

APPLICATION FOR AFFORDABLE HOUSING TRUST FUND (AHTF)

Applicant Information

Applicant Name(s): Oak Park Residence Corporation

Address: 21 South Blvd.

City/State/Zip Code: Oak Park, IL 60302

Federal Tax ID #: 36-2666771

Project Contact: David Pope

Telephone: 708-386-6061 x111

Email Address: dpope@oakparkrc.com

Amount of Allocation Requested: \$ \$450,000

Type of Applicant (check one):

☐ Partnership ☐ Corporation ☒ Non-Profit ☐ Other

Please attach certificate of good standing.

Project Information

Project Name: Condo Deconversion and Affordability Program

Project Address (if applicable): N/A

City/State/Zip Code: N/A

Project Priority

Select one of the categories your project applies to:

- ☐ Production of affordable housing including, without limitation, new construction, rehabilitation, and adaptive re-use;
- ☒ **Acquisition and disposition, including, without limitation, vacant land, single family homes, multi-unit buildings, and other existing structures that may be used in whole or part to provide affordable housing;**
- ☐ Grants or loans to not-for-profit organizations that are actively engaged in addressing the housing needs of eligible households;
- ☐ Financial assistance to eligible households to rent dwelling units;
- ☐ Financial assistance to eligible households to purchase dwelling units;
- ☐ Financial or in-kind assistance to preserve and/or maintain existing affordable housing;
- ☐ Weatherization of dwelling units occupied by eligible households;
- ☐ Emergency repairs to dwelling units occupied by eligible households

Project Description

Please provide a narrative of your project, demonstrating how it meets the Village's priority to provide sustainable financial resources to address the affordable housing needs of eligible households in Oak Park by preserving and producing affordable housing, providing housing-related financial support and services to eligible households and providing financial support for not-for-profit organizations that actively address the affordable housing needs of eligible households. An eligible household is defined as having income at or below eighty percent (80%) of the Area Median Income (AMI) for for-sale units and at or below sixty percent (60%) of the AMI for rental units

Specifically identify who will be served, how the services will address systemic challenges in the community, which housing needs are addressed, anticipated outcomes, etc. (As needed, continue on a separate sheet.)

The Oak Park Residence Corporation proposes to create a Condo Deconversion and Affordability Program -- a program designed to acquire failing small condominium buildings (initially 1 or 2 buildings with a total of 7-15 units) that are economically and/or managerially not viable, and to de-convert and reposition them to provide additional affordable rental housing units in the Village (for purposes of this application identified as 3 new permanently affordable rental units).

There are already, currently, a number of failing small condominium buildings here in Oak Park. The lingering economic effects of the COVID-19 pandemic on individual household finances, combined with rapidly rising interest rates, and the existence of condominium owners holding variable rate mortgages, will inevitably push additional troubled and economically marginal small condominium associations beyond the brink (as smaller condominium associations typically have far less capacity to absorb challenging economic circumstances).

Over the past 25 years, condominium conversions in Oak Park have shifted many hundreds of units of formerly rental housing out of the rental marketplace. During the same period, Oak Park has witnessed considerable increases in rental market demand. And now, as costs associated with purchasing real estate rise, the level of demand in the rental market is likely to further increase competition for rental units, thereby increasing rental pricing for those units as well. All of these factors will combine to further limit access to affordable rental housing here in Oak Park.

Condominium deconversions are particularly challenging for a number of reasons, stated here below. Given these and other challenges, most multifamily property owners are unwilling to get involved in condominium deconversion efforts, particularly for struggling associations. Such challenges include:

- *Perceived Value vs. Actual Value - Owners typically pay (and invest) materially more for their condominium unit than that unit is worth if evaluated economically as a rental unit – the sale price that they will accept to electively sell their unit is typically “above market” (and often considerably above market)*
- *Disagreements Among Owners – Different owners are in different situations (regarding the terms and timing of their real estate financing, their current equity position in their condominium, and their general employment and financial circumstances) which can create differences and challenges in attempting to facilitate a collective voluntary sale.*
- *Foreclosures, Defaults, and Multiple Financing Institutions – An 8-unit condominium may have 8 different banks and financial institutions holding the mortgages on the property. As we all experienced in 2008, so-called “zombie” properties were allowed to languish – vacant and unmaintained – due to the fact that these financial institutions often have conflicting incentives which can make it very difficult to even arrange a conversation, much less to facilitate a purchase or a deed transfer.*
- *The Condominium Deconversion process – Even if you have all the owners and banks on board, de-converting requires considerable time, expertise, and attention to detail.*

At the same time, OPRC is the not-for-profit affordable housing partner of the Village of Oak Park. The Village has identified failing small condominiums as an important challenge facing not only the community, but also the owners of units in failing associations who may be “trapped” and unable to exit, as well as neighbors who may be negatively impacted by the deterioration of a multi-unit building that is no longer able to be maintained. OPRC is interested in helping to address this challenge (through the strategic acquisition of one or more small condominium buildings) and even more importantly increasing access to affordable rental housing specifically for members of our community qualifying as low- (80% AMI) and very low-income (50% AMI).

