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# letter from sponsor

In the mid-1990s the Statewide Housing Action Coalition (SHAC) and Latinos United (LU) came to realize : housing policy was being established and implemented in a vacuum of information. How many units of assisted housing exist in Illinois? Where are they located and whom do they serve? These are straight forward questions that need to be answered in order for policy makers, government officials, community organizations and others to make informed decisions about the future of Illinois.

SHAC and LU, individually pursuing projects which required an accurate picture of assisted housing in Illinois, were surprised to find that such information did not exist. We each then took the logical, but naive step of deciding to create a comprehensive, unduplicated list of all assisted housing in Illinois. At this point we approached the Nathalie P. Voorhees Neighborhood Center at the University of Illinois at Chicago (VNC) for help. This was the beginning of the Illinois Assisted Housing Research and Action Project (IHARP); a journey into the complexities of affordable housing development and data base creation.

The technical difficulties in creating IHARP are many. Even more troubling however, is the reality that decisions affecting affordable housing policy are being made every day without accurate information on the current state of housing.

> Public housing units are being demolished with no idea whether there is sufficient housing for the people being displaced.
>
> New developments are being built with no idea whether there are currently enough accessible/adaptable units to meet the needs of people with disabilities.
>
> Decisions whether or not to fund applications to create affordable housing are being made with little idea of the areas and populations most in need of subsidized development.

There is an affordable housing crisis in Illinois. The over 400,000 households in Illinois paying half of their income for housing are at serious risk of becoming homeless. The private market is unaffordable to families making less than 30% of area median income and current local, state, and federal resources fall far short of meeting the need. To compound this lack of resources with decision-making based on inadequate information leads to inadequate solutions. IHARP will fill the information gap on Illinois assisted housing.

Public access to this information is a step forward, but IHARP is committed to equal access. Many small not-for-profits working for community development in low income neighborhoods will not have the resources to use the IHARP data base. To address this problem, IHARP sponsors will provide outreach, education, and technical assistance to use IHARP for local organizing.

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The goal of the Illinois Assisted Housing Research and Action Project (IHARP) is to create the first comprehensive listing of assisted multi-family housing units in the state of Illinois. The database includes information both for publically-owned housing as well as for assisted housing that is owned and managed by private for-profit and not-for-profit developers. This database will provide information to guide housing policy at the local, state, and national level and increase the capacity of community groups to affect housing policy creation and implementation.

Each year, IHARP will update the database with information provided by Illinois funders of assisted housing, We are also doing special reports as we complete the compilation of housing program databases. Our first report (1999) was on expiring contracts of Project-based Section 8 developments in Illinois, as well as projects funded by the Illinois Housing Trust Fund. This year, we are focusing on the Low Income Housing Tax Credit (LIHTC) program in Illinois. In June 2002, the IHARP database will be available on the Internet. This will allow housing activists, community organizations and others to pursue independent housing research.

The IHARP project sponsors will continue to work with community-based organizations to provide assistance in utilizing the database and designing research projects for local organizing and advocacy efforts.

The IHARP project is a collaboration of Latinos United, the Statewide Housing Action Coalition, and the Nathalie P. Voorhees Center for Neighborhood and Community Improvement at UIC. Brief descriptions of the collaborating organizations follow:

### Latinos United

Latinos United originated in 1983 as the Housing Monitoring Committee of the Mayor's Advisory Commission on Latino Affairs. This committee documented the severe under-representation of Latinos in all forms of subsidized housing, and became incorporated in 1989 as Latinos United. Since its inception, Latinos United has worked with the Latino community in Chicago to create affordable housing for Latinos through capacity building, monitoring, education, negotiation, confrontation and litigation.

### Statewide Housing Action Coalition:

SHAC is the only statewide coalition of community-based groups working for Housing Justice in Illinois. Two of SHAC's basic policy guidelines are that government subsidies must benefit those in greatest need and that low-income people must be involved in the decisions that affect their homes. SHAC's programs help community organizations increase and protect the supply of affordable housing in Illinois. SHAC achieves its goals by: 1) coordinating public activities; 2) sharing information through forums and publications; 3) providing technical assistance in grassroots organizing, capacity-building, and housing development, and; 4) working at the local, state and national levels to create a public environment that is supportive of affordable housing development.

### Voorhees Neighborhood Center:

The Nathalie P. Voorhees Neighborhood Center for Neighborhood and Community Improvement is an applied research and technical assistance unit at the University of Illinois at Chicago. The mission of the Voorhees Center is to improve the quality of life for all residents of the Chicago metropolitan area by assisting organizations and local governments in efforts to revitalize the many and varied neighborhoods and communities in the City of Chicago and its suburbs. The Voorhees Center has worked with many organizations and coalitions in the region on various projects including housing needs assessments, rent studies, community profiles and market analysis.

### Examples of IHARP Data Fields

- name of development project
- name of project sponsor
- name of managing agent
- type of building: rehab or new construction
- total number of units
- total assisted units
- unit size and rent level
- total project cost and breakdown of all revenue sources
- income levels served categorized by moderate, low, very low, and extremely low income
- address
- name of developer
- type of development
- year funded
- total occupied units
- accessible units
- racial/ethical background of occupants
- tenant type (elderly, family, special needs, etc.)
- other sources of finance

# foreword

Over its 15-year history, the Low-Income Housing Tax Credit (LIHTC) program has become the principal mechanism for attracting private sector participation in the building and rehabilitation of affordable housing in the United States. Over 90% of all new federally assisted multifamily rental housing utilizes Tax Credit funding. The program has helped to create more than a million affordable units since 1987, including over 35,000 in Illinois. With the recent federal funding increase, the program stands to help produce or preserve over 85,000 units of rental housing nationwide each year[1].

The Tax Credit's public-private approach has a strong constituency of politicians, local bureaucrats, developers and housing experts. Over the last decade, the tax credit concept has been applied to many other areas of housing and community development policy at the state and federal level. Most significant are the recently enacted Illinois State Donations Tax Credit program and the current Bush Administration's proposed Single-Family Housing Tax Credit.

Yet despite the program's political support, many housing advocates and non-profit developers argue that the program places significant challenges and limitations on affordable housing development. From a policy perspective, serious questions have been raised about the program's ability to serve those most in need of quality affordable housing, particularly as the stock of low-income rental housing is dwindling nationwide. Housing developers have argued that the program's nature has made Tax Credit projects difficult to assemble and sustain financially. Others have commented on the program's general cost inefficiency, while more recent attention has focused on the impending expiration of the affordability restrictions on early Tax Credit projects, which has just begun. Many have concluded that the nation's "answer" to affordable housing production must go beyond the current Tax Credit model because of these considerable structural constraints.

Issues surrounding the Tax Credit program are particularly important to understand in today's changing affordable housing context. After three decades of net gains in subsidized housing, the second half of the 1990s saw the loss of more than 175,000 assisted units[2]. Programs such as Project-based Section 8 and Section 236, which Tax Credits largely replaced, are now opting-out of their affordability commitments and "going market". These previous developments targeted substantially lower income ranges than the Tax Credit program is able to reach.

Statewide, but particularly in Chicago, public housing units are being reduced, vacancy rates are at dangerously low levels, and rents have been rising far faster than inflation, resulting in a loss of total units available for the very poor[3]. The urgent need for quality and affordable units for those earning less than 30% of an area's median income is an underlying point of reference for this report. A major finding of this study is that the Tax Credit program generally fails to serve this population. If the Tax Credit program is unable to address the mounting shortage of affordable housing for those Americans most in need, living conditions for low-income families and individuals will undoubtedly continue to worsen.

If the Tax Credit program fails to address the mounting shortage of affordable housing for those Americans most in need, living conditions for low-income families and individuals will undoubtedly continue to worsen

[1] 2002 figures extrapolated from 1999 estimates found in: Collignon, Katherine, Joint Center for Housing Studies of Harvard University. 1999 "Expiring Affordability of Low-Income Housing Tax Credit Properties: The Next Era in Preservation."

[2] Belsky, Eric L. 2001. "The Future of Affordability." *Shelterforce*, November-December. National Housing Institute.

[3] UIC Great Cities Institute. 2000. *For Rent: Housing Options in the Chicago Region.*

The IHARP project team compiled and analyzed data on the Low Income Housing Tax Credit (LIHTC) projects in service thus far in Illinois to determine the extent to which the program is meeting the affordable housing goals set forth by the program itself, and by the Illinois affordable housing community. We found that despite the program's record of building thousands of lower-rent units throughout the state, the program falls short in meeting key housing needs, and important challenges to preserving existing units lie ahead. These issues are largely the result of the market orientation of the program, whereby developments are being asked to serve both social and private investment goals. Key findings include:

### Tax Credits Not Reaching Those Most in Need

While most of the Tax Credit development rents studied by IHARP fall within a range that technically meets the definition of affordability, the program's ability to serve those most in need is of serious concern. Just 8.4% (roughly 3,000) Tax Credit units in the state were found to have rent levels that can adequately serve the more than 600,000 Illinoisan households earning less than 30% of Area Median Income (AMI), which is slightly above the federal poverty line.

### Tax Credits Not Serving Families with Children

Despite the critical need for housing for low-income families with children, Tax Credit developments are not adequately serving this population. Overall, 55% of Tax Credit units in Illinois are either studio or 1-bedroom apartments, while just 14% contain three bedrooms or more. Family units were also found to be less affordable than studio and 1-bedroom apartments. The result is that just over 4% of Tax Credit units (1,500) in Illinois serve extremely low-income families with children, earning below 30% of Area Median Income.

### Suburban Chicago Tax Credit Developments Fail to Address Needs

The Tax Credit program has largely failed to make inroads in building low-income family developments in the Chicago suburbs. There, Tax Credit developments are far more likely to house the elderly rather than families. 59% of all suburban developments are designated as elderly projects, compared to a statewide average of 22%. In addition, developments in the suburbs serve very low-income populations (less than 50% AMI) at less than half the statewide rate. Nearly 75% of units in the suburbs serve those earning between the narrow upper limits of the program (50 and 60 percent of AMI), compared to the statewide average of less than 50%.

### Unmet Needs in Key Areas

The program has underserved particularly disinvested communities, such as the East St. Louis metro region as well as affluent, white areas at the other end of the spectrum. St. Clair County (East St. Louis) has 3.6% of the state's poor, yet has only received .9% of the Tax Credit allocations, representing just 326 units. Alternatively, in the Chicago suburbs, just 30% of Tax Credit developments are located in areas other that those with significant minority and poverty concentration such as south and west Cook County and the satellite suburbs of Aurora, Joliet, North Chicago-Zion and Elgin. Within Chicago itself, 46 of the 77 community areas, largely white and middle class communities, have seen no Tax Credit development up to this point.

### Illinois At Risk of Losing Over 1,700 Affordable Units in Next Five Years

Between 2002 and 2006, affordability agreements for 4,550 Tax Credit units in nearly 100 Illinois developments will expire. As they do, observers predict that more than 1,700 of these affordable units will be converted to market rate rents. The expirations are more likely to occur in more affluent and gentrifying areas. In addition to the losses of affordable units due to expirations, a significant number of developments are currently facing financial situations that are seriously threatening their future as affordable housing.

### Complex Tax Credit Approach to Housing Production is Not Efficient

The Tax Credit program is designed to create incentives for private investment in affordable housing. As a result, a significant portion of the public funds spent through Tax Credits represents profit to private investors based on the market set "price" of credits. In addition, the complexity of the program adds considerable "soft costs" to the development process, which goes to fees for syndicators, accountants and lawyers.

# summary of key findings

### Tax Credit Project Selection Process for the City of Chicago is not Transparent

The City of Chicago Department of Housing (DOH) is one of a handful of housing finance agencies in the nation that does not utilize a comprehensive, detailed scoring-based process to assess which applicants receive funding. This is important because of the high amount of competition for Credits. DOH's project selection process uses eight very general criteria rather than an objective, point-based system. Consequently, the city's selection process is not transparent to the public. The city's method makes it difficult for the public to understand the basis of DOH decisions, or hold City decision makers accountable.

### Both City and State Need to Improve Data Collection for Monitoring

Neither the City nor the State track information on Tax Credit projects such as the socio-economic characteristics of occupants, detailed project financial data, the use of other funding sources and the location and status of accessible and/or adaptable apartments for the disabled. This lack of data will become an ever more critical problem in the coming years as both DOH and IHDA move into the role of broker as properties begin to reach their expirations. Information will be needed to estimate the extent of re-capitalization needs, plan for future investment and to allow buyers and sellers to be better linked in order to expedite the preservation process.

### Non-Profit Developers Play Important Role

Non-profit developers of Tax Credit units were found more likely to build housing with lower rents, to build in difficult areas targeting local needs, and to retain affordability past the mandated periods. Non-profit developers are 69% more likely to be serving very-low income residents (below 50% AMI). They are also estimated to be seven times more likely than for-profit firms to be considering retaining affordability in their projects past the expiration date.

# IHARP and the tax credit database

IHARP's principal objective in compiling the Low Income Housing Tax Credit Database and in producing this report is to expand the knowledge about Tax Credits and evaluate their effectiveness in meeting the most critical housing needs in Illinois.

Despite the fact that the Low Income Housing Tax Credit program (LIHTC) is the primary vehicle for federal investment in new affordable housing, little information is available about the program's impact and how it has affected housing in our communities. This is partly due to the decentralized nature of the program, which is administered by local housing authorities with minimized monitoring roles and little federal oversight. Adequate information is not readily maintained and made easily accessible by the local housing finance agencies like the Illinois Housing Development Authority (IHDA) and Chicago's Department of Housing (DOH). Few independent evaluations of the program have taken place because of this as well as some hesitation to critique what amounts to "the only game in town."[4] The IHARP database is the first of its kind to collect detailed information about Tax Credit properties across the state of Illinois in order to make evaluative research and independent analysis possible.

Such analysis is particularly timely as Illinois prepares for the expiration of the first of the 15-year affordability contracts, which will begin this year, and in light of the proposal of two new housing programs based on the tax credit model. The first of these, the Illinois Affordable Housing Tax Credit Program (or Donations Tax Credit) has just been signed into Law by Illinois Governor George Ryan. The second is a Single Family Housing Tax Credit program proposed by the Bush Administration (see Page 13). Timely analysis of the LIHTC could improve the design and implementation of these programs and prevent the repeat of shortcomings identified in this report.

### Database Details

IHARP's database is the most comprehensive collection of information on Illinois Tax Credit Properties yet available. This report will draw on that data to analyze the results of the first fifteen years of the Tax Credit program in Illinois. It will also incorporate conclusions from national studies of the program and the observations of those involved in Tax Credit projects throughout the state.

To create the database used for this analysis, IHARP gathered Tax Credit related datasets that exist in various forms at IHDA, DOH and the U.S. Department of Housing and Urban Development (HUD). Previous to IHARP's compilation, only HUD had maintained a central source listing all the Tax Credit projects in the state. However this database was already somewhat out of date, and its data on Illinois projects was incomplete.

IHARP's Tax Credit database includes a total of 801 Illinois developments who's funding had been approved as of October 2001. At least 700 of the projects are currently in service. These projects represent a total of 42,535 assisted units and over $1.72 billion in actual tax credits provided to the program's investors[5].

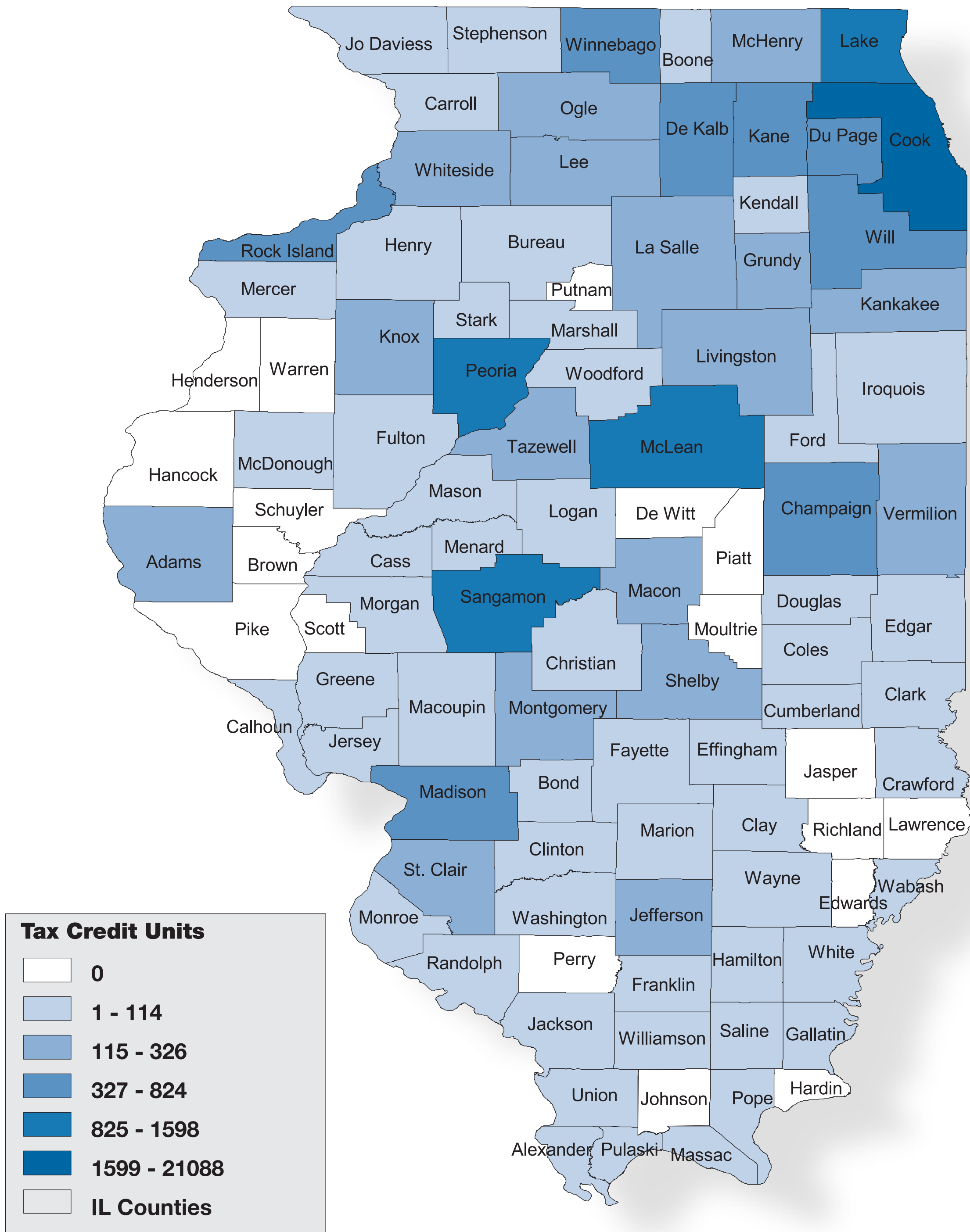
The IHARP database contains at least basic information on all Tax Credit projects in Illinois from the program's beginning until the latest 2001 funding rounds (see Table 2). The level of data completion varies widely for each project due to incomplete information provided by the funders. IHARP has complete or near complete data (95% or higher) for ten key fields such as project address, total units, total low-income units and total awarded Tax Credit dollars. A 50% or higher level of data is available for another seven fields, including tenant type, placed in service date, bedroom distribution, developer name and census tract. Finally, the database has a lower level of data completion (between 15% and 30%) for such fields as developer type (non-profit or for-profit), number of low and very low-income units, rent levels and total project cost. Data was lacking most for projects located in rural areas and certain non-Chicago metro areas[6], as well as projects funded before 1990 and recently funded projects not yet placed in service.

4 Stegman, Michael. 1999. "Comment on Cummings and DiPasquele's, "The Low Income Housing Tax Credit Program: An Analysis of the First Ten Years." Housing Policy Debate, Vol. 10, Issue 2.

5 A calculation based on total annual Tax Credit allocations multiplied by 10 (years).

6 Illinois metro areas in this study refer to the 14 cities designated by HUD a CDBG entitlement city.

# map 1 • total tax credit units by county




Source: IHARP Database, November 2001

# tax credit program background and general information

The Low Income Housing Tax Credit (LIHTC) program was instituted by the Tax-Reform Act of 1986 and has been amended and institutionalized in a number of subsequent legislative acts. In the mid-1980s, the program was seen as a political compromise that wedded the desire of Democrats for new affordable housing assistance to Republican hopes to use a market and decentralized approach by enlisting private sector and state government involvement. While the program has resulted in the creation of over a million units of affordable housing, this market-based approach also limits the program's ability to meet the most critical housing needs in many parts of the state.

