# MEMORANDUM

To: Members of the Housing Commission
From: Mary Cele Smith, Housing Planner (msmith@cityhpil.com) and
Lee Smith, Senior Planner (lsmith@cityhpil.com)
Date: April 25, 2013

RE: HOUSING COMMISSION PACKET FOR 5-1-2013 MEETING

**Note: Dinner will be served at 6:00 p.m.**
**The packet contains the following documents:**

**Part A. Priority Items**

- Regular Meeting Agenda
- **Agenda Item IV. (Action Needed) Approval of Minutes**
  - Meeting Minutes for April 3, 2013 Regular Meeting (TO BE EMAILED UNDER SEPARATE COVER)
- **Agenda Item V. Scheduled Business**
  - **1. (Action Needed)** Items for Omnibus Vote Consideration
    - Payment of Invoices: None at present
  - **2. (Discussion and Consideration) Housing Commission Peers, Walnut Place, Ravinia, and Sunset Woods. Supporting Materials:**
    - April 2013 Management Report
    - Summary of Capital Improvements for Peers and Walnut Place
    - Accounts Receivable Up-Date
    - Summary Spreadsheets: Highland Park Housing Reserve Balances prepared 3/31/13
    - Housing Trust Fund Fiscal Year 2013, Unaudited through 3/31/13 (TO BE DISTRIBUTED AT THE MEETING)
  - **3. (Discussion and Consideration)** Revisions to the Inclusionary Housing Ordinance. Supporting Materials:
    - Staff Memo March 25, 2013
    - Inclusionary Housing Ordinance Mark-Up
    - Excerpt from July 11, 2012 Minutes regarding Condominium Conversion Ordinance Recommendation
    - Robert Hickey, Center for Housing Policy, *After the Downturn: New Challenges and Opportunities for Inclusionary Housing*, February 2013

**Part B. Detailed and Optional Material**

- Financial Reports for Peers, Walnut, and Ravinia Housing Associations and for Sunset Woods Housing Association for the month ending March 31, 2013

c:

- David Knapp, City Manager
- Shubhra Govind, Interim Director of Community Development
- Linda Sloan, Planning Division Manager
- Peter Friedman, Corporation Counsel

# Public Notice

In accordance with the Statutes of the State of Illinois, and the Ordinances of the City of Highland Park, the **Regular Meeting** of the City of Highland Park Housing Commission, the Peers Housing Association, Walnut Housing Association, Ravinia Housing Association and Sunset Woods Association will be held at the hour of **6:30 P.M. on Wednesday, May 1, 2013 at City Hall, 1707 St. Johns Avenue, Highland Park**, Illinois. The Meeting will be held in the Pre-Session Room on the second floor.

City of Highland Park
**Housing Commission**
**Wednesday, May 1, 2013, at 6:30 p.m.**
**AGENDA**

**I. Call to order**

**II. Roll Call**

**III. Business from the Public (Citizens Wishing to Be Heard Regarding Items not Listed on the Agenda)**

**IV. Approval of Minutes –April 3, 2013 Regular Meeting**

**V. Scheduled Business**

1. Items for Omnibus Vote Consideration
   - Payment of Invoices: None at present

2. Housing Commission Peers, Walnut, Ravinia, and Sunset Woods
   - Management Report
   - Property Report
   - Update on Peers window replacement and ac project
   - Sunset Woods
     - Report from Condominium Association Meeting on April 29th
     - Other Sunset Woods Business

3. Discussion and Consideration of Revisions to the Inclusionary Housing Ordinance

4. Update on Senate Bill 1244: permissive authority for a Lake County Affordable Housing Trust Fund

**VI. Executive Session for Matters relating to Real Estate Acquisition, Litigation, and Personnel Matters**

**VII. Other Business**

**VIII. Adjournment**

EVERGREEN
Real Estate Services, L.L.C.
566 West Lake Street, Suite 400
Chicago, IL 60661-1414

www.evergreen-housing.com
Phone: 312-234-9400
Fax: 312-382-3220

MEMORANDUM

TO: Highland Park Housing Commission

FROM: Polly Kuehl, Management Agent Polly Kuehl

RE: **April Management Report/March Financials**

DATE: April 24, 2013

Now that the weather is improving we will be initiating the seasonal grounds clean-up and landscaping contract, as well as beginning some of the capital projects that were in the budgets.

The recent rains did result in some water migration into the Frank B. Peers front community room and a leak in the Walnut Place roof, impacting the lobby. While interim repairs were made to the roof leak, we are having Roof Options inspect the roof to identify the primary cause. Ravinia campuses did not experience any water problems.

**Frank B. Peers**

***Occupancy:*** 100% occupancy.

***Physical:*** All the fire extinguishers were tested and tagged. Staff has started to remove the peeling wallpaper in the small front community room and entrance hallway so that the walls can be prepared for painting. The wallpaper is old and residents had been starting to tear it in places. It will "freshen-up" this area. Routine maintenance was conducted during the month.

***Social Programs:*** Regular social programming occurred, including the monthly luncheon, weekly bingo, social planning meeting with staff and residents, distribution of Catholic Charities food boxes and a resident gathering to discuss travel sites and experiences.

***Financial:*** **Net Operating Income (NOI) for March was close to break-even. YTD NOI was positive to budget by $19,344. Cash carryover has improved to $16,026.**

**Income** – Income was positive to budget for the month because the retroactive rent increase was reflected in March rental income line item.

**Expenses** – The expense line items that were significantly negative to budget included:

- Office Supplies (#6311) – This reflects increased postage costs and bulk purchasing of ink and other supplies.
- Management Fees (#6320) – Fees are paid on cash received and this line item is higher than budget because the retroactive rent increase was received.
- Legal (#6340) – This reflects payment of the property tax appeal vendor.
- Audit (#6350) Timing
- Tenant Retention (#6305) – This reflects some of February invoices that were received late.
- Payroll Line Items – Although the overall payroll costs were less than budgeted March is the month reserved for salary increases and bonuses.
- Water (#6452) – This reflects an adjustment that was made in the 2012 audit to reverse the utility invoice.
- Gas (#6452) – Seasonal
- Decorating (#6560) – This reflects painting of the elevator doors and one unit.

**Walnut Place**

***Occupancy:*** There is one vacancy in a 3-bedroom townhome (#1583). Two Highland Park families were processed and neither passed the criminal background checks. The third family is already in processing.

***Physical Site:*** Routine maintenance was done during the month. The catch basin was cleaned in April as per the quarterly contract. The laundry room was painted, as well.

***Social Programs:*** Regular monthly programming occurred during the month, including the luncheon, weekly Bingo, resident planning meeting, Catholic Charities food boxes and a weekly afternoon of cards/games.

***Financial:*** **Net Operating Income (NOI) for March was negative to budget by ($1,606) and YTD NOI continued to be positive to budget by $7,603. Cash carryover increased to $25,715.**

**Income** – Income was positive to budget by $1,912, primarily due to lower vacancy loss than anticipated.

**Expenses** – Line items that were significantly negative to budget for the month included:

- Office Supplies (#6311) – This reflects additional postage costs and bulk office supply purchases.
- Management Fee (#6320) – Fees are based on cash received and the property received a portion of the past due HAP money during the month.
- Telephone (#6360) – This reflects payment of two months for telephone bills (February's bills were received late at the site)
- Computer and Data Processing (#6390-0002) – This reflects two months of Real Page invoices.

- Travel Expenses (#6431) – This reflects mileage costs for internal training done for ERES maintenance staff related to the REAC inspections.
- Payroll line items – Although the overall payroll costs were positive to budget, March reflects the salary increases and bonuses given to staff.
- Janitor Supplies (#6515) – This reflects bulk purchasing of maintenance supplies.
- Gas (#6452) – Seasonal
- Plumbing Supplies (#6541-0002) – This reflects the purchase of two vanities and repairs to townhome that has turned over.
- Snow Removal (#6548) – Seasonal
- Decorating (#6560) – This reflects cycle painting for 3 units.
- Carpentry Repairs (#6594) – This reflects repairs to the townhome unit that is vacant on the walls, railings and bathroom.

**Ravinia Housing**

***Occupancy:*** 100% occupied. Legal proceedings continue against a Ravinia resident for non-payment of rent, not adhering to the approved payment plan and for not complying with the annual certification process.

***Physical Site:*** Routine maintenance occurred at both campuses. The catch basin at Pleasant was cleaned as per the quarterly contract.

***Social Programming:*** Attached is the newsletter that was sent to residents. Planning for the summer picnic was initiated.

***Financial:*** **NOI for March was negative to budget by ($2,143) and YTD NOI was breakeven. The cash position at the end of the month was good at $16,417. This reflects payment that was made for the mold testing ($18,000). Please note the Allowance for Doubtful Accounts ($16,728) on the Balance Sheet. This was placed by the auditors due to several residents who have large A/R balances and very small payment plans. They are current on their payment plans.**

**Income** – Income is slightly positive to budget for the month. The residual vacancy loss is reflected prior to filling the vacant unit.

**Expenses** – Expense line items that are significantly negative to budget include:

- Office Supplies (#6311) – This reflects telephone bills from February and March that were both paid during the month.
- Legal (#6340) – This reflects the eviction that is in process
- Audit (#6350) – This is a timing issue of when the audit bills are paid. The audit invoice may be somewhat higher this year because of the refinancing and renovation work.
- Miscellaneous Administrative (#6390) – This includes final payment for the PODS used to store furniture and belongings from the two houses at St. Johns (required for the rehab).

- Payroll line items – While the overall payroll cost is slightly positive for the month, March is when salary increases and bonuses are reflected.
- Janitorial/Maintenance Supplies (#6515) – This reflects replacement of two vanities and a screen door. Residents have been billed for damages.
- Snow Removal (#6548) – Seasonal expense.
- Mortgage Interest (#6820) – This reflects accrual of the second mortgage, which is only paid if surplus cash exists.

## Frank B. Peers Capital Improvements Up-Date

| | Task | | Date for Bids | Date for Work | Estimated $ Use of Reserves | Estimated $ Use of Operating | Comments | FMCS Role Lead, Assist or None | $ Actual Complete Operations | $ Actual Reserves Spent | Replacment Reserve Request Date |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Kitchen Replacement (11) | | Done | Fall | 98,000 | | Owner Reserves | None | | | |
| 2 | Window Replacement | | Partial | Spring | 544,998 | | Owner Reserves | Assist | | | |
| 3 | Concrete Repairs | | N/A | Summer | | 2,500 | After windows replaced | None | | | |
| 4 | Appliances (4) | | | As Need | | 1,440 | | None | | | |
| 5 | Carpet (8) | | | As Need | | 7,800 | Turnover/3 Cycle | None | 2,595 | | |
| 6 | A/C Replacement | | | As Need | | 2,700 | | None | | | |
| 7 | Water Heater Replacement | | February | March | 13,000 | | IHDA Reserves | Assist | | | |
| 8 | Painting (Turnover and Cycle) | | | Fall | | 12,000 | 1 unit & elevator doors | None | 1,450 | | |
| 9 | | | | | | | | | | | |
| 10 | | | | | | | | | | | |
| 11 | | | | | | | | | | | |
| 12 | | | | | | | | | | | |
| | Reserves 2013 Cash Flow | | | | | | | | | | |
| Reserves St | Starting January 2013 | $ 171,778 | | | | | | | | | |
| 2013 Annual Deposit to Reserves | | $ 22,368 | | | | | | | | | |
| Expected Use of Reserves ($$) 2013 | | $ (11,000) | | Total | 655,998 | 26,440 | | | 4,045 | - | |
| | IHDA Reserves | | | Note: Owner funds will be used for most reserve requests | | | | | | | |
| Balance expected at the start of 2014 | | $ 183,146 | | | | | | | | | |

| | | | Walnut Place Capital Improvements Up-Date | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Task** | | **Date for Bids** | **Date for Work** | **Estimated $ Use of Reserves** | **Estimated $ Use of Operating** | **Comments** | **FMCS Role Lead, Assist or None** | **Date Complete** | **$ Actual Reserves Spent** | **Replacment Reserve Request Date** |
| 1 | Renovate 3 kitchens | | | Fall | 26,100 | | IHDA Reserves | None | | | |
| 2 | TH Furnaces (2) | | | As Need | | 4,800 | | None | | | |
| 3 | Replace 4 appliances (stoves/refrigerators) | | | As Need | | 1,600 | | None | 584 | | 1 stove |
| 4 | TH Hot Water Heaters | | | As Need | | 3,000 | | None | | | |
| 5 | A/C (estimate of 6) | | | As Need | | 4,000 | | None | | | |
| 6 | Carpet/Tile (Turnover and Cycle) | | | As Need | 9,000 | | 5 units cycle | None | 1,856 | | 1 TH turnover |
| 7 | Hallway Carpet (as available from reserves) | | | Summer | 15,000 | | Addition to Capital | None | | | |
| 8 | Painting (Turnover and Cycle) | | | As needed | | 12,000 | 8 Turnover; 12 Cycle | None | 2,450 | | 3 units done |
| 9 | | | | | | | | | | | |
| 10 | | | | | | | | | | | |
| 11 | | | | | | | | | | | |
| 12 | | | | | | | | | | | |
| | Reserves 2013 Cash Flow | | | | | | | | | | |
| Reserves Starting January 2013 | | $ 190,494 | | | | | | | | | |
| 2013 Annual Escrow Deposit | | $ 22,044 | | | | | | | | | |
| Expected Use of Reserves $$ in 2013 | | $ (50,100) | | Total | 50,100 | 25,400 | | | 4,890 | - | |
| Balance expected at start of 2014 | | $ 162,438 | | | | | | | | | |

**April Showers Bring May Flowers**

**April, 2013**

## Holidays

### April Fools' Day

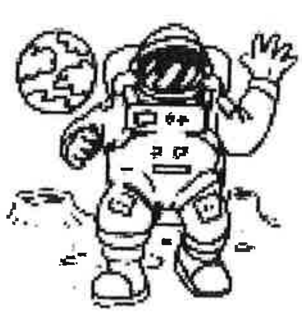
The origin of April Fools' Day is unclear. There is the belief that it began with the change to the Gregorian Calendar in 1582 that moved New Year's Day to January 1. However, because communication was slow, many people did not get the news for several years. Others refused to believe it and were called "fools." They were ridiculed and made the butt of practical jokes. The tradition of prank-playing spread over the years throughout Europe and to the American colonies.

### Reconciliation Day

Reconciliation Day is a special day to patch relationships and to make amends. Its intention is to re-establish relationships between family, friends and couples. Life is too short to hold a grudge between those we love.

### Russian Cosmonaut Day

Russian astronaut Yuri Gagarin became the first man in space on April 12, 1961 aboard Vostok 1. He spent 108 minutes in space. This day was decreed by the USSR's Supreme Council on April 9th, 1962. The flight marked the beginning of the space race. While Russia (then the USSR), put the first man in space, the United States went on to be the first to put a man on the moon.



## Think Spring – Think Asparagus

Asparagus is a delicious vegetable you can use for a side dish or an appetizer.

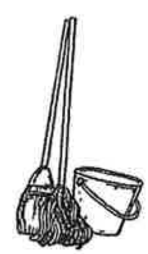
### Easy Roasted Asparagus with Parmesan

Olive oil cooking spray
1 pound fresh asparagus, tough ends trimmed
¼ cup shredded Parmesan cheese
1 teaspoon salt
¼ teaspoon garlic powder, or to taste

- Preheat oven to 400 degrees.
- Spray the inside of a 9X13 casserole dish with olive oil cooking spray. Place asparagus in the dish and lightly spray spears with cooking spray.
- Sprinkle asparagus with Parmesan cheese, season with salt and garlic powder.
- Roast in preheated oven until fork easily punctures thickest part of stem, about 12 minutes.
- Serve immediately.

Serves 4

*Cooking Tip:* the best way to keep asparagus for a long time in the refrigerator is to slice off the stems and then stand them in a bowl with a couple of inches of water in the bottom. It keeps for a long time this way. Add water as necessary.



**Manager, Heidi Martin** | **April, 2013**

**HIGHLAND PARK HOUSING**
400 Central Avenue
Highland Park, Illinois 60035
(847) 433-7694)

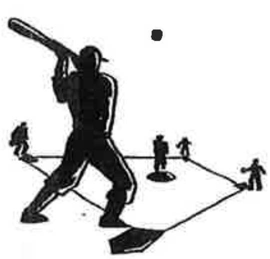
April Birthstone – Diamond
Flowers – Sweet Pea (Alt. – Daisy)
Colors – Yellow and Red

### April Birthdays

| | | |
|---|---|---|
| Eric Green | #1593 | 04/09 |
| Regena Carter | #2747 | 04/13 |
| Devontae Jackson | #1593 | 04/16 |
| Rocio Rodas | #1591 | 04/22 |
| Lillian Pumah | #2755 | 04/25 |

### Dates to Celebrate

April 1st – April Fools' Day
April 1st – White Sox Opening Day
April 2nd – Last Day of Passover
April 3rd – Find a Rainbow Day
April 2nd – Reconciliation Day
April 6th – National Caramel Popcorn Day
April 7th – Holocaust Remembrance Day
April 8th – Cubs Opening Day
April 9th – Election Day
April 10th – Golfer's Day
April 15th – Income Tax Day
April 17th – Pet Owner's Day
April 22nd – Earth Day
April 22nd – National Jellybean Day
April 25th – Full Moon
April 26th – Arbor Day
April 26th – Hug a Friend Day
April 26th – National Pretzel Day
April 30th – National Honesty Day



### Highland Park Community Information

#### Election

Tuesday, April 9th is election day in Highland Park for City Council, School District #113 Board Members, two seats on the Park District Board, Township Supervisor, Township Clerk, Township Assessor, Township Trustees, and more.

#### Health

Free blood pressure screenings and glucose screenings are offered 8:30-10:30 a.m. first and third Fridays at NorthShore Highland Park Hospital's Myra Rubenstein Weis Health Resource Center. No appointment necessary. Call (847) 480-2727.

#### Shredding Day at Highland Park Bank and Trust

Gather all your old documents and head over to Highland Park Bank & Trust, 1949 St. Johns Avenue, for shredding day on Saturday, April 27.

#### Park District of Highland Park

Scholarships are offered to qualifying families in Highland Park needing financial assistance. Information is available at West Ridge Center, 636 Ridge Road. Telephone: 847-831-3810. Call the Park District for current programs at 847-831-3810.

## Accounts Receivable Up-Date

## March, 2013

***Frank B. Peers***

Tenant A/R was slightly reduced from $349 at the end of February to $204 at the end of March. This reflects the modest payment plan payments. The breakdown is as follows:

| | |
|---|---|
| Current | ($ 2) |
| 30 Days | $ 0 |
| 60 Days | $ 0 |
| Prepaid | $ 46 |
| Credit 90 Days + | ($160) |

Subsidy A/R decreased significantly from $63,007 at the end of February to $54,072 at the end of March. The breakdown is as follows:

| | |
|---|---|
| Current | $ 8,699 |
| 30 Days | $5,447 |
| 60 Days | $2,447 |
| 90+ Days | ($4,707) |
| Total Prepaid | ($42,186) |

Note: The March subsidy income recouped a portion of the past due.

***Walnut Place***

Tenant A/R decreased slightly from $18,758 at the end of February to $18,581 at the end of March. The breakdown is as follows:

| | |
|---|---|
| Current | $ 715 |
| 30 Days | $ 587 |
| 60 Days | $ 656 |
| 90+ Days | $15,904 |
| Net Prepaid | ($ 719) |

The 90+ Days A/R is comprised of EIV payments (3 residents) that are being reimbursed monthly.

Subsidy A/R decreased significantly from $58,113 at the end of February to $43,434 at the end of March. The breakdown is as follows:

| | |
|---|---|
| Current | $ 7,860 |
| 30 Days | $ 1,307 |

| | |
|---|---|
| 60 Days | $ 1,755 |
| 90+ Days | $11,577 |
| Net Prepaid | ($20,935) |

***Ravinia Housing***

Tenant A/R decreased slightly from $34,424 at the end of February to $33,542 at the end of March. The breakdown is as follows:

| | |
|---|---|
| Current | $ 3,029 |
| 30 Days | $ 2,723 |
| 60 Days | $ 2,230 |
| 90+ Days | $24,136 |
| Net Prepaid | ($ 1,334) |

The 90+ Days A/R is comprised of EIV payments (2 residents). One resident is no longer making this payment and is in legal action.

Subsidy A/R decreased significantly from $19,306 at the end of February to $15,965 at the end of March. The breakdown is as follows:

| | |
|---|---|
| Current | ($ 446) |
| 30 Days | $ 1,045 |
| 60 Days | $ 1,254 |
| 90+ Days | $ 2,765 |
| Net Prepaid | ($11,347) |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Highland Park Housing Commission | | | | | | | | | | | |
| Reserve Balances | | | | | | | | | | | |
| Date: | | 3/31/2013 | | | | | | | | | |
| Account Name | | | Frank B. Peers | | Walnut Place | | Ravinia Housing | | Sunset Woods | Housing Trust Fund | TOTAL |
| Checking | (Property) | | 16,026 | | 25,715 | | 16,417 | | 28,019 | | |
| Security Deposit | | | 21,109 | | 21,088 | | 7,348 | | 10,494 | | |
| Replacement Reserve | | | 145,495 | | 168,911 | | 572,640 | | 0 | | |
| Residual Receipts | | | 31,875 | | 27,095 | | 0 | | 0 | | |
| Operating Reserve | | | 0 | | 0 | | 136,984 | | 9,110 | | |
| | | | | | | | (Construction Escrow) | | | | |
| Association Money Market Checking | | | | | 104,527 | | 81,894 | | 128,371 | | |
| Association Small Business Checking | | | 12,893 | | | | | | 16,662 | | |
| Association Receivable/(Liability) | | | | | | | | | -258,832 | | |
| 1) Due from Hsg. Trst. Fd 277 GB | | | 7,492 | Total | | | | | | | |
| 2) Due from Hsg. Trst Fd. Emerg. | | | 689 | A/R | | | | | | | |
| 3) Due from Sunset Woods | | | 258,832 | 267,014 | | | | | | | |
| Association CDs | | Maturity | | | | | | | | | |
| | CD #1 | 7/7/2013 | 505,385 | | | | | | | | |
| | CD #2 | 4/7/2013 | 505,863 | | | | | | | | |
| Association MaxSafe Money Market | | | 1,112,675 | | | | | | | | |
| | TOTAL | | 2,618,334 | | 347,336 | | 815,283 | | -66,176 | | |

**Agenda Item 3**

# MEMORANDUM

Date: April 25, 2013

To: Housing Commissioners

From: Mary Cele Smith, Housing Planner

**RE: Consideration of Revisions to the Inclusionary Housing Ordinance**

At the April 3rd Housing Commission Meeting, several areas of consensus emerged for revisions to the Inclusionary Housing Ordinance and one significant question remains. The **consensus areas** are:

- Reducing the affordable unit percentage to ten percent for condominium conversions with no more than nineteen units. The rationale is the recognition that in a simple conversion, a developer would not be able to avail themselves of the density bonus.
- Permitting developers of condo conversions with no more than nineteen units to pay the fee-in-lieu.
- Establishing additional provisions for quality assurance for the affordable housing units prior to the initial sale. These would not apply to subsequent resale:
    a. **Energy-efficiency audits**. Revenue from the Affordable Housing Trust Fund would cover the audit cost. Any correction needed would be the developer's responsibility.
    b. **Developer warranties** for major mechanical systems and appliances for 1 year from the transfer of title.
    c. **Escrow** of 2 percent of the sales price of each affordable housing unit to cover warranties.
    d. **Building inspections** to insure that the affordable housing units meet City Code and the requirements of the Inclusionary Housing Ordinance.

