


Regional Housing Partnership: A Housing Blueprint for the Chicago Region



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REGIONAL HOUSING PARTNERSHIP: NEXT STEPS FOR THE CHICAGO REGION

BACKGROUND

During the housing boom of the early-mid 2000's there was an abundance of poorly underwritten mortgages that undermined long-established mortgage underwriting principles and created an unstable and unsustainable housing finance system. In some cases, lenders offered toxic mortgage products to under-informed consumers, producing a glut of failed transactions that ended in foreclosure. The foreclosure crisis was geographically broad, metastasizing across Chicago Community Areas, older suburbs, and booming exurbs in the outskirts of the six-county region, areas with little in common aside from the prevalence of toxic mortgage products. Before the outset of the foreclosure crisis, the six-county region recorded 28,997 foreclosure filings in 2006. At the peak of the foreclosure crisis, the six-county region recorded 79,986 foreclosure filings in 2010 and would record a total of 405,155 foreclosure filings from 2008 – 2014. While the number of foreclosure filings alone was enough to upend the region's housing market, there was an additional element impeding recovery and damaging neighborhoods: vacant buildings.

As the foreclosure crisis began to wane, vacant properties became more common in neighborhoods as greater numbers of homes languished in the foreclosure process. Vacant homes decrease surrounding property values and act as a blighting influence on neighborhoods. The region moved from one crisis to another, with foreclosures declining, while long-term (two years or more) vacancies began to accumulate across the six-county region. At the start of the foreclosure crisis, in 2008, 37.4 percent of residential vacancies were long-term in the six-county region. In 2010, at the peak of the foreclosure crisis, long-term vacancies accounted for 57.7 percent of all residential vacancies. By 2014, over 82 percent of residential vacancies were long-term. With the overlap of these two pervasive crises threatening the region, advocates and direct service providers came together in late 2015 to discuss and implement innovative strategies to address the complex landscape. This report summarizes some of the successes of the work of the organizations that participated in the Regional Housing Partnership (RHP), which was supported by the Chicago Community Trust.

SUCCESSSES

1. The Creation of the Regional Housing Collaboratives

The foreclosure crisis impacted the Chicago suburbs as well as the city center, but many municipalities lacked the resources and infrastructure to respond effectively to the crisis. While many funding opportunities arose to address the negative effects of foreclosures, smaller municipalities historically had trouble accessing federal funds in the face of competition from major cities that had the resources to find and apply for grants and comply with their requirements. Regional Housing Partnership partners helped two groups of municipalities in the south and west suburbs—and later, one group in the northwest suburbs—band together to share resources and collaboratively apply for and implement federal grants. The collaborative work grew beyond the federally funded foreclosure response projects and expanded into other creative ways of creating efficiencies of scale, leveraging outside expertise, and stretching limited resources. The housing collaboratives have been cited as best practices by the Brookings

Institution, the Federal Reserve Board, LISC Chicago, and others. Below, we highlight selected accomplishments of the housing collaboratives.

Chicago Southland Housing and Community Development Collaborative (CSHCDC)

With the assistance of the South Suburban Mayors and Managers Association, the Metropolitan Mayors Caucus, Metropolitan Planning Council, and others, a group of 24 municipalities in Southern Cook County formed the Chicago Southland Housing and Community Development Collaborative to work together to address the housing issues that cross their municipal borders.

Since its inception in June 2009, the participating communities developed a nationally recognized approach to addressing local and regional housing issues through cross-border collaboration. The collective achievements of the collaborative include: receiving \$29.5 million in public funding, including from the Neighborhood Stabilization Program, Disaster Recovery Program, the National Mortgage Foreclosure Settlement, and Sustainable Communities Initiative; attracting \$4.5 million in private capital; and, securing almost \$500,000 in philanthropic investment. Additional achievements include renovating over 80 foreclosed homes and demolishing over 60 blighted properties to prepare them for re-use.

In addition, this Collaborative created a variety of development opportunities through, for example, the Neighborhood Stabilization Program, South Suburban Land Bank and Development Authority (SSLBDA), the Southland Community Development Fund, and the Southland Financing Consortium (see below for more information on the SSLBDA).

