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# HOME Program - IHARP Report

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**A project of:**

Nathalie P. Voorhees Center for  
Neighborhood and Community Improvement  
University of Illinois at Chicago

Housing Action Illinois

Latinos United

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## ***Letter from the Project Partners***

In the mid-1990s, the Housing Action Illinois (formerly Statewide Housing Action Coalition) and Latinos United came to an alarming conclusion: 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.

Housing Action Illinois and Latinos United, individually pursuing projects which required an accurate picture of assisted housing in Illinois, were surprised to find that such information did not exist. Both organizations took the logical, but naive step of deciding to create a comprehensive, unduplicated list of all assisted housing in Illinois. They found that the individual funding agencies did not have one list, which included all projects funded by their various programs. At this point the Nathalie P. Voorhees Center for Neighborhood and Community Improvement at the University of Illinois at Chicago was approached to assist in building the database. This partnership was the beginning of the Illinois Assisted Housing Action Research Project (IHARP); a journey into the complexities of affordable housing development and database creation.

The technical difficulty of creating IHARP was staggering, but even more staggering 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 to fund applications to create affordable housing are being made without any idea of the extent of the need in the area to be served.**

There is an affordable housing crisis in Illinois. The private housing market is virtually closed to families making less than 50% 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 is irresponsible. IHARP fills 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 of low-income neighborhoods do not have the resources to use the IHARP database. To address this problem, IHARP sponsors provide outreach, education, and technical assistance on using IHARP for local organizing to these groups.

## ***About IHARP***

The major goal of the Illinois Assisted Housing Action Research Project is to build and maintain the first comprehensive listing of assisted multi-family housing units for the city of Chicago and the entire state of Illinois. The database includes information both for publicly-owned housing and 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.

Database fields include:

- Name and address of development project
- Name of project sponsor, year project funded and year project placed in service
- Name of developer and name of managing agent
- Type of development and type of building
- Total number of units, occupied units, assisted units, accessible 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
- Racial and ethnic background of occupants
- Other sources of financing
- Affordability expiration date

The IHARP partners produce special reports on housing programs as a method of increasing the capacity of the database. Focusing on a particular program allows for complete data collection and the opportunity for analysis on how the funding program is impacting housing conditions in Chicago and the state of Illinois. To date, there have been three programs evaluated: Expiring Contracts of Project-Based Section 8 developments in Illinois, the Illinois Housing Trust Fund and the Low Income Housing Tax Credit Program (LIHTC) in Illinois.

In 2002, the IHARP database was made available on the Internet, allowing government agencies, developers, researchers, and others to pursue independent research. The IHARP partners work with community-based organizations to provide assistance in utilizing the database and designing research projects for local organizing and advocacy efforts.

## ***About the Project Partners***

### **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.

### **Housing Action Illinois**

Housing Action Illinois is the only statewide coalition of community-based groups working for Housing Justice in Illinois. Two of the organization'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. Housing Action Illinois' programs help community organizations increase and protect the supply of affordable housing in Illinois. Housing Action Illinois 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 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 Neighborhood 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.

## *Executive Summary*

This study provides an independent evaluation of the HOME Investment Partnerships Program (HOME) and the use of HOME funds in Illinois. Similar to the evaluation of the Federal Low Income Housing Tax Credit Program in Illinois completed a couple years ago, this report on the HOME program focuses primarily on the types of projects that have been completed, who have benefited, and the program's ability to meet diverse local housing needs. We draw conclusions about what is working well and how aspects of the program can be improved to more effectively meet the diverse housing needs of Illinois.

The HOME program continues the federal trend of block grants begun with the Community Development Block Grant (CDBG) program in the seventies. HOME is the major block grant program dedicated to housing development. Under HOME, states and local jurisdictions are given maximum leeway to decide funding priorities. Creation of the HOME program guidelines was influenced by a nationwide movement of low-income housing advocates and the results are seen in some unique program rules: states and local jurisdictions are required to work closely with community-based housing groups through a 15% set-aside, community involvement is required and defined through the establishment of Community Housing Development Organizations (CHDOs) and requirements for maintaining affordability are included in program rules.

The HOME program is currently the most important source of federal funds cities and counties have at their disposal to improve local housing conditions. Since its start in 1992, HOME has provided between \$1.5 and \$2 billion annually to support a range of rental and owner oriented affordable housing activities across the United States. In Illinois, HOME dollars have been used to fund the rehab, new construction or acquisition of 19,400 units through March 31, 2004.

It is worth noting at the outset that the level of HOME funding is far too little to address the housing needs of very low-income families. Funding under HOME is no match for the robust affordable housing programs of the yesteryear such as the project-based Section 8 program. The discarding of this and other programs is leading to the loss of affordable housing resources through the demolition of public housing, expiring Section 8 properties and the like. Highlighting these conditions and underscoring the need for supplemental resources to address the need for housing for low-income families, this report assesses the impact of the HOME Program in Illinois.

Overall the HOME program has spread its considerable affordable housing opportunities across the state of Illinois. HOME has helped improve housing conditions and affordability for those with very low-incomes and assisted thousands of families achieve homeownership or make major home repairs that they may not have been able to do otherwise. While HOME dollars clearly cannot match the serious affordable housing needs of many localities, the program's flexible design and administration has allowed funds to go to areas that typically have received little housing assistance in the past.

Still, it is important to be vigilant in scouting for ways to improve such a critical resource given the serious statewide housing needs. Funds must be used strategically to achieve local, regional and statewide housing objectives. Generally, IHARP analyzed the program with the belief that HOME funds should be used to better house those at the lowest income ranges as well as work to produce affordable housing in areas where it does not currently exist. Additionally, HOME funds must be used to better fulfill the important stated goal of improving local non-profit housing development capacity.

## *HOME Report Data Sources*

The sources used for this evaluation are varied. The main source is a comprehensive HOME database that HUD maintains with the assistance of local Participating Jurisdictions (PJs) called the Integrated Disbursement and Information System (IDIS). The analysis in this report is based on data made available as of August 2003. However, more current data (data as of 3/31/04) was made available near the completion of the report. Four tables in this report utilize the updated data. All text/analysis pertaining to these four tables reflect the more updated figures.

Also utilized were the results of a recently completed survey of local Participating Jurisdictions (PJs) concerning their experiences administering the program. HUD administered the survey, with the participation of one of IHARP's sponsors, the Housing Action Illinois. The survey asked PJs about their experiences with Community Housing Development Organizations (CHDOs) under their jurisdiction, their projects, capacity and any issues or challenges that have arisen in recent years. Various experts and administrators of the program in Illinois were also consulted. This qualitative data was used to supplement the HUD IDIS data.

In addition, other studies of the program were reviewed such as the FY 2003 HUD "HOME Program Performance Snapshot". The study compared the performance of all PJs across the nation based on a number of factors such as leveraging ratios, disbursements to CHDOs and service to low-income and renter households. This analysis was very useful early in the process to situate Illinois vis-à-vis the rest of the country.



## *Summary of Key Findings*

- As stated in the 2003 Executive Order to Establish a Comprehensive Housing Initiative for the state of Illinois there is a shortage of affordable housing, which threatens the viability of many communities in the state. It is necessary for the state to develop a comprehensive and unified policy to allocate existing resources like the HOME program equitably and allocate additional resources to solve the affordable housing shortage in Illinois.
- Thus far, 74% of spent HOME funds in Illinois have gone towards rental housing opportunities, with 26% for homeownership. This has resulted in the completion of 11,714 rental units and 7,686 owner occupied units. However, the percentage of HOME dollars Participating Jurisdiction's (PJs) have spent on rental housing varies widely, with some PJ's (Chicago) spending 99% of their HOME funds on the creation of rental units and others (St. Clair County) spending just 2% on rental housing and Rockford and Peoria spending just 9%.
- The HOME Program in Illinois has devoted a higher percentage of HOME resources towards rental housing than the country as a whole. This is because of the large rental population and because nearly twice as many renters than owners live in substandard housing conditions in Illinois. HOME rental projects are also able to serve households with much lower incomes, on average, than homeowner or homebuyer programs. Just 28% of Illinois HOME homebuyers had incomes below the 50% AMI benchmark, compared to 85% of renters and 77% of existing homeowners who were recipients of the HOME program.
- The HOME program's flexibility has allowed it to serve many of the needy populations in the state. Statewide, 38% of all HOME funded units have benefited lower-income families with children. While the number of Illinois families in poverty decreased between 1990 and 2000, from 210,142 to 192,590, families with children under 18 years of age still remain 79% of all families below poverty.
- Illinois Housing Development Authority (IHDA), the state HOME jurisdiction, has completed 42% of its units to house the elderly. Elderly over 65 years old were 10% (144,439) in 1990 and 9% (117,931) in 2000 of the state's population living below poverty.
- In 6 of the 17 Illinois Participating Jurisdictions, including 4 in the Chicago suburbs, more than half of the units are studio or one-bedroom. In the City of Chicago the majority (57%) of HOME funded units have more than 3 bedrooms, which can accommodate families with children.
- The 2000 Census was first available for determining HOME program allocation in FY2003. Many HOME PJs in the state lost money as a result of the redistribution. The most affected area is the City of Chicago, whose allocation decreased \$2.6 million from 2002 to 2004. The exceptions are all suburban Chicago PJs, where poverty and housing conditions generally worsened in the 1990s.
- Latinos comprise 7.1 % of the HOME beneficiaries statewide and 10.9% in the City of Chicago, despite being 20.5% of the state and 28.8% of the city's Latino families with children living below poverty in 2000. Asians make up 1.0% of HOME recipients, and are 2.4% of the Illinois families with children below poverty in 2000. African Americans are 37.5% of the HOME recipients and are 42.1% of the Illinois families with children below poverty in 2000.

