

Illinois Housing Council

Newsletter

NOVEMBER 2006

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OCTOBER/NOVEMBER UPDATE

Dear IHC Member,

Welcome to another edition of the IHC Update – our organization's newsletter. In this edition, you will find the usual collection of industry news and updates as well as an update on the picture in Washington, D.C. and what's happening with federal funding and federal housing policy.

Election season is upon us. And this time of year serves as a good reminder to all of us that we must be involved in the public realm if we wish to increase the supply of affordable housing in the state of Illinois. To that end, please note that this month, IHC will be host-

ing a meeting to determine its legislative agenda for the upcoming session in Springfield. This will mark the first time that IHC has had a formal legislative agenda. If you can, please be present to help shape and direct these efforts. Our success will be determined by the intensity and breadth of involvement from our members. Please contact Nick Brunick at 312-491-3328 if you have questions or would like to get more involved with this effort.

Best Regards,
Ben Applegate, IHC President

Setting IHC's Legislative Agenda

IHC Legislative Agenda- Setting Meeting

Date: Late November/
Early December (TBA)

Place: Applegate &
Thorne-Thomsen, P.C.

Time: TBA

Join Developers, Lenders,
Syndicators, Advocates,
and Others from the
Affordable Housing
Industry as We Set a
Legislative Agenda for the
Upcoming Year

MEMBER OF THE MONTH



**RBC
Capital
Markets**

APOLLO EQUITY PARTNERS

MEMBER OF THE MONTH



APOLLO EQUITY PARTNERS

**Apollo Housing Capital is now
Apollo Equity Partners,
Within RBC Capital Markets**

financial entities within the affordable housing industry will be able to provide a greater range of financial products and easier access to capital for the customers of RBC Capital Markets and Apollo.

History

Apollo Housing Capital was founded in 1997 as a sponsor of low-income housing tax credit funds, known for its ability to provide flexible and creative financing for its developer clients. Since then, Apollo has provided over \$1.5 billion in equity, covering 38 states and over 25,000 units of affordable housing. In Illinois alone, we have invested \$260 million in 22 counties and created over 5,000 units of affordable housing. Apollo invests in a broad range of communities in urban, suburban and rural areas, through both for-profit and non-profit developers, and housing authorities.

Serving a Wide Range of Clients

One example of Apollo's broad range of investments is a 510-unit market-rate property overlooking Chicago's lakefront with only 20% of its units designated low-income. On the other end of this spectrum is Apollo's commitment to a 20-unit property with a non-profit general partner located in western Illinois with a population of less than 4,000.

Combining Strengths

In January of 2006, Apollo became the wholly-owned subsidiary of Royal Bank of Canada's US-based RBC Capital Markets. Royal Bank of Canada (RBC) is North America's 6th largest bank with \$400 billion in assets and superior credit ratings. RBC had been the 80% owner of Apollo since 2000, but the more it learned, the more it wanted to be the 100% owner. Now, two significant

Creating a New Partnership

In sum, the combination of RBC Capital Markets and Apollo Equity Partners is about making the life of a tax credit developer simpler. Under the RBC umbrella a developer can receive offers for combined debt and equity, bond underwriting and potentially letters of credit and pre-development funding. Most of all, here within Apollo Equity Partners in Illinois, we are the same people you have dealt with for the past nine years (with some added talent as well). This translates into a deep-pocket investor with high quality people who have an expertise in financing your affordable housing development.

For more information, contact:

Michael Metzger
312-334-8215

Elliot Frolichstein-Appel
312-334-8212

Eileen A. Kelly
312-334-8220





Thanks to the new statewide rental housing support program now in effect, I am pleased to announce that we will begin taking applications from landlords who want to participate in the program. This vital affordable housing resource will double the number of low-income households able to receive rental subsidies in Chicago and will include providing rental assistance to homeless individuals and families.”



November Tax Credit Rates & AFR:

30% Credit: 8.12%
70% Credit: 3.48%

Long term, annual compounding
AFR: 4.90%

IHDA Seeking Proposals for the Purchase of Three Properties

The Illinois Housing Development Authority is seeking proposals for the purchase of three properties located at the following addresses: 5248-58 S. Martin Luther King Drive, 5300-10 S. Martin Luther King Drive, and 7600 S. Essex, Chicago, Illinois. IHDA expects to take title to the Properties at a foreclosure sale scheduled for December 5, 2006 and expects to enter into a contract for the sale of the properties shortly thereafter. While IHDA expects to take title to the properties, there can be no guarantee that IHDA will take title and it is possible that a sale of the properties by IHDA will not proceed. See IHDA's website, www.ihda.org, for more information.

