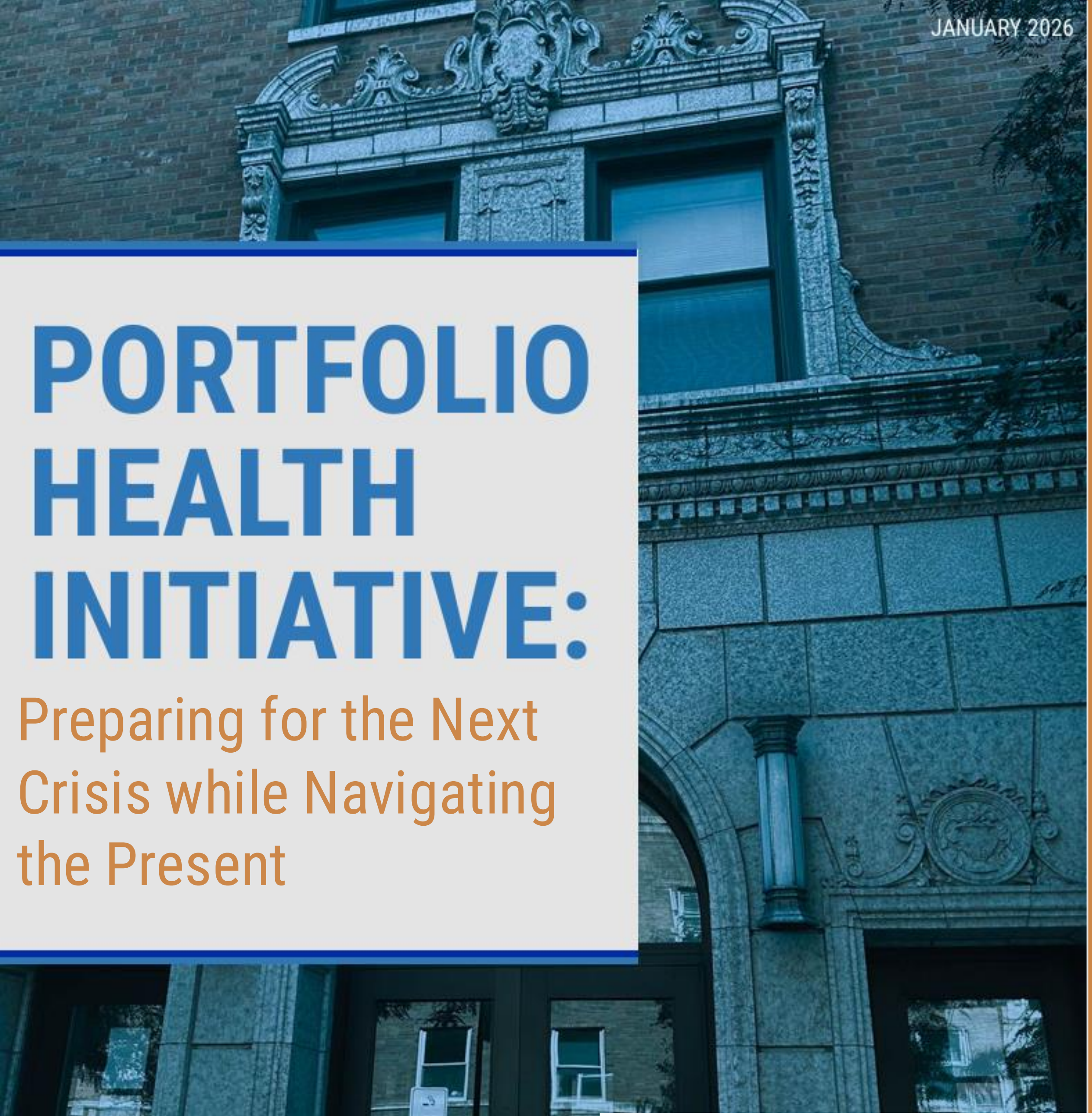


Illinois Affordable Housing Portfolio Analysis

Fall 2026

IHC Illinois Housing Council

Preservation Compact

Introduction

- COVID-19 and its impact on Affordable Housing
- Publicly collapsing portfolios and industry-wide reverberations
- Inflation and rising costs alongside uncertain resources
- Systemic challenges

Research Steps

- Working Group and Peer-to-Peer Learning
- Annual Portfolio Health Data Analysis
- Property Management Workforce Assessment

Working Group and Peer-to-Peer Learning

- **Convened a Portfolio Health Working Group composed of approximately 40 staff and leaders of state and local public agencies, affordable housing providers, financial institutions, and nonprofit organizations.**
  - Multiple targeted focus groups with various sectors of the industry, including asset managers, syndicators, and developers.
- **Goal: Engage diverse perspectives and break down silos between funding, development, compliance, and management.**
- **Peer-to-Peer Learning**
  - **Collaboration with the Minnesota Housing Stability Coalition**

Working Group and Peer-to-Peer Learning

- **Participants Reported:**
  - Rising Operational Costs
  - Staffing Complications
  - Regulatory Requirements and Compliance Issues
  - Financing Challenges
  - Changing Tenant Needs
  - Permanent Supportive Housing (PSH) Struggles