### *Summary of Key Findings, continued*

- The data clearly shows how important the role of non-profit community-based housing development organizations or CHDOs are in the production of affordable housing. Non-profit owned HOME projects had rents that were at least \$100 dollars less on average than the rents of those projects produces by for-profit corporations. HOME developments owned by non-profit organizations represent the majority of units (63%) rented by extremely low income residents. Still this is only 36% of the total units. Despite these production numbers, program support for CHDOs in Illinois has been limited. Statewide we found that since 1992, only 0.06% of the allowable 5% of operating support funds have been used for CHDO operating support. The programmatic allotments for CHDO capacity building are not being utilized to their fullest extent, particularly in the rural areas.
- The lack of medium or long-term affordability in the HOME program is a serious concern that needs remedy. Two-thirds of HOME units have restrictions of ten years or less under the program's regulations, so that means in five years, two-thirds of the HOME units produced, rehabbed or acquired thus far will lose their affordability restrictions.

## ***I. HOME Program Introduction***

### **Overview of HOME Program**

The HOME Investment Partnerships Program (HOME) is a federal block grant program designed to improve housing conditions and create affordable housing opportunities for low-income households. In 2003, it allocated nearly \$2 billion among the States and hundreds of larger cities and counties nationwide. Nationally, the program has helped fund the rehabilitation or new construction of 322,000 rental units, provided homebuyer assistance to more than 288,000 households and direct rental assistance to another 88,000 families<sup>1</sup>.

HOME is unique for the range of housing activities it can fund and the variety of subsidy types that can be used. The HOME program has been used to fund everything from helping a senior bring their home into code compliance to building a 104 unit rental project.

HOME emphasizes planning aimed to expand and strengthen partnerships at all levels of government and increase the role non-profits and the private sector play in the development of affordable housing. To push these goals Congress mandated that federal funds be matched by other funds up to a certain amount (depending on the project type) and that set-asides be in place to ensure adequate participation of local non-profit Community Housing Development Organizations (called CHDOs under the program).

The HOME program is implemented through State and local governments called Participating Jurisdictions or PJs. They may be States or units of general local government, including consortia and urban counties. Illinois Participating Jurisdictions are listed below.

**Table 1. Illinois Participating Jurisdictions**

<b>Participating Jurisdictions</b>		
<b>Counties</b>	<b>Cities</b>	<b>Consortia</b>
Madison	Chicago	Cook County
McHenry	Decatur	DuPage County
Will	East St. Louis	Lake County
IHDA (rest of State)	Evanston	Urbana
	Joliet	
	Peoria	
	Rockford	
	Springfield	

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<sup>1</sup> US Department of Housing and Urban Development. Community Planning and Development: HOME Investment Partnerships Program.

To be an eligible PJ, cities and counties must qualify for at least \$500,000 in direct funding under the formula described in the section on Program Structure. Localities that are in proximity to each other can join together to form a “consortia” in order to qualify for the minimum amount. Illinois has 5 Participating Jurisdictions that were formed using this method of combining localities. Their members and their share in the consortium are listed below.

**Table 2. Illinois Consortia Participants and their Share<sup>2</sup>**

<b>Consortium Name</b>	<b>Members</b>	<b>Share</b>
Cook County Consortium	Berwyn	4.7%
	Chicago Heights	4.1%
	Cicero	11.1%
	Cook County	80.1%
DuPage County Consortium	Aurora	22.8%
	Downers Grove	3.9%
	DuPage County	60.6%
	Naperville	7.9%
	Wheaton	4.8%
Lake County Consortium	Lake County	59.7%
	North Chicago	10.9%
	Waukegan	29.3%
St. Clair County Consortium	Belleville	27.3%
	St. Clair County	72.7%
City of Urbana	Champaign	54.9%
	Champaign County	12.6%
	Urbana	32.5%

### **Origins of the HOME Program**

The HOME program came out of a tumultuous period of shifting federal policy in the 1980s. Ronald Reagan’s administration continued the tradition of the previous Republican administration of Richard Nixon. Public policy of this period called for a federal retrenchment that elevated privatization and devolution of decision-making to state and local governments. This was implemented through block grant programs and looser mandates. The result was that during 12 years of Reagan and Bush, annual funding for the US Department of Housing and Urban Development was reduced from \$31 billion to \$14 billion<sup>3</sup>.

With these realities in mind, in 1988 a bi-partisan group of Senators and housing experts created the National Housing Task Force. The Task Force’s report, titled “*A Decent Place to Live*” was one of the most important housing related documents to appear in years. Generally, it condoned the diminished role of the federal government in directing local housing activities, but recognized the need to increase federal housing funding. It also acknowledged, “A new generation of community based non-profit development corporations, propelled by persistence and inventiveness, is an important part of the new delivery system.”<sup>4</sup>

<sup>2</sup> <http://www.hud.gov/local/il/community/home/index.cfm>

<sup>3</sup> Kendall, Stephen. “The Role of Non-Profit Organizations in Multifamily Housing Rehabilitation in the United States.” Building Future’s Institute, Ball State University. No date.

<sup>4</sup> “A Decent Place To Live: The Report of the National Housing Task Force, March 1988. Page 24.

The Task Force’s centerpiece was a proposed \$3 billion housing block grant to states and local governments to be provided “with maximum flexibility and minimum (federal government) interference.” Out of this recommendation came the HOME Program, which was created in 1990 under the National Affordable Housing Act. Disappointingly however, its initial allocation was just \$1.5 billion – half of what the Task Force recommended.

Today the program enjoys widespread support in Congress and among the housing community. In FY 2003 the HOME Program was funded at \$2 billion annually, roughly up to its initial inflation adjusted level from low periods in the 1990s. The Bush Administration has shown a commitment to the program, but is seeking to set aside more HOME dollars for homeownership programs.

### **HOME Program Purposes**

While the HOME Program carries very few requirements regarding specific housing activities, there are a few general purposes of HOME included in the initial statutory language. They are:

- To expand the supply of decent and affordable housing, particularly rental housing, for low- and very low-income individuals and families.
- To mobilize and strengthen the abilities of state and local governments to design and implement strategies for achieving adequate supplies of decent, safe, affordable housing.
- To extend and strengthen partnerships among all levels of government and the private sector, including for profit and non-profit organizations, in the production and operation of affordable housing.
- To increase the capacity of non-profit CHDOs to develop and manage affordable housing.

To these ends, the HOME program allows for a spectrum of housing subsidy ideas to be incorporated into the program. Homeownership and rental assistance are both funded under the program as is new construction and rehabilitation. However, smaller rehabilitation projects, such as fixing stairs or porches are not normally allowed. Grants, loans, deferred loans or loan guarantees can all be used to fund activities. The program can be used for most types of single and multi-family housing, including that for seniors, those with special needs, transitional housing and housing for the homeless. To get a better sense of some of the activities eligible for funding, included below is a list of some of the types of projects that HOME has funded thus far in Illinois.

<ul style="list-style-type: none"><li>▪ Reconstruction</li><li>▪ Acquisition of property</li><li>▪ Relocation costs</li><li>▪ Homebuyer assistance</li><li>▪ Demolition</li><li>▪ CHDO capacity building/operational expenses</li></ul>	<ul style="list-style-type: none"><li>▪ New construction</li><li>▪ Tenant-based assistance</li><li>▪ CHDO project “soft costs”</li><li>▪ Loan guarantee fund</li><li>▪ Site improvements</li><li>▪ Unit conversion</li><li>▪ Moderate/substantial rehabilitation</li></ul>
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## Program Structure

As mentioned previously, the local entities responsible for fielding applications and allocating HOME funds towards different activities are the Participating Jurisdictions (or PJs). PJs accept applications for funding from non-profit organizations, for-profit entities, units of local government, housing authorities, and other public agencies. PJs are normally units of local or county government responsible for administering the program within their borders. A group of local governments may also choose to form a consortium, particularly when one or more of them are not eligible to receive a formula allocation (explained below), or their formula allocation would not meet the minimum threshold for funding. The State of Illinois (through the Illinois Housing Development Authority – IHDA) administers the program for any location not served by these PJs.

HOME dollars are allocated according to a needs criteria formula that is based on housing census data. The criteria provide that funds be spread geographically to reflect different types of housing need and should not be allocated excessively to any one community or state. The needs criteria formula is outlined below:

- 1) Relative inadequacy of housing supply (10%)  
- *Number of occupied rental units occupied by poor household X market tightness*
- 2) Supply of substandard rental housing (20%)  
- *Overcrowding, substandard kitchen and plumbing facilities, high rent to income ratio*
- 3) Number of low-income families in rental housing units' likely needing repair (20%)  
- *Rental units built before 1950 occupied by families below poverty*
- 4) Cost of producing housing (20%)  
- *Number of occupied substandard units X measure of cost of producing housing*
- 5) Number of families in poverty (20%)
- 6) Fiscal incapacity to carry out housing activities without federal assistance (10%)  
- *Population of jurisdiction X net per capita income*

Most data used to calculate the HOME distributions are taken from the latest US Census Bureau. Beginning in FY 2003, the 2000 Census is used rather than 1990, which has resulted in some considerable funding modifications and redistributions within PJs in Illinois. Many PJs in the state have lost money as a result. The exceptions are all suburban Chicago PJs, where poverty and housing conditions generally worsened in the 1990s. The most affected area is the City of Chicago, which had an allocation of \$37,327,000 in 2002 and this has decreased by \$2,654,795 to \$34,672,205 in 2004.

