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Summary

This report aims to provide a background, status, and highlights from the Preservation Compact's activities, projects, and policy efforts. In this report, you will learn about the Preservation Compact's recent collaborative effort that resulted in groundbreaking legislation with the new Property Tax Incentive proposal and a variety of critical measures that continue to advance the preservation and sustainability of affordable housing in the Chicagoland region.

- **Property tax relief coming January 1, 2022!** Governor Pritzker signed a new property tax incentive for multifamily rental housing into law this summer. This incentive is based on a proposal from statewide partners convened by the Compact and is expected to create and preserve affordable rental housing across the state. The Compact has been collaborating with the Cook County Assessor's Office on implementation since passage. Applications open in Cook County on January 1, 2022.
- **Best practices and resources for NOAH owners!** Drawing on our extensive experience preserving naturally occurring affordable housing (NOAH), the Compact and the Institute for Housing Studies (IHS) released the NOAH Preservation Lab Report and NOAH Clearinghouse. These provide local and national models to help guide more targeted and effective preservation strategies. The Compact and IHS will be working on a data tool to identify NOAH peer city groupings and connect local practitioners to build best practices.
- **Cost-saving plumbing material changes are now in the Code!** Recommendations from the Compact informed the development of the Alternative Plumbing Materials Pilot Program, which saved Chicago developers and property owners more than \$38 million over the past four years. The City of Chicago amended the Plumbing Code in October to codify elements of the Pilot. Developers will now be able to use cost-saving PVC pipes in residential and mixed-use buildings of up to four stories.
- **New financing program for SROs!** Earlier this year, The Compact launched a new Single Room Occupancy (SRO) Interagency Initiative. This initiative represents a unique partnership between community partners, SRO owners, and the City of Chicago. Out of this initiative, CIC and the Compact are developing a new SRO financing program to improve and maintain SRO buildings and secure long term affordability.

Property Tax Incentive

Highlight: The legislation passed! Now different tiers of property tax relief are available for rental buildings with different needs in different markets. The Compact is working closely with the Assessor's Office on an implementation process as the program gets ready to launch in the first quarter of 2022.

Background: New legislation codifies a statewide multifamily rental housing property tax incentive proposal developed by The Preservation Compact, alongside Housing Action Illinois, Illinois Housing Council, Metropolitan Planning Council, and Enterprise Community Partners. The policy is part of the landmark affordable housing omnibus that passed the Illinois General Assembly in 2021. The [new legislation](#):

- Keeps rents affordable in higher cost markets.
- Promotes investment in lower cost markets.
- Applies to both market rate and affordable developers.
- Enacts the policy in Cook County (other counties can opt-out by a vote of the county board).
- Comes into effect January 2022.

Status: After the passage of the legislation, the Compact created materials on the incentive structure, hosted a webinar with the Illinois Housing Council attended by nearly 300 developers and property owners, and continues working with partners and the Assessor's Office to ensure a smooth January launch.

NOAH Preservation Lab

Highlight: The new NOAH Clearinghouse and Library was spurred by the Compact's [panel in April featuring the Chan Zuckerberg Foundation](#) discussing Los Angeles NOAH preservation efforts, and how market types drive different strategies.

Background: The Preservation Compact partnered with the Institute for Housing Studies (IHS) 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.

Status: The second Preservation Lab process and report, [NOAH Risk Analysis](#), was completed in September 2021. The Lab focused on the Naturally Occurring Affordable Housing (NOAH) stock in Chicago by examining building types, neighborhood dynamics, ownership, and short- and long-term risk factors. The Lab engaged diverse stakeholders to reach a more common, nuanced understanding of the NOAH stock to guide more targeted and effective preservation strategies.

The Lab also launched a new [NOAH Clearinghouse](#) and Library that highlights local and national NOAH preservation strategies to help guide more targeted and effective preservation. IHS and the Compact are also exploring a data tool to identify NOAH peer city groupings and connect local practitioners to build best practices.

