JANUARY 2026

PORTFOLIO HEALTH INITIATIVE: YEAR ONE REPORT

Illinois Housing Council

Preservation Compact

TABLE OF CONTENTS

PROJECT SUMMARY

In the wake of the COVID-19 pandemic, communities across the country were confronted with a new crisis: well-established and reputable subsidized affordable housing providers faced financial distress, putting housing for thousands of vulnerable individuals and families at risk. Illinois was not immune to this phenomenon.

In Chicago, Heartland Housing, a respected, long-standing affordable housing provider spanning Illinois and Wisconsin faced such deep financial trouble that their portfolio, representing 1,500 units of deeply affordable housing, was put into receivership and the organization shut its doors.[1][2][3] To the public, this sudden financial collapse was shocking, but conversations with local housing providers and anecdotal reports from around the country pointed to a quiet but well-known struggle. The impacts of the COVID pandemic exacerbated existing financial vulnerabilities for housing providers and the landscape that emerged in its wake was yet more challenging. Permanent supportive housing (PSH) providers and their clients were in the most precarious position, but the distress they faced seemed to be a leading indicator of deeper systemic challenges in the subsidized affordable housing ecosystem.

This report outlines a collaborative research project, **The Portfolio Health Initiative**, conducted over a one-year period to document and better understand those challenges. The Initiative followed practical changes that stakeholders made to help stabilize and preserve distressed portfolios and concludes with opportunities for additional research and future policy development.

[1] Roeder, D., & Samra, M. (2023, December 14). Heartland Alliance cuts 65 jobs, shuts affordable housing division. Chicago Sun-Times. https://chicago.suntimes.com/business/2023/12/14/24000509/heartland-alliance-cuts-jobs-shuts-affordable-housing-division-readi-chicago-diaz-laackman
[2] Mercado, M. (2023, June 6). Heartland Housing loses control of 14 affordable apartment properties due to financial woes. Block Club Chicago. https://blockclubchicago.org/2023/06/06/heartland-housing-loses-control-of-14-affordable-properties-due-to-financial-woes/
[3] Rogal, B. J. (2024, February 4). Financial crisis at Heartland Alliance leads to furloughs, program cuts and an attempt to sell hundreds of affordable housing units. Chicago Tribune. https://www.chicagotribune.com/2024/02/04/financial-crisis-heartland-alliance/

ACKNOWLEDGEMENTS

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INTRODUCTION

Beginning in the summer of 2024, the Illinois Housing Council (IHC), in partnership with the Preservation Compact, launched the Portfolio Health Initiative, a statewide effort to assess the financial and operational health of Illinois' affordable housing portfolio. This was sparked by the local collapse of the Heartland Housing portfolio and heightened by national attention to other high-profile failures, such as Skid Row Housing Trust in Los Angeles.

The Portfolio Health Initiative is a collaborative effort bringing together affordable housing leaders, nonprofit and for-profit developers, asset managers, and policy experts to evaluate the condition of the existing portfolio and identify sustainable solutions. Through a series of convenings, the Initiative has surfaced broad agreement on several urgent challenges: the age and growing fragility of Illinois' affordable housing stock, the potential insufficiency of current policy and financial tools to support preservation, and the mounting risks these gaps pose to housing providers and the low-income residents they serve.

THE PRESERVATION COMPACT AND ILLINOIS HOUSING COUNCIL (IHC) OVERVIEW

Collaboratively, IHC and The Preservation Compact are uniquely positioned to bring stakeholders together through the many years of convening working groups and developing policy. For over 15 years, the Preservation Compact has acted as a convener for government agencies, non-profit and for-profit subsidized developers, government leaders, tenant advocacy groups and others committed to the preservation of affordable rental housing. Since 2008, the Compact has regularly convened the Department of Housing and Urban Development (HUD), the Illinois Housing Development Authority (IHDA), the Chicago Department of Housing (DOH), the Chicago Housing Authority (CHA), Cook County, and tenant advocates. This Interagency Council is the backbone of the Preservation Compact and has supported the preservation of thousands of affordable units that would otherwise have been lost to deterioration or market turnover. The Compact is a neutral party, able to build bridges between sometimes-disparate stakeholders, and identify actionable solutions.