**Table 3. Home Funding Amounts, FY 2004**

Illinois HOME Participating Jurisdictions (PJs) FY 2004 HOME Funding Amounts			
Counties/Consortia		Cities	
Cook Co.	\$6,963,853	Chicago	\$34,672,205
DuPage Co.	\$2,803,061	Decatur	\$601,669
IHDA (rest of state)	\$25,586,030	East St.	\$447,241
Lake Co.	\$1,851,804	Louis	\$514,427
Madison Co.	\$1,285,720	Joliet	\$993,869
McHenry Co.	\$590,567	Peoria	\$1,116,240
St. Clair Co.	\$1,125,189	Rockford	\$636,766
Urbana	\$1,262,964	Springfield	\$587,630
Will Co.	\$553,375	Evanston	
		TOTAL	\$82,618,410

To be an eligible PJ, cities and counties must qualify for at least \$500,000 in direct funding under the formula described above. Alternatively, localities that are in proximity to each other can join together to form a “consortia” in order to qualify for the minimum amount. State housing authorities receive either their formula allocation or \$3 million, whichever is greater. Nationwide, 60% of funds are required to go to local PJs while the other 40% is allocated to states based on the needs of the balance of localities within the state (32%) as well as entire statewide needs (8%).

In order to begin allocating funds to projects, PJs must have an approved five-year *Consolidated Plan*. This document describes local housing market conditions and must detail local housing needs. The documents include an action plan that describes how the jurisdiction will use its HOME funds. The Consolidated Plan is therefore a critical document. Currently efforts are underway at HUD to improve the Consolidated Plan process to ensure it is “more results oriented and useful to communities in assessing their own progress towards addressing the problems of low-income areas.”<sup>5</sup>

In Illinois, the 2003 Executive Order To Establish A Comprehensive Housing Initiative (2003-18) established a Task Force appointed by the Governor that will prepare the Annual Comprehensive Housing Plan for the state, which will also meet the requirement for the Consolidated Plan as required by HUD. The Task Force will complete this plan each year by December 31<sup>st</sup> and deliver the plan to the Governor and General Assembly on that date of the first business day thereafter. The implementation of the Task Force’s first plan will begin in 2005.

Under the HOME program, CHDOs are the non-profit community development organization created and specially certified to carry out housing development tasks. These organizations must meet certain legal requirements, demonstrate an acceptable level of capacity and organizational structure, and prove representation of low-income residents. A total of 15% of each PJs funds must go to CHDOs. A new PJ has 24 months to reserve funds for CHDOs under their jurisdiction and during this time is allowed to spend extra money on building the capacity of CHDOs.

The State and local PJs generally fund four types of activities: (1) purchase, construction, or renovation of affordable multifamily rental housing; (2) renovation or construction of for-sale housing and assistance to individual buyers of housing; (3) rehabilitation of single-family, owner-occupied homes; and (4) tenant-based rental assistance. Some PJs devise more specific programs. For example, IHDA targets the rehabilitation of small rental properties and the rehabilitation and new construction of supportive housing for the homeless.

The review process for scoring applications is slightly different in each PJ. However all are expected to base the procedures on their Consolidated Plan. Ideally this Plan sets forth clear priorities in terms of populations and areas most in need of assistance and the types of programs to be pursued.

In IHDA's case, a set of Review Criteria is sent out with each application packet. The Criteria differs according to the type of application being sought (i.e. rental housing rehabilitation versus construction of for-sale housing). In all cases however, a minimum level of feasibility and capability is determined in accordance with HOME's ranking criteria, the Authority's policies, and the HOME Regulations. IHDA states clearly that proposals leveraging HOME funds with money from other sources receive priority.

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<sup>5</sup> US Department of Housing and Urban Development, Community Planning and Development, May 2003. “Report on Ideas for Streamlining and Making the Consolidated Planning Process More Useful and Results Oriented.” Consolidated Plan Improvement Initiative

## II. HOME Program in Illinois

### What Types of Housing Has Been Assisted?

In the first section of this report we briefly outlined the multiple ways in which HOME funds can be spent. But what has actually been done with this flexibility? This section looks at the types of housing projects that have been funded, where money and units have been disbursed and what types of populations have benefited from the HOME program thus far. The following table provides a brief snapshot of the amount of HOME dollars and HOME units that each of the Illinois PJs have allocated to three of the four main housing activities – rental production or rehabilitation, homebuyer assistance and owner-occupied home rehabilitation. The fourth funded activity, tenant-based rental assistance, is discussed later in the report.

**Table 4 Funds Allocated by each PJ and Consortia by Housing Activity (as of 3/31/04)**

<u>GRANTEE</u>	<u>RENTAL FUNDS</u>	<u>RENTAL UNITS</u>	<u>HOMEBUYER FUNDS</u>	<u>HBUY UNITS</u>	<u>HOMEOWNER UNITS</u>	<u>HOWN UNITS</u>	<u>TOTAL FUNDS</u>	<u>TOTAL UNITS</u>
CHICAGO	\$191,835,586	5,784	\$1,243,331	66	\$1,041,398	100	\$194,120,315	5,950
COOK COUNTY C	\$25,176,315	1,151	\$910,583	26	\$11,020,196	366	\$37,107,093	1,543
DECATUR	\$849,597	157	\$2,767,362	159	\$1,346,865	43	\$4,963,825	359
DUPAGE COUNTY C	\$12,680,234	639	\$3,042,970	99	\$2,010,287	71	\$17,733,491	809
EAST ST. LOUIS	\$1,766,571	73	\$2,457,937	195	\$853,860	80	\$5,078,369	348
EVANSTON	\$482,458	16	\$546,600	0	\$62,853	3	\$1,091,911	19
ILLINOIS	\$103,752,160	3,063	\$16,218,468	874	\$35,550,590	1,650	\$155,521,217	5,587
JOLIET	\$1,069,950	113	\$746,391	34	\$20,000	1	\$1,836,341	148
LAKE COUNTY C	\$3,066,505	241	\$4,431,592	830	\$720,643	53	\$8,218,741	1,124
MADISON COUNTY	\$3,203,860	104	\$4,089,370	750	\$3,026,130	124	\$10,319,360	978
MCHENRY COUNTY	\$368,800	13	\$9,000	4	\$0	0	\$377,800	17
PEORIA	\$612,163	19	\$357,032	13	\$5,487,649	356	\$6,456,844	388
ROCKFORD	\$728,598	29	\$4,312,870	216	\$3,362,019	156	\$8,403,487	401
SPRINGFIELD	\$792,617	61	\$818,757	22	\$3,257,629	196	\$4,869,004	279
ST. CLAIR COUNTY C	\$120,875	3	\$2,551,765	316	\$4,495,148	346	\$7,167,788	665
URBANA C	\$1,364,587	101	\$1,151,446	189	\$1,614,959	94	\$4,130,992	384
WILL COUNTY	\$956,841	147	\$1,299,491	225	\$536,111	29	\$2,792,442	401
TOTALS	\$348,827,717	11,714	\$46,954,965	4,018	\$74,406,337	3,668	\$470,189,020	19,400

As can be seen in the table above, more than \$470 million of HOME funds have been allocated in Illinois thus far. This has resulted in the rehabbing, acquiring or construction of 19,400 affordable housing units.

The following table (Table 5) shows the detailed distribution of these funds. Close to three-fourths (74.2%) of HOME funds spent in Illinois have gone towards rental housing opportunities, with the other one-fourth for homeownership. This has resulted in the completion of 11,714 rental units and 7,686 owner occupied units thus far.



**Table 5 Completed Home Production by Tenure/Activity (as of 3/31/04)**

<u>TENURE / ACTIVITY TYPES</u>	<u>HOME UNITS</u>	<u>% TOTAL UNITS</u>	<u>ACTIVITY COST</u>	<u>% TOTAL COST</u>	<u>AVERAGE COST</u>
RENTAL - REHABILITATION	4,498	23.2	\$119,094,881	25.3	\$26,477
RENTAL - NEW CONSTRUCTION	3,787	19.5	\$126,709,021	27.0	\$33,459
RENTAL - ACQUISITION	480	2.5	\$6,423,888	1.4	\$13,383
RENTAL - ACQUISITION REHAB	1,353	7.0	\$42,045,299	8.9	\$31,076
RENTAL - ACQUISITION NEW CONSTRUCTION	1,596	8.2	\$54,554,628	11.6	\$34,182
HOMEBUYER - NEW CONSTRUCTION	233	1.2	\$6,914,724	1.5	\$29,677
HOMEBUYER - ACQUISITION	3,057	15.8	\$19,242,805	4.1	\$6,294
HOMEBUYER - ACQUISITION REHAB	662	3.4	\$18,597,636	4.0	\$28,093
HOMEBUYER - ACQUISITION NEW CONSTRUCTION	66	0.3	\$2,199,802	0.5	\$33,330
HOMEOWNER - REHABILITATION	3,668	18.9	\$74,406,336	15.8	\$20,285
TOTALS	19,400		\$470,189,020		\$24,236

Within the homeowner/buyer sector, 61% of funds benefited existing homeowners with rehab assistance. The other 39% helped new homebuyers acquire homes through closing costs and down payment and/or rehabilitation assistance. Still, slightly more new homebuyers than existing homeowners have benefited under the HOME program (4,018 versus 3,668) due to the lower per-unit HOME costs for such projects. Homebuyer and owner rehab programs are combined with public funds less often than most rental projects; however private funds are nearly always provided with homebuyer assistance.

