

# AFFORDABLE CHICAGO:

## THE NEXT FIVE YEAR HOUSING PLAN 2004-2008



CHICAGO REHAB NETWORK  
JUNE 2003

June 2003

Dear Colleagues:

We present this analysis of the Department of Housing's production, not simply to elevate the debate, but rather to call on expanding the effectiveness of what the Department has achieved over the past five years. The Department, under the leadership of Commissioner Jack Markowski, has succeeded in many ways. And yet, to meeting the affordable housing needs of Chicagoans, it requires significant improvement and support . The City would certainly be better able to meet the interests by having integrated city planning that was accountable to affordability as the main measure of success. Our call is for the extension of goal setting and accountability practices to be extended throughout those City departments that impact real estate and land use.

The Plan to End Homelessness, the CHA Plan for Transformation, and the 1998-2003 Department of Housing Plan are thoughtful planning documents. Each of these plans has succeeded in expanding the universe of stakeholders that care about the success of the housing goals laid out. Going forward however, the ability to successfully address the housing challenges detailed in these plans requires more resources and comprehensive planning. This document recommends areas to maximize existing resources, create new ones, and suggests new policies to enhance the impact that our scarce resources have on Chicagoans. We will continue to work with allies who believe that housing is the foundation for an economically prosperous city.

What we will not do is to pit our affordable housing interests against another. We believe affordable housing works for Americans - all her diverse citizens. We believe we are better off with all people being better off - and having basic rights of food, clothing, and shelter. We believe it is in *Valuing Affordability* that we return to a core principle of democratic practice for our neighborhoods and our city.

Kevin F. Jackson, Executive Director

Joy Aruguete, CRN Board President

Executive Director of Bickerdike Redevelopment Corp.

*The Chicago Rehab Network is a coalition that has been working for affordable housing and development without displacement for over 25 years. Through its advocacy, policy, capacity building, and organizing efforts, we work to strengthen nonprofit community-based development and advocacy efforts in the City of Chicago, State of Illinois, and nationwide. Contact us at 312-663-3936 or at [www.chicagorehab.org](http://www.chicagorehab.org).*

# Executive Summary

The Chicago Rehab Network has been analyzing the Department of Housing's production and spending priorities quarterly for the last ten years. This document provides an analysis of the production during the now expiring 1998-2003 City of Chicago Housing Commitment, summarizes the housing need, and proposes policies and resources that are necessary to make Chicago an affordable place for all her current and future residents.

Over the last 10 years, the Department of Housing has increased its ability to maximize its limited resources and meet overall citywide targets. But they cannot address our city's affordable housing challenges alone. Our starting point is that high rents, substandard quality, lead hazards, and overcrowding still plague too many of our neighborhoods. Current city priorities on safety and education cannot be achieved without increased investment in affordable housing.

In 2003, we call on the City of Chicago to build on that expertise - and to prioritize affordable housing in all city planning and allocation of resources. A fundamental shift is required to address the disparities in housing quality and affordability throughout our city. Only a comprehensive policy approach can ensure that neighborhoods benefit from the power of coordinated leadership. All affordable housing development must be guided by principles of affordability and long-term preservation - and be specific to local place-based assets and needs.

The Chicago Rehab Network, its membership, and its allies have determined that the following policies would significantly strengthen neighborhoods and positively impact the high level of housing needs facing our City:

- Development must be guided by principles of affordability and long-term preservation specific to local place-based assets and needs.
- Coordination of all development resources between city departments to prioritize affordable housing.
- Prioritization of nonprofit developers in all funding and resource allocations.
- A city corporate budget commitment of 2% annually, up from a current .03% annually. This would result in an increase from \$15 million to \$95 million per year.
- Target 60-75% of all housing funds to rental housing, tailored to the local neighborhood housing stock.
- Target all public resources for rental housing to households earning below \$36,500 for a family of four, and for the purchase of single family housing to those earning less than \$49,000.