CSHCDC initiatives include:

- Implementing a pilot program on collaborative code enforcement efforts (see below for more detail)
- Conducting site planning and development to support transit-oriented development, the development of the medical district in Harvey, and more
- Managing the South Suburban Community Development Loan Fund, a \$6 million fund offering predevelopment and acquisition loans to finance strategies near public transit
- Providing planning services to the South Suburban Land Bank and Development Authority
- Managing tools to help communities develop housing solutions, including a housing investment tool that helps evaluate and prioritize proposed projects, a data tool that informs communities whether there is a need for affordable housing, the Homes for a Changing Region toolkit that helps identify housing priority areas, and a mapping tool that helps guide planning decisions

West Cook County Housing Collaborative

Similar to the intentional collaboration formed in south Cook County, communities in West Cook came together to form the West Cook County Housing Collaborative in 2009. Participants included the Villages of Bellwood, Berwyn, Forest Park, Maywood, and Oak Park, which are working with IFF as their coordinator. They also formed lasting partnership with three non-profits to provide housing counseling (West Cook Homeownership Center) and housing rehab (Breaking Ground and Northwest Housing Partnership). The Metropolitan Mayors Caucus and Metropolitan Planning Council also provide guidance to the participating municipalities and IFF.

The West Cook Collaborative's achievements include:

- Secured funding for 100 affordable homeownership opportunities through a \$4.3 million grant from the Illinois Department of Commerce and Economic Opportunity
- Secured supplemental funding through the Illinois Attorney General's National Mortgage Foreclosure Settlement to acquire and renovate single family homes and multi-family buildings for homeownership opportunities to households earning under 120 percent of area median income (these programs has aided in the selling of 59 homes)
- Used a \$3.6 million Neighborhood Stabilization Program grant from Cook County to rehab a 26-unit foreclosed building in Maywood and rehab/sell three homes in Bellwood
- Created a Transit-Oriented Development Loan Fund with \$2.9 million from the U.S. Department of Housing and Urban Development to support the predevelopment and acquisition of approximately 100 mixed-income, mixed-use multifamily units close to transit stations
- Provided housing counseling for 410 households resulting in 62 homeowners from July 2013 through March 2015
- Leveraged \$14.4 million in public and private funds

2. The Establishment of the South Suburban Land Bank and Development Authority

The South Suburban Land Bank and Development Authority (SSLBDA) was the first land bank established in the Chicago region through an intergovernmental agreement passed by the Village of Park Forest, City of Oak Forest, and City of Blue Island. Its goal is to acquire and facilitate the redevelopment of properties in order to improve the quality of life, stabilize the tax base, and enhance economic activities in the south suburbs. A HUD Sustainable Communities grant facilitated the establishment of the SSLBDA. RHP partners, including the CSHCDC, the Metropolitan Planning Council, the Metropolitan Mayors Caucus, and Business and Professional People for the Public Interest, have played a key role in helping the SSLBDA accomplish its goals. As of July 2015, the CSHCDC has:

- Expanded its membership to 14 communities
- Raised \$5.6 million in public and private funding
- Acquired 110 properties and have six properties sold or under contract, while eight properties have been rehabbed or were in the process of being rehabbed
- Created and supported 50 jobs and created 12 job training opportunities in partnership with the Cook County Sheriff's RENEW program to train inmates to deconstruct abandoned homes
- Partnered with Neighborhood Housing Services of Chicago to provide housing counseling to homebuyers
- Expanded its scope to include commercial and industrial development to promote job creation and expand the commercial base, including facilitating a project in Dolton by clearing approximately half a million dollars in back taxes and transferring the property to a water treatment plant

In addition to supporting the creation and implementation of SSLBDA, RHP partners actively collaborated with the Cook County Land Bank.

3. Resources to Address Foreclosures: SB 16

RHP partners, including Business and Professional People for the Public Interest, Woodstock Institute, and the Metropolitan Mayors Caucus, were integral to the passage of SB 16, a state law designed to help expedite foreclosure proceedings on vacant and abandoned residential properties, while generating significant funds for foreclosure prevention and neighborhood stabilization programs.

Under this law, the Illinois Housing Development Authority was authorized to establish and administer a Foreclosure Prevention Program that makes grants to HUD-certified housing counseling agencies to support pre-purchase and post-purchase home ownership education and foreclosure prevention counseling. Seventy-five percent of the fund was used for housing counseling outside of the city of Chicago, with 25 percent for counseling in Chicago. SB 16 also authorized IHDA to create the Abandoned Properties Program, which made grants to municipalities to secure, maintain, demolish, or rehabilitate vacant homes. Importantly, municipalities and counties could collaborate on the application for Abandoned Property Program funds. RHP had long advocated for private and public funders to reward collaboration in their grant-making processes. Funding for the Foreclosure Prevention and Counseling Fund and the Abandoned Properties Program Fund came from additional filing fees charged to plaintiffs in foreclosure actions. Over \$41 million was generated for these funds.