Within the rental, homeowner and homebuyer activity types, localities can acquire, rehab and/or construct new units. More than three-quarters of Illinois' HOME subsidized units were rehabbed or newly constructed, while the remaining 18% received only acquisition assistance. Of those 15,863 rehabbed or newly constructed units, 3,677 (or 30%) also received acquisition assistance. There were 3,537 units that received solely acquisition assistance; this went mostly to down payment and/or closing cost subsidies for new homebuyers.

Illinois has devoted a higher percentage of HOME resources towards rental housing than the country as a whole<sup>6</sup>. This is perhaps not overly surprising given that Illinois has nearly twice as many renters than owners living in substandard housing conditions<sup>7</sup>.

HOME assists rental projects in a variety of ways; though most projects fund smaller buildings with moderate rehabilitation needs. Approximately half of HOME assisted buildings have only 1 or 2 units and 82% have fewer than 10 units. For these smaller rental buildings, funds are generally limited to \$15,000 per unit and in the majority of cases (81%) HOME funds were the only public funds used.

<sup>6</sup> US Department of Housing and Urban Development. *HOME Program Performance Snapshot – as of 6/30/03*.

<sup>7</sup> The US Census defines the number of substandard units as those that have one of the following conditions: 1) overcrowded 2) inadequate kitchen and 3) plumbing facilities, and 4) having households paying more than 30% of their income for rent or 5) monthly owner costs.

In larger rental developments with more than 10 units, HOME is generally used for conventional acquisition-rehab or new construction loans. Despite representing a small amount of total HOME rental projects, larger buildings have consumed 87% of the total HOME rental funds thus far (and represent 82% of the total rental units). Unlike smaller projects, the majority of larger projects (83%) utilized other public funds or programs – usually the Low Income Housing Tax Credit.

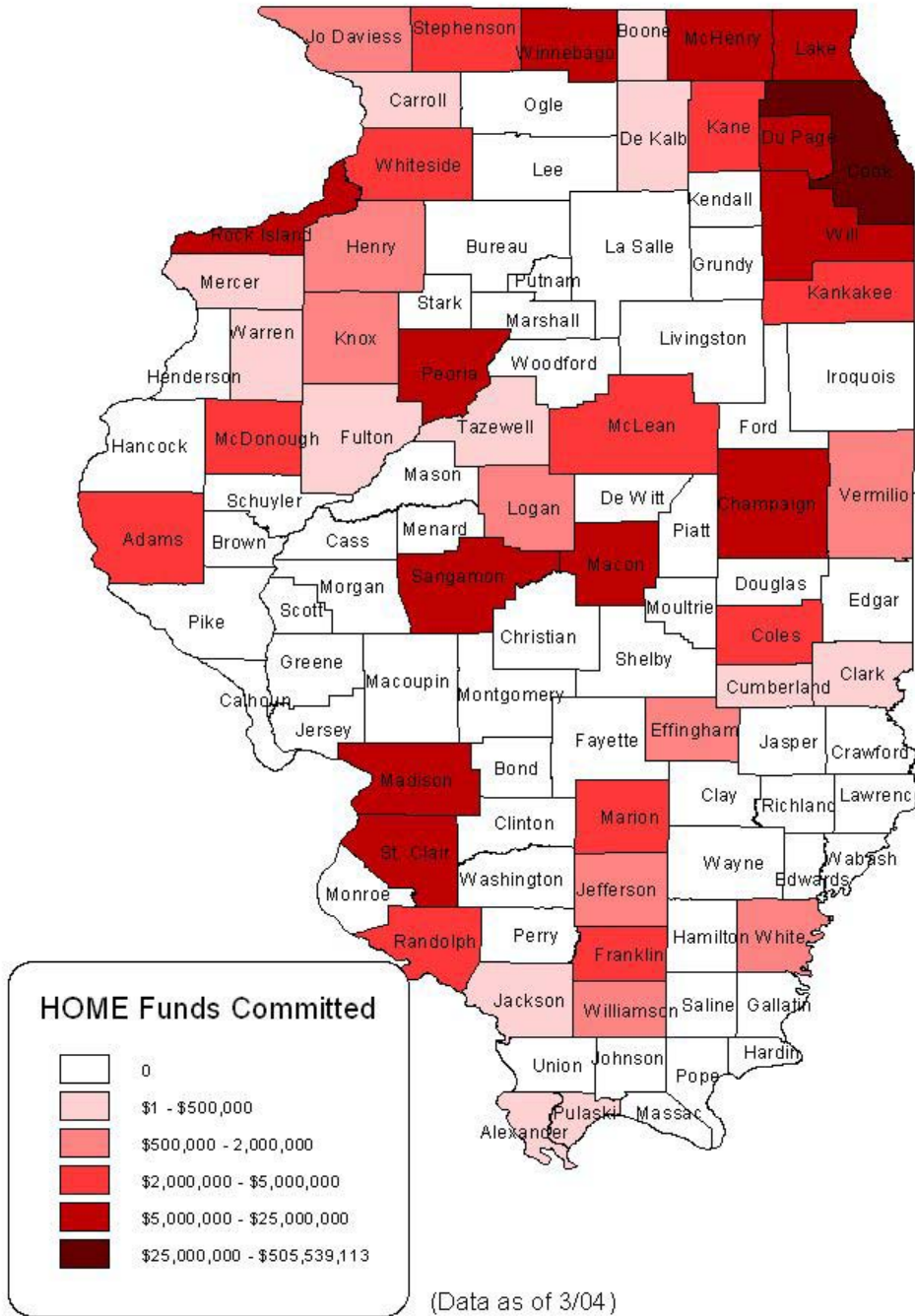
### **Where Have Funds Been Used?**

In the first section we outlined the formula HUD uses to distribute HOME funds to states and PJs. While this formula assures a base level of fairness, the actual result of the distribution does raise some questions about the effectiveness of the system to overcome certain institutional barriers. This section details where funds have been spent and who in particular has benefited. These figures will be compared to the original HOME allocations to PJs as well as measures of housing need from the 2000 US Census.

When a PJ is allocated HOME funds they distribute the funds accordingly to organizations seeking HOME dollars. As of March 2004, a total of 189 organizations in Illinois received at least one allocation from a PJ under the HOME program. Between them, nearly 500 different cities and towns in 85 counties out of the total 102 Illinois counties have received some level of funding from HOME housing assistance. The figure below shows the aggregate amount of HOME dollars committed or earmarked to projects in each Illinois County.

Figure 1. Cumulative HOME Funds Committed by County, 1992-2004

# HOME Funds Committed by County



## Assisting Very Low Income Families

It has been well established by housing experts that the most urgent and severe housing needs are overwhelmingly concentrated at the lowest income levels<sup>8</sup>. They often live in overcrowded and deteriorated conditions and/or pay too much in monthly housing costs. It is therefore essential that limited housing resources such as the HOME program be used to assist this population.

Overall, the HOME program has done fairly well to serve an array of income levels in Illinois. Rents in HOME projects range from the extremely low to the more moderate income limits the regulations allow<sup>9</sup>. The affordability of HOME homeownership units is much more limited than rental units. On average, however, the families and individuals being served in both rental and single-family housing are well below the allowable limits and also considerably lower than the other main federal housing program, the Low Income Housing Tax Credit program<sup>10</sup>. A main reason for this is the use of tenant based rental assistance programs in conjunction with HOME dollars.

Regarding income levels, we found that more than one-third of households benefiting from the program in Illinois have incomes below 30% of the area's median income (AMI), which is near the poverty line in most areas. Sixty-nine percent of HOME beneficiaries earn below the 50% AMI level.

**Table 6. Income Range of Home Recipients by Locale (as of 8/03)**

<b>Income Range of HOME Recipients, by Locale</b>	<b>0-30% AMI</b>	<b>30-50% AMI</b>	<b>50-60% AMI</b>	<b>60-80% AMI</b>
Chicago PJ	70.3%	24.0%	4.3%	1.3%
Suburban Chicago PJs	23.3%	33.6%	16.1%	27.1%
Metro PJs	44.3%	32.7%	13.3%	9.7%
Rural/IHDA (all else)	20.7%	40.2%	20.0%	19.1%
<b>TOTAL</b>	<b>35.2%</b>	<b>33.5%</b>	<b>14.5%</b>	<b>16.7%</b>

HOME rental projects are able to serve households with much lower incomes, on average, than homeowner or homebuyer programs. Just 28% of Illinois HOME homebuyers had incomes below the 50% AMI benchmark, compared to 85% of renters and 77% of existing homeowners. Generally, renters had incomes in the lowest range (0-30% AMI), while homebuyers were most likely to be in the highest allowable range (60-80% AMI). Compared to national averages, Illinois performed slightly better in terms of the percent of existing homeowners that had very low incomes, but worse for rental and new homebuyer programs<sup>11</sup>

<sup>8</sup> Joint Center for Housing Studies of Harvard University. 2003. *The State of the Nation's Housing*.

<sup>9</sup> The HOME legislation limited the income levels in all HOME projects to no more than 80% of a given area's median income (80% AMI). In rental housing, households making 60% of AMI or less must occupy 90% of all units and in larger developments, families with incomes of 50% AMI or below must occupy at least one-fifth of the units. Annual rents in developments must not exceed one-third of the 65% AMI level in each community.

<sup>10</sup> Illinois Assisted Housing Action Research Project (IHARP). 2002. *Low Income Housing Tax Credit Report*.

<sup>11</sup> ABT Associates. June 28, 2001. *Study of Ongoing Affordability of HOME Project Rents*. Prepared for US Department of Housing and Urban Development.