City of Chicago Announces New Policies for Affordable Housing

The City of Chicago recently announced new policies for the creation of affordable housing. Mayor Daley proposed an expansion in the city's inclusionary housing policies and announced plans for spending on affordable housing in the upcoming year.

The city currently requires that developments of ten or more units that receive "city assistance" include some affordable homes or contribute fees in lieu thereof to help the

city fund affordable housing elsewhere. Under the city's current program, projects that receive TIF assistance must make 20% of the units affordable and projects that receive a discount on the price of city-owned land must make 10% of the units affordable. In both cases, instead of making units affordable in the development, the project can contribute \$100,000 per affordable unit that would have been created to the city's Low Income Housing Trust Fund. Based upon an initial public announcement, under the Mayor's new proposal, this program would be expanded to all projects of ten or more units that: i) involve city-owned land (whether or not there is a discount on the price); ii) that receive a zoning change that results in additional density or iii) that go through the PUD process. These projects would have to make 10% of the units affordable to households at or below 100% of AMI.

Mayor Daley also announced that, similar to last year, the city would dedicate \$2.4 million from the leasing of the Skyway to the Plan to End Homelessness. In addition, Mayor Daley announced that \$40 million would be dedicated in 2007 to the creation and preservation of affordable rental housing. This \$40 million will be generated, in part, from the city's share of state funds from the newly-created Rental Housing Support Program, from TIF funds, and from fee in lieu contributions collected from private developers under the city's Downtown Density Bonus Program.

City of Chicago Seeking Landlords to Participate in Rental Housing Support Program

"Thanks to the new statewide rental housing support program now in effect, I am pleased to announce that we will begin taking applications from landlords who want to participate in the program. This vital affordable housing resource will double the number of low-income households able to receive rental subsidies in Chicago and will include providing rental assistance to homeless individuals and families."

Thomas McNulty, President of the Board of the Chicago Low Income Housing Trust Fund.

The City of Chicago's Low-Income Housing Trust Fund is looking for landlords who are interested in participating in the City's highly successful Rental Support Program. Under the program, landlords receive a rent subsidy, paid quarterly in advance, in order to provide an affordable rent to households at or below 30% of the Area Median Income. Landlords must rent the unit to an income-qualified household (household earning at or below 30% of AMI for the appropriate household size) and must meet basic habitability standards.

The City has enjoyed great success with the program, winning plaudits from landlords, tenants, housing advocates and realtors alike – not an easy thing to do. The program served as the inspiration for the Rental Housing Support Program bill, which was passed into law in the

(Continued on page 4)

2005 General Assembly after a long and concerted campaign by housing advocates, creating the state's first-ever rental housing assistance program. Thanks to the passage of this bill, the City of Chicago is now looking to add 2,000 units to the city's rental housing support program.

If you own rental property in the City of Chicago and are interested in participating in the program, you can contact the Chicago Department of Housing at 312-742-1551 or 312-742-0288 or visit www.cityofchicago.org/housing for an application and more information.

State Agencies Tweak QAPs to provide relief from increasing construction costs

A number of state allocating agencies, including Illinois, have adjusted their 2007 qualified allocation plans to

mitigate the effects of rising construction costs. States including Oregon, Missouri, Pennsylvania, New Hampshire, Tennessee, Nevada, Minnesota and Washington have awarded additional credits, raised maximum credit awards or created special allocations for projects in need of more credits. IHDA will provide additional credits for unforeseen increases in costs and expenses to the extent necessary to ensure financial feasibility and viability of the development.

HUD publishes updated list of QCTs and DDAs

HUD published a revised list of difficult development areas and qualified census tracts in the September 28 Federal Register. Non Gulf Opportunity Zone designations are effective for credits allocated after December 31, 2006. The regulations and

DDA and QCT listings are available at <http://www.huduser.org/datasets/qct.html>.

Court Dismisses Fair Housing Claims Against City for Actions to Eliminate Housing Project

The U.S. District Court for the Northern District of Illinois dismissed claims made against the City of Joliet for alleged discrimination against an apartment complex supported by project based section 8 subsidies. The owner of the Evergreen Terrace apartments filed fair housing claims, claiming that the city carried out more inspections than is typical, encouraged tenants to relocate and threatened condemnation and demolition of the property. The court dismissed all claims for lack of standing by the owner and lack of evidence of a discriminatory intent by the City. The property's HAP contract has since expired.