Building Code

Highlights: Plumbing cost saving recommendations from the Compact have now been incorporated into the plumbing code. The ordinance was informed by the Alternative Plumbing Materials Pilot Program, which was created based on recommendations from the Compact and its partners. The Pilot program saved Chicago developers and property owners more than \$38 million over the past four years.

Background: 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. Based on recommendations developed by The Preservation Compact and partners, the DOB implemented an Alternative Plumbing Materials Pilot Program allowing owners to apply for relief on the plumbing code.

Status: Data acquired through the Alternative Plumbing Materials Pilot Program helped to inform [changes to the Chicago Plumbing Code passed by the City Council](#) in October. The City of Chicago amended the Plumbing Code to codify elements of the Pilot. Developers will now be able to use cost-saving PVC pipes in residential and mixed-use buildings of up to four stories.

The Preservation Compact is educating multifamily building owners on these changes to incorporate cost saving measures into their rehabs.

Intergovernmental Coordination

Highlights: Based on the Interagency model, The Preservation Compact launched a new Single Room Occupancy (SRO) Interagency Initiative in January 2021. 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 piecemeal approach.

The working group and the City of Chicago are working together to develop an SRO financing program to improve building and unit conditions, maintain SRO housing stock, and secure long-term affordability in the buildings.

Background: Since its inception, The Preservation Compact has been a trailblazer in coordinating public agencies to preserve government-assisted properties and streamline monitoring activities. The Preservation Compact has convened an Interagency Working Group to identify and protect at-risk properties for the past twelve years. Interagency representatives include the City of Chicago, Cook County, the Illinois Housing Development Authority (IHDA), HUD, Chicago Housing Authority, and tenant groups. This initiative represents a unique partnership between community partners, and all the levels of government related to housing.

Status: In addition to the Interagency's focus on at-risk government assisted properties across the region, the Compact with Interagency partners provided a targeted analysis on

government-assisted properties in Woodlawn to support preservation work through the City of Chicago's Woodlawn Preservation Ordinance.

Over the past year, Interagency Working Group partners have identified and helped preserve four properties with a total of 851 units (746 affordable) in the last year.

Properties	Total Units	Affordable Units
Pines of Edgewater II	279	279
Gill Park Coop	260	260
Lincoln Park Plaza	252	147
Linden House	240	88
Total	851	746

COVID-19 Resource Coordination

- Highlights:** The Preservation Compact received a \$27,000 grant from the National Low Income Housing Coalition as a subgrantee of Housing Action Illinois to continue its Emergency Rental Assistance coordination efforts, including weekly joint meetings with owner groups and tenant advocacy groups, and maintaining the unified ERA webpage and resource pages.
- Background:** Since the onset of the pandemic, the Preservation Compact has proactively worked with its intergovernmental housing partners from the State of Illinois, Cook County, and the City of Chicago to promote housing resources for rental owners, residents, and landlords impacted by the pandemic. The Compact convenes government agencies and partners weekly to discuss best practices about federal policy, process, and program creation. As a result, agencies are more efficient and collaborative in providing statewide rental housing and utility resources.
- Status:** The Preservation Compact launched and continues to administer a [unified ERA webpage](#) to function as a one-stop-shop for property owners and tenants to find information on ERA programs (more than 100,000 unique visitors since March 2021). The Compact also maintains a [dedicated webpage](#) with a curated list of COVID resources for owners and tenants.

The Compact hosted several webinars featuring the City of Chicago, Cook County, and IHDA discussing their ERA programs.

Accessory Dwelling Units (ADU) and Basement Unit

- Highlights:** The city has received 354 applications for the ADU pilot program since it launched in May, including 217 applications for new basement units and six applications to bring existing non-conforming basement units into compliance. The remaining 131 applications are for new or existing coach houses.

Background: The Preservation Compact is working with community partners, including Communities United, Neighborhood Housing Services, 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.