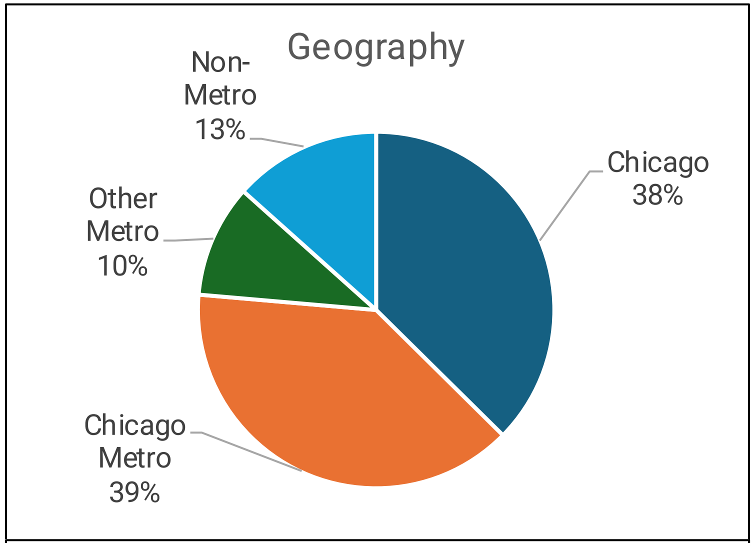
- **These findings underscore the urgent need for systemic support including:**
  - *Collaboration*
  - *Regulatory Relief*
  - *Reorienting public policies*
  - *Creating consistent sources of funding*

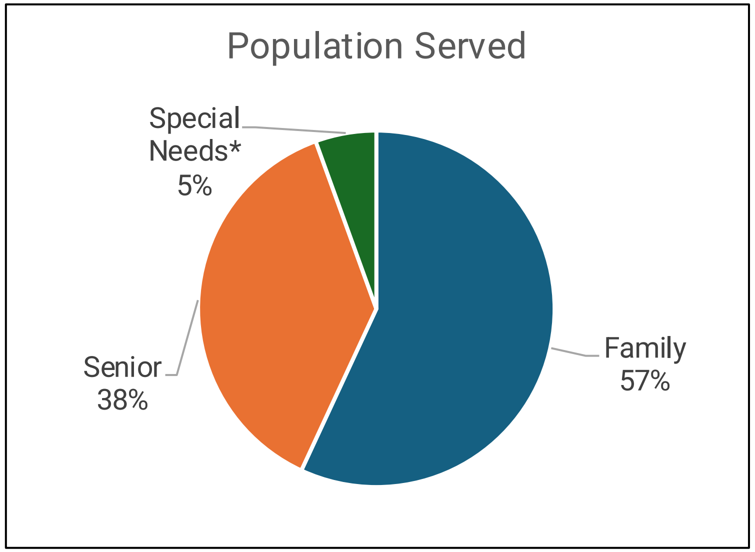
Annual Portfolio Health Data Analysis

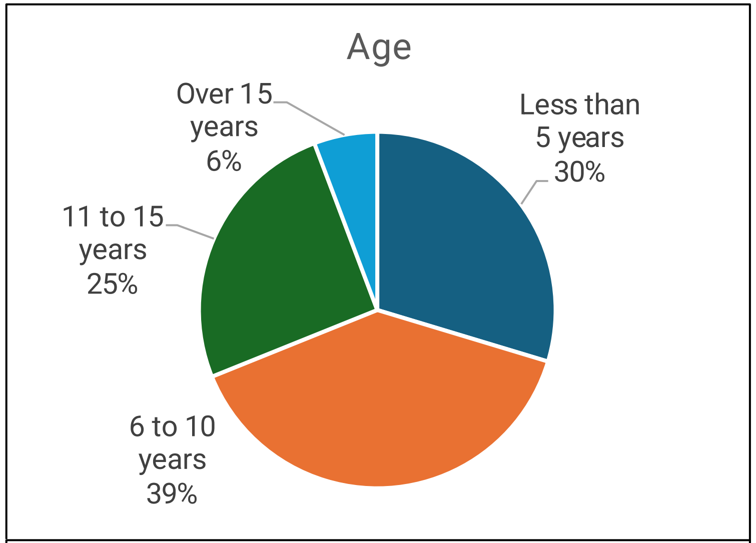
- IHC analyzed point-in-time audit data (FY2023-FY2025) submitted by five syndicators with LIHTC properties in Illinois:
  - ➢254 properties
  - ➢20,336 units

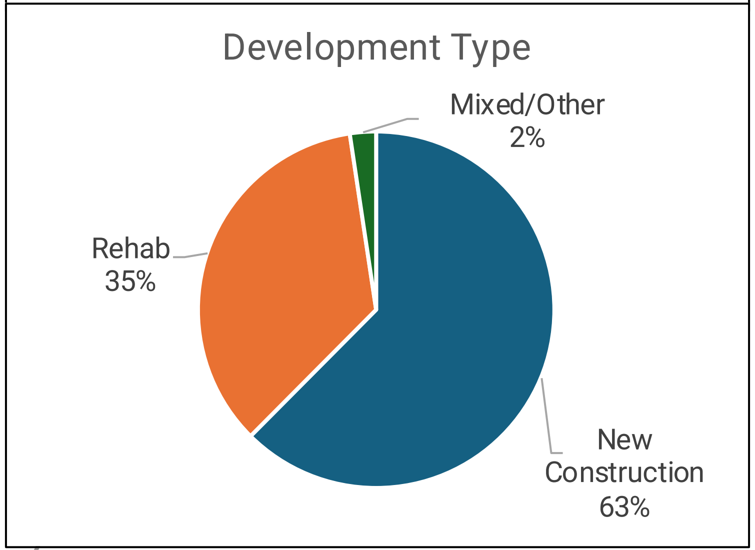
- We estimate these submissions represent approximately 30% of the reported 67,197 LIHTC-financed units in Illinois that are still being monitored for compliance by HUD.