The Illinois Housing Council (IHC) is a non-profit membership association founded in 2002 that represents organizations in the subsidized affordable housing industry throughout urban, suburban and rural Illinois. IHC's mission is to bring together industry leaders and policy makers to meet the fundamental need for affordable housing in Illinois, opening doors to greater opportunity for all residents. IHC connects hundreds of member organizations who are active in affordable multifamily rental development across the state, including non-profit and for-profit development companies, architecture firms, general contractors, financial institutions, investors and syndicators, public housing authorities and more. As an organization that sits at the center of Illinois' subsidized affordable housing industry, IHC is a trusted voice and convener for affordable housing providers. IHC and the Compact regularly work to bring together diverse stakeholders to break down silos and identify areas for improvement across the housing stakeholder spectrum.

WORKING GROUP DEVELOPMENT & FINDINGS

Prior to the research project launch in 2024, IHC and the Compact held preliminary focus group discussions with a variety of housing industry experts and stakeholders to understand the preservation challenges facing the affordable housing community in Illinois. Overall, these conversations reiterated anecdotal evidence of portfolio distress among affordable housing providers: unpaid rent, deferred maintenance, skyrocketing insurance costs, increased operating expenses and staffing challenges pose real threats to the long-term sustainability of our state's subsidized housing stock; and these challenges seemed particularly acute for nonprofit owners and providers of permanent supportive housing (PSH).

To gain a better understanding of these challenges, the Portfolio Health Working Group was formed. The working group is comprised of approximately 40 staff and leaders of public agencies at the state and local level, affordable housing providers, financial institutions, and related non-profit organizations.

The goal of this group is to engage diverse perspectives on the challenges facing the industry, and to break down silos. All participants have on the ground experience from various stages of affordable housing development and stewardship, including funding, compliance, and management. The working group met three times between July 2024 and July 2025.

Concurrently, the Initiative held 5 focus groups with specific sectors of the industry, including asset managers, syndicators, and developers. The challenges the Working Group and focus group members discussed during these meetings can be categorized in six areas of focus:

- **RISING OPERATIONAL COSTS**
- **STAFFING**
- **REGULATORY REQUIREMENTS & COMPLIANCE**
- **FINANCING CHALLENGES**
- **CHANGING TENANT NEEDS**
- **PERMANENT SUPPORTIVE HOUSING (PSH)**

RISING OPERATIONAL COSTS

Affordable housing providers face mounting financial pressures from inflation, increased operating costs, and persistent challenges with rent collections. These pressures undermine their ability to maintain properties, support residents, and ensure long-term financial stability.

Taken together, these challenges create major operating gaps, forcing owners to deplete reserves. Operators expressed that many projects were underwritten based on assumptions that no longer reflect current realities. Primary concerns include:

INSURANCE COSTS

- Exponentially increasing insurance premiums—and growing concerns about securing policy renewals—are straining budgets.
- An IHC survey of 30 Illinois developers found insurance premiums have, on average, risen 25% over the past year, significantly straining budgets and jeopardizing both current operations and future development.

INFLATION AND RISING COSTS

- Property maintenance costs, utilities, and water rates have risen significantly while rents remain flat.
- Providers report deferring maintenance and operating with fewer staff because expenses are outpacing revenue.
- High security costs have posed a major financial challenge; this is particularly true for properties that require 24-hour security.
- Expenses are increasing faster than HUD's automatic annual rent increases.

VACANCIES AND COLLECTIONS

- Vacancies are high for many properties at lease-up, and many local subsidies have requirements that lead to slow unit turnover.
- Some developers indicated that rent collection improved somewhat in 2024 but remains a significant issue.
- Rent overdue by 90 days is unlikely to be recovered, sometimes necessitating the write-off.

STAFFING

Affordable housing providers face ongoing staffing shortages that undermine property operations and resident services. Recruiting, training, and retaining qualified staff, especially bilingual staff and maintenance professionals, has become increasingly difficult in the post-pandemic labor market.