The significant **remaining question is whether to permit developers of multi-family housing with fewer than twenty units to pay the fee-in-lieu**. At the April 3rd Housing Commission, several Commissioners raised concerns about requiring the inclusion of affordable housing units in all multifamily situations. To summarize, these concerns were:

1. Isolation or stigma of the low and moderate-income residents in developments in which there is a big disparity in price between the market-rate and affordable units,
2. Provision of units as an impediment to development, and that
3. Developers should be given more flexibility.

Before responding to these particular concerns, there are several general reasons to consider regarding the importance of the requirement to provide housing units for new multi-family developments of five or more:

- Extending the fee-in-lieu to all covered multifamily developments under twenty units would be contrary to the "intent and preference of this Article …for the provision of permanently affordable housing units constructed on-site and privately produced, owned, and managed." (Section 150.2100 Policy, page 2) ,

- There are practical reasons for the policy requiring the production of affordable units. While the Housing Commission has a development partner in Community Partners for Affordable Housing, the Housing Commission is not a developer, and it would be very difficult to assume this role.
- Inclusion of affordable units in new developments provides housing and income diversity throughout the community and insures that low and moderate-income homes are not concentrated in a few locations.
- Neighborhoods in Highland Park demonstrate diversity in housing prices; it is desirable to promote this practice in new developments as well.
- There is a need for new rental housing. Rental housing is scarce. The supply of rental units has declined due primarily to condominium conversions and demolitions.
- As a mature community, Highland Park generally, with a few exceptions, has few sites for new development. Sites for new development or redevelopment also tend to be small. Developments with fewer than twenty units are the norm. If the Ordinance permitted paying the fee instead of developing affordable units, it is likely that fewer units would be built. Looking at the history of approved and built developments through May 30, 2006 shows that four out of five have fewer than 20 units.

| | | | **Affordable Units** | | | | |
|---|---|---|---|---|---|---|---|
| **Development Name** | **Approval Stage** | **Market Rate Units** | **Single Family** | **Townhouses** | **Condos** | **Total Units** | **Notes** |
| Laurel Park | Final | 35 | 0 | 2 | 5 | 42 | |
| | | | | | | | |
| Laurel Court | Final | 13 | 0 | 2 | 0 | 15 | |
| | | | | | | | |
| Lake Cook Courts | Final | 15 | 2 | 0 | 0 | 17 | +$100,000 Trust Fund Contribution |
| | | | | | | | |
| Compton Livingston | Preliminary PUD Approved | 15 | 0 | 3 | 0 | 18 | |
| | | | | | | | |
| 1675 Green Bay | Final | 13 | 0 | 0 | 3 | 16 | Condo Conversion |
| | | | | | | | |
| **TOTAL** | | **91** | **2** | **7** | **8** | **108** | |

5/30/2006

Note: Development approval expired for both Compton Livingston and 1675 Green Bay Road.

Below are some additional points to consider as the Commission revisits this question regarding the fee-in-lieu provision.

1. With regard to isolation or stigma:

a. The Ordinance provides for integrating the affordable units through both outward appearance and location, dispersing them throughout the development. Laurel Court illustrates this successful integration:

b. Our experience to date, in our admittedly small program, indicates that residents are satisfied with their homes and the developments in which they live, and there is a long waiting list for affordable housing. The reasons for rejecting a housing unit are like those for market-rate housing: the home does not fit their family size or they do not like something about the housing unit itself. With regard to residents, any negative feedback we have heard from the affordable unit residents has been about the quality of the unit, never about feeling isolation or stigma.

c. Price disparities are typical of inclusionary housing programs. At Laurel Court, the initial sales prices for the market-rate units were $850,000 and up while the prices for the two affordable homes were $180,000 and $249,000. Some examples from other communities are below:

   In the photo on the left, the market-rate home in Montgomery, MD sold for $800,000 while the affordable homes like the one on the right ranged in price from $100,000 to $150,000.

Mixed-income townhomes in Fairfax County, VA had affordable homes priced from $100,000 to $150,000 while the market-rate ones sold for $750,000.

In Weston, MA, the affordable homes like the one below, priced at $105,000, are part of a development with market-rate ones at $800,000.

d. Furthermore, in conversations with housing planners in communities with inclusionary housing programs, this problem has never been mentioned.
e. The Sunset Woods experience is not comparable, because it is a situation of owners and renters. The income differences between residents are small as are the differences between the condominiums.

2. With regard to the provision of housing units as an impediment to multi-family development,
    a. There is no evidence that the Inclusionary Housing Ordinance deterred development;
    b. The density bonus helps to offset costs;
    c. Multi-family developments have economies of scale that single-family developments do not have, and developers can provide smaller units with less expensive interior finishes for the affordable homes.
    d. The density bonus is attractive:
        - The Pointe developer voluntarily provided 2 affordable homes at his single-family development, and
        - The proposal for a rental rehab project at 1675 Green Bay Road included an affordable rental, although none was required, in order to obtain the density bonus.
3. With regard to permitting the developer more flexibility,
    a. The Ordinance provides relief:

<u>Section 150.2114 Departures from Requirements.</u>

The Housing Commission may recommend, and the City Council may approve, departures from any of the standards set forth in this Article, upon making each of the following findings: (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(A) Due to specific and unique circumstances, undue hardship would be caused by the literal enforcement of the standards and requirements set forth in this Article; (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(B) By virtue of excellence in design, the proposed departure from the standards does not result in a diminished or lower quality affordable dwelling unit, but provides a functionally equivalent dwelling unit; and (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(C) The proposed affordable housing units otherwise meet the purpose and intent of this Article. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

    b. Most residential developments are Planned Unit Developments, and the Planned Unit Development Ordinance also provides relief.
    c. Too much flexibility is problematic for both the City Council and developers. The City Council likely does not have the time or interest in negotiating additional development details. Similarly, developers need clear, predictable rules. A developer panel that the City convened with the assistance of the Metropolitan Planning Council, prior to adopting the Ordinance, confirmed this. The developers at this focus group indicated that they were most concerned that the rules be clear from the outset and that the process was timely.

Attached are:

- a red-lined copy of the Inclusionary Housing Ordinance incorporating the consensus area and the remaining questions and
- a report from Robert Hickey, the Center for Housing Policy, *After the Downturn: New Challenges and Opportunities for Inclusionary Housing*, February 2013.

This report provides a broader background on the general state of inclusionary housing programs around the country.

ARTICLE XXI. INCLUSIONARY HOUSING

SECTION



Sec. 150.2100 Policy.

The purpose of this Article is to promote the public health, safety, and welfare by promoting housing of high quality located in neighborhoods throughout the community for households of all income levels, ages and sizes in order to meet the City's goal of preserving and promoting a culturally and economically diverse population in the City. Based upon the review and consideration of reports and analyses of the housing situation in the City, it is apparent that the diversity of the City's housing stock has declined as a result of increasing property values and housing costs and a reduction in the availability of affordable housing; that demolition of certain existing dwellings has led to a reduction in the diversity of the City's housing stock and affordable housing opportunities, and that subsequent redevelopment has in many cases contributed to property value increases that further the difficulty of providing affordable housing in the City; and that, with the exception of housing developed in partnership with the City or its Housing Commission, the privately developed new residential housing that is being built in the City generally is not affordable to low- and moderate-income households. The City recognizes the need to provide affordable housing to low- and moderate-income households in order to maintain a diverse population and to provide housing for those who live or work in the City. Without intervention, the trend toward increasing housing prices will result in an inadequate supply of affordable housing for City residents and local employees, which will have a negative impact upon the ability of local employers to maintain an adequate local work force and will otherwise be detrimental to the public health, safety, and welfare of the City and its residents. Since the remaining land appropriate for new residential development within the City is limited, it is essential that a reasonable proportion of such land be developed into housing units affordable to low- and moderate-income households and working families.

While this Article provides specific alternatives to the production of on-site affordable housing units, the intent and preference of this Article is for the provision of permanently affordable housing units constructed on-site and privately produced, owned, and managed.

The provisions of this Article may be supplemented by a set of Administrative Guidelines adopted pursuant to Section 150.2115 of this Article. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

Sec. 150.2101 Covered Development Projects.

(A) General. The provisions of this Article shall apply to all developments that result in or contain five or more residential dwelling units. The types of development subject to the provisions of this Article include, but are not limited to, the following:

(1) A development that is new residential construction or new mixed-use construction with a residential component.

(2) A development that is the renovation or reconstruction of an existing multiple family residential structure that increases the number of residential units from the number of units in the original structure.

(3) A development that will change the use of an existing building from non-residential to residential or that will change the type of residential use. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(4) A development that includes the conversion of rental property to private ownership of individual housing units. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(B) Development on Multiple Parcels. For purposes of this Article, a development that occurs on adjacent parcels under common ownership shall be considered one development. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

Sec. 150.2102 Percentage of Affordable Housing Units Required.

(A) General Requirement. Except as otherwise specifically provided in Subsection (C) below and Section 150.2108 of this Article and in developments that include the conversion of rental property to private ownership of individual housing units, 20 percent of the total number of residential units within any covered development shall be affordable housing units and shall be located on the site of the covered development. For developments that include the conversion of rental property to private ownership of individual housing units and that have no more than nineteen units, 10 percent of the total number of residential units shall be affordable housing units and shall be located on the site of the covered development.

(B) Calculation. To calculate the number of affordable housing units required in a covered development, the total number of proposed units shall be multiplied by ~~20~~ 20 percent with the exception of a development that includes the conversion of rental property to private ownership with no more than nineteen units. For this exception, the total number of proposed shall be multiplied by 10 percent. ~~.~~ If the product includes a fraction, a fraction of .5 or more shall be rounded up, and a fraction of less than .5 shall be rounded down.

(C) Cash Payment In-Lieu of Housing Units.

(1) General Applicability. The applicant may make a cash payment in lieu of constructing some or all of the required affordable housing units if and only if the covered development is a single-family detached development or is a development that includes the conversion of rental property to private ownership of individual housing units that has no more than nineteen units. [Note: Discussion on May 1 will consider whether to include new construction of multi-family developments.]

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(2) Amount and Use of Cash in Lieu. The per unit payment amount shall be determined by the City Council and set forth in the City's annual fee resolution. The per unit amount shall be based on an estimate of the cost of providing an affordable housing unit and shall be reviewed and modified periodically by the City Council. All cash payments received pursuant to this Article shall be deposited directly into the Affordable Housing Trust Fund for purposes authorized under Section 33.1133 of this Code.

(3) Calculation. For purposes of determining the total in lieu payment amount, the per unit amount established by the City pursuant to Paragraph (C)(2) of this Section shall be multiplied by 20 percent of the number of units proposed in the covered development. For purposes of such calculation, if 20 percent of the number of proposed units results in a fraction, the fraction shall not be rounded up or down. If the cash payment is in lieu of providing one or more but not all of the required units, the calculation shall be prorated as appropriate.

Sec. 150.2103 Application and Inclusionary Housing Plan.

(A) Application. For all covered development projects, the Applicant shall file an application for approval thereof on a form provided and required by the City. The application shall require, and the Applicant shall provide, among other things, general information about the nature and scope of the covered development, as well as such other documents and information as the Director of the City's Department of Community Development, or his or her designee (***"Director"***), may require. The Director shall also have the authority to require, as part of the application submittal, such portions of the inclusionary housing plan required under Subsection (B) of this Section as the Director shall deem necessary to properly evaluate the proposed covered development under the requirements and provisions of this Article.

(B) Inclusionary Housing Plan. As part of the approval of a covered development project, the Applicant shall present to the Housing Commission and the City Council an inclusionary housing plan that outlines and specifies the covered development's compliance with each of the applicable requirements of this Article, in accordance with the following: (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(1) Required Submittals for Inclusionary Housing Plan. The plan shall specifically contain, at a minimum, the following information regarding the covered development project;

(a) Preliminary Plan.

(i) A general description of the development, including whether the development will contain rental units or individually owned units, or both;

(ii) The total number of market rate units and affordable units in the development;

(iii) The total number of attached and detached residential units; (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(iv) The number of bedrooms in each market rate unit and each affordable unit;

(v) The square footage of each market rate unit and each affordable unit;

(vi) The location within any multiple-family residential structure and any single-family residential development of each market rate unit and each affordable unit.

(vii) Floor plans for each affordable unit; (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(viii) The amenities that will be provided to and within each market rate unit and affordable unit; and (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(ix) The pricing for each market rate unit and each affordable housing unit.

(b) Final Plan.

(i) All of the information required for the preliminary Inclusionary Housing Plan pursuant to Section 150.2103(B)(1)(a) of this Article; (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(ii) The phasing and construction schedule for each market rate unit and each affordable unit;

(iii) Documentation and plans regarding the exterior and interior appearances, materials, and finishes of the development and each of its individual units;

(iv) A description of the marketing plan that the applicant proposes to utilize and implement to promote the sale or rental of the affordable units within the development; and

(v) A description of the specific efforts that the applicant will undertake to provide affordable housing units to households pursuant to the priorities set forth in Section 150.2110 of this Article.

(2) Review Procedure.

(a) Preliminary Plan.

(i) Housing Commission Review. Within 60 days after the filing of a complete preliminary Inclusionary Housing Plan, the Housing Commission shall review the Inclusionary Housing Plan, and shall recommend either the approval (with or without modifications) or the rejection of the Inclusionary Housing Plan. The Housing Commission shall transmit its findings of fact and recommendation to the City Council. The failure of the Housing Commission to provide a recommendation within such 60 day period, or such further time to which the applicant may, in writing, agree, shall be deemed a recommendation against the approval of the Inclusionary Housing Plan. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(ii) City Council Consideration.

(A) Upon receipt of the Housing Commission recommendation pursuant to Section 150.2103(B)(2)(a)(i) of this Article, the City Council may, by resolution duly adopted, approve or reject the Preliminary Inclusionary Housing Plan. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(B) Approval of the preliminary Inclusionary Housing Plan by the City Council shall neither: (1) be deemed or interpreted as obligating the City Council to approve a final Inclusionary Housing Plan; nor (2) vest any right to the applicant other than the right to submit a final Inclusionary Housing Plan for the proposed Covered Development Project. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(b) Final Plan.

(i) Housing Commission Review. Within 60 days after the filing of a complete final Inclusionary Housing Plan, the Housing Commission shall review the Inclusionary Housing Plan, and shall recommend either the approval (with or without modifications) or the rejection of the Inclusionary Housing Plan. The Housing Commission shall transmit its findings of fact and recommendation to the City Council. The failure of the Housing Commission to provide a recommendation within such 60 day period, or such further time to which the applicant may, in writing, agree, shall be deemed a recommendation against the approval of the Inclusionary Housing Plan. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(ii) City Council Consideration. Upon receipt of the Housing Commission recommendation pursuant to Section 150.2103(B)(2)(b)(i) of this Article, the City Council may, by ordinance duly adopted, approve or reject the Inclusionary Housing Plan. Any ordinance approving a final Inclusionary Housing Plan shall include, without limitation, the following: (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(A) All standards, conditions, or restrictions deemed necessary or applicable by the City Council to effectuate the proposed development and protect the public interest, health, safety and welfare; and (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(B) A provision~~s~~ requiring the execution and recordation by the applicant of a development agreement, as required pursuant to Section 150.2104 of this Article. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(c) Concurrent Review of Preliminary and Final Plans. Notwithstanding any provision of this Article to the contrary, the Housing Commission and City Council shall review the preliminary and final Inclusionary Housing Plans concurrently for all Covered Development Projects that are not Planned Developments, pursuant to the final Inclusionary Housing Plan review procedure set forth in Section 150.2103(B)(2)(b) of this Article. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(3) Standards of Review. The Housing Commission shall not recommend the approval of a preliminary or final Inclusionary Housing Plan, and the City Council shall not approve a preliminary or final Inclusionary Housing Plan, except upon making the following findings: (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(a) That the applicant has demonstrated that the proposed affordable housing units are designed to accommodate the needs of the target households; (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(b) That the location, floor plan, fixtures and finishes, and amenities of each proposed affordable housing unit satisfy the applicable provisions of this Article and are suitable for the needs of the target households; (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(c) That each affordable housing unit is designed to accommodate family living needs for common space and dining areas; and (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(d) That the proposed affordable housing units, and the development as a whole, conform to the applicable standards and requirements of this Chapter. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

<u>Sec. 150.2104 Development Agreement and Other Documents</u>.

Prior to issuance of a building permit for any covered development, the applicant shall have entered into a development agreement with the City regarding the specific requirements and restrictions regarding affordable housing and the covered development. The applicant shall execute any and all documents deemed necessary by the City, including without limitation, restrictive covenants and other related instruments, to ensure the continued affordability of the affordable housing units in accordance with this Article. The development agreement shall set forth the commitments and obligations of the City and the applicant and shall incorporate, among other things, the inclusionary housing plan and quality assurance requirements. The development agreement shall also contain the agreements and decisions regarding the applicability of any one or more of the alternatives to the provision of on-site affordable housing units as set forth in Section 150.2108 of this Article.

Sec. 150.2105 Development Cost Off-Sets.

An applicant that fully complies with the requirements of this Article shall, upon written request, receive from the City, with regard to the affordable housing units in the covered development, a waiver of all of the otherwise applicable application fees, building permit fees, plan review fees, inspection fees, sewer and water tap-on fees, demolition permit fees, the demolition tax, and such other development fees and costs which may be imposed by the City; provided, however, that this waiver shall not apply to third-party legal, engineering, and other consulting or administrative fees, costs, and expenses incurred or accrued by the City in connection with the review and processing of plans for the covered development. The waiver of fees and costs under this Section shall only apply to the affordable units. All applicable fees and costs under this Code shall apply to all market rate units. To the extent that there are impact fees attributable to the affordable housing units, those impact fees shall be paid from funds in the Affordable Housing Trust Fund. (Ord. 45-07, J. 33, p. 251-253, passed 6/11/07)

Sec. 150.2106 Density Bonuses.

(A) Bonus Units for Affordable Housing Provided. For all covered developments under this Article, a density bonus shall be provided equal to one market rate unit for each affordable housing unit that is required and provided under this Article. The density bonus set forth in this Section 150.2106(A) shall be provided regardless of whether the affordable housing unit or units are provided on-site pursuant to Section 150.2102 of this Article, or off-site pursuant to Section 150.2108(B)(3) of this Article. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(B) PUD Discretionary Bonus. If an applicant is required or chooses to utilize the Planned Unit Development process as outlined in Article V of this Chapter and provides affordable housing units on the site of the covered development in accordance with this Article, then the applicant may, as part of the Planned Unit Development process, seek a density bonus in addition to the density bonus authorized under Subsection (A) of this Section. The additional density bonus under this Subsection may be authorized up to 0.5 market rate units for each affordable housing unit required under this Article that is provided within the Development, but only upon the recommendation of the Plan Commission and the approval of the City Council, in accordance with and pursuant to the standards and procedures for Planned Developments, as set forth in Article V of this Chapter. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(C) No Density Bonuses with Payment of Fee-In-Lieu. No density bonus shall be provided pursuant to this Section 150.2106 for any development for which a cash payment in lieu of construction of the required affordable units is made pursuant to Section 150.2103 of this Article. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

Sec. 150.2107 Integration of Affordable Housing Units.

(A) Location of Affordable Housing Units. Affordable housing units shall be dispersed among the market rate units throughout the covered development.

(B) Phasing of Construction. The inclusionary housing plan and the development agreement shall include a phasing plan that provides for the timely and integrated development of the affordable housing units as the covered development project is built out. The phasing plan shall provide for the development of the affordable housing units concurrently with the market rate units. Building permits shall be issued for the covered development project based upon the phasing plan. The phasing plan may be adjusted by the Director when necessary in order to account for the different financing and funding environments, economies of scale, and infrastructure needs applicable to development of the market rate and the affordable housing units. The phasing plan shall also provide that the affordable housing units shall not be the last units to be built in any covered development.

(C) Exterior Appearance. The exterior appearance of the affordable housing units in any covered development shall be visually compatible with the market rate units in the development. External building materials and finishes shall be substantially the same in type and quality for affordable housing units as for market rate units.

(D) Unit Amenities: Amenities that are provided with a market rate unit shall also be provided, with the affordable units. For purposes of this Subsection (D), “amenities” shall include, without limitation, basements, front porches, storage lockers, balconies, roof decks, outdoor patios, off-street parking, enclosed parking, appliances, and similar unit features and additions. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(E) Interior Appearance and Finishes. Affordable housing units may differ from market rate units with regard to interior finishes and gross floor area, provided that:

(1) The bedroom mix of affordable units shall be in equal proportion to the bedroom mix of the market rate units.

(2) The differences between the affordable housing units and the market rate units shall not include improvements related to energy efficiency, including mechanical equipment and plumbing, insulation, windows, and heating and cooling systems.

(3) The interior gross floor area for the affordable housing units shall be no less than the lesser of (a) 75 percent of the gross floor area of market rate units with a comparable number of bedrooms, or (b) the minimum size requirements outlined in the table below; provided, however, that interior gross floor area shall not include areas devoted to vertical circulation, basements, off-street parking, lockers and similar storage areas, and mechanical rooms. **(Ord. 16-09, J. 35, p. 32-48, passed 2/9/09)**

| | **Unit Type** | |
|---|---|---|
| **Number of Bedrooms** | **Single Story Dwelling Units** | **Multi-Story Dwelling Units** |
| Studio | 450 square feet | -- |
| 1 | 750 square feet | -- |
| 2 | 950 square feet | 1,000 square feet |
| 3 | 1,175 square feet | 1,350 square feet |
| 4 | 1,350 square feet | 1,600 square feet |

**(Ord. 16-09, J. 35, p. 32-48, passed 2/9/09)**

Sec. XXXX Quality Assurance for Affordable Housing Units prior to and upon initial sale: [Note: Corporation Counsel will provide guidance on a better definition of warranty and the sufficiency of the warranties.]

(A) Energy-efficiency Audit of Affordable Housing Units. Prior to issuance of a certificate of occupancy, an energy-efficiency audit must be conducted for the affordable housing units, and any defect identified in the audit must be corrected. The cost for the energy –efficiency audit by a licensced or certified auditor shall be paid from funds in the Affordable Housing Trust Fund. Correction of any defect identified in the energy-efficiency audit is the responsibility of the seller. The seller shall submit proof of remediating any defects to the Director of Community Development or their designee [or to the Building Department?].

(B) Inspection of Affordable Housing Units. Prior to issuance of a certificate of occupancy, the Building Department will inspect all affordable housing units to insure compliance with City Code and compliance with Section 150.2107.

(C) Warranties for Affordable Housing Units. The seller must provide a warranty for major mechanical systems and appliances for one year from the date of transfer of title.

(D) Escrow. The seller must provide an escrow of two percent of the sales price of each affordable housing unit sold in order to insure payment of the warranties.

Sec. 150.2108 Alternatives to On-Site Affordable Housing Units.

(A) Applicability. In lieu of the provision of affordable housing on the site of the covered development as otherwise required by Section 150.2102 of this Article, the City Council, following consideration by and a recommendation from the

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Housing Commission, may approve one or more of the three alternatives for affordable housing as set forth in Subsection B of this Section. Utilization and the requirements of the provisions of this Section shall be specifically set forth in the affordable housing development agreement for the covered development. This Section shall not be utilized unless the applicant demonstrates to the satisfaction of the City Council that the alternate means of compliance will further affordable housing opportunities in the City to an equal or greater extent than compliance with the otherwise applicable on site requirements of this Article.

(B) Available Alternatives. Any one or more of the following affordable housing alternatives may be utilized in lieu of all or part of the otherwise applicable on site requirements set forth in Section 150.2102 of this Article: (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(1) A cash payment to be deposited directly into the Affordable Housing Trust Fund for purposes authorized under Section 33.1133 of this Code in an amount not less than the per unit payment established pursuant to Section 150.2102(C)(2) of this Article; (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(2) A dedication of land to the Highland Park Housing Commission or the Commission's not-for-profit designee; or

(3) The provision of affordable housing units at another site within the City.