Status: 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 Preservation Compact is engaged in ongoing discussions with the City of Chicago and community advocates to shape effective outreach, including a new ADU webpage and exploring CIC's role in financing.

Energy Retrofits Update

Highlight: Through a combination of Energy Savers loans and other CIC financing, CIC has provided over \$26 million in financing to retrofit 11,351 units

Background: 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.

Status: The recent passage of the Clean Energy Jobs Act and the approval of the utilities' portfolio plans provide an opportunity for CIC and the Preservation Compact to engage in larger energy programs that will result from the new law and utility plans. As a result, we will play an active role in implementing energy efficiency programs through our ongoing participation in IL Energy Efficiency for All, the Stakeholder Advisory Group, and the Income Qualified Energy Efficiency North Committee.

Opportunity Investment Fund (OIF) Update

Highlight: To date, OIF has approved \$3.3 million in financing for 17 properties with a total of 402 units, of which 92 units are affordable. Property locations include Hermosa, Beverly, Hyde Park, Oak Park, Rogers Park, and Evanston. OIF volume will likely increase as a result of the new property tax relief incentive.

Background: The Preservation Compact created the \$34 million 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 subsidies, 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.

Status: Fund Restructure - Loan volume was lower than expected due to several 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 went into

effect in December, 2020. A new LLC amendment was also recently circulated to investors to extend the OIF term for 24 months.

Addressing the Impact of Poorly Managed Buildings

Highlight: To prevent similar occurrences in the future, the Preservation Compact drafted a proposal to provide more precise direction on bond issuance. The proposal states 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. If other bond issuing agencies seek to issue housing bonds themselves, they must contract with IHDA or the City to provide underwriting services prior to issuance.

Background: In 2018, 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 the first to identify these portfolios and pursued code enforcement and receiverships to improve buildings.

Status: Throughout FY2020, the City and CIC worked to resolve all the Better Housing Foundation (BHF) and EquityBuild properties. As a result, all five BHF portfolios with over 1,800 units have gone through bankruptcy and sold to new owners.

CIC and the City of Chicago continue to monitor the activity of the new owners to ensure all units get rehabbed and brought back online. Additionally, another troubled portfolio, the EquityBuild court-ordered liquidation, includes over 1,600 units that have also been sold to new owners.

1-4 Unit Program Update

Highlights: Since 2015, CIC has acquired 882 units for rehab. CIC's 1–4-unit loan program has approved \$40 million in loans for 639 units of rental housing. CIC and the Preservation Compact are members of the Chicago Flats Initiative coordinating with collaborative members to offer proactive solutions to preserve Chicago's affordable 2–4-unit housing stock.

Background: 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. Request 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.

Status: 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 Preservation 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.

Capacity Building

Highlights: As a result of our efforts, the Preservation Compact is meeting with philanthropic, public, and private organizations to begin discussions and provide information about rental preservation and the Preservation Compact model:

- Turner Center for Housing Innovation at UC Berkley
- 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

Background: The Preservation Compact has a strong track record of successfully developing and deploying strategies to preserve affordable rental housing. This year, the Preservation Compact has contributed to the creation of legislation, convened intergovernmental agencies to spur efficiencies in program development and execution providing effective strategies to address rental owners impacted by the pandemic, and continues to serve as a national model to public, private, and community institutions.

Status: In the past year, the Preservation Compact presented at local and regional conferences and meetings that have exposed hundreds of people to the Compact’s work, including:

- Federal Reserve Bank of Chicago
- Urban Land Institute
- Bloomberg Philanthropies
- City of Chicago Woodlawn Housing Working Group
- Chicago Housing Authority
- Southside Builders Group
- Neighborhood Building Owner’s Alliance
- South Side Community Investors Association
- Southside Builders Association
- Chicago Metropolitan Agency on Planning
- South Suburban Mayors and Managers Association