Over its 15-year history, the Tax Credit program has produced a wide array of housing in areas that would, in all likelihood, have seen little new rental housing development without it. The program has become more efficient as the portion of each tax credit dollar that goes to produce housing has risen over the years, until very recently. The Tax Credit program has also become a vital production engine and capacity builder for scores of non-profit community development corporations (CDCs) operating in cities across the nation.

In 1999, Congress expanded the Tax Credit program by forty percent, raising the population based allocation formula it uses to distribute tax credits among states from $1.25 per person to $1.75 in 2002. The funds will be indexed to inflation in years thereafter. This essentially restored the value that the Tax Credit has lost to inflation over its lifespan. This will translate into an annual increase of more than $6 million in the federal Tax Credit allocation to Illinois, and will help to build additional 1,200 units per year.

## recent tax credit related proposals

### BUSH ADMINISTRATION PROPOSED SINGLE-FAMILY HOUSING TAX CREDIT (SFHTC)

The Bush administration has proposed creation of a new Single-Family Housing Tax Credit (the "SF Credit") in its FY 2003 Budget. As proposed, the SF Credit borrows many features from the current credit, including: the funding amount ($1.75 per capita, indexed for inflation starting in 2003) and administrative mechanics.

The Credit would double the volume of credits requiring syndication. However, the new entrant would likely be more attractive for investors than the LIHTC because it would have a) 5 year delivery, b) ownership not rental, c) households making 80% not 60% AMI. This could be detrimental to the LIHTC market by luring vital corporate investment away from the LIHTC, which could substantially decrease the efficiency of the program and hurt rental housing production.

### ILLINOIS'S AFFORDABLE HOUSING TAX CREDIT PROGRAM (AHTC)

Earlier this year, Illinois gained a major new housing tool called the Affordable Housing Tax Credit program (AHTC). The program was signed into law (SB 1135) in August 2001 after a successful advocacy campaign.

The AHTC follows the lead of many states, who have attempted to model a state program after the national Low Income Housing Tax Credit Program. The major difference is that it provides credit based on donations, not equity investment.

The new credit will generate up to $26 million in annual funding for affordable housing throughout the state. The Tax Credit provides fifty cents on the dollar credit for donations to affordable rental and for sale developments.

# tax credit program background and general information

### How the Tax Credit System Works

The Tax Credit program differs from other low-income housing programs in that it is not overseen by the Department of Housing and Urban Development (HUD). Tax Credits are distributed to state and local housing authorities by the Internal Revenue Service (IRS), and these authorities have almost complete control over day to day administration of the program.

The IRS issues Tax Credits to the local housing agencies based on their total populations ($1.75 per person this year). The state housing agencies screen and score housing project proposals, then award the Tax Credits to the sponsor/developer of wining projects

To qualify for the Tax Credit program, a project must have at least 6 units. Completed projects must rent at least 40% of their units to tenants with incomes at or below 60% of the area median income (AMI), or else they must rent at least 20% of units to residents earning no more than 50% of the AMI. Projects in practice, almost all (94%) of Tax Credit units serve households below the 60% AMI threshold due to competition for Credits. Projects developed before 1990 had 15-year affordability requirements, which will begin coming due this year. Since 1990, projects developed with LIHTC-backed dollars are required to meet affordability requirements for a 30-year period, though there are significant exceptions that may allow a project to turn to market rate after just 19 years. (See *affordability expiration* section for more details).

The actual financial details of the Tax Credit program are quite complex, as anyone who deals with the process can attest. A project's Tax Credit allocation is calculated from development costs and the number of qualified low-income units (below 50% or 60% of AMI). This calculation yields the "qualified basis," which is multiplied by the federal tax credit rate, published monthly by the IRS, to determine the project's initial Tax Credit reservation. The rate for new construction or rehabilitation projects that are not financed with a federal subsidy is approximately 9%. The rate for projects receiving a federal subsidy (including projects financed more than 50% with tax exempt bonds) is approximately 4%.

To translate the tax credit award into equity capital for the project, the sponsor/developer forms a limited partnership and sells ownership shares to investors. Investment partners receive tax credits, which provide a dollar-for-dollar credit against tax liability each year for 10 years, as well as any excess annual operating income and excess proceeds on sale of the property. Funds from the sale of limited partner interests are invested in the project as equity. Often a sponsor/developer will use a syndicator to identify and negotiate with potential limited partners. The general partner manages both the project and the partnership; limited partners play only a passive investment role. In most cases, the general partner owns no more then 1% of the project, allowing the limited partners to reap the tax benefits of the credits.

The upfront capital infusion lowers total development debt and so reduces the monthly rents needed to repay that debt. Tenants pay the rent set by the developer, having been indirectly subsidized through the program. Rents on applicable apartments created by the Tax Credit must not exceed 30% of the designated income ceiling (i.e. either 50% or 60% of the AMI). For a 3-person household in Chicago, the applicable maximum income ranges from $33,950 (50% AMI) to $40,740 (60% AMI), and from $29,200 (50% AMI) to $35,040 (60% AMI) in Springfield.

### table 1 • 3 person household program limits—2002 selected illinois communities

50% - 60% Area Median Income Maximum Income and Rent Levels

| Metro Areas | Income Limits 50% - 60% AMI | Rent Limits 50% -60% AMI |
|---|---|---|
| Bloomington-Normal | $31,200 - $37,440 | $780 - $926 |
| Chicago | $33,950 - $40,740 | $848 - $1018 |
| Decatur | $24,450 - $29,240 | $611 - $733 |
| East St. Louis | $27,650 - $33,180 | $691 - $829 |
| Peoria | $26,000 - $31,200 | $650 - $780 |
| Rockford | $26,900 - $32,280 | $672 - $807 |
| Rock Island | $24,100 - $28,920 | $602 - $723 |
| Springfield | $29,200 - $35,040 | $730 - $876 |

Area Median Income: An estimate of the median income in a Metropolitan Statistical Area, calculated by HUD.

### Tax Credits in Illinois

Illinois is one of a few states in the country with both a city and a state housing entity with authority to issue Low Income Housing Tax Credits. The City of Chicago's Department of Housing (DOH) receives credits based on the City's population and administers these credits within the limits of Chicago, while the Illinois Housing Development Authority (IHDA) operates primarily outside Chicago. Some overlap does exist however, with IHDA funding Chicago projects. Advocates and developers downstate are concerned that a growing share of IHDA credits will be diverted to Chicago based projects in the future because Chicago's plan for redeveloping its public housing stock is under-funded and the city is likely to look towards Tax Credits to help fill this gap.

Illinois has used its Tax Credits to assist in the development of more than 35,000 units in approximately 700 completed projects, representing Tax Credit allocations of more than $1.4 billion. In 2002, Illinois is set to receive about $21.7 million in Housing Credits, which will likely contribute to the development of more than 70 projects, constituting approximately 4,000 units per year.[7]

### Differences in Tax Credit Selection Processes

The federal government allows local housing authorities a great deal of flexibility in determining how they will select new Tax Credit projects. States are expected to develop an objective scoring system for evaluating proposals called a Qualified Allocation Plan (QAP). Since there is always a surplus of qualified applicants (generally, $3-$4 are requested for each $1 available) the discretionary scoring of Illinois housing agencies has a significant impact on what actually gets built.

IHDA and DOH take very different approaches to their Qualified Allocation Plans: IHDA has developed a detailed, score based plan; DOH uses eight more general criteria as a rough guide for evaluating projects. Both systems have their strengths and weaknesses. However, DOH's general scoring method is not transparent, making it difficult to hold the Department accountable for its funding decisions. Particularly worrisome in Chicago is the fact that it is not uncommon for projects to be specifically accepted or rejected under pressures from individual Aldermen. Non-profit developers have noted that certain wards and neighborhoods are simply "no-go" for Tax Credit projects. Political interference is technically not illegal, but it goes against the enabling Federal legislation that mandates a fair and competitive process in determining Tax Credit selection. A more transparent QAP selection process from the city's Department of Housing would help lessen fears of political influence.

DOH defends its selection process with the claim that its staff is more knowledgeable of local conditions than staff of the typical state housing agency, and therefore can make better decisions. They argue that a point-based scoring system does not assure a fair selection process, and that their method gives them flexibility to consider a wide range of factors that could not be adequately addressed by a more rigid scoring system. While there is some merit in this argument, *IHARP maintains that Tax Credit allocation decisions must be accountable to the public, and that affordable housing stakeholders should have a say in what goes into the selection process.*

Of more general concern are the income levels targeted by the DOH selection process. The enabling Federal legislation mandates that states give preference to projects that serve tenant populations with the "lowest income households possible." However, DOH's QAP merely targets projects "which can be afforded by households ranging from very low to moderate [income][8]." This adjustment troubles affordable housing advocates because Chicago's affordable housing needs clearly lie at the very low-income end of the scale (see affordability section). Officials at DOH say their selection process incorporates the City's *5-Year Housing Opportunities Plan*, which more clearly defines the department's goal to meet the needs of very low income Chicagoans. However no reference to that document is currently found in their QAP.

7 Estimate based on our own figures (see Table 1) as well as future projections based on the historical output of housing production per Tax Credit dollar.

8 DOH 2001 Qualified Allocation Plan (QAP)

# table 2 • completed tax credit developments in illinois by county

| County | Total Developments In Area | Total Assisted Units (LIHTC) | LIHTC Allocation | Units at Risk of Affordability Expiration 2002–2006* | % of Stock at Risk |
|---|---|---|---|---|---|
| ADAMS | 4 | 145 | 398,896 | 85 | 59% |
| ALEXANDER | 2 | 14 | 15,264 | 14 | 100% |
| BOND | 1 | 12 | 14,838 | 0 | 0% |
| BOONE | 2 | 69 | 295,033 | 24 | 35% |
| BUREAU | 5 | 87 | 318,718 | 0 | 0% |
| CALHOUN | 1 | 22 | 28,770 | 0 | 0% |
| CARROLL | 9 | 114 | 321,948 | 8 | 7% |
| CASS | 2 | 14 | 18,878 | 0 | 0% |
| CHAMPAIGN | 10 | 619 | 2,567,780 | 56 | 9% |
| CHRISTIAN | 6 | 106 | 143,113 | 0 | 0% |
| CLARK | 3 | 33 | 28,306 | 33 | 52% |
| CLAY | 1 | 50 | 294,504 | 0 | 0% |
| CLINTON | 3 | 34 | 67,321 | 0 | 0% |
| COLES | 1 | 55 | 396,903 | 0 | 0% |
| COOK | 260 | 19,923 | 64,652,886 ** | 6,424 | 32% |
| CRAWFORD | 2 | 40 | 41,692 | 0 | 0% |
| CUMBERLAND | 2 | 18 | 24,752 | 0 | 0% |
| DE KALB | 8 | 490 | 2,630,262 | 52 | 11% |
| DOUGLAS | 2 | 63 | 302,310 | 0 | 0% |
| DUPAGE | 8 | 459 | 3,026,307 | 11 | 2% |
| EDGAR | 2 | 40 | 48,543 | 16 | 40% |
| EFFINGHAM | 3 | 80 | 328,736 | 16 | 20% |
| FAYETTE | 3 | 50 | 57,568 | 0 | 0% |
| FORD | 4 | 98 | 169,383 | 40 | 41% |
| FRANKLIN | 2 | 61 | 275,649 | 0 | 0% |
| FULTON | 4 | 57 | 79,987 | 14 | 25% |
| GALLATIN | 2 | 16 | 20,826 | 16 | 100% |
| GREENE | 3 | 48 | 69,697 | 24 | 50% |
| GRUNDY | 7 | 133 | 417,290 | 42 | 32% |
| HAMILTON | 1 | 24 | 25,819 | 24 | 100% |
| HENRY | 2 | 44 | 60,425 | 0 | 0% |
| IROQUOIS | 2 | 34 | 56,457 | 0 | 0% |
| JACKSON | 2 | 98 | 656,703 | 0 | 0% |
| JEFFERSON | 3 | 269 | 973,738 | 24 | 9% |
| JERSEY | 3 | 67 | 70,559 | 43 | 64% |
| JO DAVIESS | 4 | 44 | 71,966 | 8 | 18% |
| KANE | 11 | 824 | 3,870,805 | 89 | 11% |
| KANKAKEE | 6 | 250 | 1,195,149 | 24 | 10% |
| KENDALL | 1 | 36 | 167,152 | 0 | 0% |
| KNOX | 5 | 271 | 794,461 | 123 | 45% |
| LA SALLE | 16 | 307 | 605,540 | 220 | 72% |
| LAKE | 15 | 1598 | 7,106,510 | 295 | 18% |
| LEE | 7 | 180 | 560,428 | 24 | 13% |

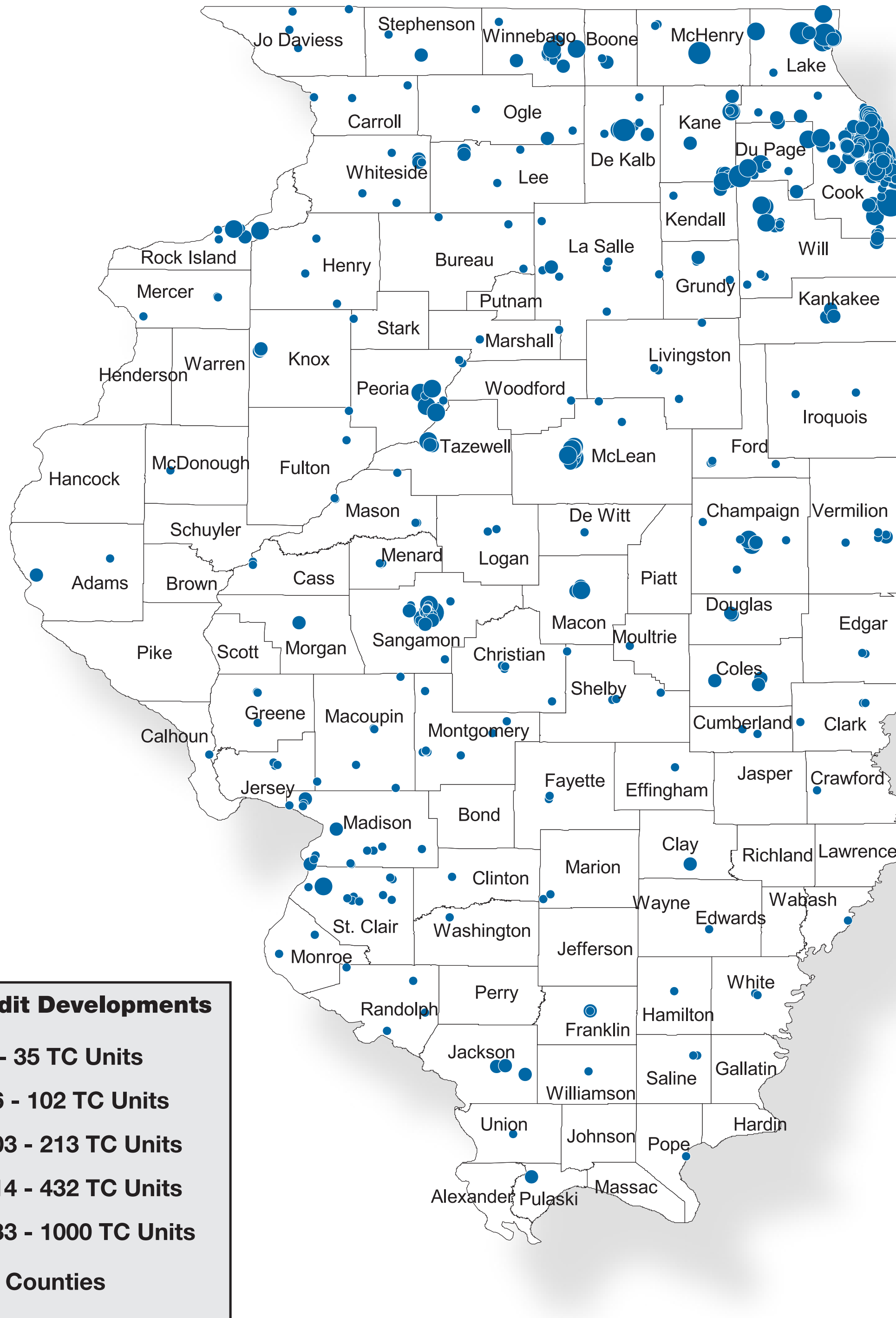
* Units developed 1987-89 or "placed in service" before April 1, 1991 (when year funded data is missing)
** Indicates that some data for this field is missing

## table 2 • completed tax credit developments in illinois by county *continued*

| County | Total Developments In Area | Total Assisted Units (LIHTC) | LIHTC Allocation | Units at Risk of Affordability Expiration 2002–2006* | % of Stock at Risk |
|---|---|---|---|---|---|
| LIVINGSTON | 7 | 187 | 603,935 | 127 | 68% |
| LOGAN | 3 | 68 | 93,367 | 40 | 59% |
| MACON | 4 | 190 | 1,268,039 | 12 | 6% |
| MACOUPIN | 6 | 105 | 318,085 | 31 | 30% |
| MADISON | 15 | 420 | 1,630,118** | 75 | 18% |
| MARION | 4 | 92 | 115,847 | 72 | 78% |
| MARSHALL | 2 | 34 | 42,792 | 0 | 0% |
| MASON | 5 | 57 | 142,633 | 0 | 0% |
| MASSAC | 1 | 16 | 23,633 | 16 | 100% |
| MCDONOUGH | 1 | 8 | 9,943 | 0 | 0% |
| MCHENRY | 4 | 181 | 850,991 | 48 | 27% |
| MCLEAN | 14 | 993 | 5,050,068 | 48 | 5% |
| MENARD | 3 | 9 | 3,421 | 9 | 100% |
| MERCER | 4 | 52 | 141,900 | 12 | 23% |
| MONROE | 2 | 38 | 128,119 | 0 | 0% |
| MONTGOMERY | 12 | 149 | 245,591 | 54 | 36% |
| MORGAN | 1 | 48 | 154,781 | 0 | 0% |
| OGLE | 3 | 128 | 342,594 | 32 | 25% |
| PEORIA | 20 | 1065 | 6,217,932 | 21 | 2% |
| POPE | 1 | 16 | 22,587 | 0 | 0% |
| PULASKI | 2 | 48 | 361,281 | 8 | 17% |
| RANDOLPH | 5 | 104 | 150,210 | 64 | 62% |
| ROCK ISLAND | 9 | 655 | 3,088,742 | 164 | 25% |
| SAINT CLAIR | 11 | 326 | 2,424,532 | 49 | 15% |
| SALINE | 5 | 58 | 124,298 | 34 | 59% |
| SANGAMON | 41 | 1303 | 5,708,836 | 58 | 4% |
| SHELBY | 6 | 130 | 284,798 | 88 | 68% |
| STARK | 1 | 6 | 7,446 | 0 | 0% |
| STEPHENSON | 2 | 96 | 398,655 | 0 | 0% |
| TAZEWELL | 3 | 147 | 848,158 | 6 | 4% |
| UNION | 1 | 16 | 25,113 | 16 | 100% |
| VERMILION | 5 | 301 | 654,477 | 227 | 75% |
| WABSH | 2 | 33 | 95,207 | 18 | 55% |
| WASHINGTON | 2 | 30 | 45,010 | 0 | 0% |
| WAYNE | 2 | 38 | 56,066 | 6 | 16% |
| WHITE | 2 | 37 | 130,100 | 16 | 43% |
| WHITESIDE | 7 | 198 | 616,505** | 0 | 0% |
| WILL | 14 | 419 | 1,627,343** | 36 | 9% |
| WILLIAMSON | 1 | 24 | 6,756 | 24 | 100% |
| WINNEBAGO | 19 | 681 | 3,958,793 | 16 | 2% |
| WOODFORD | 1 | 8 | 13,064 | 0 | 0% |
| TOTAL | 693 | 35,510 | 131,303,638 | 9176 | 25% |

* Units developed 1987-89 or "placed in service" before April 1, 1991 (when year funded data is missing)
** Indicates that some data for this field is missing

# map 2 • illinois tax credit developments




Source: IHARP Database, November 2001

The following section outlines the most significant findings of IHARP's analysis of our Low-Income Housing Tax Credit database. The analysis is divided into three major sections: affordability of Tax Credit projects, geographic distribution of projects, and the expiration of 15-year affordability requirements that begins in early 2002. These sections are followed by two sub-sections on the role of non-profit developers in the program and the cost effectiveness of Tax Credits.

