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Summary

This report aims to provide a background and status report on the Preservation Compact's activities, projects, and policy efforts, to date. In this report, you will learn about a variety of critical measures that continue to advance the preservation and sustainability of affordable housing in the Chicagoland region.

How's it going?

- **Affordable Housing Special Assessment Program launched in Cook County!** 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. Applications opened in Cook County in Q1 2022. The Compact continues collaborating with the Cook County Assessor's Office on implementation.

In development:

- **New NOAH acquisition model under development!** The Boston Acquisition Opportunity Fund provides streamlined, low-cost financing that enables preservation buyers to compete with well-capitalized investors. The Compact and Illinois Housing Council convened partners to explore opportunities to adapt this program to the Chicago context. In Illinois, a program could include acquisition loans, grants, and/or involve acquisition by a CDFI and re-sale to a responsible, preservation-minded owner. The Compact will continue to develop this model.
- **Momentum growing to preserve 2-flats!** The Compact is excited to be a member of the Chicago Flats Initiative (CFI), a new collaborative effort between community-based organizations, civic groups, and other stakeholders focused on preserving 2-flats throughout Chicago. Participation will help us build on our past work preserving 1-4 unit buildings, which has helped improve nearly 1,450 rental units since the last financial crisis.
- **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, the City of Chicago, CIC and the Compact are developing a new SRO financing program to efficiently improve and maintain SRO buildings and secure long term affordability. The City of Chicago recently approved the allocation of \$5 million for this vital new tool.

Property Tax Incentive

- Highlight:** The Affordable Housing Special Assessment Program launched and completed its first application round. The Compact worked closely with the Assessor's Office on implementation. Nearly 3,000 applications were submitted to the Assessor's Office, although a portion of this number may represent some duplicate or ineligible applications. The Compact also hosts webinars in partnership with CIC, IHC, the Assessor's Office, and other partners. Combined, these webinars had nearly 400 attendees. Compact staff also provides hands-on assistance to individual property owners with unique application challenges. The Compact's webpage on the new program had more than 1,800 visitors in 2022, and our factsheet on the program has been downloaded more than 800 times.
- Background:** New legislation codifies a statewide multifamily rental housing property tax incentive proposal developed by The Preservation Compact, alongside a number of Compact partners over the years, and championed legislatively by 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).
- Status:** The Compact continues to work closely on the implementation and rollout of the new Affordable Housing Special Assessment Program. In addition to meeting regularly with Assessor's Office staff, the Compact convenes owner focus groups to provide feedback and ensure access to a diversity of owner sizes and types. The Compact also continues to host webinars in partnership with CIC, IHC, the Assessor's Office, and other partners.

NOAH Preservation Model

- Highlight:** Compact partners have emphasized the need for fast-moving, low-cost acquisition financing to help preservation buyers compete with well-capitalized, out of town investors. Along with IHC, the Compact is exploring a new model.
- Background:** There are few existing statewide resources dedicated to preserving the NOAH stock. Without dedicated preservation funds, property owners committed to long-term affordability struggle to compete in fast moving market-rate transactions and are unable to maintain affordable rents.
- A program from Boston, the Acquisition Opportunity Program, serves as a successful model. In this model, owners committed to affordability are pre-approved for City funds. Pre-approval ensures that preservation-minded buyers are able to match the transaction speed in the current, fast-moving market for NOAH properties. While traditional, complex, financing models for affordable rental housing can take six months or more to close; this structure can enable transactions to close in as few as 60-90-days.
- In Illinois, a program could include acquisition loans, grants, and/or involve acquisition by a CDFI and re-sale to a responsible, preservation-minded owner.
- Status:** The Compact initially advocated for developing this model with ARPA funds. However, ARPA restrictions on loans with longer maturities would have limited the model's effectiveness. The Compact is continuing to explore opportunities to develop a pilot using other sources of funds.

1-4 Unit Preservation

Highlights: CIC and the Preservation Compact are members of the new Chicago Flats Initiative coordinating with collaborative members to offer proactive solutions to preserve Chicago's affordable 2–4-unit housing stock. Our participation in this new collaborative is informed by our work preserving 1-4 unit buildings after the last financial crisis.

Background: After the 2008-2009 housing crash, CIC and the Preservation Compact developed financing programs to help address the challenges of distressed 1-4s and low appraisals in neighborhoods disproportionately impacted by the financial crisis. This work resulted in the \$35 million 1-4 Rental Redevelopment Loan Program, as well as a \$5 million grant from JP Morgan Chase for CIC, CCLF, and NHS to collaborate on preserving 1-4s, all of which leveraged millions more in investment, and the preservation of over 2,000 units.

Over the years, property values have been re-established, and homeownership demand has returned. Demand for CIC's 1-4 loan program is gradually diminishing as homeownership becomes more prevalent. These programs have served their purpose and will probably be phased out over the next several years, and most of this stock will be owned by owner-occupants.

Status: This transition toward homeownership informs The Preservation Compact's work on the Chicago Flats Initiative, which prioritizes supporting homeowners, preservation buyers, and supporting owner-occupants in preserving their homes. Drawing on this experience, Preservation Compact staff recently presented on strategies for preserving these small NOAH buildings [at a meeting convened by 47th Ward Alderman Matt Martin](#). The Preservation Compact is also drafting [a series of blog posts on preserving 2-4 unit buildings in higher-cost areas](#).