**Table 7. Income Range of HOME Recipients by Tenure (as of 8/03)**

<b>Income Range of HOME Recipients, by Tenure</b>	<b>0-30% AMI</b>	<b>30-50% AMI</b>	<b>50-60% AMI</b>	<b>60-80% AMI</b>
Renters	50.6%	34.5%	12.8%	2.1%
Homebuyers	4.4%	23.9%	22.0%	49.7%
Homeowners	34.8%	41.8%	10.2%	13.2%
<b>TOTAL</b>	<b>35.2%</b>	<b>33.5%</b>	<b>14.5%</b>	<b>16.7%</b>

***Snapshot: HOME Housing Preservation***

*Like many small city PJs in Illinois, the city of Decatur has placed a priority on for-sale housing development and rehab when using their HOME dollars. This normally results in HOME serving households above 30-50% AMI. But in 1999, the City found an opportunity to invest HOME dollars in rental housing while preserving units for very low-income households. Greenwood Manor Apartments was developed in the 1960's to provide 108 units of project-based Section 8 housing to families in Decatur. The building was aging and wearing to the point where existing operating reserves were unable to keep the building up to code. A \$200,000 HOME loan was enough for Greenwood Manor to install a new HVAC system. Existing operating reserves brought the building back to code. Because they were able to structure the HOME investment as a low interest loan, Decatur will be able to re-use the program income in future affordable housing projects.*

The average two-bedroom rent level in HOME rental projects is \$441/month statewide, with average lows of around \$259 in Chicago and highs of \$616 in the Chicago suburbs. Average rents were particularly low in Chicago and in metro areas served by their own PJs. This is due to the relatively high use of tenant based rental assistance in those locales. When lower tenant based rental assistance (TBRA) rents were taken out of the averages, rents in Chicago were \$100 higher on average and metro studio apartments were \$175 more (\$332).

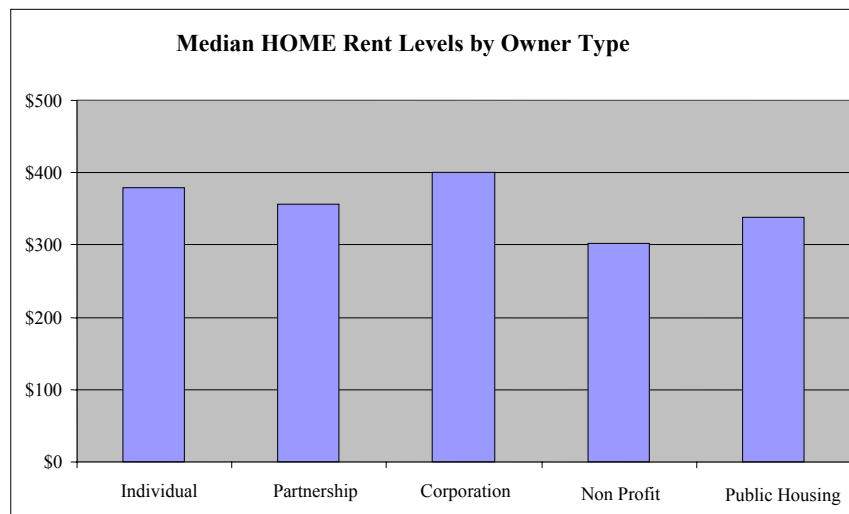
**Table 8. Average Rents by Locale and Bedroom Size (as of 8/03)**

<b>Average Rents by Locale and Bedroom Size</b>	<b>0br</b>	<b>1br</b>	<b>2br</b>	<b>3br</b>	<b>4br</b>	<b>5br</b>	<b>Total</b>	<b>Total W/O TBRA*</b>
<b>Chicago PJ</b>	\$199	\$210	\$259	\$216	\$217	\$105	\$215	\$321
<b>Chicago Suburban PJs</b>	\$539	\$484	\$645	\$649	\$596	\$538	\$561	\$563
<b>IHDA PJ (Rural)</b>	\$304	\$519	\$616	\$520	\$456	\$636	\$456	\$467
<b>Metro PJs</b>	\$156	\$297	\$313	\$296	\$270	\$293	\$269	\$312
<b>Total</b>	\$251	\$373	\$441	\$470	\$420	\$297	<b>\$366</b>	
<b>Total W/O TBRA*</b>	\$356	\$410	\$485	\$556	\$549	\$496		<b>\$433</b>

\*Tenant based rental assistance

Looking closer at the data, we found substantial variation in the incomes and rents between PJs and different types of housing developers. Most important is the finding that non-profit owned HOME projects had rents that were on average, \$100 dollars less than those produced by for-profit corporations (and \$146 less when TBRA units are taken out). Additionally, HOME non-profit owned developments have 27% of the units where extremely low-income residents reside, despite only being 15% of the total units. Properties owned by individuals (mostly small developments) also had considerably lower rents on average, while joint-owned apartments were in the middle (see Figure 2). These findings differ from a national HUD study on HOME rents, which found no notable differences in rents by ownership<sup>12</sup>.

**Figure 2. Median Home Rent Levels by Owner Type (as of 8/03)**



### Tenant Based Rental Assistance in Illinois

A major reason why the HOME program is able to reach very low-income renters is the use of a variety of direct tenant-based rental assistance (TBRA) programs. In Illinois, more than one half (55%) of all extremely low-income renters (with incomes less than 30% AMI) that benefited under the program were the beneficiaries of some sort of TBRA.

Under TBRA residents generally receive direct rental subsidies that enable them to live in rental units of their own choosing. PJs choose which households will receive subsidies, how much of a rental subsidy tenants will receive and where the assistance may be used. The payment can be made directly to either the tenant or owner.

TBRA can respond to time sensitive issues such as families in danger of becoming homeless due to natural disasters, job-loss or other emergencies. TBRA is useful in areas where it is expensive and often politically difficult to build new rental housing.

<sup>12</sup> ABT Associates. June 28, 2001. *Study of Ongoing Affordability of HOME Project Rents*. Prepared for US Department of Housing and Urban Development.

### ***Snapshot: Use of Tenant Based Rental Assistance (TBRA)***

*PJ's regularly praise the HOME program's flexibility in creating affordable housing opportunities for households with the lowest incomes. One allowable use of HOME funds that has been explored by several PJ's in Illinois on a limited basis is tenant-based rental assistance, which permits direct rental assistance to low-income households in existing market rate units. In practical terms, the program operates similar to the Federal Housing Choice Voucher program. Several PJ's surveyed indicated that while they had tried to use HOME to create TBRA programs in their jurisdictions, they had stopped doing so because of administrative difficulties and their inability to set aside sufficient dollars from their annual HOME allocations to guarantee funding to a household for more than 10-12 months. Additionally, there is a maximum 24 months of funding available to a household using HOME dollars for TBRA.*

*However, one TBRA program that has seen some success is the Advance Program in Will County. The PJ partnered with several local agencies that provide services to homeless individuals and families. The agencies identify those clients who had graduated from a shelter program and who needed to transition to permanent housing. The Advance Program is offered only to those clients who agree to continue their participation in case management services. The PJ then offers TBRA to the family for up to two years while they complete job training, career planning, financial planning, and/or other educational programs. The average monthly rent subsidy is approximately \$600.00. Will County allocated approximately \$500,000 of HOME funds for the two years of the program, which created 35 available slots. To date, 17 families are enrolled in the program and three have graduated and are living in market rate housing without any form of subsidy. Part of the reason for the underutilization of the program is the strict compliance guidelines for the participants. If this use of HOME dollars is to be effective, it should be only part of larger affordable rental housing strategy.*

### **What Types of Households Have Been Served?**

Beyond the incomes and rents of HOME assisted housing, we are also concerned with the types of households being served in different areas of the state. The data we utilized did not account for the disabled population, but did track the number of singles, families and seniors living in HOME housing.

When we looked at the distribution of these groups across the state, three issues seemed worthy of particular concern. The first regards the relative over-emphasis that senior housing has received, particularly from the Illinois Housing Development Authority (IHDA). Of the more than 5,200 units IHDA has subsidized through the program, 2,100 (42%) are elderly-only (see Table 9). While the need for quality affordable housing for seniors is of vital concern in many communities across the state, this overrepresentation of senior units' results in inadequate assistance for family households. Similarly, seniors account for more than 40% of total HOME assisted units in the PJs of Rockford, Decatur and Madison County.

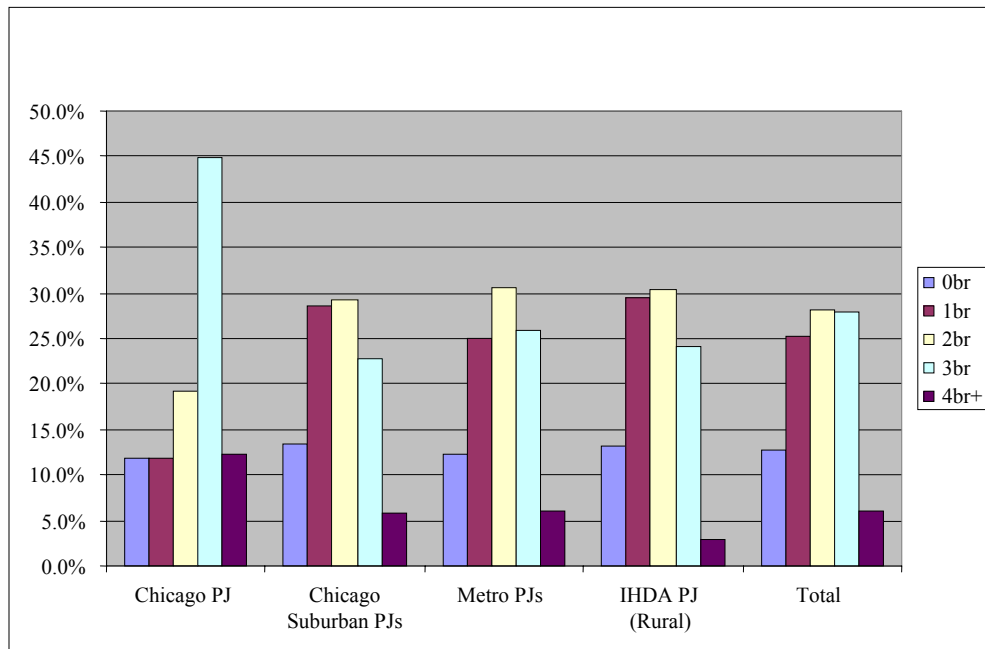
The second issue concerns a broader finding regarding the assistance of singles in small studio or one-bedroom apartments over the more pressing needs of families with children. The issue is prevalent across the state, 62% of all HOME assisted units serve households without children.