### The Affordability Crisis in Illinois

In 1990, there were roughly 600,000 households in Illinois earning below 30% of their Area's Median Income (AMI), which today is $22,600 for a family of four living in the Chicago area.[9] Experts agree that the most pressing housing needs are for units to serve these "extremely low income" (ELI) families and individuals earning below 30% AMI. These households typically live with substandard housing conditions and pay exorbitant percentages of their income for rent, leaving little left for other basic needs. The need for apartments that are affordable at this income range continues to grow with the displacement of persons living in public housing, rising rates of home foreclosures, expiring project-based Section 8 developments and the pressure of widespread gentrification. While the number of rental units serving all incomes has been falling for many years, the largest decrease has been those serving the ELI income range. HUD reported a 16 percent drop in units serving those with incomes below 30% of AMI between 1993 and 1995[10].

The impact of these trends in the Chicago area is illuminated by the recent release of the UIC Great Cities Institute's *Regional Rental Market Study*[11]. The study shows that the 30% AMI (ELI) income range is by far the most underserved market, as measured by the number of available apartments versus the number of renter households able to afford them. The *deficit* in the Chicago metropolitan area for households at the ELI income range is over 157,000 units. By contrast, households at slightly higher income levels, such as those in the 30-50% AMI range, actually enjoy a *surplus* of over 325,000 units (see Graph 1). It should be clarified that this "surplus" is a statistical abstraction. The Chicago region faces extraordinarily low vacancy rates at all income levels, and families in the 30-50% AMI range are competing for these units both with households making significantly higher incomes as well as those with lower incomes who are forced to pay more than they can afford. Still, this study makes clear the most urgent needs for affordable housing creation are at the 0 – 30% AMI income range.

### LIHTC Units are Not Affordable

Unfortunately, without substantial additional subsidies, the Tax Credit program is not sufficient to reach extremely low-income (ELI) households. Statewide, just 8.4% (or 2,983) of all Tax Credit unit rents were affordable to households earning below 30% AMI. Of these ELI units, half were studio or 1-bedroom apartments, too small to serve families with children. This means that of the 35,000 Tax Credit units in service, just over 4% (1,500) are able to reach the 250,000 Illinois families earning less than 30% AMI.

The program does slightly better in reaching households with incomes between 30 and 50%. However the majority of units produced with Tax Credits are for those at the upper limits of the program—between 50% and 60% AMI. Statewide, 39% (13,814) of Tax Credit units are affordable to 30-50% AMI households, while over 50% (18,714) are only affordable to households making over 50% AMI. The Chicago suburbs and non Chicago metro areas are the least affordable, with more than 75% of units unaffordable to households making below 50% AMI. In the Chicago suburbs, where over 50% of the units are one-bedroom apartments, the typical tenant is a household of two or less people making an income of $30,150 to $36,180.

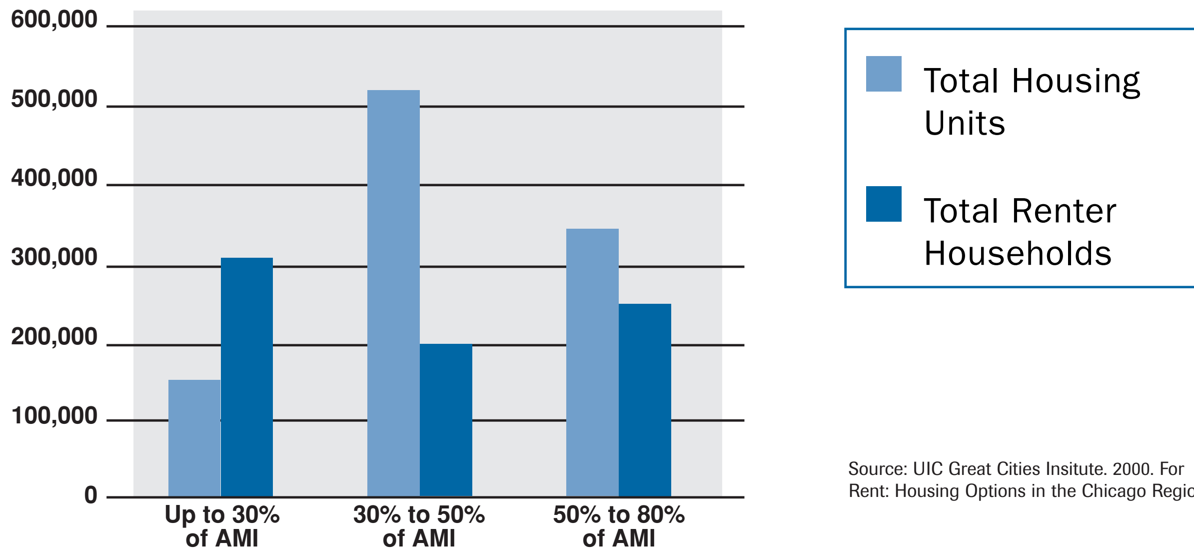
Statewide, just 8.4% (or 2,983) of all Tax Credit unit rents were affordable to households earning below 30% AMI

[9] US Department of Commerce. *1990 Census of Population and Housing.*

[10] Coumo, Andrew. 1998. *Rental Housing Assistance - The Crisis Continues.* US Department of Housing and Urban Development.

[11] UIC Great Cities Institute. 2000. *For Rent: Housing Options in the Chicago Region.*

## graph 1 • rental housing supply and renter households in chicago metro area – by income range[12]




Source: UIC Great Cities Insitute. 2000. For Rent: Housing Options in the Chicago Region.

### Structural Constraints and Sustainability of Projects

The Tax Credit program is designed to cover only a small part of total development costs. Typically Tax Credit projects are only able to reach families below 50% AMI by adding additional subsidies from other federal or state government housing programs. Tax Credit projects need these additional operating subsidies because, without them, rents affordable to families earning below 50% AMI would typically be inadequate to cover the ongoing debt service and operating costs of the typical Tax Credit project[13]. It must be stressed that most previous federal incentives for building affordable housing, such as Section 236, public housing or project-based Section 8, either covered the majority of project costs with very low interest loans and/or provided continual operating subsidies. This allowed them to provide considerably more housing for households most in need of housing assistance (see Table 3).

## table 3 • federally assisted units, 1990 levels

| Program Type | % < 50% AMI | Total Units |
|---|---|---|
| LIHTC | 28 | 335,000 |
| Public Housing | 81 | 1,300,000 |
| S. 202 (elderly) | 65 | 237,000 |
| S. 236, 221 | 77 | 794,000 |
| Section 8 | 90 | 362,000 |
| Rural (S. 515) | 68 | 450,000 |
| S. 8 Vouchers | 100 | 1,400,000 |
| TOTAL Non-LIHTC | 80 | 4,543,000 |

Source: Wallace, James. 1995. "Financing Affordable Housing in the United States." Housing Policy Debate. Volume 6, Issue 4: 785-814.

[12] Ibid, including public housing unit data from CHA's FY 2002 *Year 3 Plan for Transformation.*

[13] Interview with Yittayih Zelalem, Senior Planner at the Voorhees Center for Neighborhood and Community Improvement, 2001.

### Structural Constraints and Sustainability of Projects cont.

The problem in creating adequate rates of truly affordable units is primarily a result of inherent structural constraints of the program. However, poor regulatory design also creates insufficient incentives for this critical public policy objective. Tax Credits do not distinguish between benefits awarded to developers of housing for low (60% AMI), very low-income (50% AMI) and extremely low-income (30% AMI) residents. Since rents can be set higher for units reserved at the 60% threshold, there is no incentive for profit-minded developers to take the very low (50% AMI) income option. In addition, calculations used for determining affordability use AMI figures that encompass entire metropolitan areas, despite the fact that median incomes of cities or towns are often significantly lower than those of their surrounding suburbs. This distorts the "true" area median income in many low-income communities, with the result of building developments with rents that are unaffordable to the majority of residents who reside there.

The structure of the program not only affects the ability of developers to reach very and extremely low-income households but also affects the long-term viability of the developments. Most projects are not able to reach even the upper incomes allowed under the program without the use of additional public subsidies such as the Housing Trust Fund and extensive private loans. With careful underwriting and a supportive local housing policy this can be an effective strategy. It can also be fraught with undue complexity and add time to the development process. The choice of how to fill the funding gap often affects the nature of the project. A 1997 study by the Boston-based City Research Foundation found that the average funding gap for Tax Credit projects was 62% of the development costs[14]. Typical projects fill most of that gap (46%) with a first mortgage. This is where local housing policy can make a significant difference. In New York City, for example, 57% of the costs are covered by a first mortgage offered by the city at interest rates averaging 1.2%.[15] The City and State also offer low interest loans but usually insists that the developer first take out a private mortgage. In fact, the City Research Foundation singled out the City of Chicago along with Cleveland and Atlanta, as being particularly prone to using private first mortgages.

This policy (or lack thereof) of has two results. The first is that debt service on the private mortgage often takes up a disproportionate amount of the income of the project and tends to push rents up. Secondly, and more importantly, if a project gets in financial trouble, the private first lender has a very small contribution to the project but is in a strong position to determine what or how the project will be financially restructured. The restructuring will determine whether the project can remain an affordable housing option for the community.

Even with more realistic underwriting for these projects, developers trying to serve the low and extremely low income households will be affected by the downturns in the economy like the 2002 recession. Without the security of rental and operating subsidy programs, tenants who are more vulnerable to economic downturns will be unable to pay their rent, and the projects will experience increased evictions and vacancy rates, which can send projects into a downward spiral.

Investors, housing officials, and intermediaries have long criticized developers for trying to push the program's limits by targeting very low-income households. As the Chicago Equity Fund's Bill Higginson once plainly put it, "the LIHTC is a *low-income program*, not a *very low income program*[16]." He and other observers have argued that such efforts have often led to financial difficulties for projects down the road. In simple terms, there is a valid point in that the program was never meant as a solution to the housing problem for very low-income populations. The program was designed primarily to attract private capital for investment in rental housing for working families with incomes below 60% of median income[17]. However, when faced with the worsening situation for extremely low-income households across America, it is clear that the nation needs a program that is able to delve deeper and meet the most pressing housing needs.

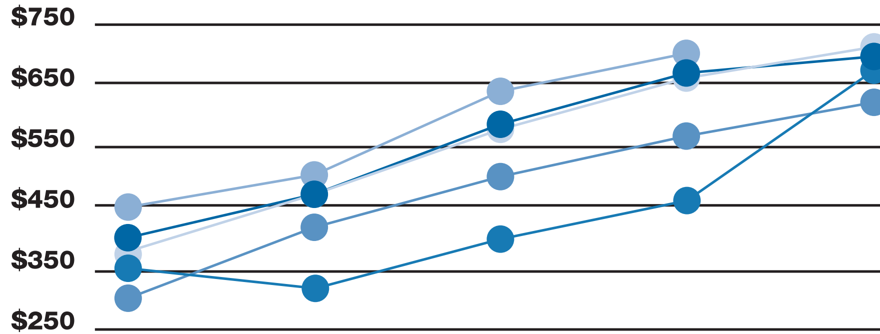
[14] Cummings, Jean L. and DiPasquale, Denise. 1997. *Building Affordable Rental Housing: The Low Income Housing Tax Credit*. City Research Center, Boston, Mass.

[15] ibid

[16] Chicago Rehab Network. 1998. "Living with the Low Income Housing Tax Credit." *The Network Builder*, Issue 32.

[17] National Council of State Housing Agencies. 1997. *The Low Income Housing Tax Credit: The First Decade*. Prepared by E&Y Kenneth Levanthal.

# graph 2 • average tax credit rents by area




| | Studio | 1 br | 2 br | 3 br | 4 br |
|---|---|---|---|---|---|
| Chicago | $380 | $481 | $576 | $678 | $728 |
| Suburbs | $452 | $531 | $648 | $699 | — |
| Metro | $293 | $417 | $492 | $570 | $621 |
| Rural | $350 | $334 | $405 | $461 | $685 |
| TOTAL | $382 | $481 | $567 | $679 | $724 |

IHARP database, November 2001

### Tax Credit Rents

As described earlier, individual project owners are free to set rents in Tax Credit buildings, so long as they make 40% of their units affordable to tenants at 60% of the Area Median Income (AMI), or 20% of the units affordable to those at 50% AMI. Based on AMIs for 2002, two-bedroom rents could be as high as $848 (50% AMI) to $1,018 (60% AMI) in Chicago, or from $602 to $723 in a less affluent metro area like Rock Island (see Table 1).

In Illinois, the average monthly gross billable rent[18] for a two-bedroom unit with Tax Credits was found to be $567. While this is 10-15% below the statewide average market rate rent, it is well above the maximum $494 rent that would be affordable to the Illinois households earning 30% of the AMI—no more than $19,740 in 2001. The average rent for a two-bedroom Tax Credit apartment in the Chicago area is $584/month, which is also a good deal higher than the rent ceiling of $534 that would be affordable to the nearly 500,000 extremely low-income households in the Chicago region[19].

The highest average rents for two-bedroom units in Illinois were in suburban Cook County, at $648. Metro areas outside of Chicago averaged about $492, while rural areas averaged $405 (see Graph 2). It should also be kept in mind that these averages include considerable numbers of rents from SRO (Single Residency Occupancy) developments, which brings these averages down considerably.

[18] Our rent data includes rental subsidy rents and in cases where there is a range of chargeable rents, the average of the high and low rent at that bedroom range was used for consistency.

[19] "State Poverty Rates and Standard Errors: 3-year Averages 1980-82 through 1996-98", U.S. Census Bureau, U.S. Department of Commerce, last revised January 28, 2000.

## Tax Credits and Gentrification

While average Tax Credit rents are about 10-15% below average rents in most communities, in many areas, particularly in Chicago, Tax Credit rents being charged are actually often higher than local market rents. This was found to be the case in neighborhoods such as Woodlawn, Kenwood-Oakland, Grand Boulevard and Austin.[20] Even in areas with higher incomes on the northwest side of Chicago, there are similar issues. Dena Al-Katib, Development Coordinator at Bickerdike Redevelopment Corporation, a non-profit developer on Chicago's near northwest side, notes that despite Bickerdike's best efforts to keep Tax Credit rents affordable, "the rents we must charge are still too high for most applicants." Utilizing numerous layers of subsidies, her organization is still usually only able to get rents down to 30 to 40% of AMI (about $550/month for a 2 bedroom apartment). Another non-profit developer in Woodlawn recently had to turn away 700 out of its 800 applicants for new Tax Credit housing units because they could not afford the rents.

As currently configured, developers face two options in serving very-low income residents: Finding families who have a Section 8 Housing Choice voucher, or having rents higher than what is common in the neighborhood and facing a significant prospect of vacancies (and decreased income). The recent Chicago Rehab Network (CRN) Tax Credit report highlighted high vacancy rates (averaging 11% in Tax Credit buildings) in low-income neighborhoods as a prime reason for the poor financial state of many developments.[21]

When Tax Credit rents are out of reach of families who live in the neighborhood, Tax Credit development may actually fuel gentrification. In Chicago neighborhoods like Kenwood-Oakland and Uptown, early non-profit Tax Credit development has been followed by significant market development (see *Kenwood Oakland—A Profile of Success and Challenges*). Affordable rental units have been lost to condo conversion and HUD 8 project affordability expirations. Despite a history of community-based development that made these communities two of the primary locations for Tax Credit properties in the entire state, there have been no new Tax Credit developments approved in either community in five years.

[20] Comparison of median Tax Credit rents to neighborhoods rents found in: *Living in Greater Chicago, The Buyers and Renters Guide!* 1997 Edition, GAMS Publishing, Inc.

[21] Chicago Rehab Network, "Present Realities and Future Prospects: An Evaluation of the Performance of LIHTC Projects in Chicago." January, 2002.

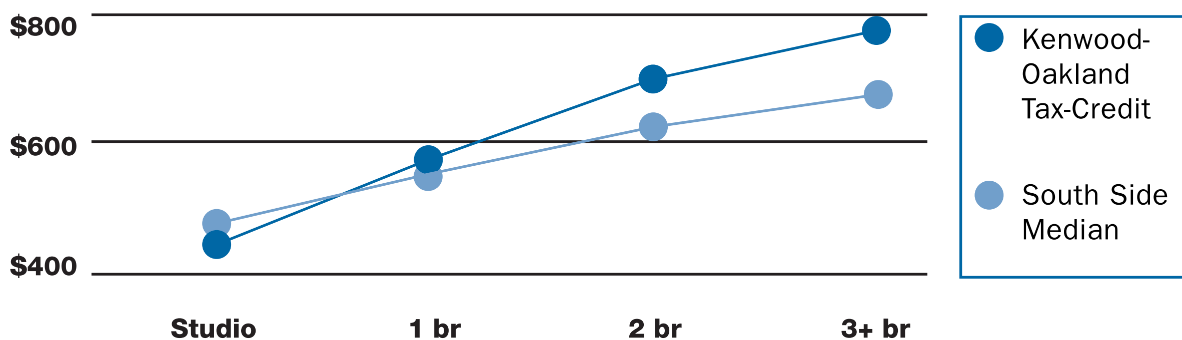
## Kenwood-Oakland • a profile of success and challenges

The challenges to affordability and preservation faced by many communities with Tax Credit projects become clearer when taking a look at the local community level. For decades, the Kenwood-Oakland community on Chicago's south side has been one of the most distressed and disinvested neighborhoods in Chicago. Today however, the area is undergoing a dramatic transformation, helped along by heavy usage of the Tax Credit Program. Tax Credit funds have helped build almost 2,000 units in 36 developments in the area. The private market has followed the lead of Tax Credit development to Kenwood-Oakland, and property values have risen well above citywide averages.[22]

Though it has helped bring dramatic change to this once disinvested stretch of the south side, the Tax Credit Program has not managed to keep rents affordable to most neighborhood residents. Average Tax Credit rents in the area are at or above what the rents for the area have been. 41% of the two bedroom Tax Credit apartments were found priced over $700 per month—that is, higher than current HUD's "Fair Market" rents for the neighborhood. Rents for one, two and three bedroom Tax Credit units also exceeded median rents for Chicago's south side as a whole, based on the recent UIC regional rental market study (see Graph 3)[23]. This suggests that the program, by being unable to meet the needs of local residents, may be acting to encourage gentrification by targeting more affluent renters.

Non-profit developers took the lead in the development of early Tax Credit projects in the area, but today, for-profit companies dominate the local landscape. Roughly two-thirds of Kenwood-Oakland's Tax Credit developments are owned by for-profit companies, including many prime properties along the lakefront. This heightens the possibility that the community may lose many of the 320 Tax Credit units that IHARP estimates will become eligible for conversion to the private market in the coming 5 years. With local property values rising so quickly, for-profit owners will be particularly tempted to cash in on market conversion.

## graph 3 • rents in kenwood-oakland vs. south side median rents




Source: UIC Great Cities Institute. 2000. *For Rent: Housing Options in the Chicago Region*; IHARP Database, November 2001.

[22] Chicago Tribune, Price Pulse: Chicago Area Median Home Values, 3rd Quarter 2001

[23] UIC Great Cities Institute. 2000. *For Rent: Housing Options in the Chicago Region*

Generally speaking, Tax Credit projects are dispersed fairly evenly throughout Illinois. Yet closer analysis reveals significant patterns in the distribution of specific unit types, as well as in populations served. Distribution patterns are primarily the result of the demand driven, private market orientation of the program. For instance, the data appears to illustrate the presence of significant barriers to development of low-income family housing, both in extremely disinvested areas, like East Saint Louis, and in fast growth, job rich areas like DuPage County.

### Areas Being Underserved

LIHTC developments are dispersed through 83 of the state's 102 counties, and are fairly evenly distributed between upstate and downstate locales. They are also dispersed through distressed inner city areas, low-density rural areas and to a lesser extent, in middle income suburban communities. The Chicago 6 county area, which accounts for 64% of the state's population, contains a slightly larger portion (67%) of the state's Tax Credit units.