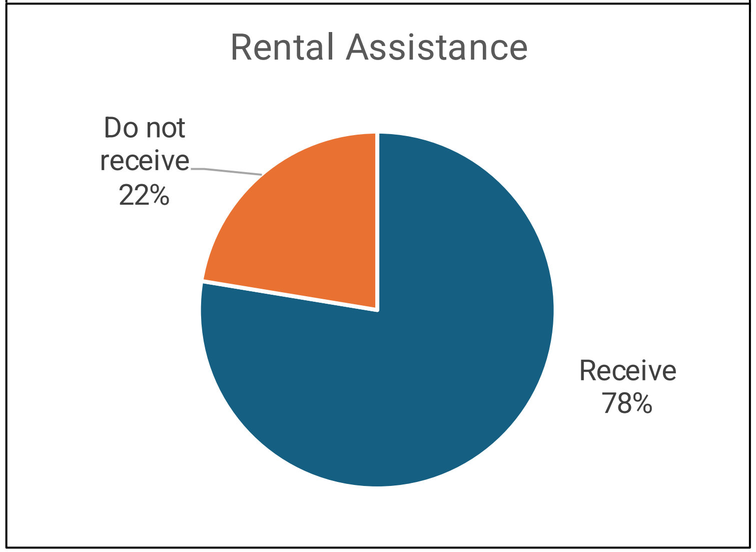
Annual Portfolio Health Data Analysis











Data Analysis – Risk Ratings

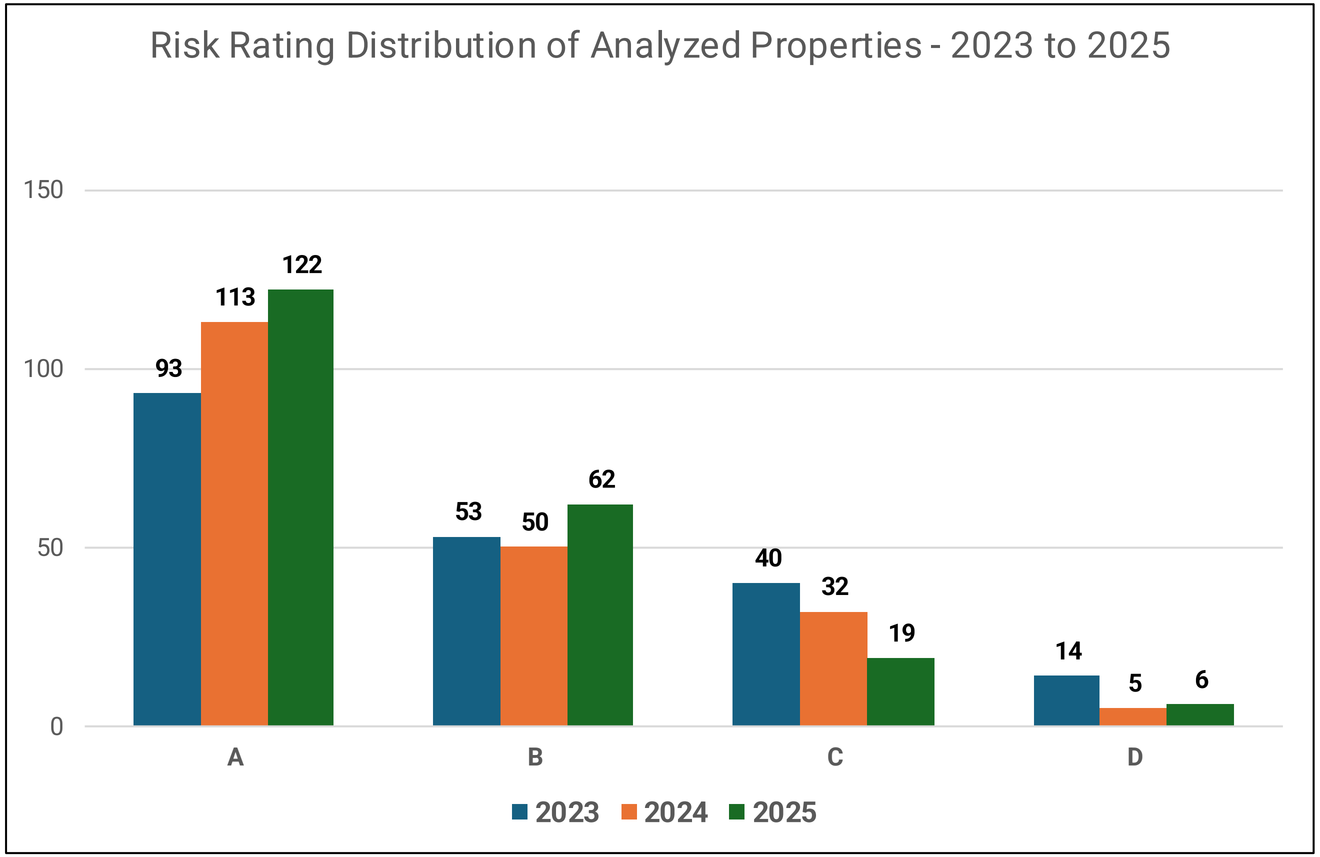
Affordable Housing Investors Council (AHIC) Guidelines:

A – Excellent: The Asset is performing according to original projections
B – Average: The Asset is stable but slightly underperforming based on original projections
C – Weak: The Asset is unlikely to meet original operating or targeted projections. The Asset exhibits two or more of the characteristics outlined in the Risk Rating Guidelines and requires an additional level of oversight. In the case of DSC, Occupancy, Program Compliance, Recapture or Construction/Lease-Up, the one issue alone may be sufficient to warrant at least a “C” Rating
D – Moderate Risk: The Asset has deteriorated to a level where credits are at risk and there is significant risk of recapture. The Asset exhibits three or more of the characteristics outlined in the Risk Rating Guidelines and intense oversight
F – Significant Risk: Recapture is imminent

Data Analysis – Risk Ratings

- By AHIC guidelines, 12% of FY25 analyzed properties fall into the “weak” category – C or below.
- This is compared to 19% of FY24 properties and 27% of FY23 properties.

- Syndicators report to IHC that they become concerned when more than 10% of portfolio assets are on their watchlist.



*Accepted industry standard: ‘B’ or above

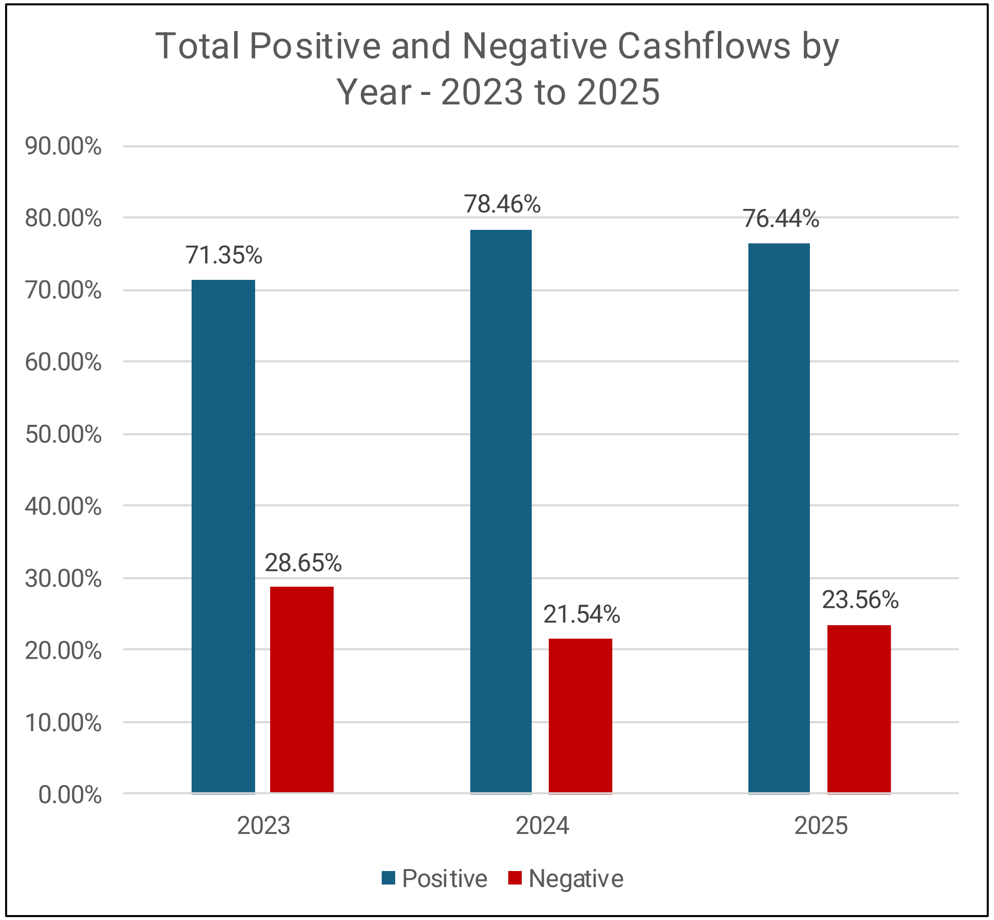
Data Analysis – Cash Flow

Overall, average cash flow dropped approximately $250 per unit from 2024 to 2025. 43% of analyzed properties saw a decrease in cash flow.

In 2025, **23.5% of properties are still reporting negative cash flow**, a 2% increase from 2024.

Average cash flow per unit after MPDS:

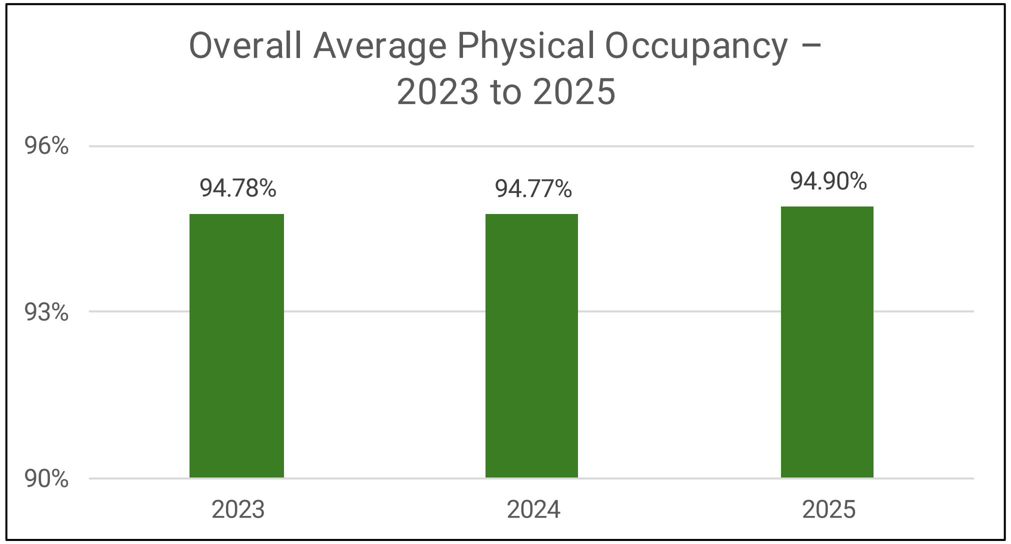
- 2023: $800
- 2024: $1,296
- 2025: $1,048

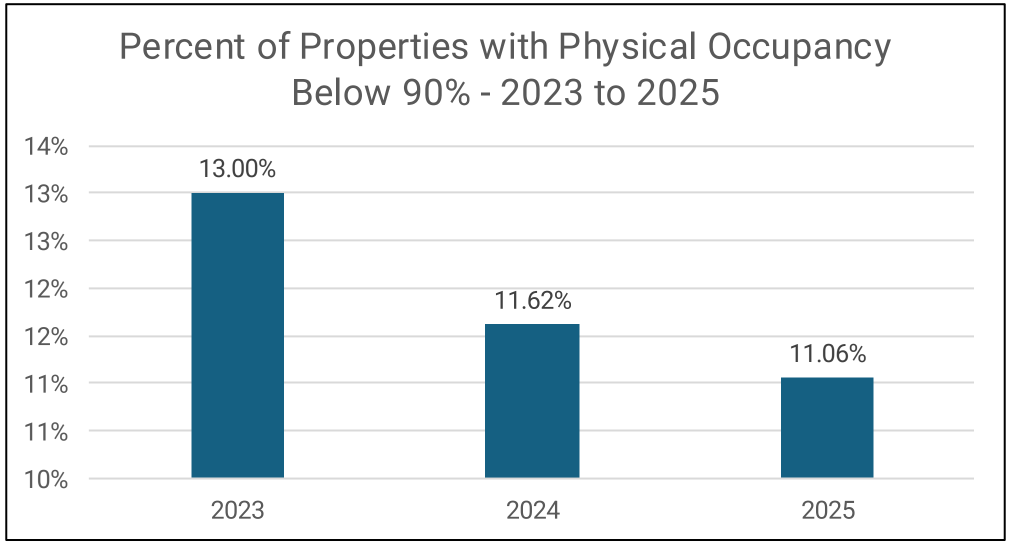


Data Analysis – Physical Occupancy

Average physical occupancy has remained relatively unchanged from 2023 to 2025.

11% of properties are below 90% physical occupancy, down from 12% in 2024 and 13% in 2023.





Although the average has remained fairly stable, the number of properties with physical occupancy under 90% has improved over the two years of analysis.

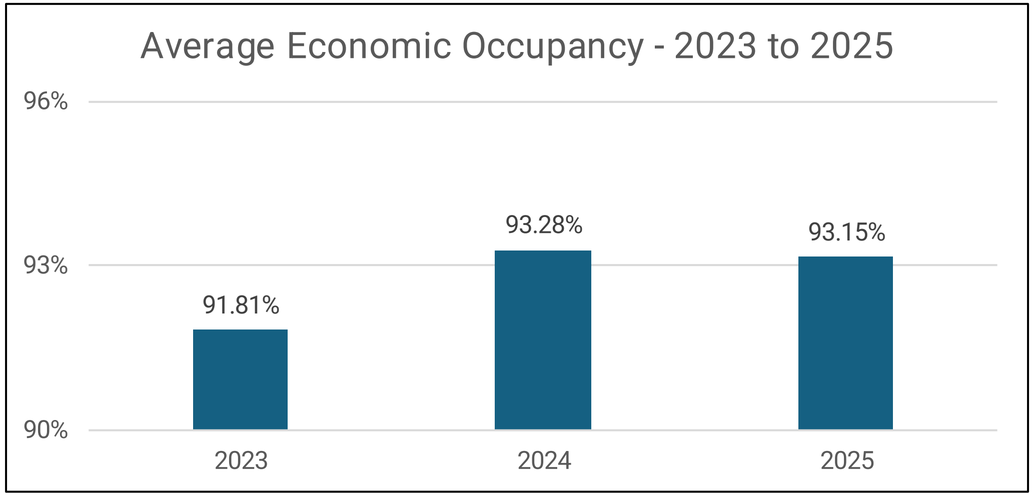
Data Analysis – Economic Occupancy

Economic Occupancy is a measure of how much rental income a property is generating as a percentage of the total potential rent.