Funding: How will the AHTF allocation be used for this project? What additional funding sources are secured or will be secured upon receipt of allocation? The Village of Oak Park prefers that financing from other sources to be committed prior to the release of funds from the AHTF

The AHTF funding will be used to cover costs associated with property acquisition, rehabilitation,

deconversion, and leasing specifically of three new affordable units (meeting the Village's < 60% AMI requirement) that will be created as a result. Additional funding will be provided by the Oak Park Residence Corporation and potentially by other sources. Upon allocation of the grant, OPRC will obtain input from the Village of Oak Park and other partners in the housing arena to identify subject condominium associations that may be interested in pursuing voluntary sale and deconversion.

Leveraging: Briefly describe and/or summarize any leveraging of additional funds.

Although the specific property or properties have not yet been identified, we anticipate that OPRC would fund the majority of property acquisition, renovation, and deconversion related costs. The AHTF Village funding sought in this application will cover \$150,000 per unit (\$450,000 in total) toward the acquisition, rehabilitation, deconversion, and leasing costs associated with the three (3) new permanently affordable rental units that will be occupied by residents of households earning less than 60% of Area Median Income (OPRC's actual target will be for "very low-income" households earning less than 50% of AMI). All other costs of acquisition, renovation, deconversion, and leasing will be the responsibility of OPRC, and OPRC will expend all associated time, effort, and capital, and will assume all associated risk as required to identify, facilitate, and execute such a transaction(s). Given OPRC's mission, this program will present a unique opportunity to translate existing market failure in the condominium market into the creation of additional affordable units here in Oak Park.

Project budget and/or Development Pro-forma: Please attach line-item budget and describe each line item including stating whether the funds have been committed or not.

The \$450,000 amount sought through this application anticipates a total cost of acquisition, rehabilitation/renovation, deconversion, and leasing of \$150,000 for each of the three (3) newly acquired affordable units. As no specific target property has yet been identified, a property-specific line-item budget has not been formulated. OPRC will commit all necessary additional funds for the program.

Need/benefit & Project Feasibility: Demonstrate that the proposed project/program and effectively meets identified current and future housing needs, using data-based analysis. Provide narrative and evidence that connects the proposed project with adopted Village priority(s)

The Illinois Housing Development Authority (IHDA) calculated in 2013 that approximately 18% of Oak Park's housing stock is affordable for homeowners within the community with incomes at 80% of the Area Median Income and for renters at 60% of the Area Median Income (3,991 total affordable housing units). More than 25% (1,088) of these units are subsidized or income restricted, and more than half of these units are owned, overseen, or managed by the Oak Park Residence Corporation. We understand intimately the challenges presented by the lack of affordable housing in the community, and the opportunities to address this challenge.

The Village recently determined that remaining within the 18% to 20% affordable range would be a valuable guideline for the community to maintain, but recent escalations in rents are putting pressure on Oak Park's ability to maintain this target. OPRC purchases, rehabilitates, and maintains high quality properties throughout the Village, operating them in accordance with our mission to advance integrated affordability as the core purpose of our role in the community. Consistent with the Village's objectives, if we are selected through this effort to begin this pilot program, we will acquire one or more qualifying buildings and will maintain them consistent with our mission goals targeting affordability for decades to come.

Timeline: Applicant must describe proposed timeline for expending funds, either in terms of steps required to deploy funds or schedules for capital project completion.