Despite the generally even regional distribution of Tax Credit units across the state, several counties were found to be particularly lacking Tax Credit units based on the number of low-income households versus units built (see Table 5). Counties most in need of immediate Tax Credit development include St. Clair (East St. Louis), LaSalle (Ottawa), Madison (East St. Louis metro) and Jackson (Carbondale) counties. The discrepancies are particularly striking in the East Saint Louis metro area. *St. Clair County has the second largest concentration of poor and minority residents in the state (3.4% of all poor residents), yet has received less than .9% (326 units) of the total LIHTC units in Illinois.*

Sixteen counties have no Tax Credit units in service at all, including several with substantial poverty rates, such as Perry, Pike, Lawrence and Warren (see Table 4). While the counties cited here are most worrisome, it should be made clear that every county in Illinois is still far from having served anywhere near the amount of those who are in need of housing and eligible for the program. For example, even the second most "well-served" county in Illinois according to our analysis, Will (behind Cook), has received just 1,598 Tax Credit units, compared to its 18,901 households eligible for housing assistance under the program. The state of Illinois has over 1,222,082 households earning below 60% of the AMI, who are eligible for the Tax Credit program—of which approximately just 35,000 have been served thus far.[24]

In the city of Chicago, Tax Credit developments are largely concentrated in a few community areas, while wide sections of the city have none. Forty-six of Chicago's seventy-seven community areas currently have no active Tax Credit developments. Some of these are neighborhoods whose high poverty rates and poor housing conditions would indicate a great need for quality affordable housing—such as South Lawndale and New City (see Table 3). Other community areas with similar needs—such as Near West Side, West Englewood and Auburn-Gresham—have just one or two Tax Credit developments. The majority of community areas with no Tax Credit developments, however, are the historically middle class, white areas on the north, far northwest and southwest sides.

A similar pattern extends through the larger metropolitan area: affluent communities and those with small minority populations have few or no Tax Credit projects, including large swaths of the southwest and northwest suburbs, which have virtually no developments at all (see Map 3). The majority (59%) of Tax Credit developments in the suburbs are designated as elderly only. Just 5.7% of units there have three or more bedrooms.

Of the few affordable family units found in the Chicago suburbs, 70% are concentrated in the poorer parts of southern and western Cook County as well as the "ring" cities of Aurora, Joliet, Elgin and North Chicago/Zion. The remaining 30% of units are largely located within a few large projects scattered through a handful of other cities in the region. Most newer, economically growing suburbs simply do not have any family Tax Credit units.

Community leaders across the region have called for increased rental housing development in high growth areas, in order to link jobs and affordable housing. In the fifteen years of the program, the Tax Credit program has proven inadequate to overcome the entrenched difficulties in building low-income family projects in suburban areas. They have higher development (land) costs, restrictive zoning codes, fewer non-profit developers, and fewer existing apartments available for rehab. In addition, these communities often harbor discriminatory attitudes against affordable family housing, scaring away potential developers.

[24] US Department of Commerce. *1990 Census of Population and Housing*

# geographic distribution of tax credit projects

## table 4 • 15 chicago community areas with no tax credit developments

| Chicago CA | Persons Below Poverty Line |
|---|---|
| South Lawndale | 18,146 |
| New City | 18,072 |
| Near North Side | 12,087 |
| Albany Park | 8,563 |
| West Ridge | 8,124 |
| West Pullman | 7,648 |
| Avondale | 6,166 |
| Lincoln Park | 5,907 |
| Chatham | 5,382 |
| Irving Park | 5,069 |
| Hyde Park | 4,867 |
| Belmont-Cragin | 4,735 |
| Bridgeport | 4,342 |
| Brighton Park | 4,054 |

## table 5 • 15 illinois counties with no tax credit developments[26]

| Counties | Persons Below Poverty Line |
|---|---|
| Perry | 3340 |
| Pike | 3114 |
| Lawrence | 3046 |
| Warren | 2608 |
| Hancock | 2468 |
| Richland | 2268 |
| De Witt | 1675 |
| Moultrie | 1515 |
| Johnson | 1428 |
| Jasper | 1377 |
| Hardin | 1325 |
| Schuyler | 1215 |
| Henderson | 1039 |
| Piatt | 939 |
| Edwards | 897 |

## table 6 • 15 underserved illinois counties

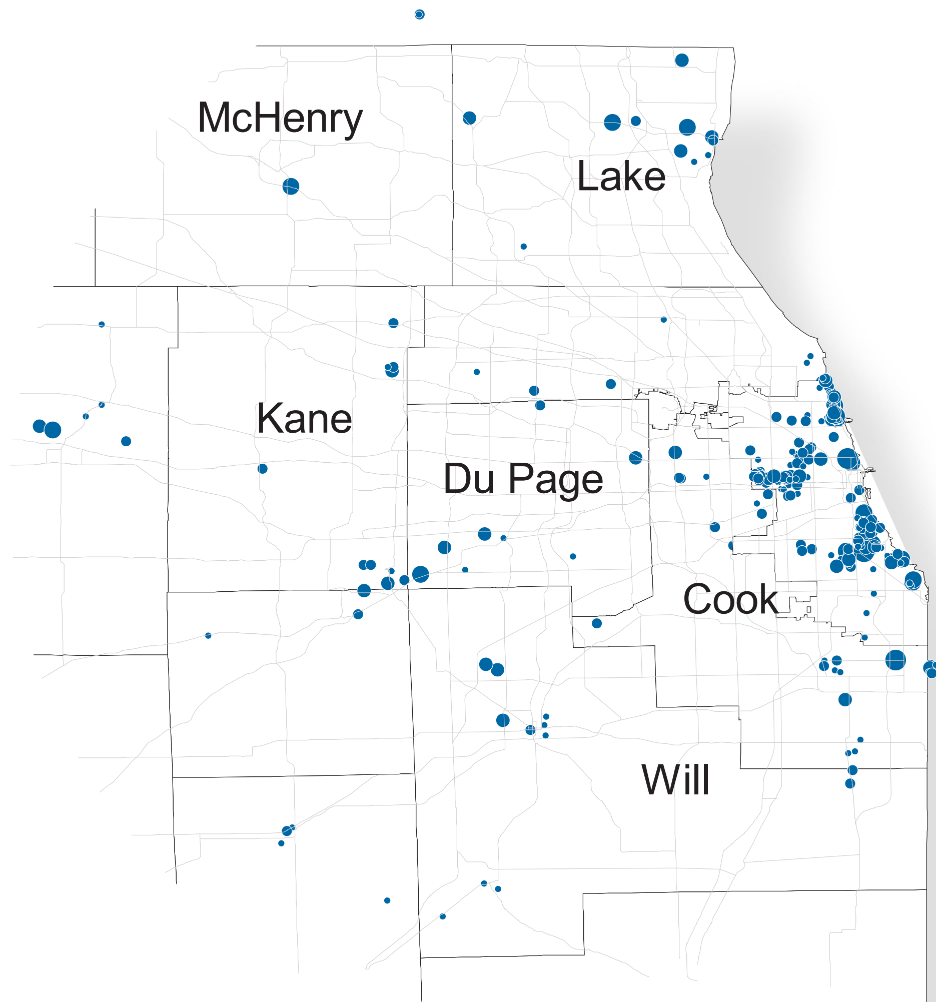
| Counties | Need Ratio* |
|---|---|
| St. Clair | 2.50 |
| La Salle | 1.09 |
| Madison | .96 |
| Jackson | .90 |
| Williamson | .61 |
| Macon | .58 |
| Franklin | .46 |
| Will | .45 |
| Tazewell | .44 |
| Coles | .43 |
| McDonough | .39 |
| DuPage | .33 |
| Henry | .28 |
| Fulton | .27 |
| Marion | .25 |

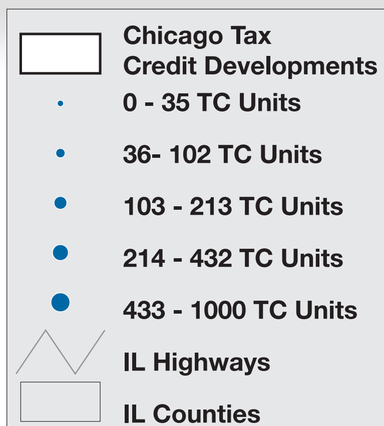
Source: IHARP database, November 2001

* IHARP's need ratio for a given county is calculated by subtracting the proportion of Tax Credits each county has received in relation to the state from the proportion of persons living under the poverty line as a percentage of the state's total.

[26] 1990 US Census of Population

# map 3 • low income housing tax credit developments in chicago region




Source: IHARP database, November 2001

*As can be seen from the map, there have been relatively few tax credit developments built in the 5-county ring. Family developments represent just forty percent of the Tax Credit projects in this area.*

# geographic distribution of tax credit projects

### Differences in Projects Across the State

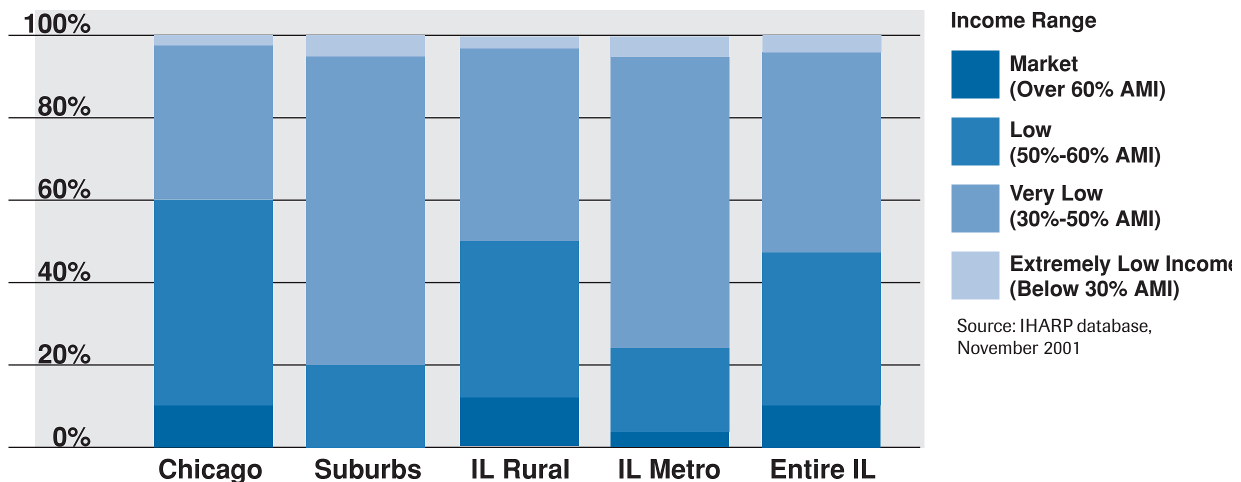
#### Income Targeting and Non-Profits

While Tax Credit units in general are widely distributed across the state, very low-income units (those targeted to households with incomes under 50% of the AMI) tend to be concentrated in specific regions and lacking in others. Generally, Tax Credit units serving very low-income households are located in the City of Chicago and in rural areas and small towns. More than 50% of units in Chicago and rural areas are affordable to very low-income households, compared to just 19.5% of units in surrounding suburbs, and 22% in other metro areas (defined by their CDBG entitlement status[25]). Rural areas have the highest percentage of units with rents affordable to extremely low-income residents, at 11% (See Graph 4).

While discrimination against low-income developments and variations in development costs undoubtedly contribute to these differences, the presence, or absence, of non-profit developers may also be an important factor. Our data shows that non-profits are 69% more likely to be serving very low-income populations than their for-profit counterparts. In larger cities and even rural areas, community based non-profit groups have often led the way in providing housing for very low-income residents. However, non-profit capacity lags behind in smaller cities across Illinois and in the Chicago suburbs, which have the worst record for serving very low-income populations. In these areas, the non-profit ownership rate is less than half of what it is for the state as a whole.

Non-profit developers of Tax Credit housing are also far more likely to develop in underserved and economically distressed areas.[26] This is illustrated by the map of projects by developer type on Chicago's north and west sides (Map 4). Developments owned by for-profits are concentrated near the lakefront, in neighborhoods like Uptown and Edgewater. While for-profit developments tend to skirt the most impoverished census tracts, non-profits tend to build housing in areas with higher poverty rates.

## graph 4 • income range of tax credit units by area

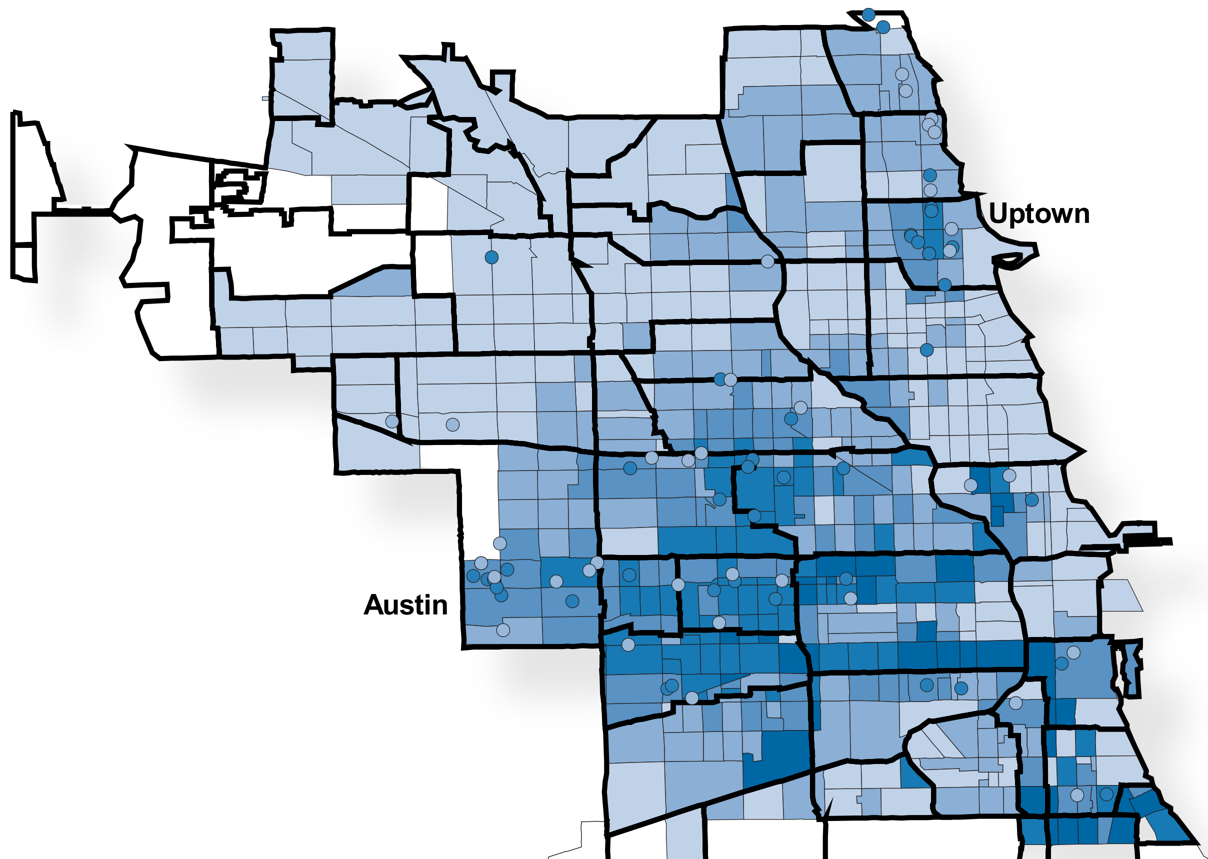


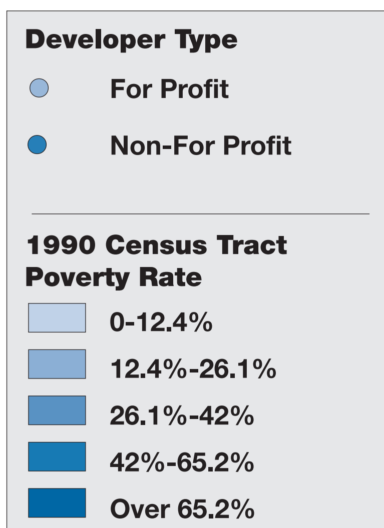

Source: IHARP database, November 2001

[25] These cities include Belleville, Bloomington-Normal, Champaign-Urbana, Decatur, DeKalb, East St. Louis, Kankakee, Moline, Pekin, Peoria, Rantoul, Rockford, Rock Island, Springfield

[26] HUD. 2000. "Assessment of the Economic and Social Characteristics of LIHTC Residents and Neighborhoods." Abt Associates, Cambridge, MA.

# map 4 • non-profit vs. for-profit developments in chicago's north side by poverty rate




Source: IHARP Database, November 2001

As can be seen above, for-profit developers are more likely to locate their projects in areas with lower poverty rates and higher market potential. Their projects are concentrated along the lakeshore and in areas that skirt the most impoverished census tracts.

# geographic distribution of tax credit projects

## Elderly versus Family Housing

Regions also differ in the number of elderly versus family projects they contain. Rural and suburban projects are more than twice as likely to house elderly persons than projects in other areas. 59% of all developments in the Chicago suburbs are primarily for elderly use, compared to less than 10% of projects in Chicago, 17% in smaller metro areas and 37% in rural communities (see Graphs 5 and 6). This is despite the fact that elderly populations in the Chicago suburbs are lower than the state as a whole.

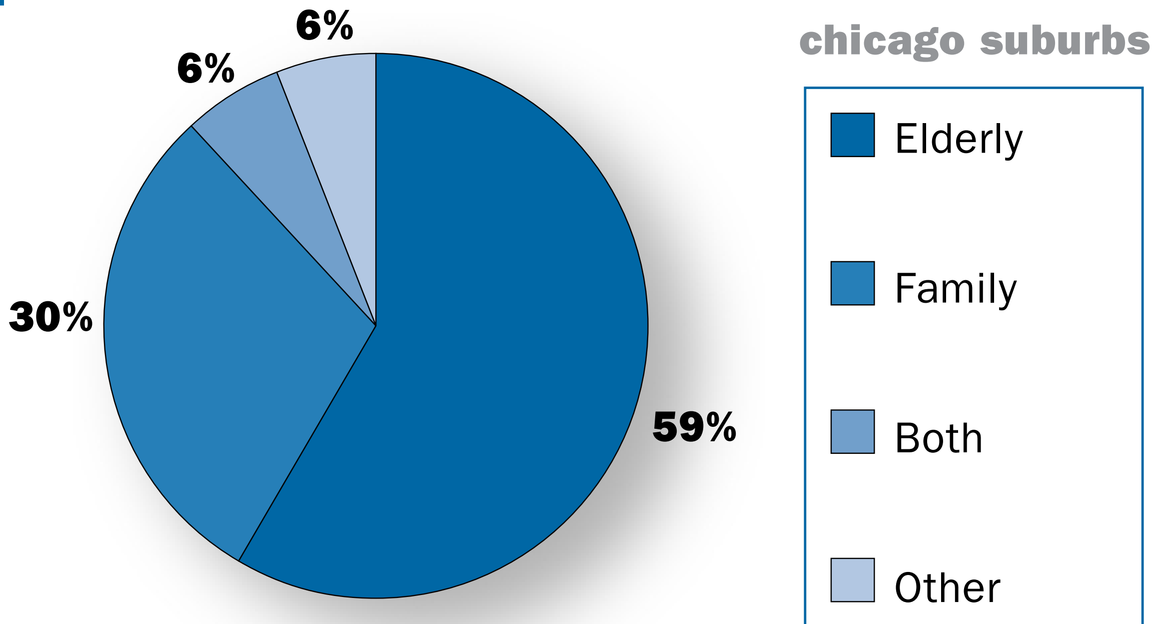
There are now indications that approvals of elderly developments are on the upswing throughout the state. From 1987-1999, elderly projects represented 22% of all Tax Credit developments. In the last two years they have accounted for nearly 30% of all projects approved. While the need for quality senior housing is real and growing, there are considerably more low-income families than seniors in need of affordable housing. Seventeen percent of the state's citizens are seniors, and they are less likely to live below the poverty line than family renters[27]. Furthermore, a separate federal program for creating senior housing already exists.

Senior housing offers certain advantages for a prospective developer. Lending institutions, finance agencies and developers believe senior housing is easier to manage and to keep rented. Local elected officials often favor senior developments because they perceive seniors to be less of a burden on the tax base compared to the perception of low-income families needing more social services and adding to the school's population and costs. In addition, the scoring formulas of the housing authorities can indirectly encourage senior development over family developments. IHDA's QAP scoring process looks at a project's ability to limit per unit costs—a criterion that gives senior studio and 1-bedroom apartments an advantage over larger family units.