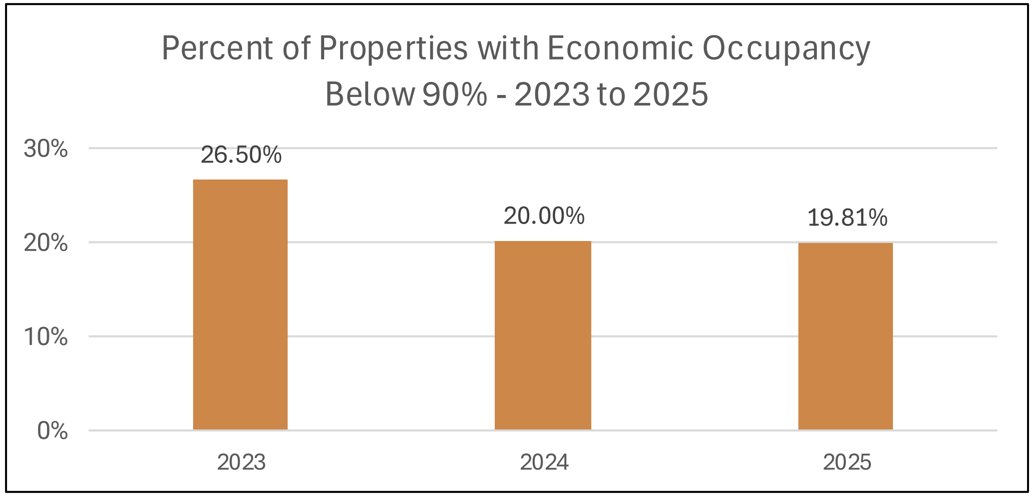
In 2023, **20% of properties would be considered "weak"** when evaluated by economic occupancy, holding stable from 2024.

Average economic occupancy has remained relatively steady at 93% in 2024 and 2025. However, nearly **35% of properties are below the accepted industry standard of 93% economic occupancy.**

The number of properties with physical occupancy under 90% has improved over the two years of analysis, but very little over the last fiscal year.



*Accepted industry standard: 93% or above



Data Analysis – Insurance Costs

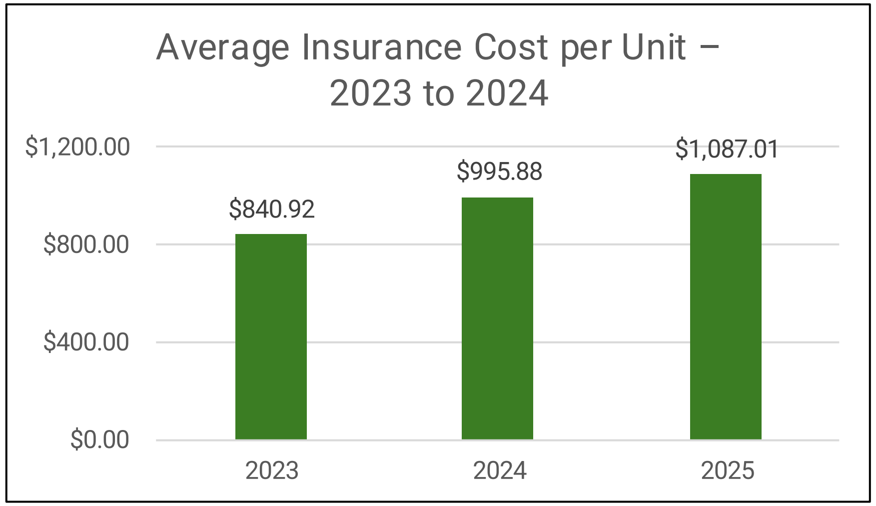
On average, **insurance costs are approximately 11.3% of operating expenses in 2025, up .44% from 2024.**

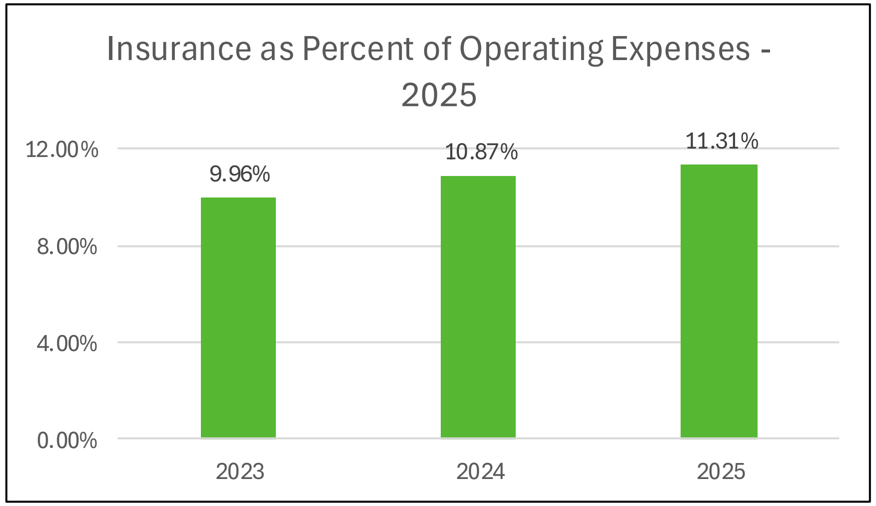
The share of properties spending 10% or more of their operating expenses on insurance jumped from 39% in 2023 to **60% in 2025**.

