

Chicago Housing and Economic Development Bond Program



Background

In February 2024, the Johnson administration proposed additional investment (\$1.25 billion over five years) in Chicago's housing and economic development programs. The administration's proposal would "restructure Chicago's approach to equitable neighborhood development" by sunsetting a majority of the city's **Tax Increment Financing Districts (TIFs)**, which are used as an economic development tool, to appropriate that revenue instead to "**general obligation bonds.**" These bonds would be used to finance homeownership and affordable housing programs (listed below), but the shift away from TIFs would constitute a significant change in economic development policy.

Some communities using TIFs have been very successful in attracting investment and changing the course of the community's future. However, not all TIFs have been successful and the use of funding within a TIF district is limited. There are geographic restrictions, along with specific requirements on what funds can be used for (such as infrastructure and land acquisition).

While nearly 40 percent of the existing TIFs are set to expire over the next few years, bonds offer a new approach in the use of funding streams. General obligation bonds are the standard practice of funding for large cities, such as New York and Los Angeles. Revenue generated from the bond proposal would have specific community development requirements but are not restricted to geographic locations and would be more flexible for uses.

Proposed Program Uses

Total \$1.25 billion (City will pay back by 2061) will be used between the Department of Housing and the Department of Planning and Development.

Housing \$625 million (\$125M annually) over five years

- ▶ For investments in affordable rental housing (\$360-390 million):
 - Build and preserve affordable rental housing
 - Multifamily financing
 - Energy efficiency
- ▶ For homeownership promotion (\$210-240 million)
 - Home renovations and repairs (low, moderate income and seniors) covered
 - Down payment assistance for new homebuyers
 - Single Family Home rehabilitation
- ▶ Homelessness (\$20-30 million)
 - Preserve Single Room Occupancy Units (SROs)
 - Permanent supportive housing

Economic Development \$625 million (\$125M annually) over five years

- ▶ Community Development grants (\$400-500 million)
- ▶ For small business capacity building and job training (\$82.5-115 million)
- ▶ Jobs and Wealth Building (51.5-90 million)
 - Jobs and workforce training
 - To develop "missing middle housing" on city-owned land near commercial corridors

Chicago Housing and Economic Development Bond Program (cont'd.)



Initial Comparison Analysis

Advantages

- ▶ Potential for development in areas in the city that have not had investment
- ▶ Less speculation about the controversial use of TIFs
- ▶ More equitable approach to use of some of the city's programs
- ▶ New programming that could have transformative impact

Disadvantages

- ▶ Bonds are inherently risky as it is a debt instrument taken on by the city
- ▶ The possibility of property tax increases in the future should the bonds not recoup investment projections
- ▶ Unpredictable future and success of revenue generation
- ▶ A change in mayoral administrations could lead to new priorities for funding

Further Consideration

At a subject matter hearing on Friday, March 22, the Department of Housing (DOH) claimed there would not be an impact to property taxes, and said there would be oversight by City Council with regular presentations and approval by council members. While the DOH made these claims during the hearing, the proposed ordinance does include the ability for the city to increase property taxes at a maximum amount. It is believed amendments will be offered in the proposal prior to a vote in Finance to ensure oversight and authorization approvals by City Council prior to the allocation of any funds under this program.

Following defeat of "Bring Chicago Home," Mayor Johnson would like to have a "win" for housing policy, and this proposal does include \$30-50 million annually for homelessness prevention services. Approving the bond measure would allow the Mayor to say he delivered on a promise regarding homelessness.

Legislative Outlook

While this matter concerns a significant budgetary spend and financial policy shift, council members and the Director of Housing Policy for the city claimed that a vote will most likely occur in April. Finance is scheduled to meet on April 15. Following, the full City Council would meet on April 17.

CAR Actions

CAR Public Policy met on March 25 to discuss the proposal, and will convene again in the next two weeks to recommend a position to the Board of Directors. Depending on the position recommended, REALTORS® have the option to submit a formal position to the City Council.