Sec. 150.2109 Target Income Levels for Affordable Housing Units.

(A) For-Sale Affordable Housing Units. In covered development projects that contain for-sale units, at least one affordable housing unit and no less than 50 percent of the affordable housing units shall be sold to low-income households at a price, as determined pursuant to Subsection (C) of this Section, that, on average, is affordable to a household with an annual income that is 65 percent of area median income. Any remaining affordable units shall be sold to moderate-income households at a price, as determined pursuant to Subsection (C) of this Section, that, on average, is affordable to a household with an annual income that is 100 percent of area median income. The owner shall execute and record any documents required by Section 150.2104 of this Article to ensure compliance with this Subsection.

(B) Rental of Affordable Housing Units. In covered development projects that contain rental units: (i) no less than 33 percent of the affordable housing units shall be rented or leased to households with gross incomes from zero percent to 50 percent of the Chicago area median income at a price, as determined pursuant to Subsection (C) of this Section, that, on average, is affordable to a household with an annual income that is 45 percent of area median income; (ii) no less than 33 percent of the affordable housing units shall be rented or leased to households with gross incomes between 51 percent and 80 percent of the Chicago area median income at a price, as determined pursuant to Subsection (C) of this Section, that, on average, is affordable to a household with an annual income that is 65 percent of area median income; and (iii) no more than 33 percent of the affordable housing units shall be rented or leased to households with gross incomes between 81 percent and 120 percent of the Chicago area median income at a price, as determined pursuant to Subsection (C) of this Section, that, on average, is affordable to a household with an annual income that is 100 percent of area median income. If fewer than three affordable units will be provided, such units shall be rented or leased to low-income households at a price, as determined pursuant to Subsection (C) of this Section, that does not exceed what is affordable to a household with an annual income that is 65 percent of area median income.

(C) Pricing Schedule. The City, through the Director of Community Development, shall publish a pricing schedule of rental and sales prices for affordable housing units ("Pricing Schedule"), which Pricing Schedule shall be updated at least once every 12 months. The Director of Community Development may, in his or her discretion, include the Pricing Schedule within administrative guidelines adopted pursuant to Section 150.2115 of this Article. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

Sec. 150.2110 Eligibility of Households.

(A) For-Sale Affordable Housing Units. Only eligible households shall be permitted to purchase an affordable housing unit for purposes of this Article. Priority will be given first to households who live in Highland Park or households in which the head of the household or the spouse or domestic partner works in Highland Park as part of employment by the City of Highland Park, the Highland Park Library District, the Park District of Highland Park, the Lake County Forest Preserve District, the County of Lake, Moraine Township, West Deerfield Township, School Districts 112 or 113, the Northern Suburban Special Education District, the North Shore Sanitary District, or the South Lake County Mosquito Abatement District, and then to households in which the head of the household or the spouse or domestic partner works in Highland Park for any other employer. At the applicant's request, the City or its not-for-profit designee shall select eligible households for the affordable housing units at an additional charge to the applicant at an amount to be determined by the City. If, during possession, the gross income of the eligible household increases above the eligible income levels, set forth in Section 150.2109 of this Article, the eligible household may continue to own the affordable housing unit. The owner shall execute and record any documents required by Section 150.2104 of this Article to ensure compliance with this Subsection. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(B) Rental Affordable Housing Units. Only eligible households shall be permitted to rent an affordable housing unit for purpose of this Article. Priority will be given first to households who live in Highland Park or households in which the head of the household or the spouse or domestic partner works in Highland Park as part of employment by the City of Highland Park, the Highland Park Library District, the Park District of Highland Park, the Lake County Forest Preserve District, the County of Lake, Moraine Township, West Deerfield Township, School Districts 112 or 113, the Northern Suburban Special Education District, or the South Lake County Mosquito Abatement District, and then to households in which the head of the household or the spouse or domestic partner works in Highland Park for any other employer. At the applicant's request, the City or its not-for-profit designee shall select eligible households for the affordable housing units at an additional charge to the applicant at an amount to be determined by the City. If, during possession, the gross income of the eligible household increases above the eligible income levels, set forth in Section 150.2109 of this Article, the eligible household may continue to lease the unit and may renew the lease as well. The owner shall execute and record any documents required by Section 150.2104 of this Article to ensure compliance with this Subsection. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

Sec. 150.2111 Marketing of the Affordable Housing Units.

(A) Good Faith Marketing Required. All sellers and lessors of affordable units are responsible for marketing the affordable units, and shall engage in good faith marketing efforts to inform members of the public who are qualified to purchase or rent affordable units of the availability of such units for sale or rent. Prior to the initiation of public marketing efforts to sell or lease an affordable housing unit, the seller or lessor thereof shall submit to the Director of Community Development a description of the marketing plan that the applicant proposes to utilize and implement to promote the sale or rental of the affordable units within the development to the appropriate income groups. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(B) City Assistance with Marketing. At the applicant's request, the City or its designee shall assist the applicant in marketing the affordable housing units to eligible households, for an additional charge to be determined by the City. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

Sec. 150.2112 Period of Affordability.

(A) Sale of Affordable Housing Units. In covered developments that contain for-sale units, affordable housing units shall be resold to low and moderate income households in perpetuity or as long as permissible by law. The owner shall execute and record any documents required by Section 150.2104 of this Article to ensure compliance with this Subsection.

(B) Rental of Affordable Housing Units. In developments that contain rental units, affordable housing units shall be rented to low and moderate income households in accordance with Section 150.2110 of this Article for 25 years from the date of the issuance of the certificate of occupancy for the respective unit. The owner shall execute and record any documents required by Section 150.2104 of this Article to ensure compliance with this Subsection.

(1) In the event that the owner of a covered rental development sells the development before the end of the 25-year affordability period, the new owner shall be required to continue to provide the affordable housing units in accordance with Section 150.2110 of this Article for the remainder of the 25-year period.

(2) If the owner of a covered rental development converts the development to condominiums or other form of individual unit ownership, the development shall be subject to the for-sale development requirements set forth in Subsection 150.2109(A) of this Article. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(3) The Housing Commission or its designee shall have the right, but not the obligation, to purchase any for-sale affordable housing units in the development pursuant to Section 150.2113 of this Article.

Sec. 150. 2113 Affordability Controls.

(A) For-Sale Affordable Housing Units.

(1) Housing Commission Purchases. The Housing Commission, or a not-for-profit agency designated by the Housing Commission, shall have the pre-emptive option and right, but not an obligation, to purchase each of the for-sale affordable housing units prior to any sale of any such unit. If the City, or the designated not-for-profit, exercises the option and purchases the affordable housing unit, the affordable housing unit shall be subject to such documents deemed necessary by the City, including, without limitation, restrictive covenants and other related instruments, to ensure the continued affordability of the affordable housing units in accordance with this Article. Such documentation shall include the provisions of this Article and shall provide, at a minimum, each of the following: **(Ord. 16-09, J. 35, p. 32-48, passed 2/9/09)**

(a) The calculated maximum resale price is an upper limit, but shall not be construed as a guarantee that the unit will be resold at that price. **(Ord. 16-09, J. 35, p. 32-48, passed 2/9/09)**

(b) Market conditions, and characteristics of the affordable housing unit, may result in the sale of an affordable housing unit at a price lower than the calculated maximum resale price. **(Ord. 16-09, J. 35, p. 32-48, passed 2/9/09)**

(2) Private Party Purchases. In all other sales of for-sale affordable housing units, the parties to the transaction shall execute and record such documentation as required by Section 150.2104 of this Article to ensure the provision and continuous maintenance of the affordable housing units. Such documentation shall include the provisions of this Article and shall provide, at a minimum, each of the following:

(a) The affordable housing unit shall be sold to and occupied by an eligible household.

(b) The affordable housing unit shall be conveyed subject to restrictions that shall permanently maintain the affordability of such affordable housing units for eligible households.

(c) Preference for the affordable housing units shall be given to eligible households pursuant to the priorities set forth in Section 150.2110 of this Article. **(Ord. 16-09, J. 35, p. 32-48, passed 2/9/09)**

(d) The calculated maximum resale price is an upper limit, but shall not be construed as a guarantee that the unit will be resold at that price. **(Ord. 16-09, J. 35, p. 32-48, passed 2/9/09)**

(e) Market conditions, and characteristics of the affordable housing unit, may result in the sale of an affordable housing unit at a price lower than the calculated maximum resale price. **(Ord. 16-09, J. 35, p. 32-48, passed 2/9/09)**

(B) Rental Affordable Housing Units. For covered rental developments that contain affordable housing units, the owner of the development shall execute and record such documentation as required by Section 150.2104 of this Article to ensure the provision and continuous maintenance of the affordable housing units. Such documentation shall include the provisions of this Article and shall provide, at a minimum, each of the following:

(1) The affordable housing units must be leased and occupied by eligible households.

(2) The affordable housing units must be leased at rent levels affordable to eligible households for a period of 25 years from the date of the initial certificate of occupancy.

(3) Preference for the affordable housing units shall be given to eligible households pursuant to the priorities set forth in Section 150.2110 of this Article.

(4) The calculated maximum rental price is an upper limit, but shall not be construed as a guarantee that the unit will be rented at that price. **(Ord. 16-09, J. 35, p. 32-48, passed 2/9/09)**

(5) Market conditions, and characteristics of the affordable housing unit, may result in the rental of an affordable housing unit at a price lower than the calculated maximum rental price. **(Ord. 16-09, J. 35, p. 32-48, passed 2/9/09)**

(C) Subleasing Prohibited. Subleasing of affordable units shall not be permitted without the express written consent of the Director. **(Ord. 16-09, J. 35, p. 32-48, passed 2/9/09)**

Section 150.2114 Departures from Requirements.

The Housing Commission may recommend, and the City Council may approve, departures from any of the standards set forth in this Article, upon making each of the following findings: **(Ord. 16-09, J. 35, p. 32-48, passed 2/9/09)**

(A) Due to specific and unique circumstances, undue hardship would be caused by the literal enforcement of the standards and requirements set forth in this Article; **(Ord. 16-09, J. 35, p. 32-48, passed 2/9/09)**

(B) By virtue of excellence in design, the proposed departure from the standards does not result in a diminished or lower quality affordable dwelling unit, but provides a functionally equivalent dwelling unit; and (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(C) The proposed affordable housing units otherwise meet the purpose and intent of this Article. (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

<u>Section 150.2115 Administrative Guidelines.</u>

The City Director of Community Development shall have the right, but not the obligation, to adopt, and to amend from time to time, administrative guidelines to assist in the effective implementation of this Article by participants in the Inclusionary Housing Program; provided, however, that any administrative guidelines adopted or amended pursuant to this Section 150.2115 shall not be inconsistent with this Article, and that in the event of a conflict between the administrative guidelines and this Article, this Article shall control (**Ord. 16-09, J. 35, p. 32-48, passed 2/9/09**)

(Article 21 added by Ord. 52-03, J. 29, p. 174-185, passed 8/25/03)

Excerpt from July 11, 2012 Housing Commission Minutes regarding the Recommendation for a Condominium Conversion Ordinance

Consideration of Recommendation from Condominium Conversion Ordinance Working Group
Planner M. Smith summarized the recommendation from the Working Group (Commissioners Meek and Naftzger) and the previous Housing Commission discussions. At the request of the Commissioners, former Housing Commissioner Stephen Kant, Vice President, Robin Companies, attended the Meeting and shared his perspective from his extensive experience as a developer of both rental and condominium housing.

Previously, the Commissioners concurred with the minimum recommendation as described in the staff memo and Attachment 1 dated July 1st. The Working Group's minimum recommendation reinforces and mirrors provisions in the State of Illinois Statute with the following additions or changes:

- the addition of **requiring that the notice of intent to convert be sent to the City of Highland Park concurrent with notice to tenants**. This will meet the City's need to monitor conversions in order to ensure compliance with the Inclusionary Housing Ordinance;
- the **requirement of 120 days notice to tenants of intent to convert.** This provision extends the State's requirement of thirty days notice to tenants in order to provide sufficient time for the owner to submit an Inclusionary Housing Plan (IHP), for the Housing Commission to make a recommendation to City Council on the IHP, and for the City Council to consider it;
- the **requirement that the owner give two days notice of entry to tenants** in the last 90 days of the expiring tenancy. The State statute is more general, limiting showings to "a reasonable number of times and at appropriate hours during the last 90 days of any expiring tenancy;" and
- Reinforcement of the City's requirement for a fire detection system.

The Commissioners discussed the remaining elements and reached the following consensus:

- smaller condominium conversions should have a lower percentage requirement than other developments covered under the Inclusionary Housing Ordinance, because it is unlikely that the developer could receive a density bonus; for condo conversions of five to nineteen units, the Commission recommends revising the Ordinance to require that ten percent of the units are affordable;
- the Commissioners recommend another revision to the Inclusionary Housing Ordinance to permit developers of condominium conversions to pay the fee-in-lieu if they choose and directed staff to re-examine, at a later date, the fee-in-lieu for rental and condo conversion projects;
- the Commissioners recommend additional elements for a condominium conversion ordinance in order to protect affordable purchasers. Many of these elements would have the additional benefit of providing protections for all purchasers. The additional elements to include are:
  - relocation assistance for tenants who are below 80% of Chicago Area median income in the amount of one month's rent;

    - developer warranties and escrow for the common building elements; the amount of the escrow should be one percent of the sales price of each unit sold, and the warranty should extend for one year from the date of transfer of control to the Board of Managers;
    - the requirement for a Property Report;
    - a provision for record-keeping that applies to the original developer and remains an obligation for seven years for the new Board of Managers;
    - an amendment to the City's guarantee deposit requirement to add condo conversions with construction or rehabilitation costs of $25,000 or more;
    - quarterly reports from the developer regarding assessment collections; the Commission directed staff to work on the details for this recommendation;
- the additional elements will mirror the City's Inclusionary Housing Ordinance and apply to condominium conversions of five or more units; this standard also is typical of condo conversion ordinances of other Chicago area communities; and
- there is no clear benefit from departing from the State of Illinois' requirement to transfer control to the Board of Managers when 75% of the units are sold; as a result, the Commissioners recommend retaining the State's requirement.

Planner M. Smith said that staff would seek guidance from Community Development Director Michael Blue regarding when and how to present the Commission's recommendation to City Council. With regard to the Commission's recommendations for revisions to the Inclusionary Housing Ordinance, staff will include these in a future discussion on the Ordinance to be scheduled at a Housing Commission Meeting in the fall.

Chairman Wigodner entertained a motion to approve a recommendation for a condominium conversion ordinance that incorporates the minimum recommendation and the discussion summarized above and to direct staff to prepare this recommendation for a presentation to City Council. Commissioner Meek moved approval of the recommendation for a condominium conversion ordinance that incorporates the minimum recommendation and the discussion summarized above and directed staff to prepare this recommendation for a presentation to City Council. Commissioner Naftzger seconded the motion.

On a voice vote, Chairman Wigodner declared that the motion passed unanimously.

# After the Downturn: New Challenges and Opportunities for Inclusionary Housing

**By Robert Hickey**

February 2013

## SUMMARY

This paper examines how inclusionary housing policies fared during the nation's historic housing downturn, as well as the major issues and opportunities that confront inclusionary housing today, as the housing market begins to recover.

While most inclusionary policies survived the downturn, eight key challenges have come into greater focus over the past five years, affecting inclusionary policies in various parts of the country. These include – among others – new restrictions on applying inclusionary requirements to rental housing, a shift in development patterns toward "infill" settings where developments costs are often higher, and lingering difficulties selling affordable homes produced through inclusionary policies in a number of communities.

At the same time, new opportunities have emerged for communities seeking to establish or expand their inclusionary housing programs. In spite of the downturn, some jurisdictions have added or intensified their policies in areas experiencing significant upzoning and/or major new transit investments. In addition, the U.S. Department of Housing and Urban Development (HUD) has intensified scrutiny of local housing policies that impede fair housing choices, creating new openings for local conversations about the potential of inclusionary housing policies to affirmatively further fair housing. Finally, new difficulties have spawned new creativity, creating opportunities for jurisdictions to learn from one another about new ways to strengthen policies and make them more workable for private developers.

Rick Jacobus

**A family stands in front of their inclusionary home under construction by the Housing Land Trust of Sonoma County in Petaluma (CA).**

This paper, the first in a series, focuses on key challenges while hinting at creative responses worth further study and experimentation.

# Introduction

Across the U.S., hundreds of communities are using inclusionary housing policies to create affordable homes in mixed-income settings. Inclusionary housing policies require or encourage developers to include a modest share of homes for low- or moderate-income households in otherwise market-rate developments. Most inclusionary policies are implemented through the zoning code, as mandatory requirements, accompanied by various forms of regulatory relief to help offset the costs of pricing units affordably. These policies are generally known as "inclusionary zoning" or "IZ." Other policies are voluntary, relying instead on incentives such as density bonuses to produce affordable homes. In each form, inclusionary housing policies seek to create diverse neighborhoods and broaden the array of affordable housing options available to low- and moderate-income households.

Inclusionary housing policies are attractive to many local governments in both the U.S. and abroad because of their ability to harness the energy of the private market to create affordable homes while enabling economic integration and social inclusion. Though not a "panacea" for local affordability problems, as both opponents and supporters are quick to point out, inclusionary housing is distinguished by its ability to locate affordable homes in neighborhoods of opportunity where other state and federal housing programs often struggle to expand affordable housing choices for lower-income households. For example, a recent study by the RAND Corporation found that, "compared to other affordable housing programs, IZ programs provide recipients with greater access to low-poverty neighborhoods, which are often correlated with high-performing schools."[1]

Additional advantages touted by supporters include the ability to produce affordable homes without the need for public subsidies, the ability to generate funding for affordable housing (through cash payments or land dedications made in lieu of including affordable units within new development), and a natural tendency to work best in hot housing markets, precisely where land for affordable homes is hardest to find, and home prices are rising most quickly.

Interest in inclusionary housing accelerated during the first half of the 2000s, as home prices rose rapidly in many communities.[2] Observers now estimate there are over 400 mandatory inclusionary policies nationwide,[3] spread across 17 states plus the District of Columbia.[4] Voluntary policies operate in several additional states.

But over the past five years, a lot has happened that affects inclusionary housing policies in the U.S.:

- **The nation's housing market experienced one of the most significant downturns in the past 120 years.** New construction ground to a halt even in many previously hot markets, and home prices dropped significantly in most places;
- **Local and state affordable housing resources dwindled,** as local revenue sources dried up and funding was cut for the federal HOME program — a block grant to state and local governments for affordable housing;
- **California's *Palmer* court decision in 2009** prompted most of the state's jurisdictions to cease applying inclusionary housing policies to rental developments, just as affordability pressures began to escalate in the rental market;[5]
- **The elimination of Redevelopment Agencies in California** led many jurisdictions in the state to stop enforcing inclusionary policies that were applied only to local redevelopment areas, while significantly decreasing funds for the staff that administer inclusionary housing programs in many municipalities;
- **Cities and high density suburbs grew at a faster rate than the nation's exurbs,**[6] as residential development occurred increasingly in infill locations;[7] and
- **HUD expanded its focus on affirmatively furthering fair housing,** with heightened scrutiny of local housing policies that impede housing choices for persons of color.

These new developments have changed the environment for inclusionary housing significantly. With the housing market finally beginning to recover, this is a good time to take stock of the nation's inclusionary housing policies and assess the new challenges, needs, and opportunities that confront inclusionary housing policies going forward.

This report begins by examining how well inclusionary housing policies have weathered the storm of the past five years. Drawing on an extensive literature review and 35 interviews with practitioners, experts, and local administrative staff, I outline eight major issues that jurisdictions and inclusionary housing policies face at the start of 2013.[8] I conclude with some thoughts about promising directions for addressing these challenges and crafting successful policies in the years ahead.

# Taking Stock

## Most Policies Remain Intact After the Housing Downturn


The Town of Davidson

**A mix of market-rate and inclusionary townhomes in Davidson (NC).**

In 2006, the U.S. housing market entered one of its most severe downturns in the last 120 years. Housing production slowed dramatically in most corners of the country. The private development industry saw tremendous job losses. Many local and state governments experienced significant fiscal hardship, as property tax revenues fell and other revenues derived from real estate activity dried up.

Yet in spite of these market difficulties, most of the nation's inclusionary housing policies survived the downturn. Of the roughly 400 mandatory inclusionary policies that existed nationwide in 2007, my research has uncovered only a handful that have been discontinued over the past five years: two in Colorado (Longmont and Lafayette), one in Minnesota (St. Cloud), one in Montana (Bozeman), one in Wisconsin (Madison), one in Florida (the town of Davie), and two in Idaho struck down by legal challenge (McCall and Sun Valley).[9] Since there is no comprehensive up-to-date database of inclusionary housing policies, there may well be other communities that have discontinued their policies, but the small number of abandoned policies are still the exception that proves the rule – most policies remain in place.

In most of the eight cases above, local officials struggled with a weaker housing market than typically exists in jurisdictions with inclusionary policies.[10] Also, in most of these jurisdictions, home prices had declined to such low levels jurisdiction-wide that inclusionary units were being priced at levels comparable to or higher than nearby market-rate homes. Developers were unable to sell their inclusionary units, especially given that these homes came with resale restrictions that were not shared by other homes on the market.[11] Finally, many of these policies were adopted very recently, as a reaction to the housing bubble, leaving them vulnerable to challenge when the bubble burst.[12]

In contrast, in the three states that account for the vast majority of the nation's inclusionary policies – California, New Jersey, and Massachusetts[13] – it does not appear that any policies were eliminated during the market downturn.

Similarly, relatively few local governments appear to have reduced their inclusionary affordability requirements between 2007 and 2012. My research has uncovered only a handful of examples:

- In November 2012, San Franciscans passed Measure C, which reduced the city's on-site affordability requirement from 15 to 12 percent in most areas of the city. The reduction was part of a larger, political compromise that will create a citywide Housing Trust Fund with ongoing, annual allotments of at least $20 million from the city's General Fund.[14]
- Santa Fe temporarily reduced its inclusionary home-ownership requirement from 30 percent to 20 percent. The change is slated to expire, however, in 2014.[15]
- Several jurisdictions in the San Diego region lowered their in-lieu fee requirements, including the city of Oceanside, which had originally planned to terminate its policy but ultimately lowered its fee instead.[16]

### Defining Inclusionary Housing

**The term "inclusionary housing" is used here to describe policies that either *require* developers to offer lower-priced units in otherwise market-rate developments, or *encourage* their inclusion through incentives. The differences between mandatory and voluntary policies can be thin at times, with some "voluntary" policies effectively acting as requirements, and some "mandatory" policies applying only to special districts or certain development types, essentially giving developers a choice of whether to opt in. Because of the substantial gray area between voluntary and mandatory policies, and because they strive to achieve the same general outcomes, this report uses the term "inclusionary housing" to encompass both approaches.**

California, New Jersey, and Massachusetts each provide a strong policy backstop at the state level for local inclusionary policies that help protect these policies from being overturned.

## Why Weren't More Policies Weakened or Eliminated?

Given the housing market slowdown, one might have expected private developers to convince more local officials to rescind local inclusionary housing policies, or at least to suspend requirements. Why didn't this happen? To the extent we can answer this, it may provide important insights into how inclusionary housing policies can be preserved and strengthened going forward.