Accessory Dwelling Units (ADU) and Basement Units

- Highlights:** The City has received 455 applications for the ADU pilot program since it launched in May 2021, including 299 applications for new basement units. 110 new units have been proposed in multifamily buildings, of which at least 36 would be deed-restricted for long-term affordability.
- Background:** 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. Preservation Compact and CIC staff also served on ULI ADU working groups.
- Since passage of the ordinance, The Preservation Compact worked with 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:** In February, The Preservation Compact, Community Investment Corporation, and the City of Chicago Department of Housing [hosted a webinar on the City of Chicago's Additional Dwelling Unit \(ADU\) ordinance for multifamily properties](#). 125 multifamily property owners joined the webinar. Preservation Compact staff also participated on an expert panel convened by CMAP and the Metropolitan Mayors Caucus on basement unit policies.

COVID-19 Resource Coordination

- Highlights:** The Preservation Compact was selected by the National Low Income Housing Coalition to participate in a national cohort of organizations supporting the efficient and equitable distribution of emergency rental assistance. The Preservation Compact also continues to convene government partners, owner groups, and tenant advocacy groups and maintain 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 plans to continue administering a [unified ERA webpage](#) to function as a one-stop-shop for property owners and tenants to find information on ERA programs (more than 164,000 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 has also hosted several webinars featuring the City of Chicago, Cook County, and IHDA discussing their ERA programs.

Preservation Lab

Highlight: A recent publication in Crain's brought attention to the NOAH Clearinghouse and Library which 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. A copy of the [Crain's article can be found here](#)

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 Preservation Compact and DePaul are planning a third Preservation Lab, focused on ongoing housing stability needs as emergency rental assistance programs wind down. The Lab is expected to begin this summer.

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's new [NOAH Clearinghouse](#) and Library that highlights local and national NOAH preservation strategies to help guide more targeted and effective preservation, is serving as a critical resource to housing providers. IHS and the Compact are also exploring a data tool to identify NOAH peer city groupings and connect local practitioners to build best practices.

Intergovernmental Coordination

Highlights: Recent efforts to resurrect the Interagency Compliance group are underway to re-examine opportunities to streamline administrative process and enhance coordination and communication on transactions.

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. Since inception, this group has preserved over 10,000 units, 7,000 of which are affordable.

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.

Since 2021, Interagency Working Group partners have identified and helped preserve four properties with a total of 1091 units (834 affordable.)

Properties	Total Units	Affordable Units
Pines of Edgewater II	279	279
Gill Park Coop	260	260
Lincoln Park Plaza	252	147
Linden House	60	60
Island Terrace	240	88
Total	1091	834

SRO Interagency

Highlights: On April 27th City Council allocated \$5 million to fund an SRO program. The Compact and CIC launched this program in partnership with the City of Chicago and partners to improve building and unit conditions, maintain SRO housing stock, and secure long-term affordability in the buildings.

Background: 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.

SROs in Chicago are disappearing. Most of the city's existing SRO properties are old, with the vast majority built prior to 1970 and many built more than 100 years ago. That age, coupled with often harder-than-normal use leaves the properties in need of significant rehabilitation and upgrades to maintain their long-term viability.

SROs often serve as a last resort for very low-income individuals, preventing them from becoming homeless. Rents in these units generally tend to be 75% or less of the HUD-set fair market rent for studio apartments.

Status: Based on feedback from SRO Interagency members and other stakeholders, The Compact, CIC, and the City of Chicago are developing a new financing program for SRO preservation.

Through the SRO financing program, CIC will provide up to \$15,000/SRO unit of assistance to eligible projects, not to exceed 50% of the total development costs, presuming financial feasible. Acquisition costs within one year of closing can be included in total development costs. The use of the funding through this Program will require that a portion of the units remain affordable for a period of at least 15 years. CIC is developing a pipeline of SRO projects. A second SRO working group for owners was launched in March 2022.

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.

Energy Retrofits Update

Highlight: Through a combination of Energy Savers loans and other CIC financing, CIC has provided over \$23.2 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 \$3.9 million in financing for 18 properties with a total of 426 units, of which 100 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:** 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 approved by investors, which extends the OIF term for an additional 24 months.

Addressing the Impact of Poorly Managed Buildings

- Highlight:** To prevent future owners from taking advantage of public financing, 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, including the Better Housing Foundation (BHF) and EquityBuild. 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 BHF and EquityBuild properties. As a result, all five BHF portfolios with over 1,800 units have gone through bankruptcy and have been sold to new owners. The EquityBuild court-ordered liquidation includes over 1,600 units that have also been 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.
- The Preservation Compact has had conversations with IHDA and the City of Chicago Department of Housing on the bond issuance proposal and plan to identify opportunities to move it forward over the next year.

Capacity Building

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, and convened intergovernmental agencies to spur efficiencies in program development and execution. This provided effective strategies to stabilize tenants and rental owners impacted by the pandemic, and continues to serve as a national model to public, private, and community institutions.

Status: To date, the Preservation Compact continues to identify opportunities to present at local and regional conferences and meetings. The Compact presented and exposed hundreds of people to the Compact's work at different events, including:

- University of Chicago
- National Low-Income Housing Coalition
- Illinois Housing Council
- Housing Action Illinois
- Neighborhood Building Owner's Alliance
- South Suburban Mayors and Managers Association
- Metropolitan Mayors Caucus
- National Low-Income Housing Coalition