4. Sharing Code Enforcement Resources

Municipal code enforcement staff in communities heavily impacted by foreclosure often struggle to identify, monitor, and take action against poorly-maintained vacant buildings with their limited resources. In addition to field work, code enforcement staff must engage in many time-consuming administrative tasks. At a 2013 RHP convening about vacant buildings best practices, Alan Mallach of the Center for Community Progress proposed that resource-strapped municipalities collaborate to share code enforcement resources. RHP partners, including the CSHCDC and Metropolitan Mayors Caucus, turned that idea into a reality through a project piloting an administrative hub to increase the code enforcement capacity of four municipalities in the south suburbs.

Chicago Heights, Park Forest, Richton Park, and South Chicago Heights expressed an interest in sharing a joint staff person who would work on administrative tasks associated with code enforcement work to free up the time of existing code enforcement staff to spend more time in the field. A key desired outcome was also to improve the ability of the municipalities to enforce fines and liens placed on mismanaged properties. By centralizing property maintenance enforcement activities from many municipalities in an “administrative hub,” the hope was that municipalities could efficiently process property maintenance enforcement actions by dedicating centralized staff to routinely handle a high volume of these matters using standard forms, notices and tactics. This approach also unburdens local staff from rediscovering the necessary steps each time they need to take action on a problem property, and helps put an end to property maintenance violations that would otherwise continue. The Hub was jointly managed by the SSMMA/SSLBDA for a pilot period. Its efforts were primarily focused on support services for property maintenance liens and fast track remediation and demolition actions.

Initial demand for services from the Hub demonstrate that the hub filled an area of high need for the municipalities. Chicago Heights sent 500 properties to the Hub, and Hub staff sent 1,500 notices. Park Forest sent 300 properties to the Hub and 900 notices were prepared by Hub staff.

South Chicago Heights has sent 10 properties and notices are currently being processed. Richton Park was in the process of compiling a list of properties for the Hub, and anticipated it would send up to 40 properties. In addition, a presentation on the Hub concept was made to municipalities from around the region at the Metropolitan Mayors Caucus' Housing and Community Development Committee meeting. Many municipalities expressed an interest in the concept, including larger capacity communities such as Evanston and Aurora. The Hub could expand beyond the suburbs and exist as a service for any community in the region.

5. Strengthening Housing Counseling Capacity

One key outcome of the original 2008 convening was the recognition that, in order to assist homeowners and renters struggling with foreclosures, we had to build and support the capacity of nonprofit housing counseling agencies to meet the growing demand for their services. The pressing need to increase capacity, particularly in the greater Chicago metropolitan region, was documented by a 2009 housing counseling capacity survey conducted by Housing Action Illinois and Woodstock Institute. The report found that in four out of every five new foreclosure cases in 2008, residents did not access counseling services.

A wide variety of work ensued as a result, including:

- The formation of the Illinois Housing Counseling Coalition (IHCC), which started as quarterly summits of the region's housing counseling leaders to discuss how to collectively improve housing counseling services and advance sustainable and equitable housing policy options for low- and moderate-income households. The IHCC is a result of the RHP's strategic priority to improve networks within the housing counseling community, including creating an integrated network of agencies and exploring funding for long-term sustainability of counseling networks and training. As a result of the IHCC's development, Housing Action and a collaborative of 11 housing counseling agencies applied in 2014 for a pool of \$600,000 in down payment assistance grants to assist 80 low-income households achieve homeownership in our region
- Neighborhood Housing Services of Chicago pioneered new methods of reaching distressed homeowners by coordinating large-scale homeowner outreach events throughout the region. Through three events in 2009, NHS of Chicago processed and submitted approximately 885 Making Home Affordable applications. This compares to the average of 321 clients per month who receive counseling from NHS' office-based staff. The events proved to be an effective way of helping homeowners determine whether the Making Home Affordable program was appropriate for them, and increased the scale of counseling services that NHS and partnering agencies could provide.
- Housing Action Illinois facilitated more than 50 place-based trainings, webinars, and workshops to increase the knowledge and expertise of housing counselors, with a total of more than 1,500 participants in these various trainings
- Because of the intensive focus on housing counseling and capacity building supported by RHP, Housing Action was approved to be a HUD Housing Counseling Intermediary, which allows HAI to manage the back-office reporting, funds distribution, and monitoring for 15 HUD-approved housing counseling agencies in Illinois and Indiana. This frees up agencies to concentrate on providing direct services to consumers

6. Conduct Extensive Research and Policy Advocacy

With regard to research and policy, research conducted during the past six years on foreclosures and vacant properties, walk-away foreclosures, housing counseling capacity, and servicer accountability has helped to support public education and public policy efforts.