Staffing challenges have a ripple effect across all areas of building performance, impacting everything from compliance reporting to trust and rapport with tenants, timely recertifications, and rent collection. Staffing issues can also be an indicator of greater capacity challenges at an organization, which particularly impacts non-profit housing providers. These challenges can be characterized by:

RECRUITMENT AND RETENTION CHALLENGES

- Loss of skilled professionals during the pandemic was made worse by intense competition for hiring and retaining property management staff.
- Affordable housing organizations struggle to compete with market-rate employers offering higher pay and less complex workloads.

MAINTENANCE AND OPERATIONS

- Recruiting and retaining qualified maintenance staff is especially difficult; many providers rely on costly third-party vendors as a substitute.
- Some providers pay above national averages for leasing and operations staff yet still face shortages, particularly in leasing.
    - Staff turnover is often masked in the data—higher labor costs can obscure the reality of persistent vacancies and reduced organizational capacity.

TRAINING NEEDS

- There is a growing demand for Spanish-speaking staff to better serve immigrant populations.
- Providers emphasized the need to develop training pipelines, such as community college programs, to bolster the workforce and prepare new property managers and staff for careers in affordable housing.

REGULATORY REQUIREMENTS & COMPLIANCE

Almost all working group and focus group members agreed, with varying levels of frustration, that agency policies and compliance requirements can be onerous.

Participants shared that instead of serving tenants and working to lease vacant units, they are spending significant staff time and resources meeting compliance requirements for various property funding sources - challenges include:

COMPLEX AND DUPLICATIVE REQUIREMENTS

- Properties often rely on multiple layers of soft funding, each with its own compliance rules, leading to duplicative, conflicting, and confusing requirements.
- One developer noted compliance can consume 40% or more of a property manager's time, diverting attention from leasing and rent collection.

AGENCY PROCESSES AND OVERSIGHT

- Agencies frequently request inspections or site visits with little notice and flexibility, creating scheduling conflicts and disrupting operations.
- Properties with multiple funding sources experience exacerbated inspection challenges: each agency sends their own inspectors on different dates, which multiplies the work for the staff who need to be present. Agencies do not coordinate inspections with other agencies and do not share information.
- Automated compliance systems may generate errors that take significant staff time to resolve with agency personnel.
- Payments from programs can be delayed until minor compliance issues are resolved.
- HUD's new physical inspection protocol (NSPIRE) imposes additional compliance demands.
- Inconsistencies among agencies in Cook County and the collar counties create challenges in restructuring loans, with some agencies perceived as particularly difficult to work with.

SYSTEMIC MISALIGNMENT

- Tenant placement processes that are required by certain funding sources can conflict with operational feasibility, undermining property stability.
- Slow tenant referrals make unit lease up challenging
- Providers noted particular challenges in managing unit mix requirements- specifically, compliance with High HOME rent versus Low HOME rent standards.

FINANCING CHALLENGES

Affordable housing owners face persistent barriers in accessing the resources needed to preserve and stabilize existing properties. Limited funding options and structural biases in allocation processes make it difficult to secure support for preservation, particularly when properties are already in financial distress:

BARRIERS TO PRESERVATION FINANCING AND RECAPITALIZATION

- Competitive funding rounds tend to prioritize new construction over preservation, making it harder for owners to secure resources for existing properties.
- Properties in financial distress struggle to qualify for funding, even when support is urgently needed to prevent further decline.
    - For example, properties with inadequate revenue or housing quality standards will likely not qualify for new funding sources to make repairs and achieve stability.
- Funding streams for stabilizing distressed affordable housing are extremely limited and, when available, can strain provider capacity due to complex requirements.
- Owners may be reluctant to share with agencies that they are experiencing issues with their portfolio, fearing repercussions to the new development pipeline they depend on to keep operating.

CHANGING TENANT NEEDS

Affordable housing providers are seeing significant shifts in tenant circumstances since the pandemic. Many residents face more severe financial and personal hardships than before, leaving providers to navigate increased service needs alongside limited resources. Challenges include:

SHIFTS IN RESIDENT STABILITY

- Even non-PSH tenants are struggling to meet lease obligations, effectively resembling PSH populations in terms of support needs.
- While many tenants retained housing during COVID through assistance programs, their long-term financial stability has worsened due to job loss, reduced income, and rising healthcare costs.
- Providers report that they are serving a different, more vulnerable tenant population today than they were pre-COVID.