Upon notification of acceptance, OPRC will, within a 24-month period initiate the following:

- *Define program parameters*
- *Consult with the Village and other housing partner organizations to identify potential target condominium associations*
- *Contact and meet with target associations to discuss and gauge interest regarding entering into a voluntary sale and deconversion process*
- *Once 1-2 primary targets are identified, develop Memorandums of Understanding (MOUs)*
- *Engage banks and financing institutions (mortgage holders) to determine interest and feasibility*
- *Trigger "Go / No Go" decision point*
- *Coordinate development of integrated purchase and sale agreement employing acquisition and condominium-law attorneys and financing institutions*
- *Facilitate due diligence and financing processes*
- *Assemble acquisition contract and closing documents*
- *Close transaction*
- *Initiate legal deconversion process*
- *Oversee move-out process*
- *Facilitate unit rehabilitation as needed*
- *Manage tenant leasing process*

Sustainability. Provide narrative below describing how the proposed project will contribute toward the provision of more sustainable and resilient neighborhood development:

Preservation of existing vintage housing advances sustainability by preserving the embodied energy and associated carbon already expended in the initial construction of the building. At OPRC, we have developed considerable experience with sustainable practices through our work to advance the 7 Van Buren Net Zero Energy project here in Oak Park. We will similarly bring to this effort a commitment to

responsible environmental stewardship and the advancement of core sustainability principles, and we will apply such practices as may be appropriate to the property(s) once identified. We will also, again, be committed to this project serving as a model that can be used to help showcase such leading practices as may be employed throughout

Equity: Provide narrative below describing how the proposed project will contribute toward the provision of more equitable neighborhood:

Oak Park's affordable housing units are currently disproportionately distributed within the community. By way of example, over 70% of the U.S. Department of Housing and Urban Development's (HUD's) Housing Choice Voucher (HCV) recipient households live in the southern half of the community, and more than 60% live in roughly the eastern third of the community – in the census tracts that border Austin Boulevard. This is partly a function of the Village zoning map (that goes back nearly a century), with more vintage apartment corridors built along Austin Blvd., Washington Blvd., Harrison Street, and Garfield Blvd. (in addition to a mix of vintage and mid-century apartment buildings in the area surrounding downtown Oak Park). It is also a function of a self-reinforcing cycle of lower-cost housing on the east and south sides of the Village and higher cost housing downtown and to the northwest. This disproportionate distribution of affordable housing throughout Oak Park also has implications for children and for schools here in our community. Children from households with Housing Choice Vouchers are concentrated on the east and south sides of the community, with Beye (86), Longfellow (100), Irving (79), and Lincoln (100) having the largest number of households, and Whittier having a large number of student-aged children (22) from HCV households as well.

Also, while Oak Park's population is approximately 65% White and 20% African American, Oak Park's Housing Choice Voucher recipient households are disproportionately African American (89.8% of heads of HCV households). In turn, the limited availability of affordable housing in the northern and western portions of the Village (and specifically near downtown) is limiting access to this area disproportionately for African American individuals and families. This fact undermines housing choice opportunities for these residents. It also has the effect of undermining Oak Park's leading-edge commitment to ensuring housing opportunity and supporting intentional integration strategies.

In addition, rental housing in Oak Park also disproportionately skews toward smaller units with fewer bedrooms. In turn, larger households, and specifically low-income households with school-aged children, often find it more difficult to identify and rent units here in Oak Park.

The Condo Deconversion and Affordability Program can help to address these challenges by facilitating geographic and/or unit size targeting as consideration factors that could help increase not only the total number of affordable units, but also expand location and/or unit size options for those members of our community most at risk.

Site Information (*This section is not applicable for this proposal*)

If your proposed project includes acquisition, conversion, preservation and new construction of homeownership or rental housing, please provide the following information.

- i. Site Control. If proposed project is recommended for funding, proof of site control must be provided before funds are disbursed. Site control is or will be in the form of:

- ☐ Deed
 - ☐ Option
 - ☐ Lease (Term ____ Years)
 - ☐ Purchase Contract
 - ☐ Other (explain): _____
- Expiration Date of Contract, Option, or Lease _____(month/year)

- ii. Site Description/Land Use Status

Area of Site: _____acres or _____square feet

Is site zoned appropriately for your development?

- ☐ Yes
- ☐ No

If no, is site currently in the process of re-zoning?

- ☐ Yes
- ☐ No

What zoning category is required? _____

When is zoning issue to be resolved? _____(month/year)

Has the Village approved the site plan and/or plat?

- ☐ Yes
- ☐ No

If yes, provide a copy of the site plan/plat.

Are there any other development reviews and approvals required?

- ☐ Yes
- ☐ No

If Yes, please explain: List any required reports or studies underway or completed (such as soils report, environmental assessment, traffic study):

Has the Village issued the building permit?

- ☐ Yes
- ☐ No

Affordability:

Under the Village's AHTF, an eligible household is defined as having income at or below eighty percent (80%) of the Area Median Income (AMI) for for-sale units and at or below sixty percent (60%) of the AMI for rental units. Please indicate the number of total households and eligible households that will be assisted under this program and at what income levels.