Supported by data, RHP advanced many of the initiatives described above, including the creation of the Cook County Land Bank Authority, as well as other initiatives such as the Chicago and Cook County vacant property ordinances, Cook County Circuit Court Foreclosure Mediation Program, and the successful passage of a state Protecting Tenants in Foreclosure Act.

Access to data to inform planning and policy has increased. Through its participation in RHP, Woodstock created a new, interactive data portal with many additional data points and indicators of neighborhood vitality. Community members have used this new data portal at a rate of over 250 percent more frequently than the prior database. As a complement to the Data Portal, Woodstock Institute developed and launched an interactive mapping tool in 2014. The mapping tool builds on the indicators of neighborhood vitality that are utilized in the Data Portal.

NEXT STEPS

At the final convening of RHP members and other community-based organizations, policymakers, and developers, participants created the following list of priorities and next steps for helping struggling homeowners and renters, expanding opportunities for homeownership, and returning vacant properties to productive use.

Focus Area: Help Struggling Homeowners and Renters

Priority 1: Monitor and improve existing programs to help struggling homeowners

Action steps:

- Assess long-term sustainability of HAMP and HARP, develop recommendations to improve them (these programs are scheduled to end November 2016)
- Develop and implement strategies to address HAMP resets to avoid increased re-defaults
- Advocate for additional funds to provide direct assistance to struggling homeowners, e.g., Hardest Hit funds
- Evaluate mediation programs in Cook and collar counties and advocate to improve them, move to sustainability (Woodstock published a report on the mediation program in 2016)
- Engage counselors in efforts to hold servicers accountable for poor practices

Priority 2: Develop and implement new strategies to help struggling homeowners

- Advocate with servicers to offer assistance and modifications for homeowners who are not yet delinquent
- Work with banks to make more rehab financing available, particularly for underwater homeowners and people with disabilities
- Advocate with the FHFA to allow principal reductions on Fannie Mae and Freddie Mac loans (FHFA announced a limited program to allow some principal reduction in 2016)

- Use the Community Reinvestment Act, mergers and acquisitions, and examination process to encourage banks to offer new products and services

Priority 3: Expand capacity for foreclosure prevention counseling

- Advocate with Congress to fully fund HUD counseling at combined NFMC and HUD levels (especially important given HAMP resets and the potential for a wave of foreclosures)
- Explore new revenue models for counseling, including fee-for-service, partnerships with servicers, and counseling included in closing costs
- Quantify economic benefits of counseling to make a case for continued investment
- Research whether current distribution of counseling resources meets areas of high need
- Conduct public education on the role of counselors
- Develop models of outcome-oriented evaluation for counseling agencies

Priority 4: Expand capacity to assist renters in foreclosed buildings generally, and in the suburbs particularly

- Establish working group to develop plans to expand outreach, renter education, and fair housing resources generally, and in suburbs particularly
- Fund additional legal representation for renters, particularly in suburbs, to enforce tenant protections through private lawsuits and eviction defense

Priority 5: Strengthen and expand policies that protect renters, including policies that ensure the preservation and maintenance of buildings in or at risk of foreclosure

- Expand the Keep Chicago Renting Ordinance statewide
- Advocate for a statewide Renters' Bill of Rights
- Expand court efforts to back-seal foreclosure evictions statewide. Enforce mandatory sealing of foreclosure-related evictions pursuant to 735 ILCS 5/9-121(c) and 735 ILCS 5/15-1701(h)(6). Advocate for back-sealing all foreclosure-related evictions filed since August 26, 2008, when the sealing laws went into effect, in order to protect renters' credit, reputation, and ability to move. See General Order 2014-3 in the Circuit Court of Cook County, First Municipal District, for a model
- Work with municipal governments to conduct proactive inspection programs targeting foreclosed multi-unit buildings

Priority 6: Preserve bona fide existing leases and market all vacant units whenever practicable through, and after, the foreclosure process