Industry stakeholders report to IHC that pre-2020, insurance rates were approximately 5-7% of operating expenses

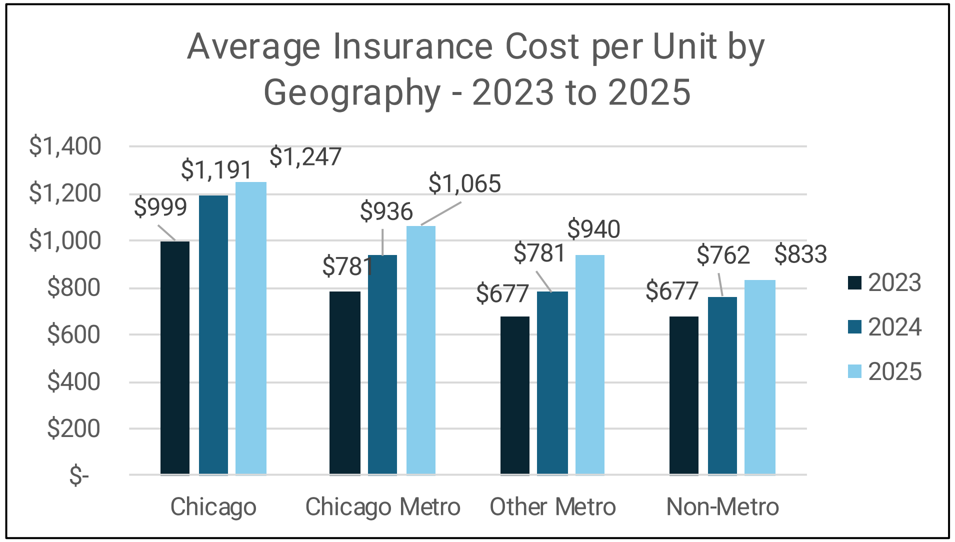
Average insurance cost per unit:

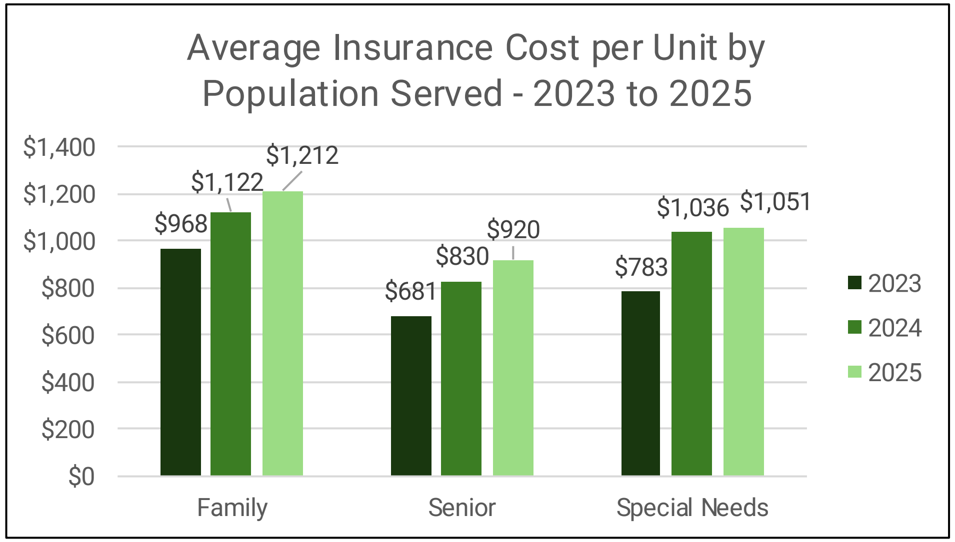
- 2023: $840
- 2024: $995
- 2025: $1,087