This program envisions acquiring 7-15 units of housing and specifically designating three (3) units as permanent affordable housing to be occupied by residents of households earning less than 60% of Area Median Income (again, OPRC's actual target will be for "very low-income" households earning less than 50% of AMI). Depending on availability, we may seek to target larger units so as to accommodate low-income households with children, as this population is significantly underserved based on current housing availability here in Oak Park. OPRC would be expected to own and operate the property for at least 20 years, which would result in a minimum of 720 unit-months of affordable housing for very low income households occupying the three target units, and an additional 960-2,880 unit-months of housing for other OPRC households (many of whom earn less than 80% of AMI). Across OPRC's portfolio, our typical economic breakdown is that approximately 30% of units are occupied by residents earning less than 50% of Area Median Income, and most of the rest of the households occupy units that are priced as affordable to households earning 80% of AMI. We would expect that this program would at least achieve OPRC's existing portfolio standard.

What is the proposed affordability period for the project:

As referenced above, we would expect a minimum of 20 years, and likely far longer than that.

How will the affordability period be enforced and monitored over time for compliance:

As a mission-driven affordable housing not-for-profit organization, we are committed to long-term affordability. As such, we provide annual compliance reports for our bank financing and we report annually on our performance vs. our established thresholds.

If funds are granted directly to income-certified beneficiaries for the purposes of preventing homelessness or stabilizing housing situations, please describe the longer term means of ensuring that a housing situation is stabilized:

N/A

Demonstrated Capability/Organizational Capacity/Partnerships

Describe the expertise of your organization and past projects to provide the type of housing or programs proposed for funding. Use attached page if necessary:

The Oak Park Residence Corporation (OPRC) is the Village of Oak Park's affordable housing partner organization and has assisted the Village by developing, advancing, and maintaining affordable housing in the community for the past fifty-six years. The Residence Corporation also manages the regular operations of the Oak Park Housing Authority (an independently incorporated Illinois municipal body), managing public housing as well as the Housing Choice Voucher Program. Since its founding in 1966 as an independent not-for-profit corporation, OPRC has acquired, rehabilitated, maintained, overseen, and managed over 1,000 units of affordable housing in more than 30 buildings across Oak Park. In turn, the Residence Corporation, acting in accordance with the Village, has made tens of thousands of "affordable unit-years" of rental housing available to Oak Parkers, thereby supporting and strengthening the economic diversity of Oak Park. In this way, OPRC is a key strategic player in supporting the Village's mission of remaining a broadly diverse community committed to economic integration and the intentional availability of affordable housing throughout the community.

OPRC also manages, at the Village's request, the Small Condominium Management Program (SCMP). This program was created to help small condominium associations develop and utilize those responsible practices and processes most likely to ensure fiscal health and effective property management. Through this program, OPRC trains numerous condominium board members and associations annually in such practices as documentation and annual filings, budgeting and financial management for condominium boards, condominium communications, property management, maintenance, and capital improvement processes, etc.

Given the background identified above, we believe that we are uniquely qualified to implement the project that we have proposed herein.

Describe your staffing and attach resumes of key personnel (use additional pages as needed):

OPRC staff bring considerable experience to their work. Please see the attached information for background on a number of our personnel.

Describe community partnerships and collaborations that will be achieved as direct result of this project and how they will strengthen community networking ties and expand and deepen access to the housing/services offered through the project.

OPRC has a strong history of working closely with other organizations committed to advancing affordable housing throughout the community, as well as with governments and social service providers operating in Oak Park. If we are able to proceed with this project, we will work closely with these partners to ensure

broad outreach and strong service support to residents as may be appropriate. A partial list of the partners with whom we work closely would include:

- *The Oak Park Housing Authority*
- *Housing Forward*
- *The Oak Park Regional Housing Center*
- *The Oak Park Homelessness Coalition*
- *The Alliance to End Homelessness in Cook County*
- *Oak Park Township*
- *The Village of Oak Park*

REQUIRED ATTACHMENTS TO APPLICATION

In addition to the submittal requirements described in the body of the Application, the following attachments may apply to your application:

X___ Project Budget or Development Pro Forma (required)

X___ Leverage Calculations

N/A___ Copy of site plan or plat if project is currently approved by the Village or in the process of being entitled (not applicable to non-construction projects)

X___ Work samples, illustrations of past projects, other documentation of community projects and partnerships (optional) (Please see www.oakparkrc.com)

Also Included are the following attachments as requested:

- **Audited financial statement, tax returns and/or 990 for the past two years**
- **Most current interim financial statements**
- **Bios of key staff**
- **Board list, including affiliations, for nonprofit applicants**
- **IRS 501©3 Determination Letter for nonprofit applicants**