**Table 9. Type of Household Served by Participating Jurisdictions (as of 8/03)**

PJ	Single (Ind.)	Elderly	Family
Chicago	35.0%	16.2%	48.8%
Cook Co.	32.7%	11.3%	56%
Decatur	21.1%	43.6%	35.3%
DuPage Co.	40.0%	22.7%	37.3%
East St. Louis	46.1%	13.6%	40.4%
Evanston	26.7%	20.0%	53.3%
IHDA	27.3%	42.0%	30.7%
Joliet	46.8%	15.8%	37.4%
Lake Co.	52.0%	22.5%	25.6%
Madison Co.	24.8%	42.7%	32.5%
McHenry Co.	44.4%	33.3%	22.2%
Peoria	43.0%	13.4%	43.5%
Rockford	22.0%	52.3%	25.7%
Springfield	47.4%	29.7%	22.9%
St. Clair Co.	28.1%	13.1%	58.8%
Urbana-Champaign-Rantoul	47.8%	14.0%	38.1%
Will Co.	66.4%	12.6%	21%
<b>TOTAL</b>	<b>34.1%</b>	<b>27.8%</b>	<b>38.1%</b>

The main reason for the low numbers of housing for families with children under HOME is the high amounts of studio and one-bedroom units the program has tended to assist in most areas. In 6 of the 17 PJs, including 4 in the Chicago suburbs, more than 50% of the units are studio or one-bedroom. The City of Chicago, on the other hand, has done well to assure that the majority (57%) of HOME funded units serve families by having more than 3 bedrooms as can be seen below.

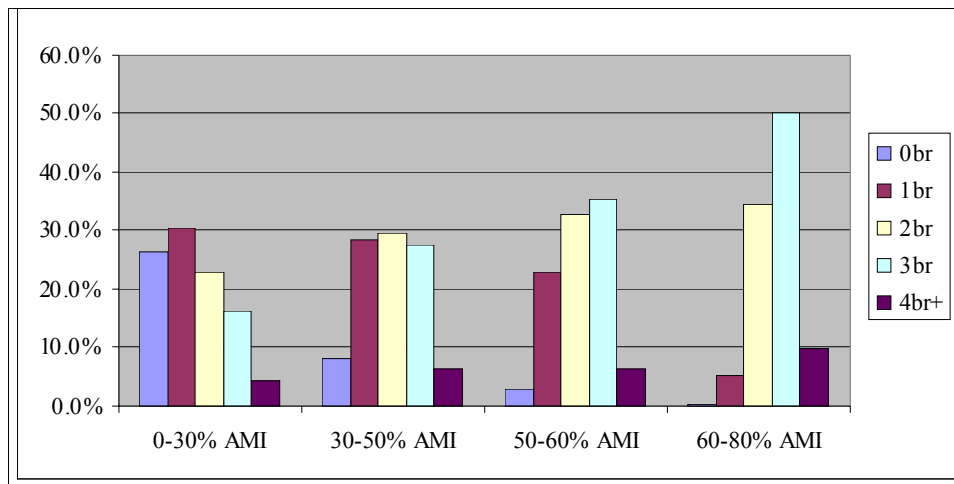
**Figure 3. Bedroom Distribution by Locale (as of 8/03)**





A final issue of concern regarding household types becomes clear when looking at the median incomes of HOME families in different sized units. Looking at Figure 4 below, it is clear that the smallest sized units are concentrated at the lowest income levels and that more spacious family sized units are found at the higher income ranges. Just 20.6% of the units housing the lowest income range population (0-30% AMI) are able to house a 2 child family with 3 bedrooms or more, compared to 60% of units housing those in the upper income range. While this may seem somewhat natural given that lower income households are largely housed in rental units and higher income families are often assisted in single-family housing (that are often more spacious), it is clearly contrary to statewide housing needs.

**Figure 4. Bedroom Distribution by Percent of Area Median Income (as of 8/03)**



### Race and Ethnicity

Since certain racial groups and ethnicities have suffered disproportionately from housing discrimination in the past (in the private market and in subsidized housing), this prompted us to determine how well the HOME program was meeting the needs of different racial and ethnic groups.

**Table 10. Percent of Families Below Poverty (FBP) vs. Percent of HOME Beneficiaries<sup>13</sup>**

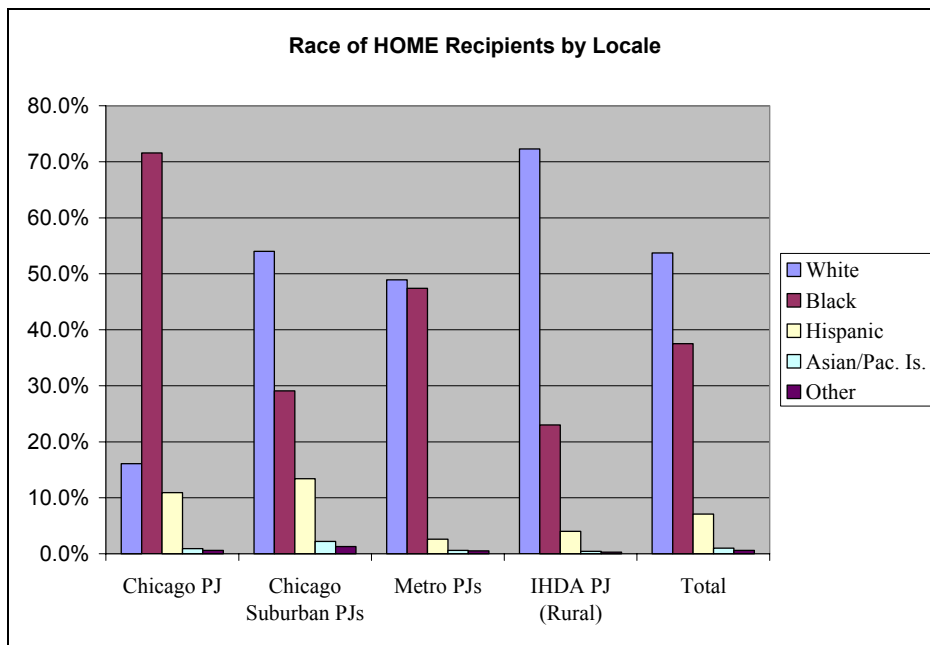
	# of families with children <18 living below poverty	% White	% Black	% Hispanic	% Asian/Pac. Is.
1990 Statewide FBP	210,142	45.1%	43.9%	13.9%	1.8%
2000 Statewide FBP	192,590	41.9%	42.1%	20.5%	2.4%
<b>% Home Beneficiaries</b>		<b>53.7%</b>	<b>37.5%</b>	<b>7.1%</b>	<b>1.0%</b>
2000 Chicago FBP	84,598	17.6%	60.2%	28.8%	3.0%
<b>% Home Beneficiaries</b>		<b>16.1%</b>	<b>71.6%</b>	<b>10.9%</b>	<b>0.9%</b>

<sup>13</sup> Source: U.S. Census Bureau 2000 STF3, P90, P160A-E, H, I, QT-P35, and U.S. Census Bureau 1990 STF3, P123, 124B and 125. The percents in Table 10 do not add up to 100 because in 1990 the Census Bureau did not report White, Non-Hispanic. The % white is calculated for White Alone which overlaps with the Hispanic ethnicity. Home Beneficiary data as of (8/03)

Latinos comprise 7.1 % of the HOME beneficiaries statewide despite being 20.5% (2000) of the families with children <18 living below poverty in the state. Asians make up 1.0% of HOME recipients, and are 2.4% (2000) of the state’s families with children below poverty. African Americans are 37.5% of the statewide HOME recipients and are 42.1% (2000) of the Illinois families with children below poverty.

It appears that most Illinois PJs have underserved Latinos and Asians. The low percentages of Latinos in IHDA and non-Chicago metro area PJs are particularly worrisome (4.0% and 2.6% respectively). However, some of the suburban Chicago PJs have the highest percentage of Latino residents in their HOME funded properties – including DuPage and Lake Counties. Conversely, Joliet’s Latino beneficiary percentage is just 3.4% and Cook County’s is 2.7% despite Latino families representing 23.6% and 22.5% of the population at or below poverty, respectively in these counties.

**Figure 5. Race of HOME Recipients by Locale (as of 8/03)**



These results need to be put in the context of the housing needs many Latinos and Asians face. Latinos have overcrowding rates over 20 times that of whites, are more than twice as likely as whites to be renters and nearly five times more likely to have insufficient plumbing facilities. Similarly, there are almost as many Asians living in overcrowded conditions as whites, despite accounting for less than one-tenth of their total population in Illinois. In addition, Latinos and Asians are, by far, the fastest growing population groups in the state.