[27] 1990 US Census of Population and Housing

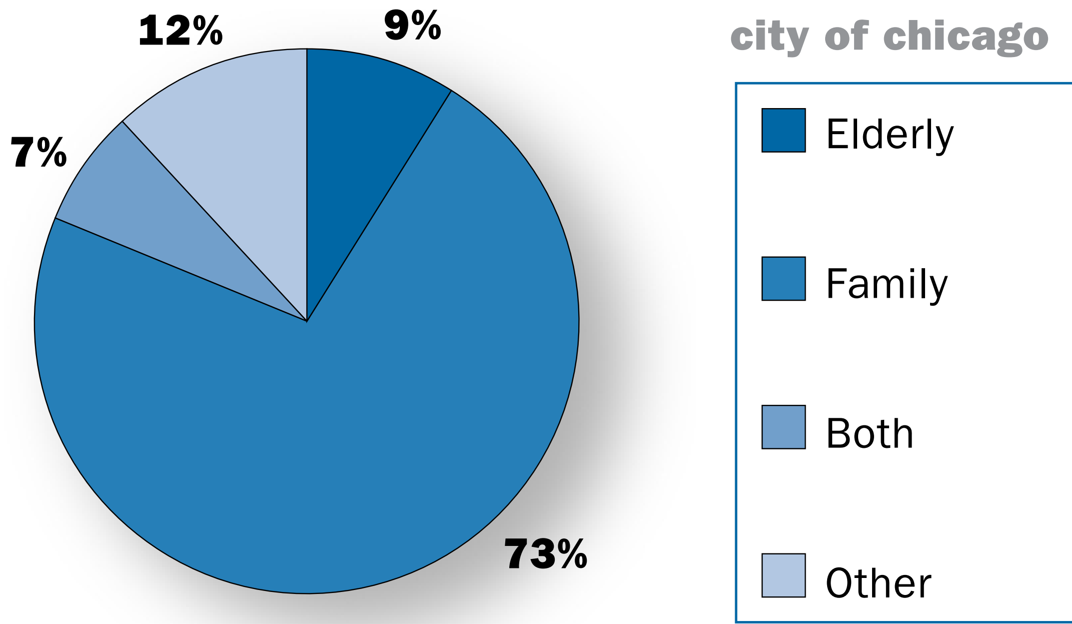
## graph 5 & 6 • comparison of tax credit unit tenant types

g5




Source: IHARP Database, November 2001

g6




Source: IHARP Database, November 2001

# geographic distribution of tax credit projects

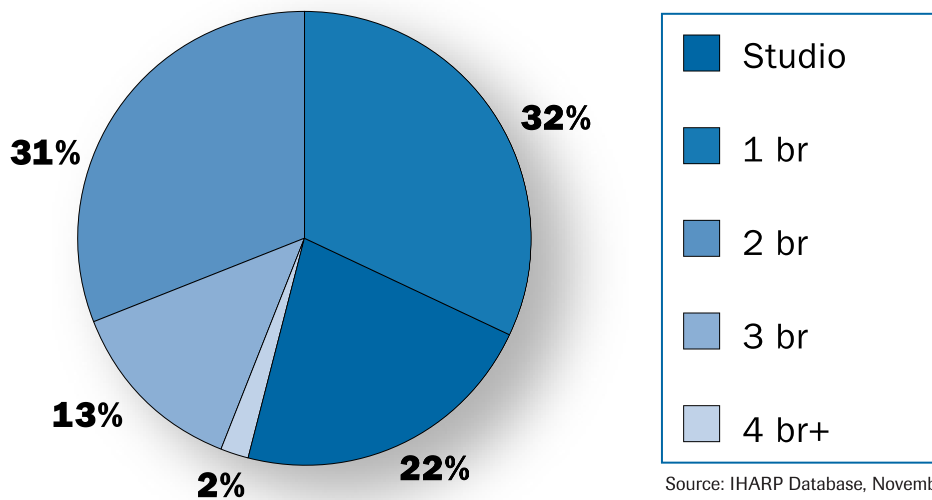
### Bedroom Distribution

The statewide need for quality, affordable, multiple-bedroom units continues to grow as changes related to welfare-to-work and public housing send more families into the housing market with less money to pay for their shelter. Families with multiple children are the fastest rising homeless population in Illinois. Today, the average age of homeless in the United States is 9 years old[28]. Our data reinforces the conclusions of other analysis that Tax Credits have not done enough to develop two, three and four bedroom units.

Overall, 55% of the Tax Credit units in Illinois were found to be studio or 1-bedroom apartments. Only 14% have three or more bedrooms (see Graph 7). The lack of family apartments in the Chicago suburbs is particularly apparent, with only 5.7% of Tax Credit units there having three or more bedrooms. Non-Chicago metro areas throughout the state are the only areas to build a majority (73%) of units to serve families with two bedrooms or more. These areas are often assisted by lower land and development costs, which make multiple bedroom units more economically feasible. All other areas of the state have built a majority of studio and one-bedroom units through the program.

IHARP welcomes IHDA's recent proposed changes to its QAP, which would better reward projects in which 20-30% of total units would have 3 or more bedrooms. However, it is unclear whether this enticement will be sufficient to overcome the structural barriers against family units in certain communities and in the program's design and implementation.

## graph 7 • bedroom distribution of tax credit units




Source: IHARP Database, November 2001

| | studio | 1 br | 2 br | 3 br | 4 br+ |
|---|---|---|---|---|---|
| Chicago | 31.9% | 26.0% | 25.9% | 14.3% | 1.8% |
| Chi. Suburbs | 5.6% | 54.3% | 34.4% | 5.7% | 0.0% |
| Metro Areas | 3.7% | 23.3% | 52.7% | 15.0% | 5.3% |
| Rural | 15.2% | 45.0% | 29.5% | 10.2% | 0.1% |
| Total | 22.0% | 32.8% | 31.0% | 12.5% | 1.7% |

[28] Chicago Coalition for the Homeless. 2002. *Homelessness: Causes and Facts.*

### Lack of Long Term Affordability

Between April 2002 and April 2006, the owners of approximately 4,550 housing units made affordable through the Tax Credit program will be eligible to opt out of their 15-year affordability commitments. The challenges raised by this situation will be similar to those currently being raised by landlords of HUD's Section 8 buildings "opting out" of their affordability contracts. The issue is critical because we know that preserving existing affordable units is far more efficient than creating new ones. Yet unlike the Section 8 situation ("mark to market"), little discussion and no action have taken place at the national or state level to prevent conversions the loss of affordable units.

The failure to ensure long-term affordability is one of the major flaws in the existing LIHTC program. The law for projects developed in the first few years of the program required owners to maintain affordability for families at or below 60% of median income for only 15 years. After that period owners can increase rents on the properties without consideration to affordability for lower income families. In 1989, a rule change required LIHTC properties to address affordability issues for 30 years. However, even with these changes, project owners may still sell after 15 years but a buyer must be sought who will ensure its affordability for the remainder of the 30 year period. If a yearlong search for a buyer by IHDA or DOH is unsuccessful, tenants can legally be displaced after an additional three-year affordability period. This means solid protections for project affordability last for only 19 years under the current program.

The next few years will also be critical because maintenance needs unrelated to expiration will also begin to become more of an issue for Tax Credit developments as they age. Combined, Tax Credit developments face four primary challenges in the next five years, the last two of which are not directly related to the expiration issue:

- The conversion of Tax Credit developments to market rate developments;
- Reductions in the number of units targeted to low or very low-income households;
- The need for refinancing and capital infusions to ensure continued financial feasibility of many older, deteriorating properties; and
- Across the board rent increases that stay within affordability limits of the program, but are out of reach of very low-income households.

The preservation of these units as affordable housing will depend on the proactive co-operation of governmental bodies, community-based organizations, private-sector partners and housing advocates in making necessary institutional changes. It will also require the active participation of residents and advocacy organizations in "saving" individual expiring projects as they reach their expiration date.

Between April 2002 and April 2006, the owners of approximately 4,550 housing units made affordable through the Tax Credit program will be eligible to opt out of their 15-year affordability commitments

# expiration of 15-year affordability requirements

### Projected Loss of 1,700 Affordable Units

At this point, it is difficult to determine what the net effect of expiring affordability agreements will be in Illinois. Most of the major decisions affecting the fate of Tax Credit projects are up to project owners and managers, and it would take a comprehensive survey to predict what they will do. Besides the 15-year affordability agreements associated with the Tax Credits themselves, many projects may be bound by other restrictions that came with other forms of DOH or IHDA funding. These restrictions may include longer compliance periods, right of first refusal agreements or secondary affordability requirements. Unfortunately, it is impossible to easily assess how these restrictions may impact the statewide Tax Credit portfolio because neither DOH nor IHDA maintain this information in an accessible fashion. Even if this information were readily available, other important factors, such as physical and financial characteristics, market situations and owner interests, remain unknown.

Despite these unknowns, experts do appear to be reaching a consensus based on nationwide surveys, that about half of the units developed between 1987-89 will face expiration of their 15-year compliance periods[30]. The rest have longer affordability periods due to circumstances mentioned above. About 39% of these projects, or approximately 20% of all Tax Credit projects developed during this time, are expected to "opt-out" of the affordability provisions in the first phase of expirations between 2002 and 2006.[29] Using these percentages, *Illinois is predicted to lose approximately 1,700 affordable Tax Credit units in the next five years.*

Expiring Tax-Credit projects will represent a major blow in areas already experiencing acute shortages of affordable housing. Although the Chicago area will lose the most *units* statewide (70% of projected expiring units), more *developments* face expirations in rural areas and smaller cities (55% of developments). In all areas, more affluent communities and those experiencing growth are most likely to have higher levels of market conversion. Project and community characteristics that will heighten the chance of expiration include:

- Financial stability, including high cash flows and lower maintenance costs;
- Lower poverty rates and high demand for rental properties;
- Lower rates of non-profit ownership;
- Fewer original subsidy sources, resulting in fewer extended compliance periods and right of first refusal agreements.

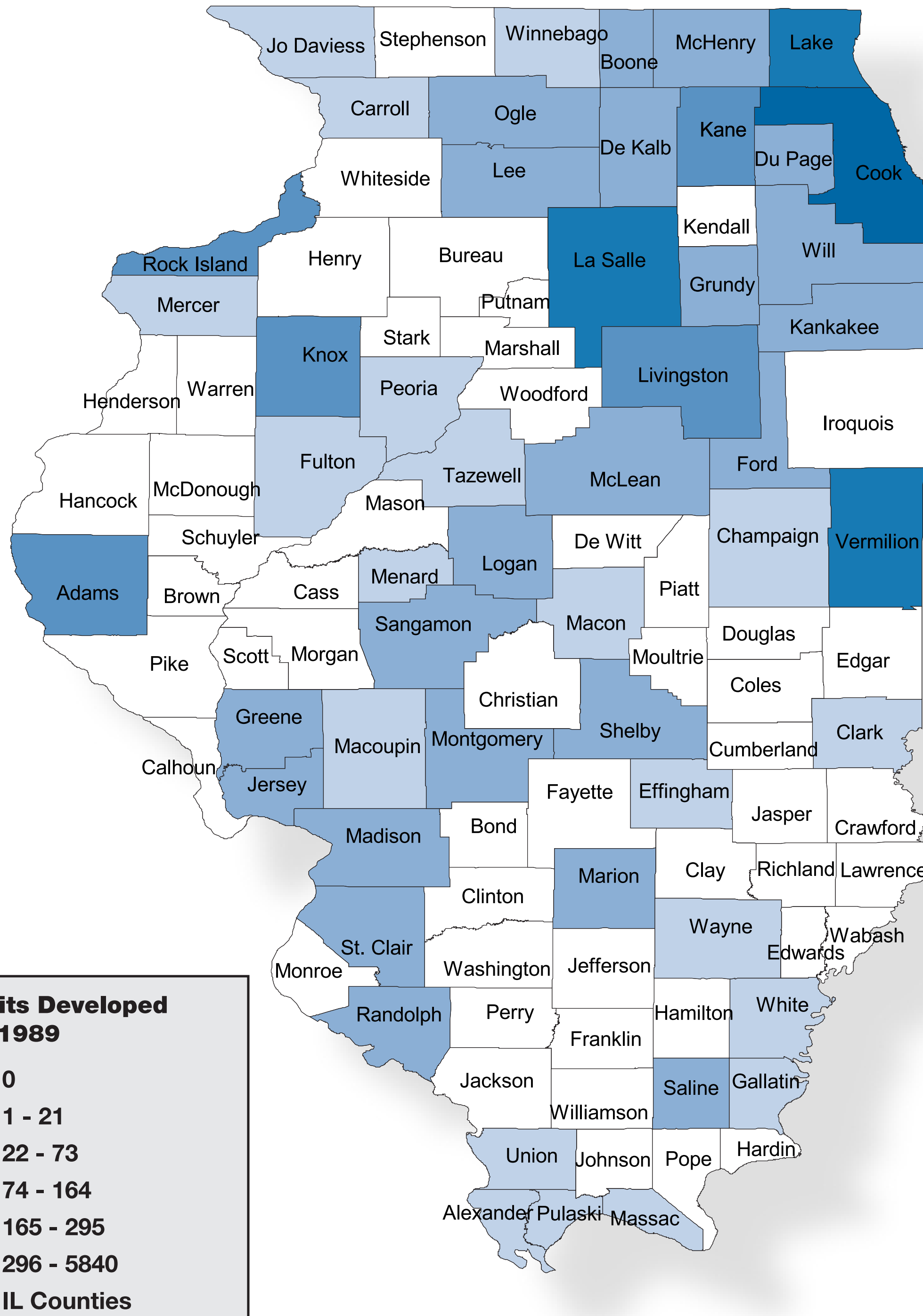
Certain areas of the state with high percentages of units developed between 1987 and 1989 face the potential of particularly heavy losses. For example, roughly 75% of the 601 Tax Credit units in LaSalle County, and a similar percentage of the 608 units in Vermilion County, appear to be at risk during the next few years (see Table 1 and Map 5). In many smaller counties in the southern part of the state, including Alexander, Gallatin, Massac, Menard and Union Counties, 100% of the Tax Credit units are at risk. Almost 300 units are at risk in Lake County, a fast-growing area in suburban Chicago that is already struggling with affordable housing issues. In many instances, these units may represent much of the quality affordable rental housing built in decades.

The City of Chicago faces the most significant threat in terms of total unit loss, with roughly 5,840 units developed between 1987-89—half of which are expected to face expiration. The Woodlawn, Austin and West Town neighborhoods are likely to be particularly impacted—each have more than 800 units developed during this period (see map 6), though areas of the city with favorable market conditions will face higher rates of expirations. Particularly high risk areas include those where HUD Fair Market Rents (FMR) exceed Tax Credit 60% AMI standards, because owners will be tempted to opt out for market rents and solicit the higher Section 8 vouchers rents.

[29] Collignon, Katherine, Joint Center for Housing Studies of Harvard University. 1999 "Expiring Affordability of Low-Income Housing Tax Credit Properties: The Next Era in Preservation."

[30] Recapitalization Advisors. 2001. *The Low Income Housing Tax Credit, Effectiveness and Efficiency: A Presentation of the Issues.* A report prepared for the Millennial Housing Commission, Boston, Mass.

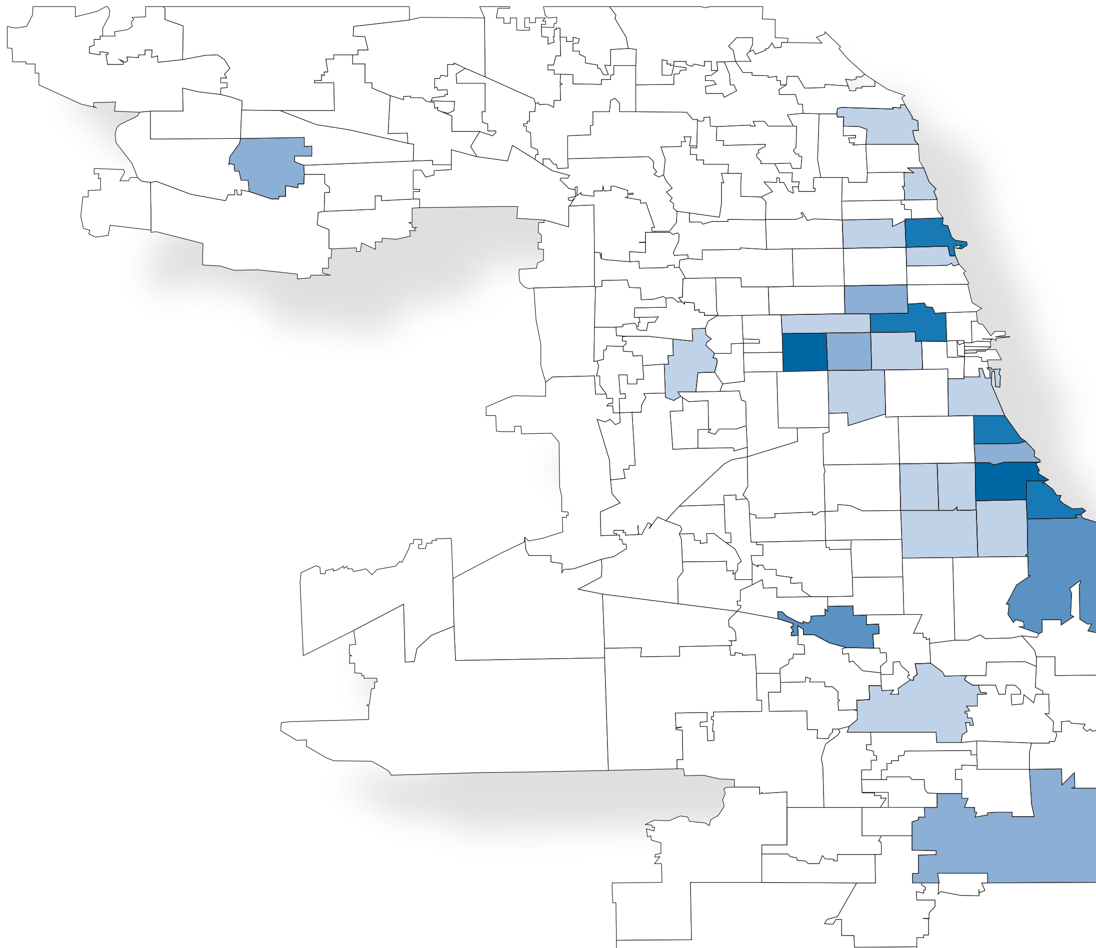
# map 5 • tax credit units at risk in illinois, 2002-2006




Source: IHARP Database, November 2001

Note: These figures represent the number of units placed in service between 1987-1989, when 15-year affordability periods were in place. However, roughly have of these projects are estimated to be protected by more lengthy affordability protections as a result of receiving other subsides.

# map 6 • tax credit units at risk in cook county, 2002-2006



**Tax Credit Units Developed 1987-1989**

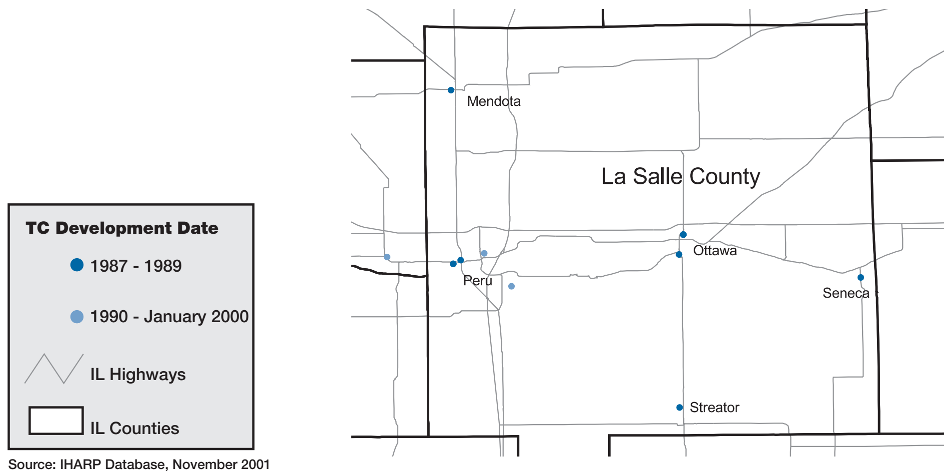
- 0
- 1 - 79
- 80 - 203
- 204 - 350
- 351 - 825
- 826 - 1225
- Cook County Zip Codes

Source: IHARP Database, November 2001

Note: These figures represent the number of units placed in service between 1987-1989, when 15-year affordability periods were in place. However, roughly have of these projects are estimated to be protected by more lengthy affordability protections as a result of receiving other subsides.