The most straightforward explanation for inclusionary housing's resilience during the downturn is that most policies tend to be based in relatively strong housing markets. Certainly a strong economy has buoyed inclusionary policies in places like Montgomery County (MD), where private development never ceased during the economic downturn. Developers there have produced more than 700 inclusionary units since 2008 – roughly half rental, and half ownership.[17]

Inclusionary housing also tends to be located in places with strong, local constituencies. Their support fortified policies in even weak markets over the past five years. For example, the Florida jurisdictions of Palm Beach County and Tallahassee saw median home prices cut in half during the downturn and new production slow to a trickle. Nonetheless both jurisdictions left their policies unchanged after local advocates mustered a strong counter-weight to efforts to overturn them.[18] A new policy in Baltimore survived a similar challenge in 2011.[19]

The flexibility of many inclusionary housing policies may have provided further insulation from challenges during the housing downturn. Many policies allow alternatives to the on-site construction of affordable units in certain situations. Options include payment of an "in-lieu" fee, building affordable units off-site, or dedicating land. Some policies also allow developers to waive out of requirements altogether in cases of severe financial hardship. Jurisdictions can also adjust these options as market conditions change, as in the case of Oceanside discussed above. Arguably, this flexibility, especially when combined with cost-offsets (such as density bonuses and relaxed zoning standards), has helped to reduce the grounds for concern with ordinances, helping them endure through the housing downturn.

Finally, California, New Jersey, and Massachusetts each provide a strong policy backstop at the state level for local inclusionary policies that help protect these policies from being overturned. Eliminating inclusionary requirements in any of these states simply means that a given jurisdiction will have to come up with other tools for generating housing for below-median-income households – such as raising local funds to subsidize affordable units – in order to stay compliant with state housing laws. Oftentimes these alternatives are more politically difficult than adopting an inclusionary housing policy.

The recent experience in the city of Folsom (CA) is illustrative. California Housing Element law requires that jurisdictions create realistic opportunities for meeting regionally determined affordable housing targets. Historically, inclusionary housing policies have been a popular tool for complying with this law.[20]

In 2011, Folsom's City Council voted to end its inclusionary housing policy. But in June 2012, the Superior Court of Sacramento County ruled that Folsom could not drop its inclusionary housing ordinance (IHO) without adopting a new housing strategy to replace it. In the decision, the judge stated:

> The Court is persuaded that the city's action to sunset the IHO is inconsistent with the city's housing element because it (1) discontinued a program ostensibly responsible for nearly half (405 units) of the city's quantified objective for affordable housing, without identifying any replacement program; and (2) interfered with the Housing Element's goals to promote the development of affordable housing. Therefore, the City's Sunset Ordinance should be invalidated.[21]

To date, Folsom's inclusionary policy remains on the books.

It would be overly simplistic to solely credit state housing law for the perpetuation of so many policies in California, given that many policies were created as a response to real, local affordability concerns.[22] Furthermore, the major, recent drop in state public subsidy for affordable housing has made inclusionary housing all the more appealing for some California communities. But arguably state housing law has made it a bit more difficult to eliminate inclusionary policies without legal consequence.

Similarly, the perpetuation of inclusionary housing policies in New Jersey reflects the strength of New Jersey's Fair Housing Act. This landmark law recognized inclusionary set asides, coupled with higher-density rezoning, as essential steps for creating "realistic opportunities" for the development of a municipality's fair share of affordable housing. Accordingly, these mechanisms have become important[23] means by which a municipality can gain certification from the New Jersey Council on Affordable Housing for its local housing plan.[24] This certification, in turn, grants a local government valuable immunity from "builder's remedy" lawsuits filed by developers.[25]

Inclusionary housing also interfaces in important ways with state housing policy in Massachusetts. Under the state's Comprehensive Permit Law (often referred to as 40B), municipalities can obtain temporary "safe harbor" from appeals by developers to override local zoning if the jurisdiction can get its Housing Production Plan certified by the state Department of Housing and Community Development (DHCD) and make regular progress toward achieving a 10 percent affordable housing stock.[26] Inclusionary housing has provided a means to work toward this 10 percent goal, though the Massachusetts DHCD has not been as explicit in its support for mandatory inclusionary housing policies as New Jersey or California.[27]

Colorado provides an interesting contrast to these three states. There is no similar policy at the state level that creates an incentive for local jurisdictions to adopt an inclusionary housing policy. This may have left local policies more vulnerable to elimination or change in recent years. Indeed, policies in the cities of Longmont and Lafayette were among the handful of ordinances nationwide that were overturned during the past five years. And while the city of Denver's policy is still on the books, it faces serious challenges from developers and local elected officials concerned about problems that arose during the downturn, such as foreclosures of some poorly monitored inclusionary units and resale difficulties in certain neighborhoods.[28] Without a strong state backstop that requires local efforts to provide affordable housing, the outcome of these discussions is uncertain.

## Inclusionary Policies Survived, but Most Inclusionary Production Stalled During the Market Downturn

While most policies survived the housing downturn nationwide, few saw much inclusionary housing production over the past five years. This exposes one of the key weaknesses of inclusionary housing as an affordable housing production strategy — its dependence on market-rate development. When private housing development comes to a halt, so does inclusionary production.

We can find exceptions in the strongest housing markets where market-rate development continued during the recession, albeit at a slower pace. Policies in the Washington, DC, metropolitan area and New York City together produced more than 1,200 inclusionary units during the national housing downturn.[29] But the resumption of inclusionary housing production has been more tentative in moderately strong markets, and has been largely confined to municipalities that apply their policy to rental development, which excludes many California and Colorado communities, as discussed in greater detail below.

Business and Professional People for the Public Interest

**Battle Road Farm is a 120-unit, mixed-income condominium development in Lincoln (MA). Forty percent of the homes are deed-restricted at below-market prices in perpetuity. The town assisted by providing land at reduced cost.**

# Key Challenges Affecting Policies Going Forward

As the housing market emerges from the downturn of the past five years, inclusionary housing policies face a new set of challenges – some, but not all, related to the downturn. Below I identify eight pressing issues that confront jurisdictions at the start of 2013. With one exception – the loss of redevelopment in California – each of these issues echoes in various parts of the U.S.

## 1. The Growing Difficulty of Applying Inclusionary Housing to Rental Properties

The most significant change to the nation's inclusionary housing landscape over the past five years was triggered not by the collapsing market or resulting pressure from private developers, but by a California legal decision rendered in 2009.

In *Palmer/Sixth Street Properties, L.P. vs. the City of Los Angeles*, a California appellate court found that an inclusionary requirement requiring affordable rental units in Los Angeles was inconsistent with state law prohibiting rent control.[30] Since this decision, most California jurisdictions have ceased applying their inclusionary policy to market-rate rental developments to stay clear of legal trouble. This is significant because California is home to almost half of the nation's inclusionary policies[31] and because most new development in California is presently being built as multifamily rentals. Also, the inability to generate inclusionary rental units comes at a time when many California towns and cities are seeing rent levels nearing all-time highs, and fiscally strapped state and local governments have cut or fully spent public funds that subsidize affordable rental housing.

The *Palmer* decision, combined with a slow recovery in the new for-sale home market, has elevated the nationwide importance of finding new ways to address legal impediments to rental inclusionary housing, as the issue affects not just California but other states such as Colorado, Wisconsin, and North Carolina.

Jurisdictions in California have generally responded in one of three ways to prohibitions on inclusionary rental units:

- **No longer applying inclusionary requirements to rental developments.** This appears to be the case for a majority of California jurisdictions with existing inclusionary policies.
- **Applying rental requirements only to developers that request some form of "assistance," such as zoning modifications or upzonings.** In this case, the municipality conditions its assistance on voluntary compliance with inclusionary rental requirements. This approach is less impactful in places that have recently upzoned desirable development areas – since developers no longer need special approval for higher density – and in places that have made attractive zoning terms available "by right" – for example in the city of Emeryville. No rental housing developers have yet sought assistance in Emeryville because of its already favorable zoning terms, thereby evading inclusionary requirements altogether (and virtually all of the city's development proposals currently are for rental housing).[32]
- **Shifting to a fee-based policy (sometimes with the option to waive out of the fee by providing units).** Rather than require inclusionary units to be built as part of new market-rate development, several jurisdictions are instead assessing an affordable housing fee on new rental development. Some jurisdictions offer developers the option to produce units on site as an alternative to paying the fee – in essence, the opposite of a traditional inclusionary zoning policy with the option to pay a fee in lieu of including affordable units. In San Francisco, a relatively high fee has made voluntary, on-site compliance relatively attractive for many developers as an alternative to paying the fee. San Diego takes a similar approach by exempting developers from the fee if they provide 10 percent affordable units on site. In Mountain View, the fee is only applicable to rental development.

As jurisdictions continue to experiment with workarounds to the *Palmer* decision, finding an effective solution has become all the more urgent.

The most significant change to the nation's inclusionary housing landscape over the past five years was triggered not by the collapsing market or resulting pressure from private developers, but by a California legal decision rendered in 2009.

## 2. The Elimination of Redevelopment in California Undermined Many Inclusionary Housing Policies

In late 2011, California governor Jerry Brown set in motion the elimination of redevelopment agencies statewide. With their disappearance came not just the loss of approximately $1 billion in local funds supporting affordable housing, but also the loss of inclusionary requirements that were tied specifically to redevelopment areas.[33] This has had a major (though less documented) impact on the inclusionary housing landscape in California.

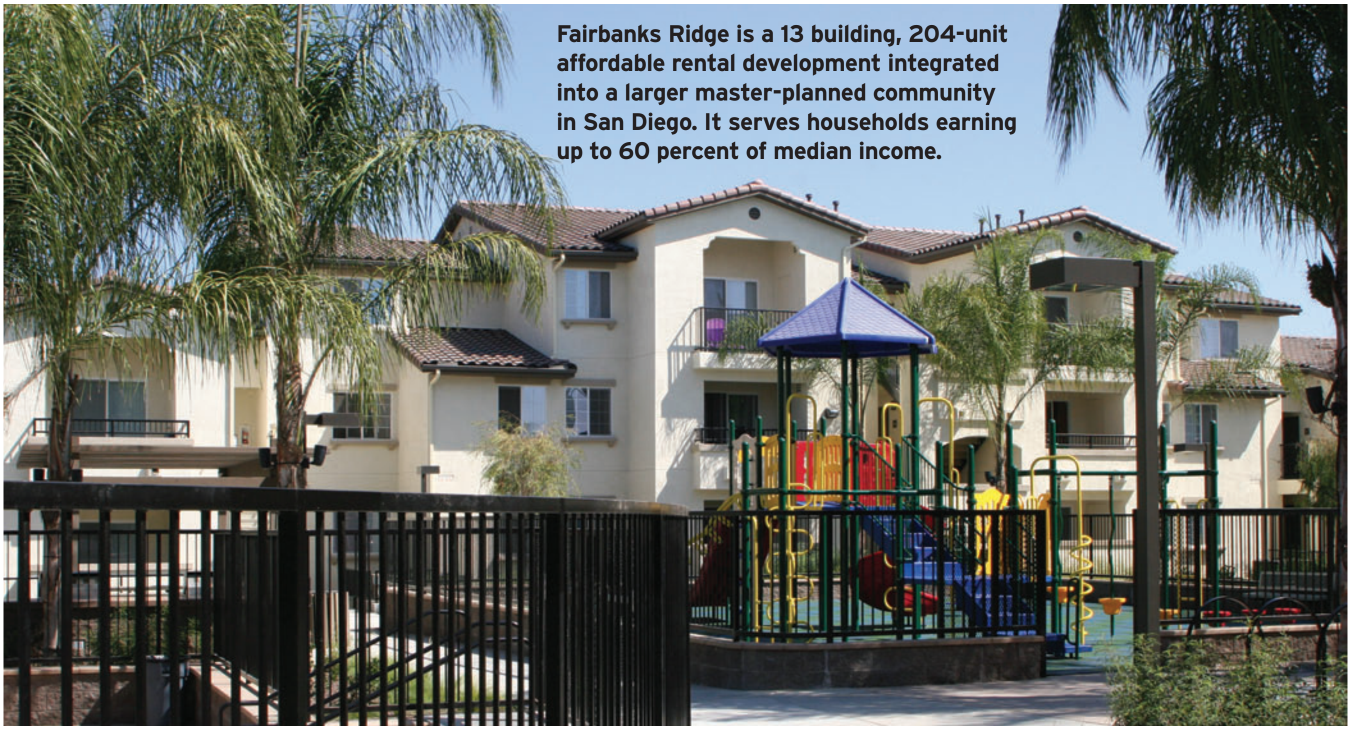
Under state law, redevelopment agencies were required to ensure that 15 percent of all new homes in redevelopment areas were affordable to low- and moderate-income households. While jurisdictions were given a choice of how to achieve this threshold, many mandated inclusionary housing in their redevelopment areas and/or required affordability from private developments seeking redevelopment assistance.

State law is unclear on whether the 15-percent, area-wide affordability requirements remain in effect.[34] As a result, many jurisdictions are backing away from the inclusionary requirements they used to meet this standard, according to advocates.[35] Furthermore, the State Department of Finance has taken the position that these requirements no longer apply. It is also up to the successor agencies that are winding down ongoing debt repayment and other contractual obligations for the redevelopment agencies to decide whether to enforce affordability covenants on existing below-market-rate homes within redevelopment areas.[36]

For approximately 289 California municipalities, redevelopment-area-wide affordability requirements were the only policies tying affordable homes to new market-rate development within the local jurisdiction.[37] Their loss therefore leaves a big hole in the state's patchwork of inclusive housing policies, especially in conservative municipalities.

Another consequence of the elimination of redevelopment agencies has been reduced funding for the administration of citywide inclusionary policies. This is because funds raised by redevelopment agencies through tax increment financing and other mechanisms provided at least partial support to many inclusionary housing administrative staff.[38] The city of Fremont, for example, has had to lay off its entire housing staff, severely impacting the management of its inclusionary housing policy. In other cities, staff formerly responsible for managing just the local inclusionary program have now had to take on successor agency responsibilities as well, because these agencies are not allowed to allocate tax increment funds for their own administration.[39]

Reduced staffing for inclusionary programs decreases not just the ability of a town or city to work closely with developers to help them meet inclusionary requirements, but also staff's ability to monitor inclusionary properties over time to ensure that they continue to be offered at affordable prices. In the past, such limited oversight has led to jurisdictions losing a significant portion of their inclusionary housing stock, on account of illegal sales or even foreclosures.[40]



**Fairbanks Ridge is a 13 building, 204-unit affordable rental development integrated into a larger master-planned community in San Diego. It serves households earning up to 60 percent of median income.**

Lynn Schmid, Courtesy of Chelsea Investment Corporation

## 3. New Inclusionary Housing Policies Have Become Harder to Pass

While most inclusionary policies remain on the books, the market decline has made it more difficult for advocates promoting inclusionary housing to pass new policies — particularly in areas that are not experiencing major upzonings or new transit investments. (These settings may actually make it easier to pass new policies, as discussed later under "New Opportunities.")

Concerns about the strength of the housing recovery also appear to have undermined efforts to build momentum in California for a legislative "fix" to the *Palmer* decision since it was issued in 2009. A state senate bill designed to override the *Palmer* decision (SB 184) failed to make it through the Senate this past year. The California Building Industry Association (CBIA), the California Apartment Association, and other opponents were able to convince even moderate Democrats to vote against it.[41]

Challenges to new inclusionary policies also have a legal dimension in California. As discussed above, the *Palmer* decision upended efforts to pass a new inclusionary policy in Los Angeles. Furthermore, a second recent decision — *Building Industry Association of Central California vs. City of Patterson (2009)* — has created some confusion about what kind of study is necessary to justify fee-centered or other inclusionary requirements, and has given litigants a new angle for challenging new or recently amended policies.[42] For example, the CBIA successfully sued the city of San Jose in 2012, preventing it from rolling out a new inclusionary policy set to begin in 2013. The lower court's decision has been appealed, but the outcome is uncertain.[43]

EAH Housing

Edgewater Place in Larkspur (CA) is a 28-unit, 100 percent affordable rental development built by EAH Housing on land dedicated by an adjacent condo developer. The dedication allowed for double the number of affordable units required under the policy by combining the land with funding from other sources, including the county's housing trust fund.

At issue are the higher per-unit costs of many infill locations and the different set of cost-offsets that may be necessary to keep policies workable for developers in these new environments.

### 4. As Development Continues to Shift Toward Infill Settings, Policies Written for Greenfield Developments May Need Adjusting

Many of the nation's inclusionary housing policies were written for undeveloped, "greenfield" settings in affluent suburbs. These policies were conceived for communities in which land was relatively plentiful, and low densities were feasible. While suburbs remain the predominant location for new housing construction, development patterns are shifting toward compact, transit-served neighborhoods closer to the regional core – a trend found in nearly three quarters of the nation's large metropolitan areas, according to recent research.[44] To the extent this shift continues, older policies may need adjusting to remain workable for developers and newly developed policies may need to be adapted to the realities of infill development.

At issue are the higher per-unit costs[45] of many infill locations (see below), and the different set of cost-offsets that may be necessary to keep policies workable for developers in these new environments.

There are several reasons why it can be more challenging for private developers to include affordable units in denser, infill settings than in lower density suburbs:

- **Land prices tend to be higher in infill areas.**
- **Structured parking is usually needed to accommodate cars in infill areas**, at an average cost of $15,000-$20,000 per space, according to one study. Underground parking can cost $25,000-$35,000 per space.[46]
- **Once buildings reach five-to-six residential stories, they are required to add elevators and shift from wood-frame to steel/concrete construction,** increasing per-unit costs significantly. At heights of over 100 feet, buildings also take on additional "life/safety" costs for features such as sophisticated fire alarm systems, pressurized exit stairs, and other fire safety provisions.[47]
- **Inclusionary units are more likely to be built in the same building as market-rate units** (rather than in separate buildings elsewhere on site), making it more difficult to build the inclusionary units at a lower cost than the market-rate units.[48]
- **Developers often take on more risk with high-rise developments** because they cannot be built incrementally in response to market demand, unlike "horizontal" developments in lower-density settings.[49]

### *Density Bonuses Are More Valuable in Some Settings than Others*

Because of the higher cost of development associated with taller buildings that require steel or concrete framing, elevators, or various other safety features, the primary cost-offset favored by traditional inclusionary policies – the density bonus – can sometimes trigger these more expensive construction requirements in an infill setting, complicating efforts to use density as the offset for inclusionary policies.

Where density limits are low, such as in greenfield settings, a density bonus can enable a developer to produce more housing units without having to acquire additional land. This can be very lucrative and help offset losses incurred by offering inclusionary units at below-market prices.

But when prevailing densities already allow for four-or-more stories, accessing density bonuses may necessitate moving into the high-rise portion of the cost curve where per-unit costs become more expensive.

In New York City, density bonuses have had mixed appeal for developers in certain neighborhoods for this very reason. In the city's highest density areas – where developers can already build well over six stories – and in areas where former industrial/commercial sites are being converted to residential uses, New York City has had nearly 100 percent participation in the city's voluntary inclusionary program, which trades higher density for affordability. But in neighborhoods of intermediate density, such as parts of Brooklyn, there has been much lower participation because accessing density bonuses would require higher, per-unit construction costs, but height limits impede tall enough construction to offset these higher costs with significantly more revenue-generating units.[50]

To foster mixed-income developments in infill areas of intermediate density – where a density bonus might trigger higher-cost construction requirements

– it is worth taking a closer look at other ways that jurisdictions may be able to offset higher per-unit development costs, in addition to the venerable density bonus. Promising ideas include:

- **streamlining the entitlement process to reduce risks** (for example, the risk that a hoped-for zoning variance may not be granted);
- **relaxing lot coverage, public space, and parking requirements** in these settings;
- **facilitating off-site construction of inclusionary units** within a mile or less of the market-rate development;
- **allowing slightly higher rent payments and/or higher income targeting for inclusionary units** in these settings;
- **reducing the inclusionary requirements for tall buildings;** and
- **providing property tax abatement and other financial assistance** for these developments.

The applicability of each offset will certainly vary from place to place, as high market prices and tall height limits in some communities may allow developers to absorb higher per-unit costs more easily than in other communities.

## 5. Rising Homeownership Association and Condominium Fees

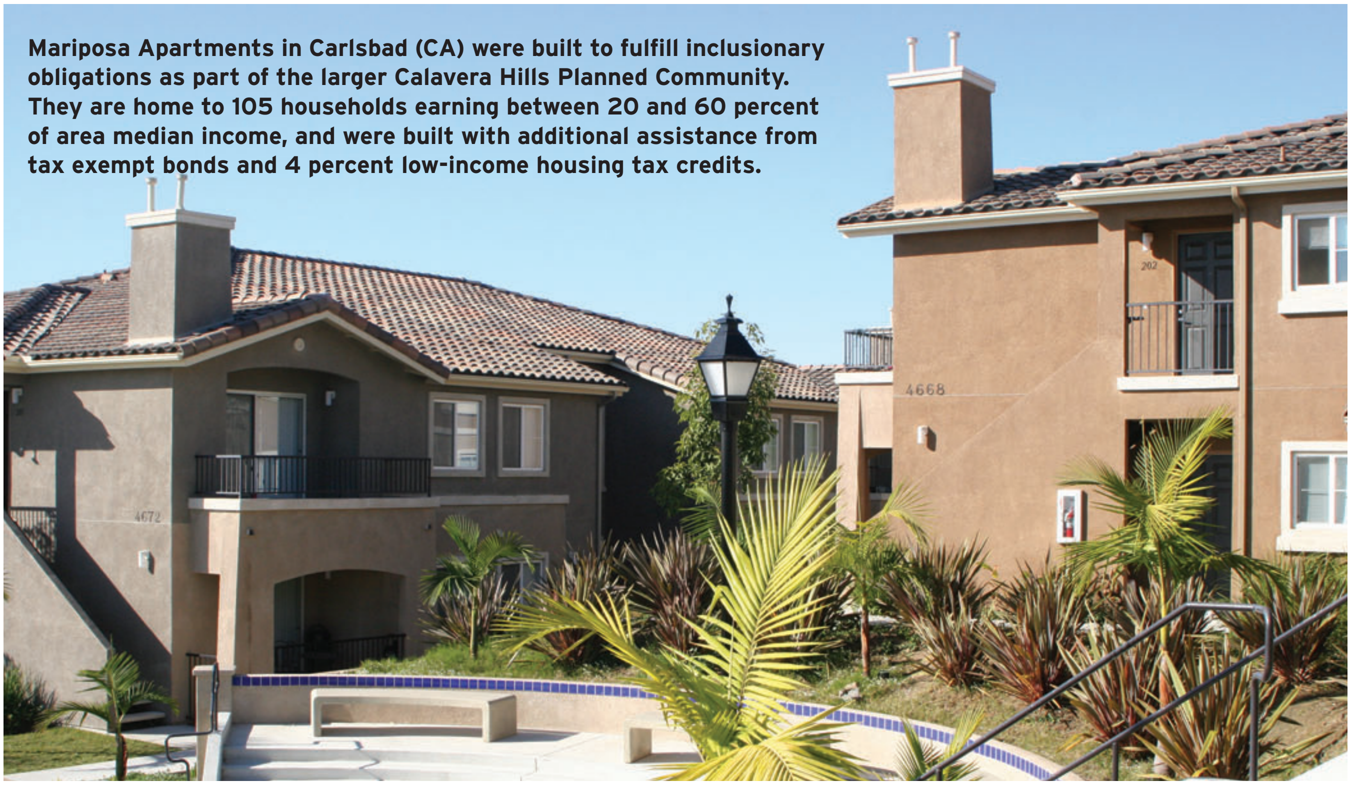
A related challenge to the higher costs of infill development is the rising cost of homeownership association (HOA) fees and special assessments in multifamily buildings.

A growing number of high-amenity, luxury developments are being built in urban settings. Multiple jurisdictions have had problems with HOA fees in these and other properties rising beyond what owners of inclusionary units can afford. Often the challenge is not so much that fees are prohibitively high at the initial point of sale, since fees are often part of the overall price calculation for inclusionary for-sale units, and accordingly must be affordable for targeted income brackets. The bigger challenge is that HOA and condo associations will increase fees and assessments once the developer is out of the picture. Inclusionary owners get outvoted and find themselves shouldering substantial fees that can sometimes rival mortgage payments.