Latino representation statewide is minimal in HOME rental housing. Thus far, Latinos comprise only 4.7% of the state’s HOME rental population. Additionally, mirroring a troubling trend that has been documented with Section 8 vouchers (or Housing Choice Vouchers), just 1.7% of those receiving tenant-based rental assistance through HOME have been Latinos thus far. Their low representation in rental housing has meant that very low-income Latinos have been particularly left out as program’s beneficiaries. While 35% of all HOME recipients earn less than 30% of the AMI, only 21% of the Latinos served under the program earn less than this amount.

**Snapshot: IHARP Interview with HOME Recipient**

*Maria lives with her three children who are four, six and twelve years old. They live in a three-bedroom apartment on Chicago's northwest side. The building where Maria and her family lives received HOME funds and is owned and managed by the non-profit Bickerdike Redevelopment Corporation. She pays \$586/month on an income fluctuating between \$27,300 and \$29,300 - depending on whether she is in school or not. In Maria's previous residence, she had lived there for four years and did not meet the man who owned the building until the day she moved out. Her old place was in desperate need of repairs and maintenance, which were never addressed. As a result, her home became extremely cold. Roaches and rodents invaded the place, too, and Maria admits their motive for keeping a cat was to "take care of the mice." When Maria and her family moved into the La Paz apartment, she said, "I'm really liking it. I love the apartment and the space." Maria found out about the apartment through her mother who is active in the community. She received an application sometime last year and a call in November that she says came "just in time." On the morning of this interview, Maria and her new neighbor had just been discussing the differences between their past and current residences, including the fact that their old landlord never came around except for rent day. "Now we know that if something goes wrong, we just need to call, and it gets fixed. We didn't even have a number before. It's great; we're benefiting a lot," Maria is happy to report. Maria hopes to stay where she is as long as she can.*

**How have Community Housing Development Organizations (CHDOs) fared?**

This report has detailed the types of housing and types of households HOME has served thus far and examined where HOME funds have been used. The final piece is to look who the HOME program has utilized to provide services under the program. We were particularly concerned with the role of non-profit CHDOs as the HOME program was meant to provide a boost to this sector.

Since the 1970s, the work of community development corporations (CDC) has become increasingly important in providing housing services to low-income families. These groups tirelessly advocate for their communities, provide important local knowledge and build neighborhood development expertise. Research has shown that CDCs or the special type of CDC under HOME called CHDOs are able to provide housing to harder to reach and poorer populations and are more likely to preserve housing at risk of losing its affordability<sup>14</sup>.

Despite the progress, today many housing experts are increasingly commenting that there is a widening gap between CHDOs that are able to fulfill their mission effectively and those stalled or in financial distress. There are many reasons for this, though often the troubles are a reflection of a downward cycle that is exacerbated when CHDOs core operating budgets become too thin. There is solid evidence that CHDOs with long-term operating support are able to concentrate on building up different core competencies and retain experienced staff<sup>15</sup>. These factors lead to increased production efficiencies and a better ability to meet basic funding eligibility criteria. This, in turn, is of critical

<sup>14</sup> Illinois Housing Action and Research Project (IHARP), May 2001. *Low Income Housing Tax Credit Report*.

<sup>15</sup> US Department of Housing and Urban Development. *Building HOME, CHDO Requirements and Activities* – PowerPoint presentation.

importance for housing finance authorities in evaluating potential projects for programs such as HOME<sup>16</sup>.

In Illinois, there is ample evidence that more needs to be done to build and cultivate CHDO capacity across the state, but particularly in smaller metro and rural communities. A recent survey of Illinois PJs found nearly all acknowledging the need for increased technical assistance and capacity building efforts<sup>17</sup>. At least one problem with CHDO timeliness, procurement, cost estimation, securing different funding sources, project management, property management, implementation, staffing, finding clients, counseling clients and understanding HOME regulations were outlined by nearly every PJ.

Turnover in qualified staff appears to be the largest overarching problem the survey identified because it can negatively affect all the other problem areas listed above. CHDO staff with years of development finance experience and community connections are obviously in high demand from entities that can pay better and offer improved work conditions such as banks, foundations and government. In order to stay competitive in these areas, CDCs need adequate and secure core operating dollars.

In recognition of the important role CHDOs play in delivering housing services, the HOME program was designed to offer capacity building, operating support and technical assistance to non-profit CHDOs. Congress made this clear when it mandated that all PJs set aside 15% of funds for housing owned, developed, or sponsored by CHDOs. An additional change to the program in the early 1990s went further by allowing each PJ to allocate up to 5% of their funds to be used to provide direct operating assistance to CHDOs that are receiving set-aside funds for an activity or are under a written agreement to receive set-aside funds within 24 months of the date of the agreement. Eligible uses include: salary and other employee compensation, employee education, training and travel, rent and utilities, communication costs, taxes, insurance, equipment, material and supplies.

Despite the needs many CHDOs face and the available HOME resources to help address it, PJs in Illinois have not done enough to fully utilize and support CHDOs. Our figures from HUD in the Table 11 below show that the majority of PJs have only narrowly fulfilled the 15% set-aside mandate for CHDOs since and three appear to actually be below it (the city of Peoria, Madison County and St. Clair County – both near East St. Louis). Statewide, only 18.2% of committed funds have gone towards CHDOs. This figure is below both the nationwide and Midwest averages of 21% and 22.6% respectively<sup>18</sup>.

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<sup>16</sup> Rasheed, Abdul. 2002. Statement for the US House Financial Services Committee.

<sup>17</sup> This survey was conducted by the Chicago office of HUD, along with Housing Action Illinois. It consisted of a questionnaire sent to all Illinois PJ administrators and asked questions about the work and capacity of CHDOs under their jurisdiction.

<sup>18</sup> O'Regan, Kathleen M. and Quigley, John M. 2000. *Federal Policy and the Rise of Non-Profit Housing*. Housing Policy Debate, Volume 11, Issue 2. Fannie Mae Foundation.

**Table 11 CHDO Capacity Building (as of 3/31/04)**

<b>PJ Name</b>	<b>HOME Allocation</b>	<b>15% CHDO Requirement</b>	<b>CHDO Development Funds Disbursed</b>	<b>CHDO Operating Funds</b>	<b>CHDO Operating Funds Disbursed</b>
Chicago	352,417,999	52,862,700	77,149,045	6,037,500	5,842,147
Cook County	58,321,000	8,748,150	6,256,057	1,140,863	1,030,863
Decatur	6,898,000	1,034,700	2,175,450	253,600	253,600
DuPage Co.	20,626,999	3,094,049	4,363,061	0	0
East St. Louis	7,175,000	1,076,250	824,342	23,313	23,313
Evanston	3,605,000	540,750	1,221,458	25,000	12,969
IHDA	228,945,500	34,341,825	35,859,176	1,901,905	1,726,778
Joliet	4,243,500	1,157,350	1,079,950	0	0
Lake Co.	13,847,000	2,077,050	3,265,036	569,457	569,457
Madison Co	13,527,000	2,029,050	1,651,600	241,998	238,526
McHenry Co.	2,414,000	362,100	413,886	0	0
Peoria	10,518,323	1,577,748	786,846	0	0
Rockford	10,159,000	1,523,850	1,946,480	378,002	378,002
Springfield	7,119,000	1,067,850	1,109,089	0	0
St. Clair Co.	10,719,000	1,607,850	796,233	112,827	112,827
Urbana Cons.	7,280,000	1,092,000	980,936	170,575	145,310
Will Co.	5,282,000	792,300	1,191,840	0	0
<b>Total</b>	<b>704,777,322</b>	<b>105,716,598</b>	<b>134,810,271</b>	<b>9,792,478</b>	<b>9,302,932</b>

Furthermore, PJ's have been reluctant to expend HOME funds for CHDO operating expenses. These funds can provide critical resources for inexperienced CHDO's to hire staff and access training opportunities and represent the only capacity building resource available under the HOME program. In fact, since the inception of the HOME program, six of Illinois' sixteen PJ's have not supplied any operating dollars to CHDO's. In looking at the overall state HOME allocation, only \$9.3 million or a little over one percent of HOME dollars have been used for CHDO capacity building.

By under funding, or not funding CHDO's through the HOME program, PJ's may claim that they are simply maximizing "bricks and mortar" projects over administration costs. However, strong, competent CHDO's were intended to be the backbone of this program.

### ***III. Affordability Restrictions/Preservation***

A major aspect of IHARP’s previous two reports (on project-based Section 8 and the Low Income Housing Tax Credit Program) was the issue of affordability expiration. Like these other two programs, thousands of HOME supported affordable units are expected to be lost in the coming years. Unlike the other two programs, however, policy makers or housing finance agencies have not talked about HOME preservation at all. This may be because most expiring HOME buildings are single-family homes or small rental buildings and are scattered widely throughout the state. However, the fact that many smaller communities will be disproportionately affected by the much shorter affordability periods of HOME projects, merits concern about this issue.

Under HOME, there are different affordability duration periods depending on the amount of subsidy and type of activity (new construction or rehab). As can be seen below, the largest segment of units (5,422) assisted under HOME were rehabbed with a less than \$15,000 per unit subsidy and therefore only have to remain under affordability provisions for five years. The second largest group (5,153), rehabbed at costs between \$15,000 and \$40,000 per unit, have 10 year restrictions, while the smaller number (1,372) of rehabs receiving more than \$40,000 have 15 year periods. The 3,915 newly constructed units are mandated to retain affordability for 20 years.