Data Analysis – Insurance Costs

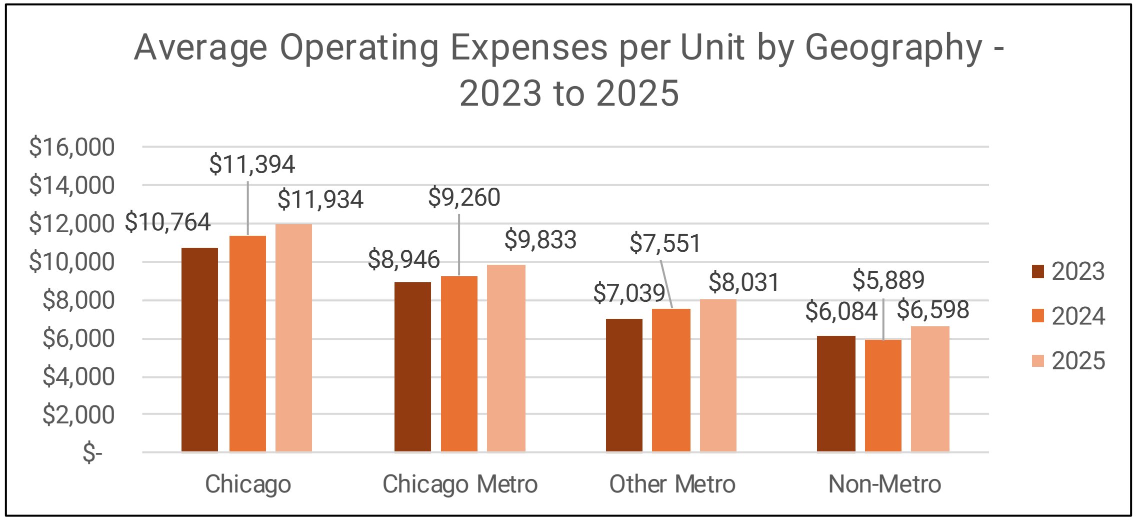


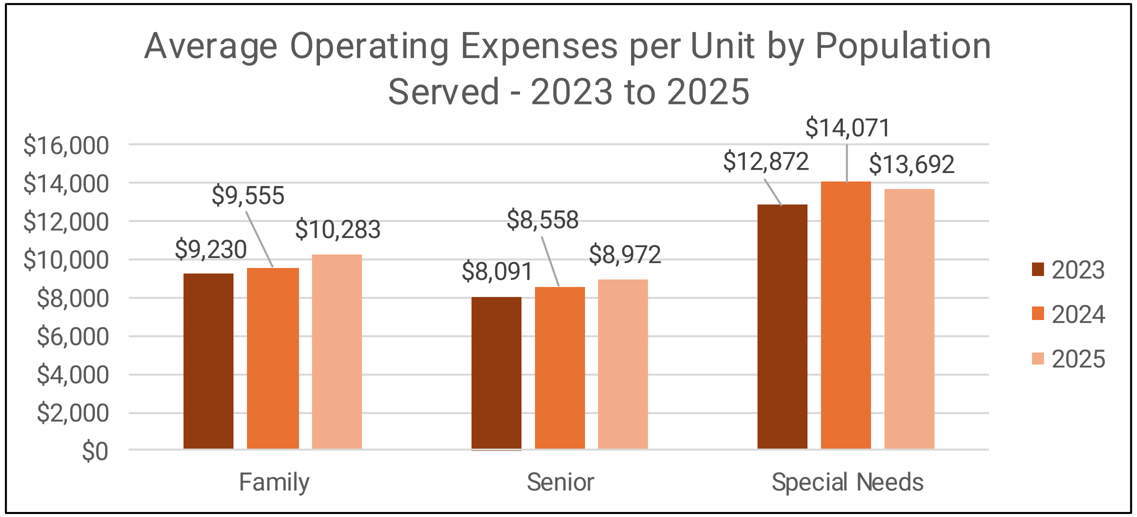


- Chicago faces the highest per-unit insurance costs, but their increase has slowed to 5% from 2024 to 2025.
- Other regions face increases as well, with Chicago Metro and Other Metro areas seeing the steepest hikes of over $100 per unit.
- Properties serving Family populations face the highest insurance cost: $161 more per unit than Special Needs properties and almost $300 more than Senior properties.

Data Analysis – Operating Expenses

- **Average operating expenses have climbed sharply in just one year,** rising from $9,406 per unit in 2024 to $9,773 per unit in 2025– an increase of 6%, up from 4% last year.
- Operating expenses in Chicago are almost double those in the Non-Metro metro region and $250 per unit than Chicago Metro expenses.
- Properties serving Special Needs populations experience disproportionately high OpEx compared to family and senior populations.





Property Management Workforce Assessment

- **Considering the Working Group's results, the Portfolio Health Project team decided to pursue more data regarding property management and related staffing challenges.**

- **Sara West and Kelly Powers, consultants with a background in workforce assessments and nonprofit strategies, were brought on to conduct a thorough evaluation of the staffing concerns facing the affordable housing industry.**

Property Management Workforce Assessment

- **Process & Timeline**
  - Stakeholder Engagement Phase: June – Aug 2026
    - *25+ interviews with developers/sponsors, third party managers, front line staff, lenders and syndicators, and service providers*
    - *Surveys of residents and property management staff*
  - Research & Analysis Phase: July – Sept 2026
  - Final Report: To be issued November 2026

Property Management Workforce Assessment

- **Initial Findings**
  - Role of Property Managers
  - Employee recognition, training, career paths, and infrastructure
  - Staff turnover
- **However, increased training and professional support cannot entirely solve systemic issues**
  - “Resident-centered” affordable housing is growing, but there is no emphasis on staff development and support
  - Little research on staff impact on property performance or resident satisfaction
- **Impact of resident services is uneven due to lack of coordination, tension of competing objectives, inconsistent funding**

Meeting the Challenges of the Future

Data Results

Risk ratings have improved significantly while physical and economic occupancy rates have seen very slight improvement

The industry seems to be adjusting to post-Covid reality, and some metrics are improving gradually.

However, concerns remain as operating expenses continue to climb. Without a method for raising rents, housing providers are experiencing sharp decreases in cash flow, and more properties are reporting a negative cash flow than in FY24.

These costs are likely to continue to rise as inflation continues. How can we build resilience before another crisis and prepare for continued escalating costs?

Working Group Results

Hope and Ideas for the Future:

- Building stronger owner-investor and public agency communications
- Knowledge sharing and collaboration
- Training and capacity building
- Bridging development and operations
- Broader systemic solution

Conclusion

- **Illinois is facing a slow-moving crisis in the sustainability of subsidized affordable housing**
- **The sector lacks a robust, coordinated infrastructure to deal with these challenges**
- **There is a clear need for proactive engagement with funders, early identification of stress, and stronger collaboration between agencies and other industry members**
- **The industry needs knowledge-sharing platforms, shared service models, and expanded pipelines to strengthen staff capacity.**

Next Steps

- Continuing to convene the Working Group
- Updating the Data Analysis each fiscal year
- Final Property Management research results
- Creating new opportunities for coordination among stakeholders
- Supporting agencies and housing providers to meet their goal of providing affordable housing for Illinoisans

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