Rising fees and special assessments undercut the affordability of inclusionary units for both existing owners and future homebuyers. Jurisdictions struggle to prevent or even just stay apprised of these cost increases. And for jurisdictions committed to maintaining the affordability of their inclusionary housing stock – ownership as well as rental – the cost of offsetting higher fees can be exorbitant, compromising a municipality's ability to promote affordability elsewhere in its jurisdiction.[51]

**The recently completed Wesmont Station community in Wood-Ridge (NJ) is walking distance to a new transit station under construction, and includes 15 percent of homes affordable to low and very low income households.**

AvalonBay Communities, Inc.




**Mariposa Apartments in Carlsbad (CA) were built to fulfill inclusionary obligations as part of the larger Calavera Hills Planned Community. They are home to 105 households earning between 20 and 60 percent of area median income, and were built with additional assistance from tax exempt bonds and 4 percent low-income housing tax credits.**

Lynn Schmid, Courtesy of Chelsea Investment Corporation

## 6. Many Policies Will Need to Be More Creative to Serve Very Low- and Extremely Low-Income Households

The *Palmer* decision's recent prohibition of rental inclusionary requirements will make it harder to reach very low-income households in California earning 50 percent or less of the area median income. Generally it has only been the rental units of inclusionary housing policies that have served very low-income households. Ownership inclusionary units are rarely priced for households earning this little. A recent California survey, for example, found that only 11 percent of for-sale units were available to households with incomes at or below 50 percent of area median income. A majority were priced for households earning between 81 and 120 percent of the median.[52]

Many polices allow market-rate developers to meet their inclusionary requirements by dedicating funds or land to affordable housing developers to produce the required affordable units either on-site or nearby. With the help of additional public subsidies, affordable housing developers can build on these contributions to provide even deeper levels of affordability than originally required by the ordinance. These partnerships are relatively common in states like California, where they were responsible for nearly one-third of inclusionary homes between 1999 and 2006 and 68 percent of inclusionary homes for extremely low income households (a total of 611 units).[53]

However, many local and state governments have made significant cuts to affordable housing funding in recent years, and the federal government has cut funding for the federal HOME program substantially.[54] This loss of funding may impede the ability of mission-driven affordable housing developers to leverage inclusionary requirements for deeper affordability going forward.

Given this loss of funding, along with new restrictions on rental inclusionary housing, local governments may need to adopt new approaches to ensure that very low-income and extremely low-income households are included in newly developing communities. Potentially promising ideas include:

- **Providing public land at discounted cost** to support inclusionary partnerships that serve very low- and extremely low-income households;
- **Offering first-right-of-refusal for purchasing inclusionary for-sale homes to housing authorities or nonprofits** that can use public housing or Section 8 voucher subsidies to manage the units as deeply affordable rentals;[55]
- **Lowering the required affordability set-aside when developers meet deeper income targeting standards;** and
- **Conditioning particularly valuable cost offsets on providing deeper levels of affordability.**

## 7. It May Get Harder to Support Inclusion Through In-Lieu Fees

Most communities with inclusionary housing policies allow developers the option of satisfying their inclusionary requirements by paying an "in-lieu fee," rather than constructing new affordable homes. Often, fee revenue is deposited in a housing trust fund and is used to facilitate construction of units elsewhere for low- and moderate-income households, or to achieve other affordable housing goals.

Often, the in-lieu fee is set low enough that developers prefer to pay the fee rather than produce the inclusionary units themselves. Various problems can follow.

The primary issue with an overreliance on in-lieu fees is that it can work against the goal of creating inclusive communities, particularly if fees are used to support affordable housing outside the area where new market-rate development is occurring.

The challenge of using in-lieu fees to further the goals of inclusivity is compounded in infill settings, where new development is increasingly focused. Infill areas often have a limited number of available sites at which a separate, affordable housing developer could use lieu-fee revenues to produce affordable homes.[56] And when sites are available, they are less likely to be priced affordably, given heightened competition from other developers.

A second challenge is that in-lieu fees are sometimes set too low to produce an equal number of affordable units elsewhere in the community – regardless of the setting.[57]

A third issue is that some communities lack local, affordable housing developers with the capacity to use fee revenues to produce new affordable homes. As a result, it is not uncommon for fee revenues to be used for downpayment assistance or other forms of housing support that are less geographically targeted, less directed toward lower-income households, and often accompanied by shorter affordability terms than inclusionary housing programs.

When sites are hard to find, fees are set too low, local capacity is constrained, or political support is lagging, inclusionary fee revenues can linger unspent for years. This has been a particular problem in New Jersey, for example. Since 1990, the state's municipalities have collected more than $442 million in fees-in-lieu, but only 15 percent of these funds have been spent on new affordable housing development. More than a quarter of municipalities collected fees but never expended a single dollar. A majority of the remaining jurisdictions have spent their fee revenues, but not on affordable housing construction.[58]


Pacific Marketing Associates

**SOMA Grand was built in 2007 with 246 luxury condominiums. Located in San Francisco, it includes 29 below-market-rate units sold to households earning at or below median income.**

This is not to say that fee options are inherently unhelpful. To the contrary, in-lieu fee revenues can help jurisdictions address diverse housing needs that would otherwise go unmet through inclusionary housing. By working in partnership with affordable housing developers, in-lieu revenues can be combined with other public funds to support larger-unit developments for families, service-enriched housing for people with special needs, or homes for extremely low-income households – all of which are rare and challenging in mixed-income developments.[59] And fee revenues can be used to create affordable rental units in jurisdictions where these types of homes are not being produced by inclusionary housing – for example in states like California and Colorado, where it is now illegal to require developers to price-control rentals directly. Fees used to support off-site affordable rental housing furthermore leverage the expertise that affordable housing developers have in managing affordable rentals.[60]

The challenge in the years ahead will be to find ways to ensure that in-lieu revenues are used to meet a broad range of housing needs while still supporting mixed-income communities, rather than creating a deeper pattern of segregated affordable housing.

## 8. It Is Still Difficult to Sell Inclusionary Ownership Units in Some Places

During the downturn, developers and homeowners struggled to sell (or re-sell) inclusionary homes in many communities, leading to pressure on local governments to ease policies and resale restrictions. As discussed earlier, this was the primary reason that a handful of municipalities discontinued their policies during the housing downturn. This issue has also been a challenge in jurisdictions that still have inclusionary policies.[61] The reasons for these difficulties vary, however.

One of the chief reasons that many "affordable" units produced through inclusionary housing policies are failing to sell is that market-rate home prices in many neighborhoods have dropped to levels comparable to inclusionary prices. Owners struggle to sell inclusionary units that are even slightly lower in price than comparable market-rate homes, because resale restrictions that cap future equity gains make the inclusionary units less attractive.[62] As a result, some inclusionary homeowners and developers have had to accept losses to sell their homes, or even face foreclosure — similar to other homeowners and developers whose homes are not restricted.

It remains to be seen whether this problem is a one-time issue related to the historic and mostly unprecedented housing market crash. If so, market-rate competition may be less of a problem going forward as the market recovers. This problem also may be the product of unrealistic expectations as much as a problem with underlying policies. After all, homeowners of all incomes lost money and experienced difficulty finding buyers during the housing crash and foreclosure crisis. While the below-market purchase prices of inclusionary units provide some protection from modest housing price downturns, there are still risks involved in purchasing these units and one can argue that the purchasers of affordable homes have experienced significantly fewer problems than purchasers of market-rate homes.

There are also some challenges, however, that affect the sales of inclusionary homes more than market-rate homes:

- **Tightened mortgage standards.** Multiple jurisdictions report difficulty in finding lower-income buyers that can qualify for mortgage financing. Following the onset of the housing downturn, banks now require much stronger credit and larger downpayments than in the past, leading many applicants to fall short of qualifying for a loan. This has been reported as a major problem even in strong markets, such as San Francisco, Montgomery County (MD), and Fairfax County (VA). Sellers therefore find themselves facing a much smaller buyer pool for inclusionary units than in previous years.
- **FHA unwillingness to insure loans for homes whose price restrictions will survive foreclosure.** This issue has become prominent in the past five years, and has had a marked impact on the initial sale of inclusionary homes, especially in places with relatively new programs, such as Washington, DC, and localities in Washington State. Because other sources of financing have dried up in many locations, few lending products may be available for applicants in these areas. The concern for FHA (and others such as Freddie Mac) is that resale restrictions on inclusionary units may impede the resale of homes should they be foreclosed upon, preventing the lender from fully recouping its loan. Some jurisdictions seek to get around this problem by allowing affordability restrictions to expire upon foreclosure, thereby obtaining an FHA waiver, while taking proactive steps to intercept units before foreclosure occurs (or by working to prevent foreclosure through better monitoring and homebuyer education). However, some jurisdictions find it challenging to get lenders to notify inclusionary administrative staff of imminent defaults, and not all jurisdictions have the resources to acquire units that have gone into default.[63]
- **Restrictions on renting out ownership inclusionary homes.** Some jurisdictions prohibit inclusionary homeowners or developers from easing their financial situation by renting out their homes.

Effectively addressing the challenge of selling inclusionary units requires clarifying what factors most impact salability and working to address these problems. To rectify the issue of competition from market-rate units, a possible solution would be to require a lower initial pricing of inclusionary ownership units by future developers, while at the same reducing the set-aside requirement. But this does not address — and may in fact compound — the problem of a limited pool of qualified applicants. To broaden the pool of eligible buyers, it may also be necessary in some places to raise income restrictions for prospective buyers (while keeping prices still affordable for lower-income households), as Montgomery County does for developers who are unable to find qualified buyers within 90 days.[64] Alternatively a jurisdiction may wish to consider changing its inclusionary requirements to allow developers or owners to rent out the homes in the event they try but are unable to sell them after a reasonable period of time. Jurisdictions also may wish to allow developers to convert ownership units to rentals on a more permanent basis in the event a sale at the target price is infeasible.

The underlying challenge for the field is that many policies lack the flexibility to adapt to changing market conditions. Not all policies for example allow existing homeowners or developers to rent out inclusionary ownership units, even under defined circumstances or for specified time periods. Strengthening policies to be more dynamic in the face of unexpected price dips (or spikes) is a key area where policies can improve in the coming years.

Sound stewardship practices can also help to minimize problems associated with changes in market conditions or buyer circumstances. Some affordable homeownership programs have an entity charged with staying in touch with buyers of affordable homes to answer their questions, help them access assistance in the event that problems arise, and monitor long-term affordability provisions.[65] There is some evidence that this type of stewardship may help anticipate and address problems before they lead to a crisis. For example, a survey of community land trusts — a form of affordable homeownership that places a particular emphasis on ongoing stewardship — found that the severe delinquency and foreclosure rates of their homebuyers were far below market levels despite the fact that the homebuyers had low incomes.[66] While some inclusionary programs offer strong stewardship of inclusionary units, others do not, and are thus less able to provide the type of ongoing support some low-income homeowners may need to weather a crisis.

Montgomery County Department of Housing and Community Affairs

**A mix of moderately priced and market-rate condominiums in Montgomery County (MD).**

# New Opportunities

The story of inclusionary housing in America today is not solely one about new challenges. There have been multiple interesting new developments in inclusionary housing over the past five-to-six years that may lead to stronger policies.

## 1. Some Jurisdictions Actually Strengthened or Expanded Their Policies During The Market Downturn

These cities and counties are part of a nationwide trend toward instituting new or expanded policies in areas experiencing significant upzoning and/or major new transit investments:

- In 2006, Washington State legalized mandatory inclusionary housing in situations where a change in zoning or other requirements increases the development capacity of an area. Where an area is upzoned, a city can require developers to include affordable units – even if developers don't take full advantage of the larger building envelope/greater development potential.[67] Thus far, the municipalities of Kirkland, Redmond, and Sammamish have established new mandatory policies tied to upzoned areas.[68]
- In 2008, San Francisco increased its affordability requirements for newly upzoned industrial areas beyond the typical requirements of its inclusionary policy (from 15 percent to 18-22 percent).[69]
- In 2010, Fairfax County (VA) adopted the Tysons Comprehensive Plan, which requires developers to include 20 percent workforce and lower-income housing in exchange for lucrative redevelopment options at sites near the county's new Metro transit stations. Elsewhere in the county, the affordability requirement is 6.25-12.5 percent. Given the strong expected demand for housing near the planned stations, and sharply higher allowable density, private developers have shown a high level of interest in building, notwithstanding the affordability restrictions:
  - The area has seen rezoning applications for 40 of the 47 million square feet of existing uses in the area.
  - 18,000 new dwelling units have been proposed.
  - 2,390 total units have been approved since June 2010.
  - One project is already under construction. It will provide 400 units (80 of them workforce units).[70]
- New York City's "designated areas" voluntary inclusionary policy, though passed before the downturn, provides further evidence of this trend. Created in 2005, the city's policy offers density bonuses of up to 33 percent in newly redeveloping areas in exchange for 20 percent affordability. Since that time, it has created and preserved approximately 1,800 below-market-rate units.[71] A large share of these homes was produced during the national economic downturn. One example is Williamsburg Community Apartments, which opened in May of 2011. It is home to 347 inclusionary rental apartments that are part of a larger condominium development located along the Brooklyn waterfront.[72]

These new policy additions reflect a growing willingness nationwide to ask for greater affordability where major zoning changes or transit investments have created significant new value for developers.[73] This may create an opening for jurisdictions seeking ways to ask for affordability from rental developments by way of incentives rather than mandates, to avoid legal complications. Similarly, they may point a way forward for jurisdictions seeking to establish workable new policies in places concerned about negative economic consequences.

Exchanging affordability for expanded development potential becomes more challenging, however, in places that have already adopted form-based codes, which lock in the maximum building envelope, or in places that have recently loosened restrictions on "by-right" densities and now lack extra zoning privileges to offer. Denver, for example, recently adopted a form-based code that increased by-right densities, but did not ask for greater affordability in return. It now finds itself in a weaker position to ask developers to include affordable rental units within new development, or to produce more affordable units on site.[74]

These new policy additions reflect a growing willingness nationwide to ask for greater affordability where major zoning changes or transit investments have created significant new value for developers.

## 2. HUD Has Brought Renewed Attention to Fair Housing Concerns

Over the past four years, HUD has asked jurisdictions to pay renewed attention to their legal obligation to affirmatively further fair housing. This heightened scrutiny comes on the heels of HUD's settlement with New York's Westchester County, in which the county was required to:

- Draft an analysis of impediments and action plan to address racial segregation.
- Spend $51.6 million to build 750 units of affordable housing in the 32 jurisdictions with the lowest percentages of minority residents.
- Take legal action against local communities within its boundaries that refuse to eliminate exclusionary zoning.[75]

HUD reportedly plans to come out with a new rule on affirmatively furthering fair housing in 2013. The rule will provide important opportunities for advancing affordable housing and mobility goals, but could be contentious. There is a need to educate stakeholders about the new rule and the opportunities and challenges it presents and to create a space for dialogue about potential concerns so they can be constructively addressed.

## 3. The Challenges in California Have Spurred New Creativity

Many jurisdictions are experimenting with new ways to tap market capital to create inclusive communities without requiring affordable rental developments per se. As we have seen, some jurisdictions have restructured inclusionary policies as a fee, with developers given the opportunity to waive out of the fee by voluntarily constructing affordable rentals. Other local governments are looking more closely at how they can leverage community-wide rezonings to promote affordability, particularly where these zoning changes create significant new value for developers and/or landowners.

In light of the growing need for creativity in jurisdictions across the U.S., along with new support from HUD for fair housing, this may be a particularly strategic time to consider new inclusionary housing tools and approaches.

# Interviewees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**Mike Rawson**
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**Susan Riggs Tinsky**
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**Art Rodgers**
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**Jaimie Ross**
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**Howard Slatkin**
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**Mike Wiener**
California Coalition for Rural Housing

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# Endnotes

1. Schwartz et al. (2012).

2. See for example: NPH (2007). The Non-Profit Housing Association of Northern California found that 63 new inclusionary housing policies were added in California between 2003 and 2007 — a 59 percent increase.

3. The precise number of inclusionary housing policies nationwide is elusive, given varying definitions and the inclusion of voluntary policies in some surveys. Brunick and Maier (2010) cite the research of David Rusk in estimating that there are roughly 400 mandatory policies nationwide. Calavita and Mallach (2010) estimate a total of 500 policies, including voluntary policies.

4. This list, assembled from various sources, includes: California, Colorado, New Mexico, Wyoming, Illinois, Florida, North Carolina, Virginia, Maryland, Massachusetts, Connecticut, New Jersey, Vermont, Washington (state), Hawaii, New York, Delaware, and Washington, DC. Sources include: Burchell et al. (2000); BPI (2003); Matthews (2006); Hollister et al. (2007); Brunick and Maier (2010); Calavita and Mallach (2010); and interviews by the author.

5. Over the past few years, the supply of rental properties has failed to keep pace with demand in many parts of the country as recently foreclosed homeowners, would-be homeowners, and a growing number of households in their 20s and 30s chose renting over buying, causing rents to escalate to some of their highest levels. Meanwhile, unemployment and underemployment persisted, causing incomes to fail to keep up with rising rents, leading to growing affordability problems in the rental market. See Williams (2012.)

6. Frey (2012).

7. EPA (2012). Between 2005 and 2009, infill development actually accounted for a majority of all new residential construction in multiple metropolitan areas, including the San Francisco Bay Area, San Jose-Sunnyvale, New York-New Jersey, and Los Angeles-Long Beach.

8. See pages 16 and 17 for a list of interviewees and references.

9. NAHB Land Development Services (2011); Interview with Michelle Allen, housing planner, city of Boulder (3/30/12).

10. The median home price in these communities for the three year period of 2009 to 2011 ranged from a low of $150,700 (in St. Cloud) to a high of $258,900 (in Bozeman). By contrast, the median home prices for the entire states of California, New Jersey, and Massachusetts (where most policies are located) averaged $370,400, $337,800, and $332,800 respectively. Source: U.S. Census (2012).

11. NAHB Land Development Services (2011).

12. Interview with Jaimie Ross, affordable housing director, Florida Housing Coalition (12/13/12). For example, Davie's policy was adopted in 2008, Bozeman's policy in 2007, Madison's in 2004, and Lafayette's also in 2004.

13. See Brunick and Maier (2010).

14. The reduction was also designed to encourage greater on-site production on the heels of the city's transition to a fee-based requirement. This transition was prompted by the Palmer court case, which limits the ability of California cities to apply inclusionary requirements to rental properties, as described in greater detail starting on page 6. Sources: correspondence with Sarah Karlinsky, deputy director, San Francisco Planning + Urban Research (11/16/12); correspondence with Sasha Hauswald, public policy manager, San Francisco Mayor's Office of Housing (11/20/12).

15. Interview with Melissa Dailey, housing special projects manager, city of Santa Fe (7/11/12).

16. Interview with Susan Riggs Tinsky, executive director, San Diego Housing Federation (2/5/13).

17. Montgomery County Department of Housing and Community Affairs (2012).

18. Interview with Jaimie Ross, affordable housing director, Florida Housing Coalition (12/13/12).

19. Interview with Tammy Mayer, director of community engagement, Citizens Planning and Housing Association, (5/11/12).

20. Calavita (2004); NPH and CCRH (2003).

21. *Sacramento Housing Alliance v. City of Folsom* (Superior Court of California, June 15, 2012).

22. See, for example, Calavita (2004).

23. Calavita, Grimes, and Mallach (1997) described these mechanisms as "virtually obligatory" (p.126). But some municipalities are reported now to be favoring plans that achieve their fair share obligations through 100-percent affordable developments, rather than inclusionary housing, so as to achieve affordability with minimal new growth. Interview with Mary Beth Lonergan, senior associate, Clarke Caton Hintz (6/4/12). See also: Calavita and Mallach (2010).

24. See also: Calavita and Mallach (2010) and Brunick (2007).

25. There may be other forces at work in New Jersey as well. Historically, inclusionary housing has enjoyed support from developers because these policies have been the primary means for accessing higher densities in suburban jurisdictions, because inclusionary requirements are typically coupled with higher densities. This is unlike California, where state density bonus law already enables developers to increase the intensity of housing developments by 5-35 percent over base requirements, and to access other zoning modifications, depending on how many affordable units are included in their market-rate developments.

26. CHAPA (2011); interview with Sean Caron, policy director, CHAPA (3/30/12).

27. See Calavita, Grimes, and Mallach (1997); and Massachusetts DHCD (2012).

28. Interview with Rick Jacobus, director, Cornerstone Partnership at NCB Capital Impact (5/21/12).

29. This includes 728 units in Montgomery County (MD), at least 159 in Fairfax County (VA), and at least 347 in New York City, based on interviews with staff in each jurisdiction.

30. Palmer/Sixth Street Properties, L.P. vs. City of Los Angeles, 175 Cal. App. 4th 1396 (2009). See also: Shigley (2009).

31. Brunick and Maier (2010).

32. Interview with Catherine Firpo, housing coordinator, city of Emeryville (11/28/12).

33. Interview with Michael Lane, policy director, NPH (11/29/12).

34. Goldfarb & Lipman L.L.P. (June 2012).

35. Interview with Michael Lane, policy director, NPH (11/29/12).

36. Goldfarb & Lipman L.L.P. (January 2012).

CENTER FOR HOUSING POLICY

As the research affiliate of the National Housing Conference (NHC), the Center for Housing Policy specializes in developing solutions through research. In partnership with NHC and its members, the Center works to broaden understanding of the nation's housing challenges and to examine the impact of policies and programs developed to address these needs. Combining research and practical, real-world expertise, the Center helps to develop effective policy solutions at the national, state, and local levels that increase the availability of affordable homes.


## Acknowledgements

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37. Analysis by the Center for Housing Policy, 2012.

38. Many small and mid-sized jurisdictions don't have housing divisions. Often redevelopment dollars were used to support staff members who were splitting their time between administering redevelopment area affordable housing programs and administering the jurisdiction's inclusionary housing policy.

39. Interview with Michael Lane, policy director, NPH (12/12/12).

40. Rick Jacobus (2007); interview with Rick Jacobus, director, Cornerstone Partnership at NCB Capital Impact (5/21/12).

41. Interview with Michael Lane, policy director, NPH (12/12/12).

42. California Affordable Housing Law Project of the Public Interest Law Project (2010).

43. Correspondence with Mike Rawson, director, the Public Interest Law Project/California Affordable Housing Law Project (11/14/12).

44. EPA OSC (2012). See also: Frey (2012); McIlwain (2010); Kannan (2010).

45. Here I am referring to costs for developers, rather than municipalities or regions as a whole. If we were to factor in the complete costs of infrastructure and externalities such as pollution in comparing infill versus other settings, this cost equation would be different.

46. Litman (2012).

47. Strategic Economics and Hixson & Associates (2008).

48. Trombka et al. (2004). This is not to suggest that there are no cost saving opportunities in infill settings. Walkable, transit-rich communities make it possible to serve residents with fewer parking spaces, for example. And many policies allow inclusionary units to use more modest finishes and appliances. But the placement of inclusionary units in the same building as market-rate units makes it more difficult to save costs through other important means, such as reducing the size of inclusionary units, using different materials for the building's exterior, or limiting common-area amenities.

49. Trombka et al. (2004).

50. Interview with Howard Slatkin, director of sustainability, NYC Department of City Planning (5/14/12).

51. HousingPolicy.org Forum (2008-2011).

52. NPH (2007).

53. NPH (2007).

54. NLIHC (2012).

55. This has been successful in Montgomery County (MD) and Fairfax County (VA).

56. Interview with Susan Riggs Tinsky, executive director, San Diego Housing Federation (5/17/12).

57. NPH and CCRH (2003). Massachusetts Association of CDCs (2006). Interview with Melinda Pollack, vice president, solutions, Enterprise Community Partners (4/13/12). Interview with Susan Riggs Tinsky, executive director, San Diego Housing Federation (5/17/12).