Legislative Update

FEDERAL HOUSING UPDATE

Federal Update

Congress returned from its Labor Day recess to consider a number of housing bills. Significantly, appropriations bills passed in the House and approved by the Senate Appropriations Committee have rejected President Bush's intention to: a) kill HOPE VI and b) significantly reduce funding to a number of other housing programs.

Appropriations Bills

Congress approved a resolution to continue funding HUD through November 17. Final action on the following appropriations bills will not occur until after the November elections.

H.R. 5576 HUD Appropriations.

The Senate appropriations bill, like

the version passed by the House in June, would reject proposed cuts by the Bush Administration to the community development block grant program and HOPE VI program. Specifically, the Senate bill would provide \$15.92 billion for Section 8 tenant-based rental assistance, \$5.675 billion for project based Section 8, \$3.877 billion for community development block grants, \$100 million for HOPE VI, \$750 million for Section 202 and \$240 for Section 811 housing.

H.R. 5384 Agriculture Appropriations

The House approved bill would provide \$100 million for Section 515 rural rental housing and \$100 million for Section 538 guaranteed multifamily loans. The Senate Appropriations Committee has

approved appropriations in the same amounts.

Tax Credit Bills

H.R. 2681 Affordable Housing Tax Credit Enhancement Act of 2005.

This bill would double the per capita LIHTC authority nationwide. Introduced on May 26, 2005 by Representatives William Jefferson (D-LA) and Phil English (R-PA), the bill has gained 60 cosponsors including ten members of the House Ways and Means Committee.

H.R. 5970 Comprehensive Tax Legislation

The bill, passed by the House but being held up in the Senate due to opposition to estate tax provisions, includes a 1 year extension of the New Markets Tax Credit program.

H.R. 1468 and S. 2366, Repeal of the Recapture Bond Provision

Both of these bills would repeal the "recapture bond" provision in Section 42(j)(6) requiring an investor seeking to dispose of an interest in a Housing Credit property within the initial 15-year compliance period to post a bond or U.S. Treasury security to the Internal Revenue Service in order to avoid future tax liability.

OTHER BILLS

H.R. 5443 Voucher Reform

The Section 8 Voucher Reform Act of 2006 passed out of the House Financial Services Committee on June 14, 2006. The bill has bipar-

(Continued on page 5)



The City of New York recently announced the creation of a \$130 million New York City Housing Trust Fund, which will be funded by Battery Park Authority dollars.



tisan support and features changes to the way tenant income is calculated for purposes of rent and income determination and modifies housing quality reviews. The bill includes a new funding allocation method that blends elements of previous allocation strategies and recent strategies and a small expansion of the Moving to Work demonstration, focusing on performance standards and evaluation.

H.R. 6115 Mark-to-Market Extension Act

Mark-to-Market, which expired at the end of fiscal year 2006, authorizes HUD to reduce rents to market levels on Section 8 properties financed by HUD (FHA) insured mortgages. The FHA mortgages are often written down or reduced to a level that can be supported by the lower rents. While a continuing resolution extended the program through November 17, HR 6115 would extend the Mark-to-Market program through the end of fiscal year 2011. Passed by the House on September 27, the bill awaits action by the Senate.

H.R. 5347 HOPE VI Reauthorization Act

Introduced by Representative Christopher Shays of Connecticut and Maxine Waters of California, the bill would reauthorize the HOPE VI program and authorize such sums as necessary for fiscal year 2007. HR 5347 passed the House on September 27. The Senate has not yet approved reauthorization, but the appropriations bill that passed committee includes \$100 million for HOPE VI. In addition, S. 1513, introduced by Barbara Mikulski of Maryland, would extend the HOPE VI program and also

require partnerships with local schools and a larger share of funding for supportive services.

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The state income tax credit equal to 30 percent of the federal historic credit for certified historic structures and 20 percent of qualified rehabilitation costs for owner-occupied residences.



HOUSING HIGHLIGHTS FROM AROUND THE COUNTRY

Voters of State of California Approve Historic \$2.9 Billion Affordable Housing Bond

On Election Day, November 7th, California voters gave their approval to an historic \$2.9 billion bond for affordable housing. California voters approved approximately \$40 billion in bonds for schools, roads, and other infrastructure. Business Groups, advocacy organizations, and Governor Arnold Schwarzenegger championed the bonds as essential to the quality of life and economic prosperity of the state. The \$2.9 billion housing bond was approved by 57% of the voters.

