's Troubled Buildings Initiative (TBI) and the City of Chicago were among the first to identify these portfolios, and pursued code enforcement and receiverships to improve buildings. Throughout FY2020, the City of Chicago and CIC worked to bring resolution to all of the BHF and Equity Build properties, including shepherding some properties to be sold to small neighborhood investors. As of September 30, 2020, 13 of the city buildings with 262 units have been sold to new owners, and 61 more buildings with 699 units are in the process of sale. The 30 suburban properties with 873 units are moving through bankruptcy and sale to new owners in 2021.

- The Compact has proposed that bonds issued for affordable housing projects in Illinois should be issued by either the Illinois Housing Development Authority (IHDA) or the City of Chicago, or that other bond issuing agencies must contract with IHDA or the City to provide underwriting services before bonds for housing are issued.

Leading on Naturally Occurring Affordable Housing (NOAH)

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

- The Compact’s current Preservation Lab is focused on [preserving naturally occurring affordable housing \(NOAH\)](#) with an analysis of Chicago’s NOAH stock, owner types, and neighborhood types. The Lab will illustrate how these different dynamics inform NOAH preservation strategies.
 - As a compliment to the NOAH Lab, the Compact is hosting a NOAH Panel in April featuring Los Angeles and Chicago to highlight targeted approaches to preserve NOAH facing different kinds of challenges.
 - The NOAH Lab Report and the learnings from the NOAH Panel will inform the development of a NOAH Working Group by the Preservation Compact to implement NOAH preservation strategies.
- The Compact produced a [webpage to highlight best practices, 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 with housing stakeholders in Michigan, Minnesota, Tennessee, Florida, Texas, California, Connecticut, Pennsylvania, Georgia, and Ohio.

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 Director provided consultation on The Preservation Compact model to:
 - Chan Zuckerberg Initiative
 - Silicon Valley Community Foundation
 - Miami Homes for All
 - City of Philadelphia and community groups
 - City of Detroit
 - Enterprise Community Partners Atlanta Office
- The Compact’s Interagency work was featured in a national [report on preserving affordable homes for equitable, healthy communities](#) published by Stewards of Affordable Housing for the Future, the Center for Community Investment, and the Lincoln Institute of Land Policy.
- Director of The Preservation Compact presented at local and regional conferences and meetings, including:
 - Lincoln Institute for Land Policy and Greater Ohio Policy Center

- Neighborhood Building Owners Alliance
- Illinois Real Estate Journal
- Federal Reserve Bank of Chicago