58. Calavita and Mallach (2010). This has prompted New Jersey to recently pass a "Use it or Lose it" law, which requires municipalities to either spend locally collected funds within four years or forfeit them to a state affordable housing fund. It is not yet clear, however, whether this will ensure that all collected funds are invested in affordable housing, particularly in areas of growing opportunity.

59. Calavita and Mallach (2010).

60. Interview with Rick Jacobus, director, Cornerstone Partnership at NCB Capital Impact (5/21/12).

61. See for example Denver, Davidson (NC), San Francisco, and Montgomery County (MD).

62. One jurisdiction reports that inclusionary prices need to be as much as 30 percent lower than market prices before buyers become motivated to purchase inclusionary units. See Center for Housing Policy and the Lincoln Institute of Land Policy (2009).

63. Interview with Art Rodgers, senior housing planner, Washington, DC (4/4/12).

64. Interview with Lisa Schwartz, senior planning specialist, Montgomery County (MD) (5/1/12).

65. Jacobus (November 2007).

66. Thaden (2011).

67. The Housing Partnership (2007).

68. Interview with Arthur Sullivan, program manager, A Regional Coalition for Housing (5/21/12).

69. Interview with Chandra Egan, senior community development specialist II, city of San Francisco (4/13/12).

70. Fairfax County Office of Community Revitalization and Reinvestment (October 2011).

71. New York City Department of City Planning (February 17, 2009).

72. HUD (July 2011).

73. Calavita and Mallach (2009).

74. Interview with Melinda Pollack, vice president-solutions, Enterprise Community Partners (4/13/12).

75. Hannah-Jones (November 2, 2012).

# FRANK B. PEERS HOUSING
## Balance Sheet
Month Ending 03/31/13

| | |
|---|---|
| **ASSETS** | |
| Current Assets | |
| 1110-0000 - Petty Cash | 300.00 |
| 1121-0000 - Cash - Operating | 16,026.41 |
| 1130-0000 - Tenant/member accounts receivable | 204.00 |
| 1131-0000 - Accounts receivable - subsidy | 54,072.00 |
| 1240-0000 - Prepaid property and liability insurance | 6,109.80 |
| Total Current Assets | 76,712.21 |
| Other Assets | |
| 1290-0000 - Misc Prepaid Expenses | 813.73 |
| 1192-0000 - Tenant Sec Dep | 21,109.12 |
| 1310-0000 - Real estate tax escrow | 128,267.80 |
| 1311-0000 - Insurance escrow | 24,323.01 |
| 1330-0000 - Debt Service Escrow | 138,750.39 |
| 1140-0000 - Accounts Receivable - Other | 3,284.36 |
| 1630-0000 - Utility Deposit - Gas | 2,458.00 |
| 1320 - Replacement Reserve | 145,494.80 |
| 1340 - Residual Receipt | 31,874.62 |
| Total Other Assets | 496,375.83 |
| Fixed Assets | |
| 1420-0000 - Building | 1,848,860.15 |
| 1420-0001 - Building Improvements | 86,413.87 |
| 1430-0000 - Land Improvements | 1,619,406.39 |
| 1450-0000 - Furniture for project/tenant use | 507,019.34 |
| 1497-0000 - Site improvements | 172,218.77 |
| 4120-0000 - Accum depr - buildings | (3,157,701.64) |
| Total Fixed Assets | 1,076,216.88 |
| Financing Costs | |
| 1900-0001 - Deferred Financing Costs | 192,398.85 |
| 1999-0000 - Accum Amort - Bond Costs | (57,387.22) |
| Total Financing Costs | 135,011.63 |
| Partnership Assets | |
| 1701-0000 - Cash - Partnership | 12,892.66 |
| 1702-0000 - Partnership MM | 2,123,923.13 |
| 1703-0000 - Partnership Receivable | 267,013.69 |
| Total Partnership Assets | 2,403,829.48 |
| **Total Assets** | **4,188,146.03** |

# FRANK B. PEERS HOUSING
## Balance Sheet
Month Ending 03/31/13

| | |
|---|---|
| **Liabilities & Equity** | |
| Current Liabilities | |
| 2110-0000 - Accounts payable | 9,407.72 |
| 2113-0000 - Flex Benefit Payable | 7.92 |
| 2120-0000 - Accrued wages and p/r taxes payable | 3,206.52 |
| 2150-0000 - Accrued property taxes | 138,385.00 |
| 2180-0000 - Misc current liabilities | 10,903.03 |
| Total Current Liabilities | 161,910.19 |
| Non-Current Liabilities | |
| 2190-0000 - Sec. Dep. In Transit | (28,400.00) |
| 2191-0000 - Security deposits-residential | 15,481.00 |
| 2191-0001 - Pet Deposit | 895.00 |
| 2210-0000 - Prepaid Rent | 160.00 |
| 2211-0000 - Prepaid HUD | 42,815.00 |
| 2320-1000 - Mortgage payable - 2nd note | 2,290,000.00 |
| 2320-0000 - Mortgage Payable (long term) | 1,849,802.87 |
| Total Non-Current Liabilities | 4,170,753.87 |
| Owner's Equity | |
| 3100-0000 - Limited Partners Equity | 2,402,918.63 |
| 3209-0000 - Prior Year Retained Earnings | (2,601,328.52) |
| 3210-0000 - Retained earnings | 45,319.53 |
| Current YTD Earnings | 8,572.33 |
| Total Owner's Equity | (144,518.03) |
| **Total Liability & Owner Equity** | **4,188,146.03** |

# FRANK B. PEERS HOUSING
## Actual vs Budget Accrual Operating Statement

| | Month Ending 03/31/13 | | | Year To Date 03/31/13 | | | |
|---|---|---|---|---|---|---|---|
| | Actual | Budget | Variance | Actual | Budget | Variance | Annual Budget |
| GROSS OPERATING INCOME | | | | | | | |
| RESIDENTIAL RENTAL INCOME | | | | | | | |
| 5120-0000 - Apartment rent | 27,260.00 | 36,910.00 | (9,650.00) | 68,153.00 | 110,730.00 | (42,577.00) | 442,920.00 |
| 5121-0000 - Tenant assistant payments | 63,006.00 | 46,976.00 | 16,030.00 | 190,009.00 | 140,928.00 | 49,081.00 | 563,712.00 |
| 5140-0000 - Commercial base rent | 60.00 | 60.00 | 0.00 | 604.66 | 180.00 | 424.66 | 720.00 |
| TOTAL RESIDENTIAL RENTAL INCOME | 90,326.00 | 83,946.00 | 6,380.00 | 258,766.66 | 251,838.00 | 6,928.66 | 1,007,352.00 |
| VACANCIES & ADJUSTMENTS | | | | | | | |
| 5220-0000 - Vacancy loss - apartments | (4,290.00) | (2,468.00) | (1,822.00) | (11,668.00) | (7,404.00) | (4,264.00) | (22,212.00) |
| 5221-0000 - Non-Revenue Units | (1,243.00) | (1,234.00) | (9.00) | (3,729.00) | (3,702.00) | (27.00) | (14,808.00) |
| TOTAL VACANCIES & ADJUSTMENTS | (5,533.00) | (3,702.00) | (1,831.00) | (15,397.00) | (11,106.00) | (4,291.00) | (37,020.00) |
| OTHER INCOME | | | | | | | |
| 5910-0000 - Laundry income | 0.00 | 205.00 | (205.00) | 448.00 | 615.00 | (167.00) | 2,460.00 |
| 5922-0000 - Late fees | 0.00 | 5.00 | (5.00) | 0.00 | 15.00 | (15.00) | 60.00 |
| 5945-0000 - Damages | 0.00 | 50.00 | (50.00) | 0.00 | 150.00 | (150.00) | 600.00 |
| 5990-0000 - Misc other income | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 600.00 |
| 5410-0000 - Interest Income Project Operations | 0.00 | 0.00 | 0.00 | 7.42 | 0.00 | 7.42 | 0.00 |
| 5413-0000 - Interest income - escrow | 1.13 | 2.00 | (0.87) | 1.13 | 6.00 | (4.87) | 24.00 |
| TOTAL OTHER INCOME | 1.13 | 262.00 | (260.87) | 456.55 | 786.00 | (329.45) | 3,744.00 |
| GROSS OPERATING INCOME | 84,794.13 | 80,506.00 | 4,288.13 | 243,826.21 | 241,518.00 | 2,308.21 | 974,076.00 |
| ADVERTISING & RENTING EXPENSE | | | | | | | |
| 6213-0000 - Employee Recruitment | 0.00 | 25.00 | 25.00 | 40.19 | 75.00 | 34.81 | 300.00 |
| 6253-0000 - Credit Report Fees | 81.00 | 30.00 | (51.00) | 109.00 | 90.00 | (19.00) | 360.00 |
| TOTAL ADVERTISING & RENTING EXPENSE | 81.00 | 55.00 | (26.00) | 149.19 | 165.00 | 15.81 | 660.00 |
| ADMINISTRATIVE EXPENSE | | | | | | | |
| 6311-0000 - Office supplies | 531.76 | 225.00 | (306.76) | 1,321.76 | 675.00 | (646.76) | 2,700.00 |
| 6316-0000 - Office Equipment | 591.93 | 405.00 | (186.93) | 759.72 | 1,215.00 | 455.28 | 4,860.00 |
| 6320-0000 - Management fee | 6,055.40 | 4,167.00 | (1,888.40) | 13,705.88 | 12,501.00 | (1,204.88) | 50,004.00 |
| 6340-0000 - Legal Expense - Project | 1,000.00 | 100.00 | (900.00) | 1,000.00 | 300.00 | (700.00) | 1,200.00 |
| 6350-0000 - Audit Expense | 5,500.00 | 2,283.00 | (3,217.00) | 5,500.00 | 4,566.00 | (934.00) | 13,700.00 |
| 6360-0000 - Telephone | 1,089.71 | 750.00 | (339.71) | 2,022.49 | 2,250.00 | 227.51 | 9,000.00 |
| 6360-0001 - Answering Service/ Pagers | 121.40 | 61.00 | (60.40) | 182.29 | 183.00 | 0.71 | 732.00 |
| 6365-0000 - Training & Education Expense | 0.00 | 125.00 | 125.00 | 0.00 | 375.00 | 375.00 | 1,500.00 |
| 6370-0000 - Bad debts | 0.00 | 417.00 | 417.00 | 0.00 | 1,251.00 | 1,251.00 | 5,004.00 |
| 6371-0000 - Fees Dues & Contributions | 165.27 | 0.00 | (165.27) | 165.27 | 0.00 | (165.27) | 0.00 |
| 6380-0000 - Consulting/study costs | 0.00 | 250.00 | 250.00 | 0.00 | 750.00 | 750.00 | 3,000.00 |
| 6385-0000 - Temporary Help | 0.00 | 84.00 | 84.00 | 0.00 | 252.00 | 252.00 | 1,008.00 |
| 6390-0000 - Misc administrative expenses | 0.00 | 184.00 | 184.00 | 675.00 | 552.00 | (123.00) | 2,208.00 |
| 6390-0002 - Computer Supplies/Data Processing | 323.88 | 150.00 | (173.88) | 554.57 | 450.00 | (104.57) | 1,800.00 |
| 6395-0000 - Tenant Retention | 1,067.61 | 500.00 | (567.61) | 1,715.89 | 1,500.00 | (215.89) | 7,000.00 |
| 6431-0000 - Travel & Expense Reimbursement | 339.71 | 170.00 | (169.71) | 832.28 | 510.00 | (322.28) | 2,040.00 |
| 6860-0000 - Security Deposit Interest | (0.50) | 0.00 | 0.50 | (1.51) | 0.00 | 1.51 | 0.00 |
| TOTAL ADMINISTRATIVE EXPENSE | 16,786.17 | 9,871.00 | (6,915.17) | 28,433.64 | 27,330.00 | (1,103.64) | 105,756.00 |
| PAYROLL & RELATED COSTS | | | | | | | |
| 6310-0000 - Office salaries | 5,355.17 | 4,752.00 | (603.17) | 14,307.53 | 14,256.00 | (51.53) | 63,145.00 |

# FRANK B. PEERS HOUSING
## Actual vs Budget Accrual Operating Statement

| | Month Ending 03/31/13 | | | Year To Date 03/31/13 | | | |
|---|---|---|---|---|---|---|---|
| | Actual | Budget | Variance | Actual | Budget | Variance | Annual Budget |
| 6510-0000 - Janitor and cleaning payroll | 1,490.55 | 2,468.00 | 977.45 | 6,513.39 | 7,404.00 | 890.61 | 32,120.00 |
| 6540-0000 - Repairs payroll | 3,214.21 | 2,144.00 | (1,070.21) | 8,596.71 | 6,432.00 | (2,164.71) | 27,903.00 |
| 6900-0000 - Social Service Coordinator | 563.20 | 1,629.00 | 1,065.80 | 2,816.00 | 4,407.00 | 1,591.00 | 17,093.00 |
| 6715-0000 - Payroll Taxes | 1,622.75 | 1,886.00 | 263.25 | 5,238.44 | 6,074.00 | 835.56 | 14,198.00 |
| 6722-0000 - Workers compensation | 271.25 | 275.00 | 3.75 | 556.75 | 825.00 | 268.25 | 3,300.00 |
| 6723-0000 - Employee health insurance | 278.77 | 550.00 | 271.23 | 3,920.85 | 1,650.00 | (2,270.85) | 6,894.00 |
| 6724-0000 - Union Benefits | 1,310.84 | 1,200.00 | (110.84) | 1,126.04 | 3,600.00 | 2,473.96 | 14,415.00 |
| 6726-0001 - Contingency | 1,144.00 | 2,259.00 | 1,115.00 | 1,144.00 | 2,729.00 | 1,585.00 | 5,504.00 |
| TOTAL PAYROLL & RELATED COSTS | 15,250.74 | 17,163.00 | 1,912.26 | 44,219.71 | 47,377.00 | 3,157.29 | 184,572.00 |
| OPERATING EXPENSES | | | | | | | |
| 6515-0000 - Janitors and cleaning supplies | 697.76 | 300.00 | (397.76) | 1,105.83 | 900.00 | (205.83) | 3,600.00 |
| 6516-0000 - Bulbs & Tubes | 0.00 | 100.00 | 100.00 | 0.00 | 300.00 | 300.00 | 1,200.00 |
| 6517-0000 - Outside Cleaning Service | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,500.00 |
| 6518-0000 - Uniforms | 0.00 | 0.00 | 0.00 | 0.00 | 500.00 | 500.00 | 500.00 |
| 6519-0000 - Exterminating Contract | 0.00 | 110.00 | 110.00 | 315.00 | 330.00 | 15.00 | 1,320.00 |
| 6525-0000 - Rubbish removal | 300.00 | 310.00 | 10.00 | 969.08 | 930.00 | (39.08) | 3,720.00 |
| 6490-0000 - Misc operating expenses | 0.00 | 50.00 | 50.00 | 0.00 | 150.00 | 150.00 | 600.00 |
| TOTAL OPERATING EXPENSES | 997.76 | 870.00 | (127.76) | 2,389.91 | 3,110.00 | 720.09 | 12,440.00 |
| UTILITIES | | | | | | | |
| 6450-0000 - Electricity | 1,929.63 | 1,800.00 | (129.63) | 3,648.15 | 5,400.00 | 1,751.85 | 21,600.00 |
| 6451-0000 - Water | 3,466.77 | 950.00 | (2,516.77) | (225.24) | 2,850.00 | 3,075.24 | 11,400.00 |
| 6452-0000 - Gas | 3,030.53 | 1,500.00 | (1,530.53) | 9,197.62 | 5,000.00 | (4,197.62) | 16,000.00 |
| TOTAL UTILITIES | 8,426.93 | 4,250.00 | (4,176.93) | 12,620.53 | 13,250.00 | 629.47 | 49,000.00 |
| MAINTENANCE EXPENSES | | | | | | | |
| 6536-0000 - Ground supplies | 0.00 | 292.00 | 292.00 | 0.00 | 876.00 | 876.00 | 3,504.00 |
| 6537-0000 - Grounds Contractor (Landscaper) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5,200.00 |
| 6541-0000 - Repair materials (general supplies) | 117.31 | 560.00 | 442.69 | 318.36 | 1,680.00 | 1,361.64 | 6,720.00 |
| 6541-0001 - Appliance Parts | 0.00 | 50.00 | 50.00 | 335.82 | 150.00 | (185.82) | 600.00 |
| 6541-0002 - Plumbing Supplies | 38.75 | 100.00 | 61.25 | 342.63 | 300.00 | (42.63) | 1,200.00 |
| 6541-0003 - Electrical Supplies | 10.44 | 100.00 | 89.56 | 10.44 | 300.00 | 289.56 | 1,200.00 |
| 6541-0004 - Heating/Cooling Supplies | 0.00 | 50.00 | 50.00 | 24.56 | 150.00 | 125.44 | 600.00 |
| 6541-0005 - Hand Tools | 0.00 | 0.00 | 0.00 | 0.00 | 300.00 | 300.00 | 300.00 |
| 6541-0006 - Expendable Tools | 0.00 | 0.00 | 0.00 | 0.00 | 400.00 | 400.00 | 400.00 |
| 6541-0007 - Safety Equipment | 0.00 | 50.00 | 50.00 | 0.00 | 150.00 | 150.00 | 600.00 |
| 6541-0009 - Window Supplies | 0.00 | 0.00 | 0.00 | 0.00 | 200.00 | 200.00 | 200.00 |
| 6541-0010 - Carpentry/Hardware | 0.00 | 50.00 | 50.00 | 389.55 | 150.00 | (239.55) | 600.00 |
| 6545-0000 - Elevator Contractor (Annual Maintenance Contract) | 0.00 | 290.00 | 290.00 | 587.10 | 870.00 | 282.90 | 3,480.00 |
| 6546-0000 - Heating/Cooling Contractor | 0.00 | 213.00 | 213.00 | 0.00 | 639.00 | 639.00 | 2,556.00 |
| 6548-0000 - Snow removal | 1,758.93 | 2,608.00 | 849.07 | 3,508.93 | 7,824.00 | 4,315.07 | 15,648.00 |
| 6551-0000 - Elevator Contractor (Special Repairs) | 0.00 | 125.00 | 125.00 | 0.00 | 375.00 | 375.00 | 1,500.00 |
| 6560-0000 - Decorating (Tenant Pntg-Cycle/Turnover by Contractor) | 1,450.00 | 1,000.00 | (450.00) | 4,045.00 | 3,000.00 | (1,045.00) | 12,000.00 |
| 6564-0000 - Decorating (Common Areas - by Contractor) | 0.00 | 208.00 | 208.00 | 0.00 | 624.00 | 624.00 | 2,496.00 |
| 6580-0000 - Equipment repairs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 500.00 |
| 6581-0000 - Window Washing | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,500.00 |
| 6582-0000 - Fire Protection | 582.25 | 400.00 | (182.25) | 582.25 | 1,200.00 | 617.75 | 4,800.00 |
| 6582-0001 - Fire Safety Equipment | 0.00 | 500.00 | 500.00 | 0.00 | 1,500.00 | 1,500.00 | 6,000.00 |
| 6590-0000 - Miscellaneous Repair | 0.00 | 100.00 | 100.00 | 156.00 | 300.00 | 144.00 | 1,200.00 |

# FRANK B. PEERS HOUSING
## Actual vs Budget Accrual Operating Statement

| | Month Ending 03/31/13 | | | Year To Date 03/31/13 | | | |
|---|---|---|---|---|---|---|---|
| | Actual | Budget | Variance | Actual | Budget | Variance | Annual Budget |
| 6591-0000 - Electrical Repairs | 0.00 | 300.00 | 300.00 | 0.00 | 900.00 | 900.00 | 3,600.00 |
| 6592-0000 - Boiler Repairs | 0.00 | 500.00 | 500.00 | 656.43 | 1,500.00 | 843.57 | 6,000.00 |
| 6594-0000 - Carpentry Repairs | 0.00 | 100.00 | 100.00 | 0.00 | 300.00 | 300.00 | 1,200.00 |
| 6595-0000 - Plumbing Repairs | 0.00 | 790.00 | 790.00 | 1,797.94 | 2,370.00 | 572.06 | 9,480.00 |
| 6596-0000 - Floor Repairs/Cleaning | 0.00 | 150.00 | 150.00 | 605.00 | 450.00 | (155.00) | 1,800.00 |
| 6598-0000 - Roof Repairs | 0.00 | 100.00 | 100.00 | 0.00 | 300.00 | 300.00 | 1,200.00 |
| TOTAL MAINTENANCE EXPENSES | 3,957.68 | 8,636.00 | 4,678.32 | 13,360.01 | 26,808.00 | 13,447.99 | 96,084.00 |
| TAXES AND INSURANCE | | | | | | | |
| 6710-0000 - Real estate taxes | 9,000.00 | 9,000.00 | 0.00 | 27,000.00 | 27,000.00 | 0.00 | 108,000.00 |
| 6720-0000 - Property and liability insurance | 2,036.62 | 2,083.00 | 46.38 | 6,109.86 | 6,249.00 | 139.14 | 24,996.00 |
| 6721-0000 - Fidelity bond insurance | 0.00 | 10.00 | 10.00 | 0.00 | 30.00 | 30.00 | 120.00 |
| TOTAL TAXES AND INSURANCE | 11,036.62 | 11,093.00 | 56.38 | 33,109.86 | 33,279.00 | 169.14 | 133,116.00 |
| TOTAL OPERATING EXPENSES | 56,536.90 | 51,938.00 | (4,598.90) | 134,282.85 | 151,319.00 | 17,036.15 | 581,628.00 |
| NET OPERATING INCOME (LOSS) | 28,257.23 | 28,568.00 | (310.77) | 109,543.36 | 90,199.00 | 19,344.36 | 392,448.00 |
| FINANCIAL EXPENSES | | | | | | | |
| 6820-0000 - Mortgage interest | 20,175.44 | 20,176.00 | 0.56 | 60,677.72 | 60,680.00 | 2.28 | 239,947.00 |
| 7104-0000 - Replacement Reserve | 1,863.67 | 1,864.00 | 0.33 | 5,591.01 | 5,592.00 | 0.99 | 22,368.00 |
| 7108-0000 - Mortgage Payable (long term) | 10,312.10 | 10,262.00 | (50.10) | 30,784.90 | 30,634.00 | (150.90) | 125,294.00 |
| TOTAL FINANCIAL EXPENSES | 32,351.21 | 32,302.00 | (49.21) | 97,053.63 | 96,906.00 | (147.63) | 387,609.00 |
| NET OPER INC/(LOSS) BEFORE CAP. EXP. | (4,093.98) | (3,734.00) | (359.98) | 12,489.73 | (6,707.00) | 19,196.73 | 4,839.00 |
| NET INCOME (LOSS) | (4,093.98) | (3,734.00) | (359.98) | 12,489.73 | (6,707.00) | 19,196.73 | 4,839.00 |
| Partnership Income | | | | | | | |
| 8005-0000 - Mortgagor Entity Income | 490.54 | 0.00 | 490.54 | 772.76 | 0.00 | 772.76 | 0.00 |
| 8010-0000 - Other Entity Expense | 0.00 | 0.00 | 0.00 | (10.00) | 0.00 | (10.00) | 0.00 |
| Total Partnership Activity | 490.54 | 0.00 | 490.54 | 762.76 | 0.00 | 762.76 | 0.00 |
| CAPITAL EXPENDITURES & ESCROWS | | | | | | | |
| 7105-0000 - Replacement Reserve Reimbursement | 0.00 | (181,666.00) | (181,666.00) | 0.00 | (544,998.00) | (544,998.00) | (660,998.00) |
| 6991-0000 - Capital expenditures | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 98,000.00 |
| 6991-0002 - Windows | 0.00 | 181,666.00 | 181,666.00 | 0.00 | 544,998.00 | 544,998.00 | 544,998.00 |
| 6991-0016 - Concrete Repairs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2,500.00 |
| 6993-0000 - Appliance Replacement | 0.00 | 120.00 | 120.00 | 0.00 | 360.00 | 360.00 | 1,440.00 |
| 6993-0002 - Water Heaters | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 11,000.00 |
| 6993-0003 - A/C Replacements | 0.00 | 225.00 | 225.00 | 0.00 | 675.00 | 675.00 | 2,700.00 |
| 6994-0000 - Carpet & tile | 0.00 | 650.00 | 650.00 | 0.00 | 1,950.00 | 1,950.00 | 7,800.00 |
| TOTAL CAPITAL EXPENDITURES & ESCROWS | 0.00 | 995.00 | 995.00 | 0.00 | 2,985.00 | 2,985.00 | 7,440.00 |
| GAIN/(LOSS) AFTER CAPITAL EXP. & ESCROWS | (3,603.44) | (4,729.00) | 1,125.56 | 13,252.49 | (9,692.00) | 22,944.49 | (2,601.00) |