# 2 communities facing significant possibilities of affordability expiration

LaSalle County and Chicago's West Side are just two of the Illinois communities whose affordable housing stock will be hard hit by Tax Credit affordability expirations in the next few years. 72% percent of LaSalle County's current stock of 601 units was developed in the early years of the program, putting them at risk. 2,255 low-income units on Chicago's West Side are also at risk. Roughly half of these units are expected to be facing the 15-year expiration process. In the maps, red dots indicate those Tax Credit developments that are at risk because they were developed between 1987-1989.




Source: IHARP Database, November 2001

Source: IHARP Database, November 2001

# the role of non-profits

### Positive Role of Non-Profit Developers

As mentioned throughout the report, non-profit developers of Tax Credit housing have played an invaluable role in maximizing the positive benefits of their projects for their communities. While private for-profit firms have built more Tax Credit housing than non for-profits, their market orientation often forces them to place economic concerns over those of the affordable housing community. This has translated into their units having higher rents than non-profits, except at the four-bedroom range (see Graph 9). For-profit developments are also generally located in areas with more favorable real estate conditions, less in need of public subsidy (see Map 4).

In the coming years of affordability expiration, the importance of non-profits is expected to increase further. According to a national survey, non-profit owners are eight times less likely than for-profits to be considering the terminating of affordability provisions.[31] They will not only be counted on to successfully sustain the affordability of their own projects but also to buy out and preserve the affordability of expiring for-profit projects. Unfortunately, many analysts agree that in both cases, existing and future challenges will constrain the non-profit sector's ability to carry out its important role.

### Project Sustainability

According to those knowledgeable with the Tax Credit situation in Illinois, the biggest challenge developers will face in the coming years is related to their ability to sustain their projects over an extended period. This problem is not unique to non-profits. A large percentage of Tax Credit projects were developed without adequate allowances for operating reserves, and many have already experienced significant financial strains such as cash flow problems, high vacancies and/or project workouts.

While detailed financial figures are not available for projects statewide, the Chicago Rehab Network (CRN) recently completed a study of Tax Credit project financial health in Chicago. They found that in 1998 less than half (44%) of all projects surveyed were earning sufficient income to cover operating expenses and debt service. 32.5% have moderate cash flow difficulties and almost one-fourth (23.5 %) met their description of being a "severely troubled property," meaning cash outflows were equal to or exceeded 115% of effective gross income[32]. CRN's study also found that 73% of projects reported having no operating reserves and 47% were without replacement reserves. Lack of reserves will obviously become an even greater issue in the near future as repair needs grow. An emergency repair could send such troubled projects tumbling into economic insolvency[33].

Experts have cited many reasons for these poor cash flow performances. A major problem has been vacancies, which the CRN study found to be 11% for Tax Credit projects in Chicago. Developers report that rents are often too high to easily find potential tenants in some neighborhoods. Sources at the National Equity Fund and CRN report that many developers are pressured by DOH and IHDA to increase their rents and lower reserve and contingency funds, in order to minimize public subsidies[34-35]. We have already discussed the "first mortgage" issue in the affordability section, whereas expensive private market rate loans are normally required for Illinois Tax Credit projects. Finally, because Tax Credit equity is not available for use until the project starts up, non-profit developments often have less access to up-front capital, which makes them more likely to rely on expensive "bridge loans." Tax Credit equity is not available for use until the project starts up.

[31] HUD/PD&R. 1999. "The Low Income Housing Tax Credit Program: A Survey of Property Owners."

[32] Chicago Rehab Network, "*Present Realities and Future Prospects: An Evaluation of the Performance of LIHTC Projects in Chicago.*" January, 2002.

[33] Federal Reserve Bank of Dallas, Texas, "Survey of Low Income Housing Tax Credit Properties." Volume 1, Issue 3, 2001.

[34] Interview with Tania Kadakia, Aquisitions Manager at the National Equity Fund.

[35] Chicago Rehab Network. 1998. "Living with the Low Income Housing Tax Credit." *The Network Builder*, Issue 32.

In addition to the important financing issues, the program presents challenges for a non-profit organization working to fulfill a social mission. This may lead to development choices that can work against the sustainability of their projects within the Tax Credit paradigm. For instance, non-profits may "push the limit" of the program by setting rents at the lowest level possible, and by avoiding periodic rent increases if they fear tenants cannot afford them. They may also set aside resources to provide additional services for their tenants. Non-profits are also more likely to own developments in high-poverty areas, which can raise unanticipated costs related to property maintenance and security, or the cost of vacancy losses. From a policy perspective, it is extremely troublesome that greater challenges are encountered when trying to achieve important affordable housing goals.

### Non-profit role in Preserving Affordable Units

Non-profit developers are being counted on to perform a huge task with the coming expiration of affordability agreements in the next few years. As projects expire, new buyers will be sought to buy-out Tax Credit projects in order to keep them affordable. In most cases, only a non-profit developer will have the will to save the affordability of expiring projects. In doing so, they will face many challenges.

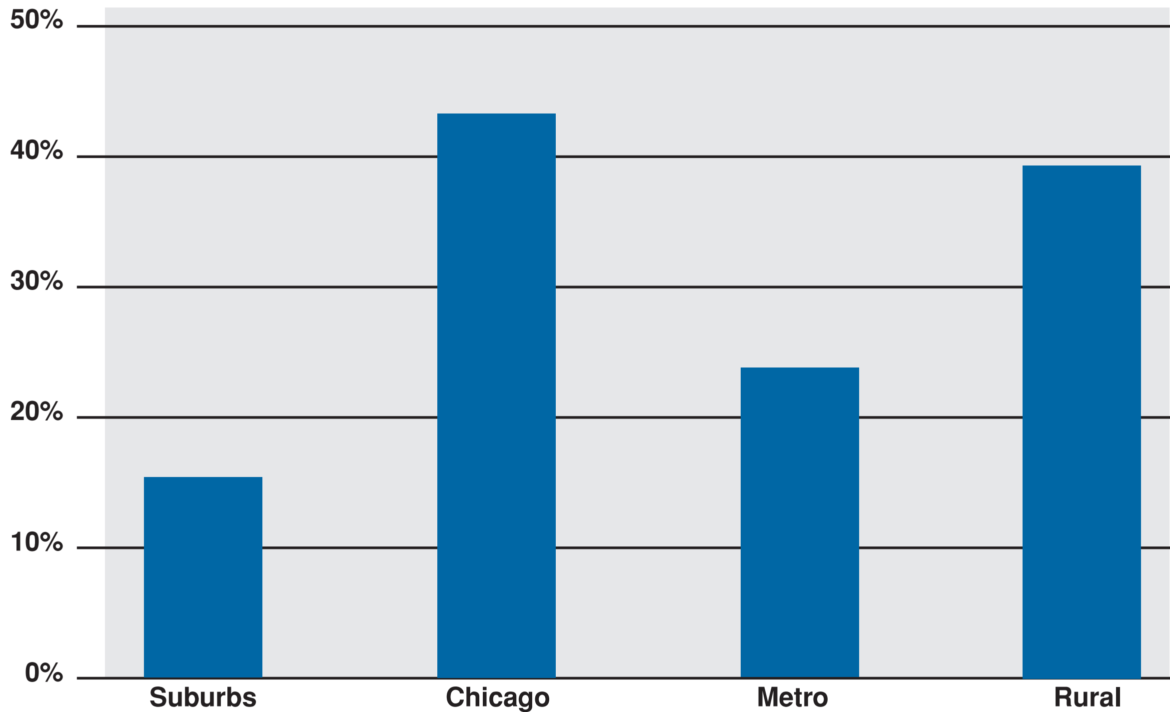
The first challenge for non-profits will be to find enough resources to buy out expiring projects, which in many cases may be in need of a substantial capital infusion. The vast majority of non-profits simply do not have adequate capital reserves to buy out many of the projects that will be offered for sale. In addition, complex ownership structures, conflicting interests of partners and unrealistic selling expectations may inflate the selling prices[36]. Some owners may not be motivated to sell to a non-profit if they believe it will increase the complexity of the transaction. A successful transaction is further hampered because owners face a significant Federal "exit tax" upon sale, which considerably raises costs for prospective buyers[37]. Finally, there is a need for effective links to connect potential buyers and sellers. Without them, owners may simply lack information about potential non-profit buyers and vice versa[38].

[36] Collignon, Katherine, Joint Center for Housing Studies of Harvard University. 1999 "Expiring Affordability of Low-Income Housing Tax Credit Properties: The Next Era in Preservation."

[37] Exit Tax is the seller's tax due upon sale of a property. In many cases, because of tax benefits received by the owners, the exit tax is greater than the cash proceeds of the sale. This often discourages owners from selling to preserving entities.

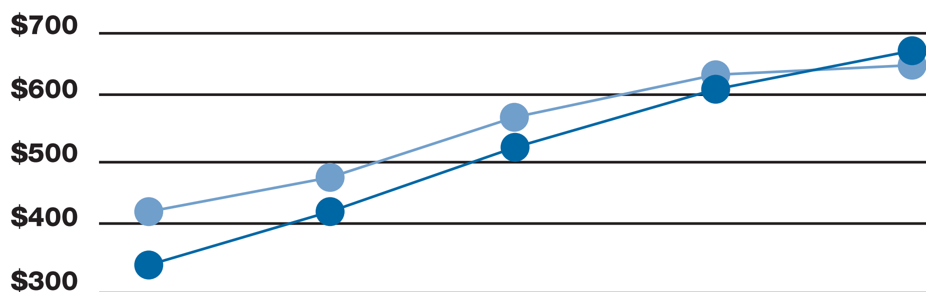
[38] Recapitalization Advisors. 2001. "Overcoming Barriers: How and When Non-Profits Can Acquire At Risk Affordable Housing."

## graph 8 • non-for-profit ownership rates by area




Source: IHARP Database, November 2001.

## graph 9 • average rents—city of chicago—non-profits vs. for-profits




| | 0 br | 1 br | 2 br | 3 br | 4 br |
|---|---|---|---|---|---|
| For Profit | 418 | 494 | 570 | 629 | 658 |
| Not-For Profit | 342 | 421 | 533 | 615 | 675 |

Source: IHARP Database, November 2001.

### Concerns Regarding the Effectiveness and Efficiency of Tax Credits

The Tax Credit program was designed to privatize the production of assisted rental housing and make it more market driven. However, the complicated nature of involving Tax Credits makes the program costly and time consuming to use. Resources are diverted from "bricks and mortar" production through extensive layers of private sector profit and the program's complicated nature discourages many potential developers. This section will look at four areas of general concern regarding the efficiency of the Tax Credit program, including: 1) diversion of resources away from housing production, 2) complicated financing, 3) high levels of soft costs, and 4) private sector profit.

It should first be made clear that it is difficult to directly compare the efficiency of Tax Credits and that of other housing programs due to differences in administration of the program, the income levels of residents served, and historical fluctuations in long-term inflation and cost-of-capital rates. However, one Congressional Budget Office report cited the Tax Credit program as significantly more costly than housing vouchers, particularly at lower income ranges.[39]

The market based "price" that investors pay for their tax credit is the main reason for the inefficiency. The percentage of Federal funds allocated towards housing equity depends on the market-based "price" of these credits at each point in time. This price has ranged from about 45 cents on the dollar in the early days of the program to nearly 80 cents in 2001. Today, every 1 dollar in federal Tax Credits is sold for roughly 70-75 cents to investors. This guarantees investors a healthy profit but severely limits the number of units produced. Uncertainty related to macro changes in the Tax Credit market such as the recent federal increase and the forthcoming expirations has led to decreases in this important measure of efficiency.

The efficiency of Tax Credit financing is complicated by the fact that Tax Credits alone are usually insufficient to fully fund a viable project, forcing developers to package funds from many sources. A 1996 HUD study found Tax Credit developers had assembled an average of 7.8 sources per project[40]. Sources may include low interest financing from state or local housing agencies, philanthropic grants, donated land, or the Illinois Affordable Housing Trust Fund. However, private sector bank loans still normally constitute most of the additional financing for Tax Credit projects, which accounts for most debt service costs. Assembling the sources required to finance a Tax Credit project becomes an extremely complicated and time-consuming task. This is made worse when trying to reach the lowest incomes possible. It in not uncommon for a project to take more than five years to plan and develop, taking up large amounts of valuable staff time. Some developers simply refuse to use the program because of the lengthy processes involved in putting a Tax Credit project together[41].

## table 7 • average costs and unit sizes by area

| Location | Project Cost | Tax Credit | Unit Size | Proj. Cost/Unit* | TC /Unit |
|---|---|---|---|---|---|
| **Suburbs** | **$4,118,609** | **$249,010** | **71.7** | **$78,524** | **$3,473** |
| **Chicago** | **$4,805,414** | **$334,505** | **81.3** | **$65,061** | **$4,115** |
| **Metro** | **$3,688,465** | **$206,641** | **47** | **$70,256** | **$4,396** |
| **Rural** | **$2,047,876** | **$115,802** | **23** | **$68,100** | **$5,035** |
| **Total** | **$4,144,409** | **$231,268** | **53.4** | **$69,483** | **$4,331** |

* based on an average calculated from average unit size from which we had financial data—not the average unit size seen in this table. Figures were not adjusted for inflation. Source: IHARP Database, November 2001.

39 Congressional Budget Office, "The Cost Effectiveness of the Low-Income Housing Tax Credit Compared with Housing Vouchers," CBO Staff Memorandum, April 1992.

40 US Department of Housing and Urban Development, Office of Policy and Research, 1996. "Development and Analysis of the National Low Income Housing Tax Credit Database," prepared by Abt Associates.

41 UIC Great Cities Institute. 2000. *For Rent: Housing Options in the Chicago Region*

Assembling a Tax Credit project normally requires the hiring of a team of professionals whose fees and profits greatly add to the soft costs of the project. The syndication process requires that most developers hire lawyers, accountants, intermediaries and marketing professionals to help sell their credits to interested investors. It is difficult to compare costs associated with the use of other housing programs to Tax Credits, but one 1993 HUD study of 15 Tax-Credit projects developed in five cities, found that 12.6% of the average unit cost (about $13,000), went for costs related to syndication, developers, and legal/organizational costs directly related to the nature of the Tax Credit program.[42] A National Equity Fund (NEF) official in Chicago estimates that line item and syndication costs directly related to the Tax Credit program may add 5-8% to the bottom line of a typical development, compared to developments that don't use Tax Credits[43].

Some critics believe that between the profits earned for professional services and the returns reaped by Tax Credit investors, the program amounts to a "corporate welfare" program, enriching many well-off corporations, while unable to serve those most in need of affordable housing. They conclude that the Tax Credit program is therefore, an excessive and ill-targeted public subsidy. Economists and policy analysts who have scrutinized these costs have suggested that a simpler up front capital grant program, such as the current Section 202 and 811 programs for the elderly and disabled, would be a more effective use of scarce housing resources.[44]

[42] Nonprofit Housing: Costs and Funding, Final Report, Abt Associates for HUD, Nov. 1993

[43] Interview with Tania Kadakia, Aquisitions Manager at the National Equity Fund

[44] Orlebeke, Charles. 2000. "The Evolution of Low Income Housing Policy, 1949-1999. *Housing Policy Debate.* Volume 11, Issue 2.

Throughout this report IHARP has tried to present an evaluation of the Low Income Housing Tax Credit program based on the data we collected, viewed through the lens of the current affordable housing crisis in Illinois. We have discussed the current importance of the program as well as the context of its inception, as essentially a replacement of other federal housing production programs that did a better job reaching lower income populations. We've noted the importance of the administration and scoring of projects and the issues relating to transparency in decision-making processes.

While the program has done well to create a substantial number of quality units across diverse areas of the state, Illinois' housing crisis calls for a vast improvement upon what we've seen thus far. The limits of the program are substantial, as evidenced by the findings of this report. There are serious questions about the program's ability to create enough multi-bedroom units for families, as well as create developments in communities that face institutional barriers against affordable housing. Tax Credit projects were not designed and have proven unable to reach those households earning below 30% AMI, even though these are the Illinoisan's whose housing situation is the most perilous. Lastly, we focused on the upcoming affordability expiration issue that will affect many communities in the next five years. Throughout the discussion of these issues we have tried to stress that non-profit developments have played a critical role in attempting to mitigate the worst of these structural constraints.

The points raised here are consistent with many other studies of the program. For example, a recent national study for the Millennial Housing Commission on the program's effectiveness and efficiency, made the following conclusion: *"Perhaps precisely because it is so flexible, the Credit cannot be all things to all properties. It appears to be less cost-effective on large-bedroom apartments, preservation, larger and very large properties, and extremely low income (ELI) families. The multi-source financing…also invites the conclusion of inefficiency with its lengthy and complex resource assembly mechanics.*[45]"

With the dire affordable housing context Illinois the nation is facing today, IHARP must conclude that the Low Income Housing Tax Credit program cannot meaningfully address the crisis in its present form. New methods must be found to extend and support the reach of Tax Credit projects to serve households with lower incomes most in need. Innovative scoring methods, use of additional public financing from sources like HOME and a renewed commitment from housing authorities could help Tax Credits come closer to this goal. However, if Tax Credits remain unable to serve extremely low-income families, IHARP strongly recommends a serious reevaluation of the program's effectiveness and efficiency at the national level. We would urge that these precious resources be re-deployed through a production program able to meet more of the nation's most urgent housing needs such as the proposed National Affordable Housing Trust Fund[46]. Such a program would reach those unable to receive assistance through the Tax Credit program. Until then, new ideas are required to help this program address the affordability crisis we are facing in Illinois.

[45] Recepitalization Advisors. 2001. *The Low Income Housing Tax Credit, Effectiveness and Efficiency: A Presentation of the Issues.* A report prepared for the Millennial Housing Commission, Boston, Mass.

