

CHICAGO CITY COUNCIL 2005 BUDGET TESTIMONY

by Michael C. Rohrbeck

Good afternoon members of the City Council and guests. My name is Mike Rohrbeck. I want to testify briefly today on three proposals related to the City's Budget and indeed the budget of all its citizens. I am an owner/manager of Andrea Raila & Associates, a property tax appeals and public policy consulting firm. In addition, I've worked for almost 25 years for and with non-profit housing and service groups – directly, via applied research at Loyola's Center for Urban Research & Learning, and as a volunteer leader with various groups, most prominently the Chicago Rehab Network.

First, there will no doubt be much discussion today about TIFs and the hundreds of millions of dollars unexpended by them throughout the City. I would like to suggest a simple legislative change for which the City could advocate for that would reap immediate and huge benefits in low and high-income neighborhoods citywide. If project-based rent subsidies were an eligible expenditure for TIFs, including for "as is" properties that meet minimum quality standards, then local TIFs could allocate a percentage of their annual TIF increments to the highly touted Chicago Low Income Housing Trust Fund. This trust fund could then return those funds to eligible buildings and residents in those TIFs, creating mixed income housing, boosting rental feasibility and stability for owners, and providing a model for what I like to call "Resource-Supported Inclusionary Housing". The program is loved by managers and tenants alike, but, in an almost-criminal fashion, has not attracted major new resources during the last decade.

Second, our current methods of "producing" affordable housing has grown increasingly complex and costly over the years, requiring numerous resources layered one on top of another. The problem is that we can produce fewer and fewer of these units with public-private development financing at astronomical levels, and, many of the units that are produced are typically available to the high-end "low income" people (in the absence of even more subsidies for rent). What's more, the greatest need for affordable housing is for those who make less than 30% of the Area Median Income, roughly twice minimum wage for a family of four – yet most of our programs to create "affordable units" do not benefit this group. An additional curious and disturbing finding in a recent research report out of Loyola University found that for every four units of newly constructed housing made, one or more vacant rental units are created elsewhere. This makes sense considering the stress being felt by managers city-wide to fill their buildings and the continued disinvestments and deterioration in our lowest income communities.

I'm sure you alderman feel this stress as you rubber stamp project after project costing upwards of \$200-250,000 per unit,... knowing full well you could think of other ways to spend that money to lift folks out of poverty or to put people in a decent apartment. I'm here to tell you that if we did our research properly and laid the ground work for allocating CDBG and federal HOME funding differently, we could create more units for all income groups, including the lowest, using the same resources. A draft proposal for the first phase of necessary research for this has been presented to the Department of Housing, but there is apparently no money for it. An initial study could cost as little as \$25,000 and a follow-up research effort, including various housing constituencies (perhaps in the subsequent year) could cost about \$75-100,000.

The biggest obstacle to reforming our system of affordable housing production is getting over our preconceived notion that creating affordable housing opportunities is synonymous with public-private partnership developments. Although we are all quite use to praising our peers for these efforts, at some point we have to admit that when it takes four years and eleven sources of money and \$250,000 per unit to create housing, that this is surely a sign of a system in meltdown, not one its heyday.

Third, the cost of property taxes is an important and related issue. The mayor and members of the City Council could do well to advocate simple and comprehensive reform to the County Board and Assessor – make the classification system uniform with 101 other counties in Illinois, and indeed bring it into line with the rest of the country.

As it is, Cook County is the second largest taxing body in the country, and it is no doubt the most complex and inaccurate. This complexity and inaccuracy is a major cause for literally hundreds of thousands of appeals made by property tax payers every year. When those taxpayers win tax relief, untold millions of dollars goes directly out of their pockets into the pockets of lawyers and tax consultants who help them.

Unfortunately, major reform is stifled by major contributions of these professionals to those presiding over appeals administration. Not so shocking for Chicago and Cook County I guess... And for those wondering about the plight of low income, with a reformed tax system, I'd propose abating the taxes for all residents whose income is at or below 30% of median. The administration could be exactly as it is with the current Class 9 program. Such a program would again reward cost-efficient owner managers and encourage an income mix in buildings located in every type of community.

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MICHAEL C. ROHRBECK

PHONE: (312) 217-4211

E-MAIL: MRCAREER@AOL.COM