# WALNUT PLACE
## Balance Sheet
Month Ending 03/31/13

**ASSETS**

| | |
|---|---|
| Current Assets | |
| 1110-0000 - Petty Cash | 900.00 |
| 1121-0000 - Cash - Operating | 25,714.55 |
| 1130-0000 - Tenant/member accounts receivable | 18,581.43 |
| 1131-0000 - Accounts receivable - subsidy | 43,434.00 |
| 1240-0000 - Prepaid property and liability insurance | 6,109.80 |
| Total Current Assets | 94,739.78 |
| Other Assets | |
| 1290-0000 - Misc Prepaid Expenses | 1,025.16 |
| 1192-0000 - Tenant Sec Dep | 21,087.69 |
| 1310-0000 - Real estate tax escrow | 165,371.76 |
| 1311-0000 - Insurance escrow | 27,162.83 |
| 1330-0000 - Debt Service Escrow | 136,095.88 |
| 1320 - Replacement Reserve | 168,911.01 |
| 1340 - Residual Receipt | 27,094.59 |
| Total Other Assets | 546,748.92 |
| Fixed Assets | |
| 1410-0000 - Land | 220,000.00 |
| 1420-0000 - Building | 2,907,088.00 |
| 1420-0001 - Building Improvements | 23,774.27 |
| 1430-0000 - Land Improvements | 321,376.00 |
| 1440-0000 - Building Equipment Portable | 354,185.56 |
| 1450-0000 - Furniture for project/tenant use | 398,382.24 |
| 4120-0000 - Accum depr - buildings | (3,408,821.59) |
| 1498-0000 - Current F/A | 3,009.50 |
| Total Fixed Assets | 818,993.98 |
| Financing Costs | |
| 1900-0001 - Deferred Financing Costs | 174,813.03 |
| 1999-0000 - Accum Amort - Bond Costs | (44,920.51) |
| Total Financing Costs | 129,892.52 |
| Partnership Assets | |
| 1701-0000 - Cash - Partnership | 104,526.74 |
| Total Partnership Assets | 104,526.74 |
| **Total Assets** | **1,694,901.94** |

# WALNUT PLACE
## Balance Sheet
Month Ending 03/31/13

| | |
|---|---|
| **Liabilities & Equity** | |
| Current Liabilities | |
| 2110-0000 - Accounts payable | 14,671.17 |
| 2113-0000 - Flex Benefit Payable | 7.92 |
| 2120-0000 - Accrued wages and p/r taxes payable | 3,206.46 |
| 2150-0000 - Accrued property taxes | 163,300.00 |
| 2155-0000 - Accrued professional services | 40,468.00 |
| 2180-0000 - Misc current liabilities | 9,979.87 |
| Total Current Liabilities | 231,633.42 |
| Non-Current Liabilities | |
| 2190-0000 - Sec. Dep. In Transit | (14,459.00) |
| 2191-0000 - Security deposits-residential | 18,889.00 |
| 2191-0001 - Pet Deposit | 1,175.00 |
| 2210-0000 - Prepaid Rent | 719.00 |
| 2211-0000 - Prepaid HUD | 20,935.00 |
| 2320-1000 - Mortgage payable - 2nd note | 2,546,000.00 |
| 2320-4000 - Deferred Revenue | 237,622.00 |
| 2320-0000 - Mortgage Payable (long term) | 1,886,458.25 |
| Total Non-Current Liabilities | 4,697,339.25 |
| Owner's Equity | |
| 3100-0000 - Limited Partners Equity | 104,375.87 |
| 3209-0000 - Prior Year Retained Earnings | (3,627,759.44) |
| 3210-0000 - Retained earnings | 277,105.66 |
| Current YTD Earnings | 12,207.18 |
| Total Owner's Equity | (3,234,070.73) |
| **Total Liability & Owner Equity** | **1,694,901.94** |

# WALNUT PLACE
## Actual vs Budget Accrual Operating Statement

| | Month Ending 03/31/13 Actual | Budget | Variance | Year To Date 03/31/13 Actual | Budget | Variance | Annual Budget |
|---|---|---|---|---|---|---|---|
| GROSS OPERATING INCOME | | | | | | | |
| RESIDENTIAL RENTAL INCOME | | | | | | | |
| 5120-0000 - Apartment rent | 22,926.00 | 38,120.00 | (15,194.00) | 62,168.00 | 114,360.00 | (52,192.00) | 457,440.00 |
| 5121-0000 - Tenant assistant payments | 65,762.00 | 48,516.00 | 17,246.00 | 199,792.00 | 145,548.00 | 54,244.00 | 582,192.00 |
| 5140-0000 - Commercial base rent | 0.00 | 0.00 | 0.00 | 304.18 | 0.00 | 304.18 | 0.00 |
| TOTAL RESIDENTIAL RENTAL INCOME | 88,688.00 | 86,636.00 | 2,052.00 | 262,264.18 | 259,908.00 | 2,356.18 | 1,039,632.00 |
| VACANCIES & ADJUSTMENTS | | | | | | | |
| 5220-0000 - Vacancy loss - apartments | (1,401.00) | (2,000.00) | 599.00 | (1,401.00) | (6,000.00) | 4,599.00 | (24,000.00) |
| 5221-0000 - Non-Revenue Units | (1,260.00) | (1,260.00) | 0.00 | (3,780.00) | (3,780.00) | 0.00 | (15,120.00) |
| TOTAL VACANCIES & ADJUSTMENTS | (2,661.00) | (3,260.00) | 599.00 | (5,181.00) | (9,780.00) | 4,599.00 | (39,120.00) |
| OTHER INCOME | | | | | | | |
| 5910-0000 - Laundry income | 0.00 | 700.00 | (700.00) | 724.00 | 700.00 | 24.00 | 2,800.00 |
| 5922-0000 - Late fees | 0.00 | 10.00 | (10.00) | 0.00 | 30.00 | (30.00) | 120.00 |
| 5930-0000 - Credit Check Fees | 0.00 | 30.00 | (30.00) | 0.00 | 90.00 | (90.00) | 360.00 |
| 5413-0000 - Interest income - escrow | 1.25 | 0.00 | 1.25 | 1.25 | 0.00 | 1.25 | 0.00 |
| TOTAL OTHER INCOME | 1.25 | 740.00 | (738.75) | 725.25 | 820.00 | (94.75) | 3,280.00 |
| GROSS OPERATING INCOME | 86,028.25 | 84,116.00 | 1,912.25 | 257,808.43 | 250,948.00 | 6,860.43 | 1,003,792.00 |
| ADVERTISING & RENTING EXPENSE | | | | | | | |
| 6213-0000 - Employee Recruitment | 0.00 | 0.00 | 0.00 | 40.19 | 0.00 | (40.19) | 0.00 |
| 6253-0000 - Credit Report Fees | 28.00 | 30.00 | 2.00 | 28.00 | 90.00 | 62.00 | 360.00 |
| TOTAL ADVERTISING & RENTING EXPENSE | 28.00 | 30.00 | 2.00 | 68.19 | 90.00 | 21.81 | 360.00 |
| ADMINISTRATIVE EXPENSE | | | | | | | |
| 6311-0000 - Office supplies | 531.74 | 225.00 | (306.74) | 1,149.77 | 675.00 | (474.77) | 2,700.00 |
| 6316-0000 - Office Equipment | 591.92 | 405.00 | (186.92) | 759.70 | 1,215.00 | 455.30 | 4,860.00 |
| 6320-0000 - Management fee | 5,272.10 | 4,137.00 | (1,135.10) | 13,348.01 | 12,411.00 | (937.01) | 49,644.00 |
| 6340-0000 - Legal Expense - Project | 1,000.00 | 167.00 | (833.00) | 1,000.00 | 501.00 | (499.00) | 2,004.00 |
| 6350-0000 - Audit Expense | 0.00 | 1,083.00 | 1,083.00 | 2,179.00 | 3,249.00 | 1,070.00 | 12,996.00 |
| 6360-0000 - Telephone | 1,516.36 | 850.00 | (666.36) | 2,548.26 | 2,550.00 | 1.74 | 10,200.00 |
| 6360-0001 - Answering Service/ Pagers | 121.40 | 62.00 | (59.40) | 182.28 | 186.00 | 3.72 | 744.00 |
| 6365-0000 - Training & Education Expense | 0.00 | 110.00 | 110.00 | 0.00 | 330.00 | 330.00 | 1,320.00 |
| 6370-0000 - Bad debts | 0.00 | 583.00 | 583.00 | 452.00 | 1,749.00 | 1,297.00 | 6,996.00 |
| 6371-0000 - Fees Dues & Contributions | 165.27 | 0.00 | (165.27) | 165.27 | 0.00 | (165.27) | 0.00 |
| 6380-0000 - Consulting/study costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3,500.00 |
| 6390-0000 - Misc administrative expenses | 0.00 | 155.00 | 155.00 | 586.90 | 465.00 | (121.90) | 1,860.00 |
| 6390-0002 - Computer Supplies/Data Processing | 324.24 | 150.00 | (174.24) | 555.11 | 450.00 | (105.11) | 1,800.00 |
| 6395-0000 - Tenant Retention | 418.17 | 400.00 | (18.17) | 1,242.10 | 1,200.00 | (42.10) | 7,000.00 |
| 6431-0000 - Travel & Expense Reimbursement | 339.69 | 188.00 | (151.69) | 832.25 | 564.00 | (268.25) | 2,256.00 |
| 6860-0000 - Security Deposit Interest | (0.51) | 0.00 | 0.51 | (1.53) | 0.00 | 1.53 | 0.00 |
| TOTAL ADMINISTRATIVE EXPENSE | 10,280.38 | 8,515.00 | (1,765.38) | 24,999.12 | 25,545.00 | 545.88 | 107,880.00 |
| PAYROLL & RELATED COSTS | | | | | | | |
| 6310-0000 - Office salaries | 5,352.27 | 4,752.00 | (600.27) | 14,298.83 | 14,256.00 | (42.83) | 63,145.00 |
| 6510-0000 - Janitor and cleaning payroll | 1,490.55 | 1,122.00 | (368.55) | 2,984.93 | 3,366.00 | 381.07 | 14,605.00 |
| 6540-0000 - Repairs payroll | 3,214.21 | 3,490.00 | 275.79 | 12,125.17 | 10,470.00 | (1,655.17) | 45,418.00 |
| 6900-0000 - Social Service Coordinator | 563.20 | 1,629.00 | 1,065.80 | 2,816.00 | 4,407.00 | 1,591.00 | 17,093.00 |

# WALNUT PLACE
## Actual vs Budget Accrual Operating Statement

| | Month Ending 03/31/13 | | | Year To Date 03/31/13 | | | |
|---|---|---|---|---|---|---|---|
| | Actual | Budget | Variance | Actual | Budget | Variance | Annual Budget |
| 6715-0000 - Payroll Taxes | 1,622.33 | 1,849.00 | 226.67 | 5,237.05 | 6,037.00 | 799.95 | 14,198.00 |
| 6722-0000 - Workers compensation | 271.25 | 271.00 | (0.25) | 282.75 | 813.00 | 530.25 | 3,252.00 |
| 6723-0000 - Employee health insurance | 281.67 | 537.00 | 255.33 | 3,929.55 | 1,611.00 | (2,318.55) | 6,738.00 |
| 6724-0000 - Union Benefits | 1,310.84 | 1,200.00 | (110.84) | 1,126.04 | 3,600.00 | 2,473.96 | 14,415.00 |
| 6726-0001 - Contingency | 1,144.00 | 1,804.00 | 660.00 | 1,144.00 | 1,804.00 | 660.00 | 2,684.00 |
| TOTAL PAYROLL & RELATED COSTS | 15,250.32 | 16,654.00 | 1,403.68 | 43,944.32 | 46,364.00 | 2,419.68 | 181,548.00 |
| OPERATING EXPENSES | | | | | | | |
| 6515-0000 - Janitors and cleaning supplies | 673.34 | 320.00 | (353.34) | 1,059.34 | 960.00 | (99.34) | 3,840.00 |
| 6516-0000 - Bulbs & Tubes | 0.00 | 75.00 | 75.00 | 0.00 | 225.00 | 225.00 | 900.00 |
| 6517-0000 - Outside Cleaning Service | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,500.00 |
| 6518-0000 - Uniforms | 0.00 | 0.00 | 0.00 | 0.00 | 500.00 | 500.00 | 500.00 |
| 6519-0000 - Exterminating Contract | 8.10 | 150.00 | 141.90 | 278.10 | 450.00 | 171.90 | 1,800.00 |
| 6525-0000 - Rubbish removal | 350.00 | 355.00 | 5.00 | 1,014.08 | 1,065.00 | 50.92 | 4,260.00 |
| 6490-0000 - Misc operating expenses | 0.00 | 50.00 | 50.00 | 0.00 | 150.00 | 150.00 | 600.00 |
| TOTAL OPERATING EXPENSES | 1,031.44 | 950.00 | (81.44) | 2,351.52 | 3,350.00 | 998.48 | 13,400.00 |
| UTILITIES | | | | | | | |
| 6450-0000 - Electricity | 980.55 | 1,200.00 | 219.45 | 2,984.58 | 3,600.00 | 615.42 | 14,400.00 |
| 6451-0000 - Water | 457.97 | 600.00 | 142.03 | 2,491.75 | 1,800.00 | (691.75) | 7,200.00 |
| 6452-0000 - Gas | 3,119.46 | 1,666.00 | (1,453.46) | 9,736.93 | 4,998.00 | (4,738.93) | 20,000.00 |
| TOTAL UTILITIES | 4,557.98 | 3,466.00 | (1,091.98) | 15,213.26 | 10,398.00 | (4,815.26) | 41,600.00 |
| MAINTENANCE EXPENSES | | | | | | | |
| 6536-0000 - Ground supplies | 0.00 | 333.00 | 333.00 | 0.00 | 999.00 | 999.00 | 3,996.00 |
| 6537-0000 - Grounds Contractor (Landscaper) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5,200.00 |
| 6541-0000 - Repair materials (general supplies) | 125.92 | 250.00 | 124.08 | 189.84 | 750.00 | 560.16 | 3,000.00 |
| 6541-0001 - Appliance Parts | 0.00 | 50.00 | 50.00 | 167.91 | 150.00 | (17.91) | 600.00 |
| 6541-0002 - Plumbing Supplies | 895.53 | 100.00 | (795.53) | 1,165.98 | 300.00 | (865.98) | 1,200.00 |
| 6541-0003 - Electrical Supplies | 65.35 | 100.00 | 34.65 | 65.35 | 300.00 | 234.65 | 1,200.00 |
| 6541-0004 - Heating/Cooling Supplies | 11.53 | 85.00 | 73.47 | 36.08 | 255.00 | 218.92 | 1,020.00 |
| 6541-0005 - Hand Tools | 0.00 | 50.00 | 50.00 | 0.00 | 150.00 | 150.00 | 600.00 |
| 6541-0006 - Expendable Tools | 0.00 | 50.00 | 50.00 | 0.00 | 150.00 | 150.00 | 600.00 |
| 6541-0007 - Safety Equipment | 0.00 | 50.00 | 50.00 | 0.00 | 150.00 | 150.00 | 600.00 |
| 6541-0009 - Window Supplies | 273.35 | 100.00 | (173.35) | 442.79 | 300.00 | (142.79) | 1,200.00 |
| 6541-0010 - Carpentry/Hardware | 0.00 | 60.00 | 60.00 | 0.00 | 180.00 | 180.00 | 720.00 |
| 6545-0000 - Elevator Contractor (Annual Maintenance Contract) | 0.00 | 300.00 | 300.00 | 587.10 | 900.00 | 312.90 | 3,600.00 |
| 6546-0000 - Heating/Cooling Contractor | 0.00 | 385.00 | 385.00 | 504.00 | 1,155.00 | 651.00 | 4,620.00 |
| 6548-0000 - Snow removal | 2,298.82 | 1,973.00 | (325.82) | 4,665.82 | 5,919.00 | 1,253.18 | 11,838.00 |
| 6551-0000 - Elevator Contractor (Special Repairs) | 0.00 | 100.00 | 100.00 | 0.00 | 300.00 | 300.00 | 1,200.00 |
| 6560-0000 - Decorating (Tenant Pntg-Cycle/Turnover by Contractor) | 3,450.00 | 1,000.00 | (2,450.00) | 3,450.00 | 3,000.00 | (450.00) | 12,000.00 |
| 6564-0000 - Decorating (Common Areas - by Contractor) | 0.00 | 100.00 | 100.00 | 0.00 | 300.00 | 300.00 | 1,200.00 |
| 6580-0000 - Equipment repairs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 500.00 |
| 6581-0000 - Window Washing | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2,000.00 |
| 6582-0000 - Fire Protection | 0.00 | 300.00 | 300.00 | 0.00 | 900.00 | 900.00 | 3,600.00 |
| 6582-0001 - Fire Safety Equipment | 0.00 | 50.00 | 50.00 | 0.00 | 150.00 | 150.00 | 600.00 |
| 6590-0000 - Miscellaneous Repair | 0.00 | 100.00 | 100.00 | 0.00 | 300.00 | 300.00 | 1,200.00 |
| 6591-0000 - Electrical Repairs | 0.00 | 300.00 | 300.00 | 0.00 | 900.00 | 900.00 | 3,600.00 |
| 6592-0000 - Boiler Repairs | 596.20 | 200.00 | (396.20) | 3,613.20 | 600.00 | (3,013.20) | 2,400.00 |
| 6594-0000 - Carpentry Repairs | 1,105.00 | 100.00 | (1,005.00) | 1,105.00 | 300.00 | (805.00) | 1,200.00 |

# WALNUT PLACE
## Actual vs Budget Accrual Operating Statement

| | Month Ending 03/31/13 | | | Year To Date 03/31/13 | | | |
|---|---|---|---|---|---|---|---|
| | Actual | Budget | Variance | Actual | Budget | Variance | Annual Budget |
| 6595-0000 - Plumbing Repairs | 245.00 | 700.00 | 455.00 | 2,114.00 | 2,100.00 | (14.00) | 8,400.00 |
| 6596-0000 - Floor Repairs/Cleaning | 125.00 | 100.00 | (25.00) | 125.00 | 300.00 | 175.00 | 1,200.00 |
| 6598-0000 - Roof Repairs | 0.00 | 170.00 | 170.00 | 1,814.63 | 510.00 | (1,304.63) | 2,040.00 |
| 6599-0000 - Window repairs | 0.00 | 100.00 | 100.00 | 0.00 | 300.00 | 300.00 | 1,200.00 |
| TOTAL MAINTENANCE EXPENSES | 9,191.70 | 7,206.00 | (1,985.70) | 20,046.70 | 21,618.00 | 1,571.30 | 82,334.00 |
| TAXES AND INSURANCE | | | | | | | |
| 6710-0000 - Real estate taxes | 10,000.00 | 10,000.00 | 0.00 | 30,000.00 | 30,000.00 | 0.00 | 120,000.00 |
| 6720-0000 - Property and liability insurance | 2,036.62 | 2,037.00 | 0.38 | 6,109.86 | 6,111.00 | 1.14 | 24,444.00 |
| 6721-0000 - Fidelity bond insurance | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 25.00 |
| TOTAL TAXES AND INSURANCE | 12,036.62 | 12,037.00 | 0.38 | 36,109.86 | 36,111.00 | 1.14 | 144,469.00 |
| TOTAL OPERATING EXPENSES | 52,376.44 | 48,858.00 | (3,518.44) | 142,732.97 | 143,476.00 | 743.03 | 571,591.00 |
| NET OPERATING INCOME (LOSS) | 33,651.81 | 35,258.00 | (1,606.19) | 115,075.46 | 107,472.00 | 7,603.46 | 432,201.00 |
| FINANCIAL EXPENSES | | | | | | | |
| 6820-0000 - Mortgage interest | 21,452.94 | 21,453.00 | 0.06 | 64,531.59 | 64,532.00 | 0.41 | 254,965.00 |
| 7104-0000 - Replacement Reserve | 1,836.67 | 1,850.00 | 13.33 | 5,510.01 | 5,550.00 | 39.99 | 22,200.00 |
| 7108-0000 - Mortgage Payable (long term) | 12,034.01 | 11,976.00 | (58.01) | 35,929.26 | 35,757.00 | (172.26) | 146,175.00 |
| TOTAL FINANCIAL EXPENSES | 35,323.62 | 35,279.00 | (44.62) | 105,970.86 | 105,839.00 | (131.86) | 423,340.00 |
| NET OPER INC/(LOSS) BEFORE CAP. EXP. | (1,671.81) | (21.00) | (1,650.81) | 9,104.60 | 1,633.00 | 7,471.60 | 8,861.00 |
| NET INCOME (LOSS) | (1,671.81) | (21.00) | (1,650.81) | 9,104.60 | 1,633.00 | 7,471.60 | 8,861.00 |
| Partnership Income | | | | | | | |
| 8005-0000 - Mortgagor Entity Income | 8.31 | 0.00 | 8.31 | 25.20 | 0.00 | 25.20 | 0.00 |
| Total Partnership Activity | 8.31 | 0.00 | 8.31 | 25.20 | 0.00 | 25.20 | 0.00 |
| CAPITAL EXPENDITURES & ESCROWS | | | | | | | |
| 7105-0000 - Replacement Reserve Reimbursement | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (41,550.00) |
| 6991-0000 - Capital expenditures | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30,900.00 |
| 6993-0000 - Appliance Replacement | 584.00 | 0.00 | (584.00) | 1,153.00 | 400.00 | (753.00) | 1,600.00 |
| 6993-0002 - Water Heaters | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3,000.00 |
| 6993-0003 - A/C Replacements | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4,000.00 |
| 6994-0000 - Carpet & tile | 1,856.50 | 750.00 | (1,106.50) | 1,856.50 | 2,250.00 | 393.50 | 9,000.00 |
| TOTAL CAPITAL EXPENDITURES & ESCROWS | 2,440.50 | 750.00 | (1,690.50) | 3,009.50 | 2,650.00 | (359.50) | 6,950.00 |
| GAIN/(LOSS) AFTER CAPITAL EXP. & ESCROWS | (4,104.00) | (771.00) | (3,333.00) | 6,120.30 | (1,017.00) | 7,137.30 | 1,911.00 |