The City of Los Angeles Provides \$100 Million for Affordable Housing Trust Fund

Los Angeles will invest \$100 million in its affordable housing trust fund to promote affordable housing development and fund its supportive housing program for the homeless. The \$100 million includes funds, land and project-based Section 8 vouchers. Since 2003, the fund has provided \$207 million and produced 4,892 affordable housing units in 84 projects. Mayor Antonio R. Villaraigosa announced the creation of a housing coordination committee to coordinate citywide resources to create a comprehensive housing policy.

New York City Creates \$130 Million Trust Fund

The City of New York recently announced the creation of a \$130 million New York City Housing Trust Fund, which will be funded by Battery Park Authority dollars. The Trust Fund will be used to build 4,300 units of affordable housing for 11,000 people over the next three years. The fund will serve three major purposes: 1) it will act as an additional subsidy for new construction targeting families that earn below 30% of the Area Median Income; 2) it will also be used to help fund large-scale acquisitions of existing properties in order to rehabilitate them and ensure that they remain affordable; and 3) it will be used for land acquisition and pre-development costs for affordable housing, providing the city with some land-banking capacity to gain control of sites in appreciating markets and to hold those sites for affordable development.

New York City Selects Team of Developers to Build Affordable Homes on City-Owned Lots

The City of New York, through its Department of Housing Preservation (HPD), has selected 25 development teams to build 630 affordable homes on 236 city-owned lots. The developers will build one-to-four family homes, cooperatives, or condominiums.

This effort illustrates New York City's continuing commitment to using city-owned lots and properties very aggressively in order to create affordable homes for poor and working-class families. Over the past twenty-two years, the city has used its stock of city-owned parcels and

properties to create over 200,000 homes, most of them affordable.

Campaign for \$100 million in state funding in Oregon

The Oregon Housing Alliance has pressed the state legislature to provide \$100 million for affordable housing and eliminate statutory prohibitions against inclusionary zoning. Proposed sources for the fund include increased recording fees, lottery proceeds, a general fund allocation and utility public purpose funds. The funds would go to develop and rehabilitate housing, prevent homelessness, promote homeownership and maintain a network of community based housing providers. See www.oregonhousingalliance.org for more information.

State of New York Enacts Historic Rehabilitation Tax Credit Law

New York will provide tax credits for the rehabilitation of certified historic properties, including owner-occupied residences. The state income tax credit equal to 30 percent of the federal historic credit for certified historic structures and 20 percent of qualified rehabilitation costs for owner-occupied residences. The credits are capped at \$100,000 for the 30 percent credit and \$25,000 for the homeowner rehab credit, and can be carried forward to future years should they exceed a recipient's current tax liability. The homeowner credit requires certification of the rehab work by the state or local historic preservation office and is available only in qualified census tracts or other economically distressed areas.

Calendar & Event Updates

Brownfields 2006: A Revolution in Redevelopment and Revitalization – November 13-15. The National Brownfields conference is a premier annual event on the remediation, redesign and redevelopment of potentially contaminated properties. Boston. <http://www.brownfields2006.org>

Housing Action Illinois Annual Meeting – November 15

10:00 a.m. to 3:00 p.m.

President Abraham Lincoln Hotel

701 East Adams Street

Springfield, IL 62701

<http://www.housingactionil.org/events/>

MPC Roundtable Luncheon – November 16

Revival of the Fittest: Is Your Neighborhood Ready

Neighborhoods throughout Chicago are struggling with how to make the most of new development. Community resistance to compact development stymies the region's goals to offer affordable, well-designed homes near transit. Architect Michael Pyatok has spent his career solving these challenges, and incorporating community concerns in the process. The panel of local experts will respond to Mr. Pyatok's presentation, and leave plenty of time for audience participation.

12:00 pm–1:30 pm

The John Buck Company Lecture Hall

Chicago Architecture Foundation, 1st floor

224 S. Michigan Ave., Chicago

Cost for MPC donors: \$15.00 Cost for non-donors: \$30.00

Contact (312) 863-6011

IHC Legislative Agenda - Setting Meeting

Late November/Early December

Time: TBA

Applegate & Thorne-Thomsen, P.C.

322 S. Green, Suite 400

Chicago, IL 60607

Contact: Nick Brunick

(312) 491-3328

IHC Annual Meeting: January, 2007

Location: TBA