INCOME MISMATCHES AND AFFORDABILITY GAPS

- Many tenants earn far less than the LIHTC program's income limits, creating a mismatch between resident incomes and restricted rent levels.
- This gap makes it difficult for providers to raise rents to keep pace with rising operating costs without jeopardizing tenant stability.

PERMANENT SUPPORTIVE HOUSING (PSH)

Permanent Supportive Housing providers face a distinct set of challenges stemming from outdated funding models, misaligned policies, and underfunded residential service costs. These pressures strain both financial sustainability and staff capacity, making it difficult to ensure long-term stability. Focus group discussions with tax credit syndicators indicated an increasing percentage of PSH deals appearing on their “watch lists.” Syndicators interviewed noted that if public agencies want to prioritize PSH, they need to acknowledge the high operating expenses needed to sustain these developments and prioritize 100% rental subsidy for these properties. Themes discussed include:

OUTDATED AND INSUFFICIENT FUNDING MODELS

- Funding structures, designed two decades ago, have not kept pace with rising costs or the realities of the post-COVID environment.
- Developers often resort to “band-aid solutions” to cover gaps between capital funding and supportive service needs—an approach that is increasingly unsustainable.
- Lack of consistent and stable funding for services; the persistent misalignment between service funding and capital investment remains a critical barrier to PSH stability, both for the tenants and the physical maintenance of the building.

TENANT PLACEMENT AND PROPERTY IMPACTS

- Slow tenant referrals and unit lease-up.
- A single disruptive tenant can destabilize a property, create additional staffing pressures, and compromise community stability.
- Providers noted the need for more consistent funding for supportive services, along with enhanced staff training in de-escalation and managing high-needs populations.

These findings underscore the **urgent need for systemic support**, rather than placing the burden of tenant stabilization solely on housing operators. Stakeholders stressed the importance of "admitting" there is a problem, and that collaboration across public and nonprofit sectors is critical. Conversations about **regulatory relief** and reorienting public policies are gaining traction, but there remains a pressing need to determine a **consistent source of funding** to alleviate stressors and increase housing providers' capacity.

This section was written prior to the issuance of HUD’s 2025-2026 Notice of Funding Opportunity for Permanent Supportive Housing. That NOFO, currently stayed by court order, would have slashed the funding available for Permanent Supportive Housing rental subsidies in favor of transitional housing. Despite the stay as of January 2026, the future of PSH funding remains a major cause of concern.

PEER-TO-PEER LEARNING WITH MINNESOTA

A key component of the Portfolio Health Initiative project is exploring national best practices currently underway to preserve at-risk subsidized affordable housing. Stakeholders in Minnesota are leaders in this effort. They created the Minnesota Housing Stability Coalition, which has pioneered a spectrum of successful advocacy efforts. Launched in the fall of 2023, the Coalition is led collaboratively by two non-profits, Greater Minnesota Housing Fund (GMHF) and Family Housing Fund (FHFund) and is comprised of 36 organizations across the urban and rural housing landscape.

The Coalition came together to confront the struggles of several major affordable housing providers and to work towards systemic solutions to stabilize the existing subsidized housing stock and to prevent future distress. The group also aimed to tell the story of distress, not just from the housing provider perspective but also from the tenant perspective. Thanks to the advocacy of this group, Coalition has successfully raised awareness about the many challenges that Minnesota affordable housing providers face[4] and has been a legislative champion for financial support for distressed housing, policy changes, and innovative research. Their efforts include:

- **Creation and Deployment of One-time Stabilization Funding**: In 2023, the Coalition successfully advocated for the creation of the Stable Housing Organization Relief Program (SHORP), a $50 million pool administered by Minnesota HFA. The program granted one-time emergency relief in 2024 to selected non-profit housing providers.[5]

- **Passage of Funding to Recapitalize Distressed Properties:** In 2024, an additional $50 million was allocated to an existing Community Stabilization Program specifically for the Recapitalization of Distressed Buildings. The first round of this funding will be awarded in early 2026.[6]