- Develop and implement strategies to stop displacement of tenants living in foreclosed properties
- Develop and implement strategies to assist tenants living in properties that are going through the foreclosure process, e.g., getting repairs completed, locating landlords
- Encourage receivers and post-foreclosure owners, such as banks or investors, to market all vacant units in order to preserve the building as a low-vacancy rental property and to ameliorate the affordability crisis to renters. (This will further the public policy behind recent amendments to the Illinois Mortgage Foreclosure Law (IMFL) and the Keep

Chicago Renting Ordinance (KCRO) to preserve tenancies post-foreclosure. See below: receiver can obtain priority lien on property)

- Market rentals to former mortgagees and renters in foreclosure. New and displaced renters should not be penalized in the application process for evictions that were foreclosure-related
- Leverage new requirements from Dodd-Frank Act counselor certification to assist renters in foreclosure. Stop displacement of renters by informing renters about Illinois and local laws that may protect their leases and/or entitle them to significant relocation assistance. Advocate for additional legal aid resources to take housing counselor renter referrals
- Advocate with FHFA and leading lenders to preserve existing leases by receivers, mortgagees-in-possession, or purchasers at foreclosure sale. Where necessary, advocate for significant relocation assistance and other support to rehouse renters in foreclosure, including rehousing in other foreclosed properties

Focus Area: Expand Opportunities for Home Ownership

Priority 1: Expand capacity for homeownership counseling

Action steps:

- Analyze availability of housing counseling resources to make the case for need
- Advocate for patient, need-based funding to serve prospective home buyers, as well as funding for individuals at 80-120 percent of area median income
- Develop models of counseling and evaluating success that focus on quality of services, not quantity of people served
- Develop state and/or regional counselor certification

Priority 2: Expand outreach to homebuyers

Action steps:

- Develop central online repository for homebuyers, including counseling resources, loan products, down payment assistance, lenders, and real estate agents
- Market to existing neighborhood residents who want to become homeowners
- Connect homebuyer education participants to homes for sale

Priority 3: Explore creative methods for preparing residents for homeownership

Action steps:

- Research successful lease-to-own models and develop best practices
- Advocate for mortgage products that encourage counseling with FHFA, FHA, banks, and through the CRA/mergers and acquisitions process
- Advocate with federal regulations to enact policies that promote the availability of mortgage credit, including expanding affordable housing goals, lowering guarantee fees, and using alternative credit scoring models for Fannie Mae and Freddie Mac loans

Focus Area: Return Vacant Homes to Productive Use

Priority 1: Improve local government capacity to address vacant buildings

Action steps:

- Research the effectiveness of vacant buildings registries and develop recommendations for improvement (Woodstock published a report on the efficacy of the Chicago registry in 2016)
- Disseminate to municipalities best practices for addressing and preventing vacancy and provide technical assistance with implementing policies
- Advocate to change state law to expand resources for land banks, allow non-home-rule municipalities to license landlords, and expand SB 16 requirements for servicers to notify municipalities of lis pendens beyond the City of Chicago
- Form cross-municipal collaboratives to share code enforcement resources
- Develop working group to determine how to expand municipal data collection and analysis capacity

Priority 2: Promote responsible investor ownership

Action steps:

- Advocate for passage of cross-border policies to attract investors
- Communicate available resources to developers, particularly small businesses and nonprofits
- Identify and remove policies that pose barriers to responsible investors
- Research impact of investor-owned properties on housing values and broader community
- Create landlord database to track properties, violations, and more

Priority 3: Ensure the maintenance and preservation of buildings in foreclosure; enforce building codes for multi-unit buildings in foreclosure to prevent eviction of renters

- Foreclosure has taken thousands of units offline in Chicago, intensifying an affordability crisis for renters. Building code enforcement for multi-unit buildings in foreclosure will prevent more properties from being vacated. Notification to municipalities pursuant to 735 ILCS 5/15-1503, or otherwise, that a foreclosure has been filed in a multi-unit building should trigger a municipal code inspection because foreclosure filings often indicate at-risk buildings due to disinvestment
- Focus code enforcement efforts on maintaining rental properties, not vacating them. This will further the public policy behind recent amendments to the Illinois Mortgage Foreclosure Law (IMFL) and the recent Keep Chicago Renting Ordinance (KCRO) to preserve tenancies post-foreclosure. Where there is an absentee landlord for a building in foreclosure, appoint a receiver to preserve the property and, if rental income will not cover repairs, allow the receiver to obtain a priority lien on the property
- Fund additional legal representation for renters and tenants unions in code violation cases
- Research the impact of investor-owned properties on code compliance and renters' rights

- Research the relationship between code violations and foreclosures to see if there is need for a more proactive inspection program

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