[46] The legislative bills for the National Affordable Housing Trust Fund Act of 2001, which would enact the proposed fund are currently pending in both houses of Congress

# appendix 1 – tax credit projects with potential of affordability expiration—projects placed in service 1987-1989

| Name of Development | Address | City | Zip Code | County | R/NC | TC Units | TC $ | Funder | Service Date | Tenant |
|---|---|---|---|---|---|---|---|---|---|---|
| KENSINGTON QUINCY | 400 Main St | QUINCY | 62301 | Adams | R | 85 | – | IHDA | 12/29/89 | F |
| CEDAR VILLA APTS. | 400 Missouri | TAMMS | 62988 | Alexander | R | 6 | $7,718 | IHDA | 05/20/87 | – |
| TAMMS FRONT ST. APTS. | 306 N. Front St. | TAMMS | 62988 | Alexander | NC | 8 | $7,546 | IHDA | 06/26/89 | – |
| HIGHLAND SQUARE | 210 HIGHLINE St. | BELVIDERE | 61008 | Boone | NC | 24 | $43,403 | IHDA | 03/21/89 | F |
| THOMPSON APTS. | 701 LOCUST | THOMSON | 61285 | Carroll | NC | 8 | $10,337 | IHDA | 03/01/88 | – |
| HILLCREST APTS. | 300 N. DIANNE LN | MAHOMET | 61853 | Champaign | NC | 16 | $25,872 | IHDA | 12/01/89 | F |
| VILLAGE APTS. OF ST. JOSEPH, I | 811 N. THIRD | ST. JOSEPH | 61873 | Champaign | NC | 24 | $36,663 | IHDA | 11/01/90 | F |
| TOLONO MANOR APTS | 407 E. MAIN ST. | TOLONO | 61880 | Champaign | NC | 16 | $25,094 | IHDA | 02/04/91 | E |
| STEPHEN'S APTS. | 109 S. 6th St. | MARSHALL | 62441 | Clark | NC | 9 | $11,637 | IHDA | 04/01/88 | F |
| CHURCHILL APTS. | 1400 E. ALABAMA | CASEY | 62420 | Clark | NC | 8 | $13,484 | IHDA | 03/01/89 | – |
| MARTIN LAMPLIGHTER | 1303 MAPLE ST. | MARSHALL | 62441 | Clark | R | 16 | $3,185 | IHDA | 12/26/91 | F |
| 520 SOUTH FIFTH AVE. | 520 S. 5th Ave. | MAYWOOD | 60153 | Cook | R | 12 | $24,354 | IHDA | 04/01/87 | – |
| 936 W. SUNNYSIDE | 936 W. SUNNYSIDE | CHICAGO | 60640 | Cook | – | 20 | – | DOH | 5/1/87 | – |
| HAZEL-WINTHROP | 4927 N. KENMORE | CHICAGO | 60640 | Cook | R | 35 | $113,411 | IHDA | 07/31/87 | F |
| ONE MAGNIFICENT HICKORY | 484 Hickory | CHICAGO HGTS. | 60411 | Cook | R | 4 | $3,052 | IHDA | 08/01/87 | F |
| N & M Partnership/Northshore | 1325 W. N. Shore | CHICAGO | 60626 | Cook | – | 7 | – | DOH | 9/1/87 | – |
| ROCKWELL CT. APTS | 2500 N. ROCKWELL | CHICAGO | 60647 | Cook | R | 15 | $10,141 | IHDA | 10/01/87 | F |
| CONCORDIA PARK APTS. | 13037 S. Daniel Dr. | CHICAGO | 60658 | Cook | R | 297 | $350,878 | IHDA | 10/08/87 | F |
| MERRILL COURT | 7201 S. MERRILL | CHICAGO | 60649 | Cook | NC | 40 | $76,160 | IHDA | 10/30/87 | F |
| CALIFORNIA APTS. | 2750 W. WARREN | CHICAGO | 60612 | Cook | – | 15 | – | DOH | 11/1/87 | F |
| 600 NORTH CENTRAL | 600 N. CENTRAL | CHICAGO | 60644 | Cook | – | 20 | – | DOH | 11/1/87 | F |
| 7031-7047 MERRILL ASSOC. | 7031 S. MERRILL | CHICAGO | 60649 | Cook | – | 22 | – | DOH | 11/1/87 | F |
| KEN OAK ASSOCIATES I | 1236 E. 46TH ST. | CHICAGO | 60653 | Cook | – | 15 | – | DOH | 11/1/87 | F |
| 3834-36 S. WABASH | 3834-36 S. Wabash | CHICAGO | 60653 | Cook | – | 4 | – | DOH | 11/22/87 | F |
| 4500 S. DREXEL | 4500 S. DREXEL | CHICAGO | 60653 | Cook | – | 26 | – | | 1/1/88 | – |
| GABE II | 532 13th St. | CHICAGO HGTS. | 60411 | Cook | R | 4 | $1,086 | IHDA | 02/01/88 | – |
| JEFFREY APTS. | 7130 S. JEFFREY | CHICAGO | 60649 | Cook | R | 49 | $91,858 | IHDA | 03/22/88 | F |
| 4524-26 S. MICHIGAN | 4524 S. MICHIGAN | CHICAGO | 60653 | Cook | – | 12 | – | DOH | 4/1/88 | – |
| 4431 N. CLIFTON | 4431 N. CLIFTON | CHICAGO | 60640 | Cook | – | 18 | – | DOH | 5/1/88 | – |
| 900 W. WINDSOR | 900 W. WINDSOR | CHICAGO | 60640 | Cook | – | 18 | – | DOH | 5/1/88 | F, E |
| 4431-41 N. Clifton | 4431-41 N. Clifton | Chicago | 60640 | Cook | – | 18 | – | DOH | 5/1/88 | – |
| CYRIL COURT APTS. | 7130 CYRIL COURT | CHICAGO | 60649 | Cook | – | 205 | – | DOH | 6/1/88 | – |
| SHERIDAN GARDENS | 4732 N. RACINE | CHICAGO | 60640 | Cook | R | 38 | $29,133 | IHDA | 07/01/88 | F |
| THE WHITMORE APTS. | 342 S. Laramie | CHICAGO | 60644 | Cook | R | 54 | $256,138 | IHDA | 07/05/88 | F |
| KENMORE GARDENS | 4132 N. KENMORE | CHICAGO | 60613 | Cook | R | 17 | $15,446 | IHDA | 07/15/88 | F |
| 1414 N. WASHTENAW | 1414 N. WASHTENAW | CHICAGO | 60622 | Cook | – | 10 | – | DOH | 8/25/88 | – |
| Humboldt Building | 1704-16 N. Humboldt | Chicago | 60647 | Cook | – | 29 | – | DOH | 8/25/88 | – |
| SU CASA | 1614 W. JONQUIL TRRCE. | CHICAGO | 60626 | Cook | – | 25 | – | DOH | 9/1/88 | – |
| SPRING GROVE APTS. | 4554 S. DREXEL | CHICAGO | 60653 | Cook | – | 100 | – | DOH | 9/13/88 | – |
| PARKVIEW | 5110 S. KING DR. | CHICAGO | 60615 | Cook | – | 102 | – | DOH | 9/15/88 | – |
| 16TH & HOMAN BLDNG. | 3354 W. 16TH ST. | CHICAGO | 60623 | Cook | – | 3 | – | DOH | 11/1/88 | – |
| GUYON ASSOCIATES | 116 N. PULASKI | CHICAGO | 60624 | Cook | R | 114 | – | DOH | 11/1/88 | F |
| 15633-35 LEXINGTON | 15633 LEXINGTON | HARVEY | 60426 | Cook | R | 6 | $3,155 | IHDA | 11/01/88 | F |
| 4867 N. WASHTENAW | 4867 N. WASHTENAW | CHICAGO | 60625 | Cook | – | 16 | – | DOH | 12/1/88 | – |
| GROVE PARC PLAZA APTS. | 6020-6107 S. CTTAG. GRVE. | CHICAGO | 60637 | Cook | R | 504 | – | DOH | 12/1/88 | – |
| 5700 W. WASHINGTON | 5700 W. WASHINGTON | CHICAGO | 60644 | Cook | – | 20 | – | DOH | 12/1/88 | – |
| GERMANO-MILLGATE APTS. | 8944 S. BRANDON | CHICAGO | 60617 | Cook | R | 350 | $34,428 | IHDA/DOH | 12/1/88 | S, H |
| AUSTIN RENAISSANCE | 5043 W. WASHINGTON | CHICAGO | 60644 | Cook | R | 71 | $99,644 | IHDA | 12/16/88 | F |
| 6126 S. WOODLAWN | 6126-28 S. WOODLAWN | CHICAGO | 60637 | Cook | – | 35 | – | DOH | 12/29/88 | – |
| 4441-47 S. Greenwood Apts | 4441 S. GREENWOOD | CHICAGO | 60653 | Cook | – | 32 | – | DOH | 3/1/89 | – |
| GREENWOOD COURT APT | 4441 SOUTH GRNWD. | CHICAGO | 60653 | Cook | R | 48 | $209,592 | IHDA | 3/1/89 | – |
| 4819-21 S. CALUMET | 4819 S. CALUMET | CHICAGO | 60615 | Cook | – | 8 | – | DOH | 5/1/89 | – |
| PARKWAY GARDENS | 6338-6536 S. KING DR. | CHICAGO | 60637 | Cook | – | 686 | – | DOH/IHDA | 5/1/89 | – |
| HAROLD WASHINGTON APTS. | 4944-56 N. SHERIDAN | CHICAGO | 60640 | Cook | NC | 70 | – | DOH | 5/1/89 | – |
| 1500 DEWEY | 1500 DEWEY | EVANSTON | 60201 | Cook | R | 2 | $9,059 | IHDA | 05/01/89 | F |
| WASHINGTON COURTS APTS. | 4938 W. QUINCY | CHICAGO | 60644 | Cook | R | 103 | $679,743 | IHDA | 05/19/89 | F, E |
| HEARTHSTONE PARTNERS II | 1018 N. RIDGEWAY | CHICAGO | 60651 | Cook | – | 2 | – | DOH | 5/29/89 | – |
| WEST TOWN HSG PROJECT | 1754 N. WASHTENAW | CHICAGO | 60622 | Cook | – | 178 | $1,776,279 | IHDA | 06/16/89 | F |
| 1 SPECTACULAR MICHIGAN | 4641 S. MICHIGAN | CHICAGO | 60653 | Cook | v | 8 | – | DOH | 6/16/89 | – |
| 2 SPECTACULAR MICHIGAN | 4645 S. MICHIGAN | CHICAGO | 60653 | Cook | v | 8 | – | DOH | 6/29/89 | – |

# appendix 1 – tax credit projects with potential of affordability expiration—projects placed in service 1987-1989

| Name of Development | Address | City | Zip Code | County | R/NC | TC Units | TC $ | Funder | Service Date | Tenant |
|---|---|---|---|---|---|---|---|---|---|---|
| 2601 COMMERCIAL | 2601 COMMERCIAL | S. CHICAGO HTS. | 60411 | Cook | NC | 12 | $5,862 | IHDA | 06/30/89 | – |
| VICTORIAN PARK | 21 N. PARK BLVD. | STREAMWOOD | 60107 | Cook | NC | 102 | $512,908 | IHDA | 07/01/89 | – |
| N&M LUNT WOLCOTT | 7001 N. WOLCOTT | CHICAGO | 60626 | Cook | R | 28 | $56,598 | IHDA | 07/13/89 | F |
| WOODLAKE VILLAGE APTS. | 1204 E. 46TH ST. | CHICAGO | 60653 | Cook | – | 28 | – | DOH/IHDA | 7/15/89 | – |
| LAVERGNE COURTS | 4938 W. QUINCY | CHICAGO | 60644 | Cook | R | 158 | $1,015,508 | IHDA | 08/11/89 | F |
| North Kedzie Apartments | 1530 N. KEDZIE | CHICAGO | 60623 | Cook | – | 50 | – | DOH | 9/3/89 | – |
| WOODLAND PARK APTS. | 606 E. WOODLAWN | CHICAGO | 60616 | Cook | – | 48 | – | DOH | 9/18/89 | – |
| VICTORY APTS. | 2705 W. EVERGREEN | CHICAGO | 60622 | Cook | R | 107 | $813,623 | IHDA | 09/27/89 | F, E |
| 213 E. 24TH ST. | 213 E. 24TH STREET | CHICAGO HTS. | 60411 | Cook | R | 4 | $4,844 | IHDA | 11/01/89 | – |
| WENTWORTH GARDENS | 1100 WENTWORTH AVE. | CHICAGO HTS. | 60411 | Cook | R | 179 | $139,891 | IHDA | 11/09/89 | F |
| UJAAMA | 7653-55 N. Bosworth | CHICAGO | 60626 | Cook | R | 19 | $34,010 | IHDA | 11/15/89 | F |
| DIVERSEY SQUARE II | 3300 W. Diversey | CHICAGO | 60647 | Cook | R | 48 | $273,373 | IHDA | 11/22/89 | F |
| 401-3 S. KILBOURN | 401 S. KILBOURN | CHICAGO | 60624 | Cook | – | 10 | – | DOH | 12/31/89 | – |
| CIRCLE GARDEN APTS. | 127-45 N. CENTRAL | CHICAGO | 60644 | Cook | – | 88 | – | DOH | 1/1/90 | – |
| BOULEVARD COMMONS (II) | 5417 W. WASHINGTON | CHICAGO | 60644 | Cook | – | 212 | – | DOH | 01/11/90 | F |
| DICKENS II | 3621 W. DICKENS | CHICAGO | 60647 | Cook | – | 34 | – | DOH | 03/16/90 | F |
| COLUMBUS PARK | 5501 W. Corcoran | CHICAGO | 60644 | Cook | R | 30 | $63,163 | IHDA | 04/01/90 | F |
| BOULEVARD COMMONS IIA | 51 N. Parkside | CHICAGO | 60644 | Cook | R | 42 | $275,000 | IHDA | 04/01/90 | – |
| WEST WASHINGTON ASSOC. | 4200 W. WASHINGTON | CHICAGO | 60624 | Cook | – | 49 | – | DOH | 5/1/90 | – |
| Drexel Court Apartments | 4611 S. DREXEL | CHICAGO | 60653 | Cook | – | 39 | – | DOH | 5/1/90 | – |
| 7835 S. DREXEL | 7835 S. DREXEL | CHICAGO | 60619 | Cook | – | 2 | – | DOH/IHDA | 6/1/90 | – |
| MONROE/LAVERGNE | 4945 W. Monroe | CHICAGO | 60644 | Cook | – | 52 | – | DOH | 6/1/90 | – |
| MONTROSE WOLCOTT BLDNG. | 1900 W. MONTROSE | CHICAGO | 60613 | Cook | – | 9 | – | DOH | 7/1/90 | – |
| SUTHERLAND LP | 4647 S. DREXEL BLVD. | CHICAGO | 60653 | Cook | NC | 154 | – | DOH | 7/1/90 | – |
| 3502-08 W. VAN BUREN | 3502 W. VAN BUREN | CHICAGO | 60624 | Cook | R | 13 | $26,070 | IHDA | 09/01/90 | F |
| EAST GARFIELD PARK | 301 S. Central Park | CHICAGO | 60644 | Cook | R | 23 | $47,747 | IHDA | 09/01/90 | F |
| VAIL APARTMENTS | 14721 VAIL | HARVEY | 60426 | Cook | R | 30 | $40,099 | IHDA | 09/21/90 | F |
| MICHIGAN BEACH APTS. | 7251 S. SHORE DRIVE | CHICAGO | 60649 | Cook | R | 240 | $480,000 | IHDA | 11/30/90 | F |
| 46TH & VINCENNES | 444 E. 46TH STREET | CHICAGO | 60653 | Cook | R | 28 | $149,644 | IHDA | 12/01/90 | F |
| 1517-19 W. MARQUETTE | 1517 W. MARQUETTE | CHICAGO | 60636 | Cook | – | 9 | – | DOH | 12/10/90 | – |
| HICA REDEVELOPMENT | 5042 W. WASHINGTON | CHICAGO | 60644 | Cook | R | 120 | $217,990 | IHDA | 12/16/90 | F |
| AUSTIN SHORE LTD. PTNRSHP. | 151 N. LAVERGNE | CHICAGO | 60644 | Cook | – | 28 | – | DOH | 12/20/90 | – |
| AUSTIN SHORES | 7117 S. EUCLID | CHICAGO | 60649 | Cook | – | 19 | – | DOH | 12/20/90 | – |
| WICKER PARK PLACE | 1527 N. WICKER PARK | CHICAGO | 60622 | Cook | – | 110 | – | DOH | 12/31/90 | – |
| EDGEWATER SHORES APTS. | 5326 N. WINTHROP | CHICAGO | 60640 | Cook | NC | 70 | – | DOH/IHDA | 1/1/91 | E |
| 7024-32 S. PAXTON | 7024 S. PAXTON | CHICAGO | 60649 | Cook | – | 25 | – | DOH | 1/1/91 | – |
| WESLEY-GREENBAY | 2014 WESLEY | EVANSTON | 60201 | Cook | R | 24 | $73,290 | IHDA | 01/02/91 | – |
| PINE PLACE | 330 N. PINE | CHICAGO | 60644 | Cook | – | 42 | – | DOH | 1/4/91 | – |
| BORINQUEN APARTMENTS | 1451 N. WASHTENAW | CHICAGO | 60622 | Cook | – | 37 | – | DOH | 1/11/91 | – |
| 7500-06 S. EGGLESTON | 7500 S. EGGLESTON | CHICAGO | 60620 | Cook | – | 23 | – | DOH | 2/1/91 | – |
| NORMAL HAVEN HOMES | 6400 S. Normal | CHICAGO | 60621 | Cook | R | 42 | $90,959 | IHDA | 02/28/91 | F |
| LAKESIDE SQUARE APTS. | 920 W. LAKESIDE | CHICAGO | 60640 | Cook | – | 308 | – | DOH | 3/1/91 | – |
| 4750-58 S. MICHIGAN | 4750 S. MICHIGAN | CHICAGO | 60653 | Cook | R | 25 | $10,598 | IHDA | 04/01/91 | – |
| MALDEN ARMS | 4727 N. MALDEN | CHICAGO | 60640 | Cook | NC | 85 | – | DOH/IHDA | 10/1/91 | SRO |
| SUNNYSIDE UPTOWN APTS. | 850 W. SUNNYSIDE | CHICAGO | 60640 | Cook | R | 124 | $199,896 | DOH | 6/25/92 | F |
| MALTA MANOR | 200 N. 2nd St. | MALTA | 60150 | DeKalb | NC | 12 | $16,839 | IHDA | 06/03/88 | – |
| MIDLAND-GENOA APTS. | 201 W. Second St. | GENOA | 60135 | DeKalb | NC | 24 | $35,566 | IHDA | 02/15/89 | F |
| SYCAMORE WEST APTS. | 849 DeKalb Ave. | SYCAMORE | 60178 | DeKalb | NC | 16 | $16,213 | IHDA | 10/16/90 | – |
| KATHERINE MANOR | 1141 IROQUOIS | NAPERVILLE | 60563 | Du Page | NC | 5 | $28,644 | IHDA | 03/01/88 | – |
| NAPER GROVE COMM. | 1872 BRIGHTON | DOWNERS GRV. | 60516 | Du Page | NC | 3 | $32,841 | IHDA | 09/15/89 | H |
| NAPER GROVE COMM. | 1200 RHODES LANE | NAPERVILLE | 60563 | Du Page | NC | 3 | $31,594 | IHDA | 10/30/89 | – |
| MARTIN LAMPLIGHTER | 526 NE BAYARD | PARIS | 61944 | Edgar | NC | 16 | $13,484 | IHDA | 12/24/91 | F |
| PARKWAY MANOR | 504 E. HENDELMEYER | EFFINGHAM | 62401 | Effingham | NC | 16 | $60,480 | IHDA | 11/21/89 | – |
| GIBSON CITY APTS. | 637 State St. | GIBSON CITY | 60936 | Ford | R | 40 | $62,193 | IHDA | 05/25/89 | S |
| VILLAGE SQUARE II | 1624 E. MYRTLE | CANTON | 61520 | Fulton | NC | 14 | $21,506 | IHDA | 07/20/88 | – |
| SHAWNEETOWN APTS. | 400 Roosevelt Street | SHAWNEETOWN | 62984 | Gallatin | NC | 6 | $7,974 | IHDA | 01/01/88 | – |
| SHERMAN ST. BLDGS A-C | SHERMAN STREET | RIDGEWAY | 62979 | Gallatin | NC | 10 | $12,852 | IHDA | 02/01/88 | – |
| CARROLLTON APTS. | 520 4TH STREET | CARROLLTON | 62016 | Greene | NC | 12 | $14,458 | IHDA | 04/01/88 | – |
| BRIARWOOD APTS. | 511 Centennial St. | WHITEHALL | 62092 | Greene | NC | 12 | $18,207 | IHDA | 07/01/88 | F |
| GARDEN GROVE APTS. | 600 S. East St. | GARDNER | 60424 | Grundy | NC | 12 | $18,243 | IHDA | 06/28/88 | – |