# RAVINIA HOUSING
## Balance Sheet
Month Ending 03/31/13

| | |
|---|---|
| **ASSETS** | |
| Current Assets | |
| 1110-0000 - Petty Cash | 150.00 |
| 1121-0000 - Cash - Operating | 16,417.28 |
| 1130-0000 - Tenant/member accounts receivable | 33,542.00 |
| 1130-1000 - Allowance for Doubtful Accounts | (16,728.40) |
| 1131-0000 - Accounts receivable - subsidy | 15,965.00 |
| 1240-0000 - Prepaid property and liability insurance | 1,619.34 |
| 1250-0000 - Prepaid Mortgage Insurance | 1,827.05 |
| Total Current Assets | 52,792.27 |
| Other Assets | |
| 1290-0000 - Misc Prepaid Expenses | 299.49 |
| 1192-0000 - Tenant Sec Dep | 7,347.50 |
| 1310-0000 - Real estate tax escrow | 25,519.62 |
| 1311-0000 - Insurance escrow | 5,046.13 |
| 1312-0000 - Mortgage Insurance Escrow | 200.60 |
| 1140-0000 - Accounts Receivable - Other | 635.36 |
| 1350-0000 - Construction Escrow | 136,984.44 |
| 1320 - Replacement Reserve | 572,639.81 |
| Total Other Assets | 748,672.95 |
| Fixed Assets | |
| 1420-0000 - Building | 1,074,166.20 |
| 1420-0001 - Building Improvements | 59,174.00 |
| 1421-0000 - Construction In Progress | (0.18) |
| 1430-0000 - Land Improvements | 221,122.66 |
| 1450-0000 - Furniture for project/tenant use | 362,158.84 |
| 1497-0000 - Site improvements | 193,982.00 |
| 4120-0000 - Accum depr - buildings | (1,114,142.47) |
| Total Fixed Assets | 796,461.05 |
| Financing Costs | |
| 1900-0001 - Deferred Financing Costs | 62,658.71 |
| 1999-0000 - Accum Amort - Bond Costs | (1,915.30) |
| Total Financing Costs | 60,743.41 |
| Partnership Assets | |
| 1701-0000 - Cash - Partnership | 81,893.76 |
| Total Partnership Assets | 81,893.76 |
| **Total Assets** | **1,740,563.44** |

# RAVINIA HOUSING
## Balance Sheet
Month Ending 03/31/13

**Liabilities & Equity**

| | |
|---|---|
| Current Liabilities | |
| 2110-0000 - Accounts payable | 2,677.32 |
| 2113-0000 - Flex Benefit Payable | 2.16 |
| 2114-0000 - 401K Payable | 24.00 |
| 2120-0000 - Accrued wages and p/r taxes payable | 874.49 |
| 2130-0000 - Accrued interest - mortgage | 1,534.53 |
| 2131-0001 - Accrued Interest - 2nd Note | 21,081.25 |
| 2131-1000 - Accrued Interest - Notes Payable | 3,650.00 |
| 2150-0000 - Accrued property taxes | 55,534.00 |
| 2180-0000 - Misc current liabilities | 142,664.98 |
| Total Current Liabilities | 228,042.73 |
| Non-Current Liabilities | |
| 2190-0000 - Sec. Dep. In Transit | 810.00 |
| 2191-0000 - Security deposits-residential | 5,956.00 |
| 2210-0000 - Prepaid Rent | 1,334.00 |
| 2211-0000 - Prepaid HUD | 11,347.00 |
| 2310-1000 - Notes Payable - (Long Term) | 62,063.00 |
| 2320-1000 - Mortgage payable - 2nd note | 713,396.28 |
| 2320-0000 - Mortgage Payable (long term) | 409,207.29 |
| Total Non-Current Liabilities | 1,204,113.57 |
| Owner's Equity | |
| 3100-0000 - Limited Partners Equity | 144,465.21 |
| 3111-0000 - Contributions - Current Year | (0.29) |
| 3209-0000 - Prior Year Retained Earnings | 388,704.59 |
| 3210-0000 - Retained earnings | (223,700.60) |
| Current YTD Earnings | (1,061.77) |
| Total Owner's Equity | 308,407.14 |
| **Total Liability & Owner Equity** | **1,740,563.44** |

# RAVINIA HOUSING
## Actual vs Budget Accrual Operating Statement

| | Month Ending 03/31/13 | | | Year To Date 03/31/13 | | | |
|---|---|---|---|---|---|---|---|
| | Actual | Budget | Variance | Actual | Budget | Variance | Annual Budget |
| GROSS OPERATING INCOME | | | | | | | |
| RESIDENTIAL RENTAL INCOME | | | | | | | |
| 5120-0000 - Apartment rent | 5,256.00 | 9,554.00 | (4,298.00) | 14,071.00 | 28,662.00 | (14,591.00) | 114,648.00 |
| 5121-0000 - Tenant assistant payments | 16,457.00 | 12,159.00 | 4,298.00 | 51,068.00 | 36,477.00 | 14,591.00 | 145,908.00 |
| TOTAL RESIDENTIAL RENTAL INCOME | 21,713.00 | 21,713.00 | 0.00 | 65,139.00 | 65,139.00 | 0.00 | 260,556.00 |
| VACANCIES & ADJUSTMENTS | | | | | | | |
| 5220-0000 - Vacancy loss - apartments | (770.00) | (833.00) | 63.00 | (770.00) | (2,499.00) | 1,729.00 | (10,000.00) |
| TOTAL VACANCIES & ADJUSTMENTS | (770.00) | (833.00) | 63.00 | (770.00) | (2,499.00) | 1,729.00 | (10,000.00) |
| OTHER INCOME | | | | | | | |
| 5413-0000 - Interest income - escrow | 40.67 | 30.00 | 10.67 | 95.17 | 90.00 | 5.17 | 360.00 |
| TOTAL OTHER INCOME | 40.67 | 30.00 | 10.67 | 95.17 | 90.00 | 5.17 | 360.00 |
| GROSS OPERATING INCOME | 20,983.67 | 20,910.00 | 73.67 | 64,464.17 | 62,730.00 | 1,734.17 | 250,916.00 |
| ADVERTISING & RENTING EXPENSE | | | | | | | |
| 6213-0000 - Employee Recruitment | 0.00 | 0.00 | 0.00 | 10.95 | 0.00 | (10.95) | 0.00 |
| 6250-0000 - Renting expenses | 140.00 | 20.00 | (120.00) | 140.00 | 60.00 | (80.00) | 240.00 |
| TOTAL ADVERTISING & RENTING EXPENSE | 140.00 | 20.00 | (120.00) | 150.95 | 60.00 | (90.95) | 240.00 |
| ADMINISTRATIVE EXPENSE | | | | | | | |
| 6311-0000 - Office supplies | 659.37 | 521.00 | (138.37) | 1,346.43 | 1,563.00 | 216.57 | 6,252.00 |
| 6320-0000 - Management fee | 867.16 | 765.00 | (102.16) | 2,766.36 | 2,295.00 | (471.36) | 9,180.00 |
| 6340-0000 - Legal Expense - Project | 1,000.00 | 100.00 | (900.00) | 1,525.00 | 300.00 | (1,225.00) | 1,200.00 |
| 6350-0000 - Audit Expense | 4,000.00 | 985.00 | (3,015.00) | 4,000.00 | 2,955.00 | (1,045.00) | 11,820.00 |
| 6360-0000 - Telephone | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6365-0000 - Training & Education Expense | 0.00 | 50.00 | 50.00 | 0.00 | 150.00 | 150.00 | 600.00 |
| 6370-0000 - Bad debts | (1,984.60) | 433.00 | 2,417.60 | 0.00 | 1,299.00 | 1,299.00 | 5,196.00 |
| 6371-0000 - Fees Dues & Contributions | 41.32 | 0.00 | (41.32) | 41.32 | 0.00 | (41.32) | 0.00 |
| 6390-0000 - Misc administrative expenses | 1,189.10 | 100.00 | (1,089.10) | 5,094.59 | 300.00 | (4,794.59) | 1,200.00 |
| 6390-0002 - Computer Supplies/Data Processing | 145.02 | 70.00 | (75.02) | 236.28 | 210.00 | (26.28) | 840.00 |
| 6860-0000 - Security Deposit Interest | (0.17) | 0.00 | 0.17 | (0.52) | 0.00 | 0.52 | 0.00 |
| TOTAL ADMINISTRATIVE EXPENSE | 5,917.20 | 3,024.00 | (2,893.20) | 15,009.46 | 9,072.00 | (5,937.46) | 36,288.00 |
| PAYROLL & RELATED COSTS | | | | | | | |
| 6310-0000 - Office salaries | 1,459.67 | 1,295.00 | (164.67) | 3,899.60 | 3,885.00 | (14.60) | 17,216.00 |
| 6510-0000 - Janitor and cleaning payroll | 1,541.31 | 1,246.00 | (295.31) | 4,379.11 | 3,738.00 | (641.11) | 16,214.00 |
| 6900-0000 - Social Service Coordinator | 153.60 | 444.00 | 290.40 | 768.00 | 1,200.00 | 432.00 | 4,661.00 |
| 6715-0000 - Payroll Taxes | 442.44 | 509.00 | 66.56 | 1,428.33 | 1,650.00 | 221.67 | 3,867.00 |
| 6722-0000 - Workers compensation | 71.46 | 71.00 | (0.46) | 155.38 | 213.00 | 57.62 | 852.00 |
| 6723-0000 - Employee health insurance | 121.58 | 144.00 | 22.42 | 1,368.71 | 432.00 | (936.71) | 1,818.00 |
| 6724-0000 - Union Benefits | 357.50 | 327.00 | (30.50) | 357.50 | 981.00 | 623.50 | 3,927.00 |
| 6726-0001 - Contingency | 276.00 | 516.00 | 240.00 | 276.00 | 516.00 | 240.00 | 732.00 |
| TOTAL PAYROLL & RELATED COSTS | 4,423.56 | 4,552.00 | 128.44 | 12,632.63 | 12,615.00 | (17.63) | 49,287.00 |
| OPERATING EXPENSES | | | | | | | |
| 6515-0000 - Janitors and cleaning supplies | 719.63 | 100.00 | (619.63) | 746.75 | 300.00 | (446.75) | 1,200.00 |
| 6520-0000 - Miscellaneous Repair Contractors | 103.50 | 2,575.00 | 2,471.50 | 1,523.39 | 7,725.00 | 6,201.61 | 30,900.00 |

# RAVINIA HOUSING
## Actual vs Budget Accrual Operating Statement

| | Month Ending 03/31/13 | | | Year To Date 03/31/13 | | | |
|---|---|---|---|---|---|---|---|
| | Actual | Budget | Variance | Actual | Budget | Variance | Annual Budget |
| 6525-0000 - Rubbish removal | 350.00 | 500.00 | 150.00 | 1,719.65 | 1,500.00 | (219.65) | 6,000.00 |
| TOTAL OPERATING EXPENSES | 1,173.13 | 3,175.00 | 2,001.87 | 3,989.79 | 9,525.00 | 5,535.21 | 38,100.00 |
| UTILITIES | | | | | | | |
| 6450-0000 - Electricity | 312.49 | 260.00 | (52.49) | 925.57 | 780.00 | (145.57) | 3,129.00 |
| 6451-0000 - Water | 0.00 | 27.00 | 27.00 | 40.71 | 81.00 | 40.29 | 324.00 |
| 6452-0000 - Gas | 0.00 | 125.00 | 125.00 | 0.00 | 375.00 | 375.00 | 1,500.00 |
| 6453-0000 - Sewer | 0.00 | 50.00 | 50.00 | 320.00 | 150.00 | (170.00) | 600.00 |
| TOTAL UTILITIES | 312.49 | 462.00 | 149.51 | 1,286.28 | 1,386.00 | 99.72 | 5,553.00 |
| MAINTENANCE EXPENSES | | | | | | | |
| 6541-0000 - Repair materials (general supplies) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6546-0000 - Heating/Cooling Contractor | 0.00 | 42.00 | 42.00 | 170.00 | 126.00 | (44.00) | 504.00 |
| 6548-0000 - Snow removal | 3,026.67 | 1,500.00 | (1,526.67) | 6,509.67 | 5,300.00 | (1,209.67) | 7,000.00 |
| 6591-0000 - Electrical Repairs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6595-0000 - Plumbing Repairs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL MAINTENANCE EXPENSES | 3,026.67 | 1,542.00 | (1,484.67) | 6,679.67 | 5,426.00 | (1,253.67) | 7,504.00 |
| TAXES AND INSURANCE | | | | | | | |
| 6710-0000 - Real estate taxes | 3,500.00 | 3,500.00 | 0.00 | 10,500.00 | 10,500.00 | 0.00 | 42,000.00 |
| 6720-0000 - Property and liability insurance | 539.10 | 540.00 | 0.90 | 1,617.30 | 1,620.00 | 2.70 | 6,480.00 |
| 6721-0000 - Fidelity bond insurance | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 50.00 |
| TOTAL TAXES AND INSURANCE | 4,039.10 | 4,040.00 | 0.90 | 12,117.30 | 12,120.00 | 2.70 | 48,530.00 |
| TOTAL OPERATING EXPENSES | 19,032.15 | 16,815.00 | (2,217.15) | 51,866.08 | 50,204.00 | (1,662.08) | 185,502.00 |
| NET OPERATING INCOME (LOSS) | 1,951.52 | 4,095.00 | (2,143.48) | 12,598.09 | 12,526.00 | 72.09 | 65,414.00 |
| FINANCIAL EXPENSES | | | | | | | |
| 6820-0000 - Mortgage interest | 3,019.80 | 1,535.00 | (1,484.80) | 9,065.84 | 4,611.00 | (4,454.84) | 18,323.00 |
| 6850-0000 - Mortgage Service Fee | 0.00 | 152.00 | 152.00 | 340.38 | 456.00 | 115.62 | 1,824.00 |
| 7104-0000 - Replacement Reserve | 1,333.33 | 1,333.00 | (0.33) | 3,999.99 | 3,999.00 | (0.99) | 15,996.00 |
| 7108-0000 - Mortgage Payable (long term) | 573.66 | 574.00 | 0.34 | 1,714.56 | 1,715.00 | 0.44 | 6,976.00 |
| TOTAL FINANCIAL EXPENSES | 4,926.79 | 3,594.00 | (1,332.79) | 15,120.77 | 10,781.00 | (4,339.77) | 43,119.00 |
| NET OPER INC/(LOSS) BEFORE CAP. EXP. | (2,975.27) | 501.00 | (3,476.27) | (2,522.68) | 1,745.00 | (4,267.68) | 22,295.00 |
| NET INCOME (LOSS) | (2,975.27) | 501.00 | (3,476.27) | (2,522.68) | 1,745.00 | (4,267.68) | 22,295.00 |
| Partnership Income | | | | | | | |
| 8005-0000 - Mortgagor Entity Income | 6.51 | 0.00 | 6.51 | 19.74 | 0.00 | 19.74 | 0.00 |
| Total Partnership Activity | 6.51 | 0.00 | 6.51 | 19.74 | 0.00 | 19.74 | 0.00 |
| CAPITAL EXPENDITURES & ESCROWS | | | | | | | |
| 7105-0000 - Replacement Reserve Reimbursement | (48,569.00) | 0.00 | 48,569.00 | (72,629.00) | 0.00 | 72,629.00 | (3,200.00) |
| 6991-0000 - Capital expenditures | (48,569.00) | 0.00 | 48,569.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6994-0000 - Carpet & tile | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3,200.00 |
| TOTAL CAPITAL EXPENDITURES & ESCROWS | (97,138.00) | 0.00 | 97,138.00 | (72,629.00) | 0.00 | 72,629.00 | 0.00 |
| GAIN/(LOSS) AFTER CAPITAL EXP. & ESCROWS | 94,169.24 | 501.00 | 93,668.24 | 70,126.06 | 1,745.00 | 68,381.06 | 22,295.00 |

Sunset Woods Housing
Income Statement
Compared with Budget
For the Three Months Ending March 31, 2013

| | Current Month Actual | Current Month Budget | Current Month Variance | Year to Date Actual | Year to Date Budget | Year to Date Variance |
|---|---|---|---|---|---|---|
| Revenues | | | | | | |
| Rents | $ 9,010.00 | $ 9,387.00 | (377.00) | $ 27,030.00 | $ 28,163.00 | (1,133.00) |
| Interest Income Assn | 33.05 | 0.00 | 33.05 | 123.43 | 0.00 | 123.43 |
| Interest Income | 0.00 | 0.00 | 0.00 | 7.44 | 0.00 | 7.44 |
| Total Revenues | 9,043.05 | 9,387.00 | (343.95) | 27,160.87 | 28,163.00 | (1,002.13) |
| Cost of Sales | | | | | | |
| Total Cost of Sales | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Gross Profit | 9,043.05 | 9,387.00 | (343.95) | 27,160.87 | 28,163.00 | (1,002.13) |
| Expenses | | | | | | |
| Office Supplies | 11.50 | 8.00 | 3.50 | 11.50 | 24.00 | (12.50) |
| Management Fee | 585.45 | 610.00 | (24.55) | 1,710.79 | 1,830.00 | (119.21) |
| Legal and Accounting Assn | 3,400.00 | 0.00 | 3,400.00 | 9,175.00 | 0.00 | 9,175.00 |
| Credit Ck Fees | 0.00 | 4.00 | (4.00) | 0.00 | 12.00 | (12.00) |
| Heating & Air | 0.00 | 41.00 | (41.00) | 0.00 | 123.00 | (123.00) |
| Electrical & Plumbing Maint | 0.00 | 41.00 | (41.00) | 411.45 | 123.00 | 288.45 |
| Painting & Decorating Assn | 0.00 | 84.00 | (84.00) | 0.00 | 251.00 | (251.00) |
| Appliance Repairs | 0.00 | 41.00 | (41.00) | 385.00 | 123.00 | 262.00 |
| Supplies | 0.00 | 41.00 | (41.00) | 0.00 | 123.00 | (123.00) |
| Locks Assn | 0.00 | 0.00 | 0.00 | 168.00 | 0.00 | 168.00 |
| Locks | 0.00 | 0.00 | 0.00 | 117.50 | 0.00 | 117.50 |
| Carpet | 1,060.00 | 41.00 | 1,019.00 | 1,060.00 | 123.00 | 937.00 |
| Maintenance | 0.00 | 41.00 | (41.00) | 40.00 | 123.00 | (83.00) |
| Security | 0.00 | 8.00 | (8.00) | 0.00 | 24.00 | (24.00) |
| Condo Assessment Rental Units | 2,442.94 | 3,167.00 | (724.06) | 7,328.82 | 9,501.00 | (2,172.18) |
| Cable TV | 510.00 | 583.00 | (73.00) | 1,530.00 | 1,749.00 | (219.00) |
| Real Estate tax expense | 0.00 | 1,250.00 | (1,250.00) | 0.00 | 3,750.00 | (3,750.00) |
| Loan Interest | 1,526.18 | 2,500.00 | (973.82) | 4,912.16 | 7,500.00 | (2,587.84) |
| Bldg Insurance | 0.00 | 216.00 | (216.00) | 0.00 | 648.00 | (648.00) |
| Total Expenses | 9,536.07 | 8,676.00 | 860.07 | 26,850.22 | 26,027.00 | 823.22 |
| Net Income | ($ 493.02) | $ 711.00 | (1,204.02) | $ 310.65 | $ 2,136.00 | (1,825.35) |

Sunset Woods Housing
Balance Sheet
March 31, 2013

ASSETS

| | | |
|---|---|---|
| Current Assets | | |
| Assn FBHP Checking | $ 16,661.90 | |
| FBHP General Checking | 26,362.33 | |
| FBHP Security Dep. Savings | 10,493.72 | |
| Assn FBHP Savings | 128,371.45 | |
| FBHP Savings | 9,108.77 | |
| Financing Costs | 8,135.00 | |
| Tax Reserve | 7,594.62 | |
| Total Current Assets | | 206,727.79 |
| Property and Equipment | | |
| Building | 1,552,988.40 | |
| Building Unit 231 | 135,000.32 | |
| Building Unit 319 | 134,999.62 | |
| Accum Dep Building | (359,131.00) | |
| Total Property and Equipment | | 1,463,857.34 |
| Other Assets | | |
| Total Other Assets | | 0.00 |
| Total Assets | | $ 1,670,585.13 |

LIABILITIES AND CAPITAL

| | | |
|---|---|---|
| Current Liabilities | | |
| Accounts Payable | $ 9,600.00 | |
| Due to Peers Housing Assn | 258,832.40 | |
| Accrued RE Tax | 13,000.00 | |
| Accrued RE Taxes Assn | 2,500.00 | |
| Security Deposits | 9,516.00 | |
| Total Current Liabilities | | 293,448.40 |
| Long-Term Liabilities | | |
| Notes Payable, Lake Co | 69,391.35 | |
| Notes Payable, FHLB | 435,332.60 | |
| Notes Payable, IHDA | 124,969.30 | |
| Total Long-Term Liabilities | | 629,693.25 |
| Total Liabilities | | 923,141.65 |
| Capital | | |
| Equity-Retained Earnings | 747,132.83 | |
| Net Income | 310.65 | |
| Total Capital | | 747,443.48 |
| Total Liabilities & Capital | | $ 1,670,585.13 |

Sunset Woods Housing

Account Register

For the Period From Mar 1, 2013 to Mar 31, 2013

1103M13 - FBHP General Checking

| Date | Trans No | Type | Trans Desc | Deposit Amt | Withdrawal Amt | Balance |
|---|---|---|---|---|---|---|
| | | | Beginning Balance | | | 25,393.86 |
| 3/1/13 | 1507 | Withdrawal | Sunset Woods Condominium Assoc | | 2,952.94 | 22,440.92 |
| 3/1/13 | 3/1/13 | Deposit | Tenant | 348.00 | | 22,788.92 |
| | | Deposit | Tenant | 381.00 | | 23,169.92 |
| | | Deposit | Tenant | 257.00 | | 23,426.92 |
| | | Deposit | Tenant | 695.00 | | 24,121.92 |
| | | Deposit | Tenant | 614.00 | | 24,735.92 |
| | | Deposit | Tenant | 663.00 | | 25,398.92 |
| | | Deposit | Tenant | 241.00 | | 25,639.92 |
| | | Deposit | Tenant | 302.00 | | 25,941.92 |
| | | Deposit | Tenant | 411.00 | | 26,352.92 |
| 3/1/13 | loan1303 | Other | ihda/auto pymt | | 100.00 | 26,252.92 |
| 3/4/13 | 3/8/13 | Deposit | Tenant | 362.00 | | 26,614.92 |
| | | Deposit | Tenant | 795.00 | | 27,409.92 |
| | | Deposit | Tenant | 159.00 | | 27,568.92 |
| | | Deposit | Tenant | 253.00 | | 27,821.92 |
| | | Deposit | Tenant | 690.00 | | 28,511.92 |
| | | Deposit | Tenant | 473.00 | | 28,984.92 |
| | | Deposit | Tenant | 423.00 | | 29,407.92 |
| 3/18/13 | 3/19/13 | Deposit | Tenant | 316.00 | | 29,723.92 |
| | | Deposit | Tenant | 407.00 | | 30,130.92 |
| | | Deposit | Tenant | 240.00 | | 30,370.92 |
| | | Deposit | Tenant | 145.00 | | 30,515.92 |
| | | Deposit | Tenant | 835.00 | | 31,350.92 |
| 3/25/13 | 1508 | Withdrawal | The Carpet Group, Inc. | | 1,060.00 | 30,290.92 |
| 3/26/13 | loan1303 | Other | FBHP/auto pymt | | 3,331.64 | 26,959.28 |
| 3/28/13 | 1509 | Withdrawal | Housing Opportunity Dev. Corp. | | 596.95 | 26,362.33 |
| | | | Total | 9,010.00 | 8,041.53 | |

Sunset Woods - March 31, 2013

| | | |
|---|---|---|
| Ending balance checking | $ | 28,019 |
| Ending balance operating reserv | $ | 9,110 |
| TOTAL | $ | 37,129 |