[4] Stewards of Affordable Housing for the Future (SAHF). The Minnesota Housing Stability Coalition: Building a Path to Stability for Owners and Residents of Affordable Housing. https://sahfnet.org/sites/default/files/documents/Minnesota-Housing-Stability-Cohort_Case-Study-FINAL.pdf
[5] Minnesota Housing. Stable Housing Organization Relief Program (SHORP). https://mnhousing.gov/rental-housing/housing-development-and-capital-programs/deferred-loans-and-grant-programs/stable-housing-organization-relief-program-(shorp).html
[6] Minnesota Housing. Community Stabilization: Distressed Multifamily Rental Building Program. https://www.mnhousing.gov/rental-housing/housing-development-and-capital-programs/deferred-loans-and-grant-programs/distressed-building.html

PEER-TO-PEER LEARNING WITH MINNESOTA CONT.

- **Creation of the Task Force on Long-term Sustainability of Affordable Housing:** Launched in 2024, this 19-member state level taskforce includes Coalition representation. The Task Force convened small group meetings focused on 1) Administrative Policies and Programs, 2) Finance, Financial Policies and Programs, 3) Insurance, and 4) Systems Change. The Task Force delivered their first report to the Legislature in February 2025 and included 18 recommendations ranging from evaluating Permanent Supportive Housing and deeply affordable housing models to directing state agencies to partner with the insurance industry to collect data on the state of the insurance market for affordable housing providers.[7]

- **Publishing of Qualitative and Quantitative Research:** After conducting in-depth interviews with housing operators, owners, and funders, and analyzing data on more than 26,000 affordable units, the Coalition published multiple reports to outline the depth and breadth of the problems housing providers have been experiencing and to help lay the groundwork to design effective strategies to address them.[8]

Illinois' Portfolio Health Initiative brought in experts from Minnesota's Housing Stability Coalition to learn more about Minnesota's data-driven and holistic approach, gleaning valuable insights from their approach to stabilizing properties and preventing distress in the long-term.

PORTFOLIO HEALTH DATA ANALYSIS & FINDINGS

To supplement the insights from the working group members and gain a deeper understanding of portfolio health in Illinois, IHC coordinated with their members to gather anonymous portfolio level information. Because stakeholders identified that the lack of comprehensive data on subsidized housing as a major challenge for the broader ecosystem, this quantitative data is a critical piece of understanding portfolio health in Illinois. Through this effort, IHC staff reviewed syndicator audit data from **225 Low Income Housing Tax Credit (LIHTC) properties accounting for more than 18,000 affordable units**. This represents just over 26% of the reported 71,000 LIHTC-financed units in Illinois that are still being monitored by HUD for compliance.

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[7] Task Force on Long-Term Sustainability of Affordable Housing. (2025). Final Report to the Minnesota Legislature. https://www.lcc.mn.gov/ltsah/Task-Force-on-Long-Term-Sustainability-of-Affordable-Housing-Report.pdf
[8] O'Neil Consulting. (2025). Distressed Property Data Project Research Findings – Quantitative Analysis. https://mnhousingstability.org/wp-content/uploads/2025/02/Data-Project-Report-II-Executive-Summary-FINAL-Feb2025-1.pdf

These properties spanned the entire state of Illinois, including urban, suburban, and rural locations. The data also included properties serving a variety of populations and included both new construction and rehab projects. The analysis utilized data from both 2023 and 2024 audits. Using guidance from the Affordable Housing Investors Council and industry experts, IHC evaluated properties by the following indicators: AHIC risk ratings as assigned by syndicators, cash flow, and economic occupancy. The analysis also examined changing insurance costs and operating expenses. FY2024 data showed that approximately 20% of properties would be placed on a watch list by AHIC guidelines, nearly 25% are operating with negative annual cash flows, and approximately 22% exceed agency underwriting standards for operating expenses.

The analysis looked more closely at the properties and found the following trends: senior properties correlate with much more predictable occupancy and cash flow numbers, while special needs properties trend toward riskier numbers. Surveyed rural properties tended to have lower average cash flow. However, risk and instability were spread evenly across all analyzed variables.