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| Name of Development | Address | City | Zip Code | County | R/NC | TC Units | TC $ | Funder | Service Date | Tenant |
|---|---|---|---|---|---|---|---|---|---|---|
| COUNTRY PLACE APTS. | 400 Twilight Drive | MORRIS | 60450 | Grundy | NC | 24 | $35,997 | IHDA | 09/07/89 | F |
| MANOR HOUSE APTS., #4 | 2304 ASHLAND | MORRIS | 60450 | Grundy | NC | 4 | $15,021 | IHDA | 11/01/90 | – |
| MANOR HOUSE APTS., #5 | 2423 OAKLAND Circle | MORRIS | 60450 | Grundy | NC | 2 | $9,047 | IHDA | 11/01/90 | – |
| MARTIN LAMPLIGHTER | 710 S. Hancock | MCLEANSBORO | 61754 | Hamilton | R | 24 | $25,819 | IHDA | 12/20/91 | – |
| COUNTRYSIDE APTS. | 703 ASH DRIVE | GENESEO | 61254 | Henry | NC | 16 | $22,742 | IHDA | 09/09/87 | F |
| MARTIN LAMPLIGHTER | 902 N. Salem Rd. | MT. VERNON | 62864 | Jefferson | R | 24 | $20,804 | IHDA | 12/18/91 | F |
| MILLER SOUTH APTS. | 1100 SOUTH LIBERTY ST. | JERSEYVILLE | 62052 | Jersey | NC | 19 | $22,308 | IHDA | 10/01/88 | F |
| MILLER'S NORTH APTS. | 700 N. LIBERTY | JERSEYVILLE | 62052 | Jersey | R | 24 | $16,577 | IHDA | 11/30/88 | – |
| HIGH POINT APTS. | 927 Washington St. | SCALES MND. | 61075 | Jo Daviess | NC | 8 | $11,426 | IHDA | 12/22/89 | – |
| WOODLAND APTS. | 1213 SECOND AVE. | AURORA | 60505 | Kane | R | 89 | $89,089 | IHDA | 09/28/87 | F |
| CRESTVIEW VILLAGE APTS. | 200 CREST LANE | KANKAKEE | 60901 | Kankakee | R | 24 | $46,990 | IHDA | 04/04/88 | F |
| GALESBURG TOWER | 1384 N. HENDERSON | GALESBURG | 61401 | Knox | R | 123 | $191,000 | IHDA | 12/01/89 | F |
| VILLAGE APTS. | 231 S. MAIN | SENECA | 61360 | La Salle | NC | 16 | $24,989 | IHDA | 06/30/87 | – |
| COUNTRY PLACE APTS. II | 1015 ROUTE 34 | EARLVILLE | 60518 | La Salle | NC | 12 | $16,738 | IHDA | 08/26/88 | – |
| KENSINGTON KASKASKIA | 217 Marquette St. | LA SALLE | 61301 | La Salle | R | 70 | $149,830 | IHDA | 12/31/88 | – |
| COUNTRY MEADOWS | 504 PLAZA DRIVE | MENDOTA | 61342 | La Salle | NC | 19 | $26,323 | IHDA | 01/31/89 | – |
| COUNTRY PLACE APTS. | 701 W. McKinley | OTTAWA | 61350 | La Salle | NC | 24 | $36,264 | IHDA | 06/19/89 | – |
| TONICA MANOR | 307 Mugekewis Drive | TONICA | 61370 | La Salle | NC | 16 | $23,713 | IHDA | 08/17/89 | – |
| STREATOR MANOR | 404 N. RICHARDS | STREATOR | 61364 | La Salle | R | 32 | $48,478 | IHDA | 11/01/89 | F |
| R&R RENTALS | 1020 PLAIN STREET | PERU | 61354 | La Salle | NC | 2 | $8,720 | IHDA | 12/27/89 | – |
| MILLER CARLYLE APTS | 2110 W. LAKE STREET | MILLER (CARLYLE) | 62962 | La Salle | NC | 19 | $22,890 | IHDA | 01/01/90 | E |
| J.D. RENTALS | 1911 FIRST STREET | PERU | 61354 | La Salle | NC | 2 | $9,088 | IHDA | 07/12/90 | – |
| C.J. RENTALS | 1905 FIRST STREET | PERU | 61354 | La Salle | NC | 2 | $9,088 | IHDA | 11/01/90 | – |
| MANOR HOUSE APTS., #1 | 2100 SOMERSET | OTTAWA | 61350 | La Salle | NC | 2 | $8,678 | IHDA | 11/01/90 | – |
| MANOR HOUSE APTS., #2 | 2101 SOMERSET | OTTAWA | 61350 | La Salle | NC | 2 | $8,011 | IHDA | 11/01/90 | – |
| MANOR HOUSE APTS., #3 | 2108 SOMERSET | OTTAWA | 61350 | La Salle | NC | 2 | $7,678 | IHDA | 11/01/90 | – |
| ROLLING GREEN | 2013 Barrett Place | N. CHICAGO | 60064 | Lake | R | 219 | $371,045 | IHDA | 12/30/88 | F |
| 1106 MCALLISTER | 1106 MCALLISTER | N. CHICAGO | 60064 | Lake | R | 5 | $2,592 | IHDA | 05/01/89 | – |
| 1933 DICKEY AVENUE | 1933 Dickey Ave | N. CHICAGO | 60064 | Lake | R | 1 | $1,667 | IHDA | 05/01/89 | – |
| LIBERTY LAKE APTS. | 201 BUESCHING RD. | LAKE ZURICH | 60047 | Lake | NC | 70 | $518,558 | IHDA | 02/22/91 | – |
| ASHTON HOUSING | 466 WESTERN | ASHTON | 61006 | Lee | NC | 24 | $46,800 | IHDA | 03/18/91 | E |
| VILLAGE APTS. | 508 S. UNION | DWIGHT | 60420 | Livingston | NC | 16 | $25,117 | IHDA | 10/25/88 | – |
| PONTIAC TOWERS | 1011 WASHINGTON ST. | PONTIAC | 61764 | Livingston | R | 111 | $166,170 | IHDA | 12/01/89 | F |
| LINCOLN VILLAGE APTS. | 1000 N. COLLEGE | LINCOLN | 62656 | Logan | R | 40 | $57,402 | IHDA | 11/01/89 | F |
| COUNTRY PLACE APTS. | 244 W. PRARIE | ARGENTA | 62501 | Macon | NC | 12 | $18,743 | IHDA | 07/01/89 | F |
| MIDTOWN APTS. | 402-404 S. Union | STAUNTON | 62088 | Macoupin | NC | 12 | $14,856 | IHDA | 05/01/89 | F |
| MILLER BRIGHTON APTS. | 303 BROWN STREET | BRIGHTON | 62012 | Macoupin | NC | 19 | $26,183 | IHDA | 01/15/91 | E |
| SENIOR CITIZENS HSG. | 106 LAUNDRY STREET | TROY | 62294 | Madison | NC | 20 | $27,216 | IHDA | 04/01/87 | E |
| 1234-36 MADISON | 1234 MADISON | MADISON | 62060 | Madison | R | 20 | $8,693 | IHDA | 01/01/88 | F |
| 226 SOUTH CENTER | 226 S. CENTER | COLLINSVILLE | 62234 | Madison | R | 1 | $723 | IHDA | 12/12/88 | – |
| D'ADRIAN MEADOWS APTS. | 1225 Preis Lane | GODFREY | 62035 | Madison | NC | 32 | $87,390 | IHDA | 04/01/89 | F |
| 317 W. JOHNSON ST. | 317 W. JOHNSON ST. | COLLINSVILLE | 62234 | Madison | R | 2 | $1,652 | IHDA | 10/01/89 | – |
| VILLAGE APTS. | 1102 E. 13TH | CENTRALIA | 62801 | Marion | NC | 24 | $36,601 | IHDA | 02/22/90 | – |
| MARTIN LAMPLIGHTER | 104 FAIRWAY DRIVE | CENTRALIA | 62801 | Marion | R | 48 | $47,065 | IHDA | 12/19/91 | F |
| DEVONDALE APTS. II | 1441 W. 10th St. | METROPOLIS | 62960 | Massac | NC | 16 | $23,633 | IHDA | 08/03/90 | – |
| PARKVIEW APTS. | 11507 DOUGLAS | HUNTLEY | 60142 | McHenry | NC | 24 | $34,727 | IHDA | 12/10/87 | F |
| SUNSET SENIOR APTS. | 710 W. Metzer St. | HARVARD | 60033 | McHenry | NC | 24 | $32,078 | IHDA | 08/01/89 | E |
| BRIARWOOD APTS. | 500 SOUTH EAST ST. | DANVERS | 61732 | McLean | NC | 48 | $227,737 | IHDA | 07/01/88 | F |
| SCHLAND I | 113 W. JACKSON | PETERSBURG | 62675 | Menard | R | 3 | $934 | IHDA | 01/01/88 | – |
| SCHLAND II | 611 N. 6TH STREET | PETERSBURG | 62675 | Menard | R | 1 | $640 | IHDA | 07/01/88 | – |
| SCHLAND III | 100 Lincolnwood Estates | PETERSBURG | 62675 | Menard | R | 5 | $1,847 | IHDA | 03/01/90 | F |
| WILLOW MANOR APTS | 802 S. 10th | ALEDO | 61231 | Mercer | R | 12 | $12,375 | IHDA | 09/01/88 | – |
| PRAIRIE PRIDE SENIOR | 113 E. MARTIN | LITCHFIELD | 62056 | Montgomery | NC | 6 | $7,410 | IHDA | 09/01/87 | – |
| SWEET GUM APTS. | 801 S. ILLINOIS ST. | LITCHFIELD | 62056 | Montgomery | NC | 12 | $15,654 | IHDA | 05/01/88 | – |
| CHESTNUT RIDGE APTS. | 715 E. St. John | LITCHFIELD | 62056 | Montgomery | NC | 12 | $15,918 | IHDA | 05/01/89 | – |
| ASHBERRY RETREMNT. APTS. | 301 MONROE ST | NOKOMIS | 62075 | Montgomery | NC | 6 | $7,867 | IHDA | 11/15/89 | E |
| WRENWOOD RETREMNT. APTS. | 4 Broadway | WITT | 62094 | Montgomery | NC | 6 | $7,158 | IHDA | 05/01/90 | F |
| DOUBLETREE APARTMENTS | 1000 W. TYLER | LITCHFIELD | 62056 | Montgomery | NC | 12 | $14,616 | IHDA | 12/03/90 | – |
| ROCHELLE MANOR APTS. | 1500 Caron Rd | ROCHELLE | 61068 | Ogle | NC | 32 | $33,742 | IHDA | 02/01/90 | – |
| 4100 WEST HILLMONT | 4100 WEST HILLMONT | PEORIA | 61615 | PEORIA | R | 1 | $1,424 | IHDA | 10/01/87 | – |

# appendix 1 – tax credit projects with potential of affordability expiration—projects placed in service 1987-1989

| Name of Development | Address | City | Zip Code | County | R/NC | TC Units | TC $ | Funder | Service Date | Tenant |
|---|---|---|---|---|---|---|---|---|---|---|
| URBAN HOUSING | 911 W. Third | PEORIA | 61605 | Peoria | R | 12 | $20,543 | IHDA | 01/01/90 | – |
| SOUTH SIDE UP | 1617 Millman | PEORIA | 61606 | Peoria | R | 4 | $9,136 | IHDA | 01/20/90 | – |
| RENAISSANCE | 912 THIRD STREET | PEORIA | 61605 | Peoria | R | 2 | $3,898 | IHDA | 03/13/90 | – |
| ARCHER DUPLEX | 310 E. ARCHER | PEORIA | 61603 | Peoria | R | 2 | $2,673 | IHDA | 05/18/90 | – |
| KARNAK APTS. | 201 ILLINOIS STREET | KARNAK | 62956 | Pulaski | NC | 8 | $10,576 | IHDA | 05/18/89 | – |
| VILLAGE APTS. | 215 W. STEVENSON | SPARTA | 62286 | Randolph | NC | 24 | $35,915 | IHDA | 05/10/89 | – |
| RED BUD I & II | 575 COUNTRY CLUB DR. | RED BUD | 62278 | Randolph | NC | 40 | $53,821 | IHDA | 05/15/89 | F |
| PORT BYRON HEIGHTS APTS. | 110 Taylor Dr | PORT BYRON | 61275 | Rock Island | R | 24 | $68,427 | IHDA | 12/30/88 | F |
| SANDERS APTS. | 4201 22nd Ave | MOLINE | 61265 | Rock Island | R | 40 | $41,108 | IHDA | 12/28/89 | F |
| KENSINGTON ROCK ISLAND | 3rd Ave & 19th St | ROCK ISLAND | – | Rock Island | R | 98 | $138,396 | IHDA | 12/29/89 | F |
| PANKEY ROAD APTS. | 110 Pankey Rd. | CARRIER MILLS | 62917 | Saline | NC | 8 | – | IHDA | 08/10/89 | – |
| ELDORADO PROPERTIES III | 900 VETERAN'S DRIVE | ELDORADO | 62930 | Saline | NC | 6 | $4,133 | IHDA | 12/01/89 | – |
| STONEFORT APTS. | 145 Lincoln St. | STONEFORT | 62987 | Saline | NC | 8 | $5,383 | IHDA | 12/26/89 | – |
| DD APARTMENTS | 2812 Will Street | ELDORADO | 62930 | Saline | NC | 12 | $18,756 | IHDA | 06/29/90 | – |
| 1222 NORTH DOUGLAS | 122 NORTH DOUGLAS | PEORIA | 61606 | Sangamon | R | 1 | $1,459 | IHDA | 08/01/87 | – |
| 1027 & 1027 1/2 N. 4TH | 1027 N. 4TH | SPRINGFIELD | 62702 | Sangamon | R | 2 | $1,649 | IHDA | 05/01/88 | F |
| 1201 S. 12TH | 1201 S. 12TH | SPRINGFIELD | 62703 | Sangamon | R | 2 | $1,716 | IHDA | 12/15/88 | – |
| BUTTS APTS., #2 | 606 W. LAWRENCE | SPRINGFIELD | 62704 | Sangamon | R | 4 | $1,785 | IHDA | 01/01/89 | – |
| 1622 LOVELAND | 1622 LOVELAND | SPRINGFIELD | 62703 | Sangamon | R | 1 | $1,460 | IHDA | 06/15/89 | F |
| 1829 MARTIN LUTHER KING | 1829 M.L.K. | SPRINGFIELD | 62703 | Sangamon | R | 1 | $1,048 | IHDA | 08/01/89 | – |
| SCHNAPP APTS. I | 1629 E. Cook St. | SPRINGFIELD | 62707 | Sangamon | R | 4 | $3,440 | IHDA | 10/01/89 | – |
| VILLAGE APTS. | 421 E. KENNEY | DIVERNON | 62530 | Sangamon | NC | 12 | $19,417 | IHDA | 10/13/89 | – |
| 1115 S. 14TH | 1115 S. 14TH | SPRINGFIELD | 62703 | Sangamon | R | 1 | $2,687 | IHDA | 12/01/89 | – |
| SUNLEY FUND I | 1915 ELIZABETH | SPRINGFIELD | 62702 | Sangamon | R | 2 | $4,770 | IHDA | 10/01/90 | N |
| COLUMBIA TOWERS | 900 Southwind Drive | SPRINGFIELD | 62703-5369 | Sangamon | NC | 23 | $113,186 | IHDA | 11/01/90 | – |
| SUNLEY FUND II | 18 ALKEN COURT | SPRINGFIELD | 62703 | Sangamon | R | 1 | $2,131 | IHDA | 12/01/90 | – |
| SUNLEY FUND III | 1604 S. 16th St. | SPRINGFIELD | 62707 | Sangamon | R | 1 | $2,062 | IHDA | 03/01/91 | – |
| 913 N. 7TH STREET | 913 N. 7TH STREET | SPRINGFIELD | 62702 | Sangamon | R | 3 | $4,819 | IHDA | 04/01/91 | – |
| COUNTRY PLACE APTS. | 207 WEST LAKE STREET | MOWEAQUA | 62550 | Shelby | NC | 16 | $46,006 | IHDA | 06/19/89 | – |
| COUNTRY PLACE APTS. | 201 Lake Street | MOWEAQUAA | 62550 | Shelby | NC | 32 | $46,006 | IHDA | 06/19/89 | – |
| MARTIN LAMPLIGHTER | 1516 MAIN STREET | WINDSOR | 61957 | Shelby | R | 12 | $15,444 | IHDA | 05/01/90 | – |
| CORNERSTONE APTS. | 477 HAIRLINE DR. | SHELBYVILLE | 62565 | Shelby | NC | 12 | $3,033 | IHDA | 08/23/90 | – |
| THE ELMS | 405 DIVISION STREET | FINDLAY | 62534 | Shelby | NC | 16 | $3,576 | IHDA | 10/01/90 | – |
| BREDE APTS. | 805 N. CHARLES | BELLEVILLE | 62220 | St. Clair | NC | 4 | $9,152 | IHDA | 09/25/87 | – |
| JSB APTS. | 7 Kircher Place | BELLEVILLE | 62220 | St. Clair | NC | 4 | $8,731 | IHDA | 10/30/88 | – |
| VILLAGE PLACE APTS. | 304 COOPER DRIVE | CAHOKIA | 62206 | St. Clair | NC | 22 | $40,961 | IHDA | 11/01/88 | – |
| CHERRY STREET APTS. | 526 S. CHERRY | LEBANON | 62254 | St. Clair | R | 1 | $3,209 | IHDA | 08/04/89 | – |
| BREDE TOWERS SOUTH | 1000 S. HIGH | BELLEVILLE | 62220 | St. Clair | NC | 18 | $35,640 | IHDA | 12/01/89 | – |
| COUNTRY LANE MANOR | 314 S. MINIER | MINIER | 61759 | Tazewell | NC | 6 | $3,380 | IHDA | 11/17/88 | – |
| KNOLLWOOD APTS. | LEIGH ROAD | ANNA | 62906 | Union | NC | 16 | $25,113 | IHDA | 03/13/89 | – |
| GREEN MEADOWS | 1610 A. EDGEWOOD DR. | DANVILLE | 61832 | Vermilion | R | 150 | $163,152 | IHDA | 12/01/87 | F |
| OAKWOOD MANOR | 103 E. LAKE BLUFF DR. | OAKWOOD | 61858 | Vermilion | NC | 16 | $21,214 | IHDA | 10/15/88 | F |
| BOWMAN AVENUE | 214 N. Bowman Ave. | DANVILLE | 61832 | Vermilion | R | 8 | $8,855 | IHDA | 12/29/89 | – |
| NEW HOLLAND APTS. | 324 N. VERMILION | DANVILLE | 61832 | Vermilion | R | 53 | $192,000 | IHDA | 08/13/90 | F |
| D. SMITH APARTMENTS | 125 N. Division | MT. CARMEL | 62863 | Wabash | NC | 18 | $73,065 | IHDA | 01/02/91 | – |
| CISNE #2 APTS. | 110 Archibald St. | CISNE | 62823 | Wayne | NC | 6 | $8,633 | IHDA | 02/16/90 | E |
| STARLIGHT MANOR | 911 STEWART | CARMI | 62821 | White | R | 16 | $21,172 | IHDA | 12/15/89 | – |
| 1001 HACKER | 1001 HACKER | JOLIET | 60432 | Will | R | 1 | $1,716 | IHDA | 10/01/87 | – |
| BRAIDWOOD APTS. | 185 E. REED ST. | BRAIDWOOD | 60408 | Will | NC | 24 | $34,233 | IHDA | 11/23/87 | F |
| 1001 WABASH | 1001 WABASH | JOLIET | 60432 | Will | R | 1 | $1,702 | IHDA | 12/30/87 | – |
| 309-311 YOUNG'S AVENUE | 309 YOUNG'S AVENUE | JOLIET | 60432 | Will | R | 2 | $3,906 | IHDA | 09/01/88 | – |
| 509 FLORENCE | 509 FLORENCE | JOLIET | 60433 | Will | R | 2 | $3,393 | IHDA | 11/01/88 | – |
| BEECHER CITY APTS. | 103 S. Sweazy St. | BEECHER | 60401 | Will | NC | 6 | $7,585 | IHDA | 04/21/89 | – |
| COUNTRYSIDE VILLAGE | 102 Ralph St. | CAMBRIA | 62915 | Williamson | R | 24 | $6,756 | IHDA | 09/25/91 | F |
| ANCHOR HOUSING I | 502 S. Third St. | ROCKFORD | 61101 | Winnebago | R | 16 | $11,436 | IHDA | 01/04/91 | F |
| **TOTALS** | | | | | | **9114** | **$12,996,940** | | | |

* Units developed 1987-89 or "placed in service" before April 1, 1991 (when year funded data is missing)

R/NC – Rehab or New Construction

TC Units – Total units receiving Tax Credit subsidy

Tax Credit- Tax Credit Allocation

Service Date – Date project was placed in service

Tenant Type – (F) Family, (E) Elderly, (S) Special Needs, (H) Homeless, SRO – Single Room Occupancy

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IHARP is dependent on its users to verify the database information. This sheet offers several options for your feedback and participation.

**1. I want to help collect and verify information in my area. My area is:** ______________________

**2. I found a mistake.** ______________________

Checking the accuracy of the information we receive from funding agencies will be an ongoing task for IHARP. You can help by reporting any mistakes you find below.

______________________

______________________

______________________

**3. I would like assistance in using IHARP to support a local project (Briefly describe).**

______________________

______________________

______________________

**4. I used IHARP to support a local project and here's what happened.**

______________________

______________________

______________________

**Name** ______________________

**Organization** ______________________

**Phone** ______________________

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