**Table 12. Affordability Restrictions on Types of Home Projects (as of 8/03)**

<b>Affordability Restrictions on Different Types of HOME Projects</b>	<b>Affordability Duration</b>	<b>Number of Units</b>
Rehab, less than \$15k per unit	5 years	5,422
Rehab, between \$15k and \$40k	10 years	5,153
Rehab, more than \$40k	15 years	1,372
New construction (or acquisition of newly constructed units)	20 years	3,915
<b>Total Units</b>		<b>15,862</b>

With our data, we were able to make projections of the number of HOME units scheduled to lose their affordability protections over time.

IHARP estimates that by 2008, roughly 41% of the units HOME has funded as of 8/03 (6,600 units) are likely to have lost their affordability protections and will be available to be rented or sold at market rates<sup>19</sup>. Already, approximately 2,500 affordable HOME units are likely to have been lost.

Table 13 on the following page shows the numbers of HOME units with HOME affordability expiration dates that have already occurred and those that will occur in the next 5 to 10 years (for cities with 50 or more total HOME units). Chicago will lose the most affordable units by 2008, followed by Waukegan (447), Decatur (414), Rockford (280) and Alton (272). Other communities such as Belleville, Bolingbrook, Granite City, Zion and North Chicago are all expected to have at least 90% of their total to-date HOME stock threatened over the same time. From this brief analysis, it appears the older, poorer lakeside cities in Lake County will be particularly affected by the affordability expiration issue over the next five years.

<sup>19</sup> For the overall projections used here, we adjusted the original figures in Table 13 downward by 25%, because 15% of rehabbed units facing expiration in the next 10 years also received funding from the Low Income Housing Tax Credit Program. These units will have affordability periods of 30 years and won’t be affected until then. Another 15% of units are owned by non-profit groups, of which we estimate two-thirds (10%) are likely to retain the affordability on their properties for at least some extended period of time.

**Table 13. Projected HOME Affordability Expiration Dates for Selected IL Cities (as of 8/03)**

CITY	Expired Pre-2003	Expire 2003-2008	Expire Post 2008	Units at Risk in Next 5 Years	Total HOME Units	% at Risk in Next 5 Years
ALTON	111	161	18	272	290	93.8%
ARLINGTON HEIGHTS	23	19	19	42	61	68.9%
AURORA	67	45	167	112	279	40.1%
BELLEVILLE	54	73	9	127	136	93.4%
BELLWOOD	8	37	71	45	116	38.8%
BELVIDERE	0	54	0	54	54	100.0%
BLOOMINGTON	66	29	107	95	202	47.0%
BOLINGBROOK	88	1	0	89	89	100.0%
BRADLEY	0	0	106	0	106	0.0%
CAHOKIA	39	63	13	102	115	88.7%
CALUMET CITY	0	45	87	45	132	34.1%
CENTREVILLE	22	21	11	43	54	79.6%
CHAMPAIGN	162	106	69	268	337	79.5%
CHARLESTON	8	16	172	24	196	12.2%
CHICAGO	217	1324	2,028	1,541	3,569	43.2%
CICERO	0	24	116	24	140	17.1%
CORTLAND	1	1	96	2	98	2.0%
DECATUR	92	322	80	414	494	83.8%
EAST ST. LOUIS	91	146	50	237	287	82.6%
ELGIN	4	9	37	13	50	26.0%
ELK GROVE VILLAGE	4	3	81	7	88	8.0%
ELMHURST	0	0	107	0	107	0.0%
EVANSTON	91	27	49	118	167	70.7%
FLORA	1	1	50	2	52	3.8%
FREEMONT	27	59	77	86	163	52.8%
GALESBURG	5	8	45	13	58	22.4%
GRANITE CITY	26	158	15	184	199	92.5%
GURNEE	1	8	102	9	111	8.1%
HANOVER	23	28	9	51	60	85.0%
HARVEY	165	0	51	165	216	76.4%
HERRIN	40	27	3	67	70	95.7%
JOLIET	46	11	51	57	108	52.8%
KANKAKEE	3	46	62	49	111	44.1%
LOCKPORT	8	5	55	13	68	19.1%
LYNWOOD	0	0	63	0	63	0.0%
LYONS	3	10	51	13	64	20.3%
MACOMB	2	19	31	21	52	40.4%
MAYWOOD	0	5	70	5	75	6.7%
MCHENRY	3	16	43	19	62	30.6%
MELROSE PARK	1	9	102	10	112	8.9%
MOLINE	45	57	26	102	128	79.7%
MURPHYSBORO	2	7	56	9	65	13.8%
NORTH CHICAGO	80	79	13	159	172	92.4%
NORTHBROOK	0	0	88	0	88	0.0%
OAK PARK	6	32	27	38	65	58.5%
OTTAWA	1	3	46	4	50	8.0%
PARK FOREST	0	0	75	0	75	0.0%
PEORIA	184	86	128	270	398	67.8%

CITY	Expired Pre-2003	Expire 2003-2008	Expire Post 2008	Units at Risk in Next 5 Years	Total HOME Units	% at Risk in Next 5 Years
PRINCETON	4	32	38	36	74	48.6%
QUINCY	47	49	13	96	109	88.1%
ROCK ISLAND	40	77	67	117	184	63.6%
ROCKFORD	60	220	170	280	450	62.2%
ROUND LAKE BEACH	32	34	0	66	66	100.0%
SCHAUMBURG	10	0	97	10	107	9.3%
SPRINGFIELD	50	143	88	193	281	68.7%
STEGER	0	0	82	0	82	0.0%
STERLING	17	14	73	31	104	29.8%
URBANA	50	51	48	101	149	67.8%
WASHINGTON PARK	16	13	26	29	55	52.7%
WAUKEGAN	175	272	78	447	525	85.1%
WEST FRANKFORT	50	13	21	63	84	75.0%
WOOD RIVER	13	40	8	53	61	86.9%
WOODRIDGE	165	0	4	165	169	97.6%
WOODSTOCK	12	27	16	39	55	70.9%
ZION	52	37	1	89	90	98.9%
OTHER	718	1,206	1,441	1,924	3,365	57.2%
<b>Grand Total</b>	<b>3,331</b>	<b>5,428</b>	<b>7,103</b>	<b>8,759</b>	<b>15,862</b>	<b>55.2%</b>

As can be seen, the majority of larger towns across the state are projected to have lost more than half their existing HOME units in the next five years (2008). We encourage PJs to utilize this list in order to prioritize projects in communities that are set to lose much of their HOME affordable housing stock.



## *Conclusion*

HOME remains one of the few affordable housing programs that continues to enjoy wide political and popular support. In a climate of scaling back social programs, HOME has received increases in funding over the past few years.

We have documented some of the reasons for this popularity in this report. The HOME program has achieved many statewide objectives, such as being able to serve a good percentage of very low-income residents and provide a variety of housing types, which can be adjusted to local needs. However, we have also cited a number of regional concerns, as well as concerns regarding the types of households (elderly v. non-elderly or family sized units) being served in different areas of the state. We also cited the benefits and challenges of increasing the involvement of CHDOs as well as the lack of discourse around the imminent affordability preservation issues.

Up to this point, most of the action we identified to improve the HOME program must come from the federal level. HUD has begun a first step of evaluating PJs nationwide against each other. This has already resulted in improved data collection and made PJs aware that they will be held accountable. HUD also receives ongoing feedback from housing providers, which allows for close communication and has resulted in a number of positive changes to the program. But because of the dispersed, fragmented nature of the program, statewide planning and policy change as well as heightened commitments from localities are needed to achieve statewide housing goals.

To these ends, the State of Illinois took the critical first step by forming an Affordable Housing Subcommittee in the House. The Subcommittee, led by Julie Hamos (D) of the 18<sup>th</sup> District, has embarked on an Illinois Housing Initiative (IHI), which is a five-year planning initiative to spur the increased production of affordable housing for the most underserved populations. Building on this initiative, the Governor issued an Executive Order to Establish a Comprehensive Housing Initiative in 2003. This Executive Order through the end of 2008 will guide an Annual Comprehensive Housing Plan. A Task Force has been appointed by the Governor to do this annual comprehensive plan.

At the local level we encourage PJs and local officials to use the Comprehensive Planning process more effectively to implement the action steps that come out of it. PJs must also better monitor compliance with HOME program requirements. A HUD report found non-compliance in 6% of all properties and lack of PJ oversight was the main reason for this<sup>20</sup>. Furthermore, we hope that the program's match requirement will create new funding commitments from participating jurisdictions and other local governments to supplement HOME funding and increase production. According to local officials, this is happening in less than one-half of jurisdictions with a match requirement<sup>21</sup>.

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<sup>20</sup> ABT Associates. June 28, 2001. *Study of Ongoing Affordability of HOME Project Rents*. Prepared for US Department of Housing and Urban Development.

<sup>21</sup> *ibid*

## *Specific Recommendations*

- IHARP strongly supports the recent statewide efforts by the Governor to do an annual Comprehensive Housing Plan for the entire state. This plan should aggressively seek to address and remedy the distributional concerns cited in this report to better meet the housing needs of large families, Hispanics and Asians, who are living below poverty and have been underrepresented in the program thus far.
- HOME PJs in Illinois must make a heightened effort to identify and fund CHDOs to carry out HOME activities and programs. Illinois lags behind the nation in this, despite having one of the most developed community development sectors in the nation. It is insufficient to simply meet the 15% set-aside requirement given the numerous benefits we have cited that accrue from CHDO sponsorship and ownership of HOME units (affordability and preservation).
- Longer affordability periods for all types of HOME projects would be an important and relatively easy way to further preserve the number of affordable units in communities across the state.