IHC also conducted research regarding member experiences with insurance rates over the last three years. Survey respondents reported insurance costs rising over 25% on average, particularly in 2023. Between 2023 and 2024, insurance costs rose an average of $153 per unit. Data analysis showed that 57% of properties are spending 10% or more of their operating expenses on insurance alone. Respondents also reported higher deductibles, policy nonrenewal, and the inability to meet funder insurance level requirements. The rising costs are causing operating expenses to go up, pushing properties in a negative cash flow entirely, pulling money from investments like repairs and resident services, and disrupting the future development of new affordable housing. Properties in Chicago and properties that serve special needs populations tend to have to absorb the highest insurance rates.

Operating expenses have also risen sharply in one year, increasing by almost $400 per unit or by 4% on average between FY2023 and FY2024. Like insurance costs, growing operating expenses are also disproportionately impacting certain properties. Operating expenses in Chicago are almost double those in Non-Metro regions and properties serving special needs populations experience much higher operating costs than those serving family and senior populations. Of the 225 properties analyzed, 22% were operating above the highest agency operating expense allowance. Over 65% of Chicago properties serving seniors would require an agency waiver due to their high operating expenses.

Many of the results of IHC's quantitative analysis are reflected in the challenges reported by the Working Group. While the outlook improved slightly from 2023 to 2024, there is no doubt that inflationary pressure has hit both tenants and housing providers alike, contributing to floundering economic occupancy and depressed cash flows. This two-year analysis found that nearly one quarter of properties are operating with negative cash flow; physical occupancy continues to decline, and approximately 25% of properties remain at risk when assessed by economic occupancy. Properties are also allocating a significantly higher share of operating expenses to insurance, and almost a quarter of the properties evaluated exceed Illinois agencies' standard underwriting allowances for operating costs. Investors have shared with IHC that portfolios with more than 10% of properties at risk raise serious concern. While the year-over-year analysis shows modest improvement, Illinois' affordable housing portfolio remains far from meeting that benchmark.

CHANGING PRACTICES TO MEET THE MOMENT

Since the Heartland portfolio collapse in Chicago, investors, syndicators, and the public agencies are adapting their practices to better assess and manage risk in the current environment including:

ADJUSTING RISK ASSESSMENTS & UNDERWRITING

Both syndicators and public agencies are refining their approaches to better assess and manage risk in the affordable housing sector. For example, syndicators conduct quarterly risk rating reviews guided by Affordable Housing Investors Council (AHIC) standards. These "light touch" reviews assess financial performance, with a more comprehensive evaluation conducted annually. Properties are rated from A to D, with C- and D-rated properties placed on a watch list. Increasingly, more properties are landing in these categories, and syndicators indicated they are now more closely monitoring properties slipping from A to B ratings to catch early signs of distress.

Investors are also adjusting their approach for new Permanent Supportive Housing (PSH) deals. Updated underwriting guidelines require higher reserves and assume increased vacancy rates, prioritizing experienced, financially strong sponsors. While intended to protect investments, this approach can conflict with public sector goals of supporting emerging developers.

NEW PROACTIVE PRESERVATION PRACTICES AND RESOURCES

Public agencies are increasingly adopting proactive approaches to preserve affordable housing and anticipate potential risks before they escalate. The City of Chicago's Department of Housing (DOH), for example, is restructuring its portfolio review process, with a full relaunch planned for early 2026. This new approach will place a greater emphasis on relationship management between DOH and developers, with the goal of enabling more timely insights into portfolio performance and facilitating early interventions when challenges arise.

Similarly, the Chicago Housing Authority (CHA) is separating property management from asset management functions to allow for more proactive monitoring of properties and portfolios, positioning staff to identify and respond to potential distress more effectively. The Illinois Housing Development Authority (IHDA) is also taking steps to support proactive preservation. Its relaunch of the Limited Rehab Program includes expanded provisions to strengthen asset management capacity. In addition, IHDA plans to reach out directly to LIHTC properties approaching year 15, helping owners anticipate challenges and implement solutions before issues become critical.

Syndicators noted that private investors often collect far more detailed financial information than public agencies, whose oversight remains largely focused on compliance. This divergence underscores a gap in how risks are identified and managed across the system, but it also presents Syndicators noted that private investors often collect far more detailed financial information than public agencies, whose oversight remains largely focused on compliance. This divergence underscores a gap in how risks are identified and managed across the system, but it also presents an opportunity: sharing best practices across investors and agencies could establish greater consistency, strengthen early detection, and ultimately improve the long-term stability of affordable housing portfolios.

HOPE AND IDEAS FOR THE FUTURE

Despite the significant challenges facing affordable housing providers, working group members also identified areas of hope and opportunity. These ideas fit into five themes:

1. **BUILDING STRONGER OWNER–INVESTOR AND PUBLIC AGENCY COMMUNICATIONS**
2. **KNOWLEDGE SHARING AND COLLABORATION**
3. **TRAINING AND CAPACITY BUILDING**
4. **BRIDGING DEVELOPMENT AND OPERATIONS**

BUILDING STRONGER OWNER–INVESTOR AND PUBLIC AGENCY COMMUNICATIONS

- Syndicators emphasized the importance of developers raising concerns early so that solutions can be crafted collaboratively.
- Some investors are creating new roles dedicated to monitoring sponsor health, aiming to identify early warning signs before problems escalate.
- Facilitate more in-person interaction with agencies and property management staff to improve compliance processes and problem-solving.
    - While approaching agencies can be challenging, stronger organizations often have the capacity to navigate these systems; smaller organizations may struggle to recognize issues early or access existing tools. A more consistent and supportive approach across agencies could help bridge this capacity gap.

KNOWLEDGE SHARING AND COLLABORATION

- Do more peer-to-peer knowledge sharing, noting that providers often face similar challenges in isolation. Asset managers across the state are developing creative strategies to manage rising costs, staffing shortages, and shifting tenant needs—but there is currently no formal mechanism to exchange ideas.
- Explore innovative shared service models, particularly among local nonprofits, to pool resources and staff for functions like property management and maintenance.

TRAINING AND CAPACITY BUILDING

- Develop more internship and job training pipelines for property management staff to bring new talent into the industry. Consider opportunities to partner with local community colleges for pipeline development.
- Resume regular, in-person training statewide for asset management training – promising models are already underway. IHDA resumed training for owner agents in the summer of 2025; Enterprise is launching its Midwest Asset Management University in 2026; IHC has a dedicated Asset Management session track at the *2026 Illinois Affordable Housing Forum*

RIDGING DEVELOPMENT AND OPERATIONS

- Increase collaboration between development teams and property management staff throughout the lifecycle of a property. Involving operations staff earlier in the development process could lead to stronger long-term performance.

BBROADER SYSTEMIC SOLUTIONS

- Explore public agency “triage” models—fast, collaborative interventions to stabilize properties in distress and allocate limited resources strategically.
- Explore portfolio-wide regulatory adjustments to enable agencies to help make at-risk properties more sustainable.
- Align QAPs to encourage more preservation.

CONCLUSION AND NEXT STEPS

Over the past year, the Portfolio Health Initiative has brought together stakeholders across Illinois’ affordable housing sector to assess the financial and operational health of the state’s portfolio. These early findings confirm what many providers and investors have long observed: Illinois is facing a slow-moving crisis in the sustainability of its subsidized affordable housing. At the same time, the initiative revealed that the sector lacks a robust, coordinated infrastructure to monitor, respond to, and ultimately prevent portfolio decline. Despite these challenges, the working group also identified promising opportunities and strategies for the future. Providers highlighted the importance of proactive engagement with funders, early identification of financial or operational stress, and stronger collaboration across agencies and investors. There is a clear need for knowledge-sharing platforms, shared service models, and expanded training pipelines to strengthen staff capacity. Members emphasized that in-person interactions, peer learning, and formalized support structures could help mitigate staffing challenges, improve compliance navigation, and enhance overall portfolio performance.

To build on this year-long project, future Portfolio Health Initiative efforts will continue to convene the Working Group, deepen data analysis, and strengthen coordination among stakeholders. These efforts could include expanding capacity-building initiatives for property and asset management, exploring creative solutions to rising insurance and operating costs, and piloting flexible approaches to compliance and debt management. By combining research with practical strategies informed by provider experience, the Initiative can help ensure Illinois’ affordable housing portfolio remains resilient, sustainable, and responsive to the evolving needs of residents.