*For the full policy proposal, and more detailed information, refer to the remainder of this document. For questions and comments, contact the Chicago Rehab Network directly at 312-663-3936.*

*“What is happening with affordable housing is, say you are building a home and you say to a family this costs \$175,000 to \$200,000. The couple looks at you and they are working, and they say, ‘What? \$200,000 or \$175,000?’ ... We have to get that number down so that if they are both working for let us say \$11, \$12, or \$14 an hour and have two or three kids, how are they going to afford that? That is the issue.”*

Mayor Richard M. Daley  
December 4, 2002

## Introduction

The increasing need for housing affordable to low and moderate-income families and individuals has been documented like never before. It is well established that current demand for affordable housing outstrips available supply. Despite the economic and real estate boom of the 1990's, many Chicagoans struggle to find quality affordable housing. All agree that stable, affordable housing is foundational for the success of individuals, families, communities and the overall economic health of our nation. Decent housing is a prerequisite to pursue employment, education, maintain physical health and improve one's quality of life. Yet, over the past two decades the federal commitment to an adequate supply of affordable housing has diminished.

Today declining federal resources combined with tight municipal and state budgets provide an additional challenge to affordable housing development. This environment calls for bold leadership, unprecedented cooperation and creative approaches from government, community developers and the private sector. In Chicago and around the country, past efforts from these entities have produced remarkable results. As the City of Chicago comes together once again to renew its commitment to affordable housing policy and programs, fresh thinking is in order. If the challenge is to be met, we must be prepared to fully utilize every possible public and private tool to benefit neighborhood development and to improve the quality of life for Chicagoans. The Chicago Rehab Network submits the following document as a good-faith, experience-based resource to inform the work ahead.

## A Look Back

Ten years ago the City of Chicago made its first significant commitment to affordable housing in response to a widespread call from residents and community organizations. An initial Five-Year Plan emerged identifying new financial resources within a framework of accountability: \$750 million was to be spent over 5 years for affordable housing, along with quarterly reporting of progress towards production and income targets to a City Council committee. This reporting commitment is arguably the most transparent action of city government in Chicago and is viewed as "best practice" nationally.

Five years ago the City of Chicago launched a model planning process that allowed for broad community and stakeholder input. A diverse advisory group met over several months, researching and

considering housing solutions from throughout the country. This effort resulted in a \$1.3 billion commitment to affordable housing, now expiring in 2003. The second Five-Year Plan challenged the City of Chicago to actively engage previously untapped resources. In the current resource-challenged environment, the third Five-Year Plan should look to do the same.

In approaching the next five years, it is important to extract lessons learned from prior experience. To do that we call upon the City Council's Committee on Housing and Real Estate to charge the Department of Housing (DOH) with a full and open evaluation based on the broad goals identified in the 1998-2003 Affordable Housing Plan. Those broad goals were as follows:

1. Expanding Housing Affordability
  - Sustainable Home Ownership
  - Sustainable and Affordable Rental Housing
2. Assuring Housing and Supportive Services for the Neediest
3. Affordable Housing Improvement and Enhancement
  - Preserving Housing Stock
4. Linking Housing and Job Opportunities
5. Building Public and Private Capacity to Sustain Long-Term Strategy

An assessment of the outcomes of these goals and objectives set in 1998 will do much to inform the direction of City housing policy over the coming years. We are confident that past success and the lessons learned will help refocus our efforts. A close analysis is required to examine many performance issues. Particularly important are the answers to the following questions:

- How has the costs of CHA redevelopment impacted federal and city revenue sources and expenditures for affordable housing development?
- Have DOH priorities demonstrably addressed housing needs in Latino communities?
- Have strategies to preserve small-unit buildings been successful?
- Have more units been added than lost through demolition?
- Have the interests of long-term residents been supported and approved?
- Which communities and income levels have been impacted from homeownership investment?

CRN announced its *Valuing Affordability* Campaign in mid-2001. This blueprint is rooted in the urgent need to actively intervene in shaping public policy responses to the unique circumstances of Chicago's diverse neighborhoods. It underscores the dual need to both creatively preserve existing affordable stock and spur new development. *Valuing Affordability* proposes common sense solutions for Chicagoan's diverse housing needs in the context of the strengths and weaknesses of Chicago's dynamic housing market.

The following principles governing *Valuing Affordability* continue to guide our work today:

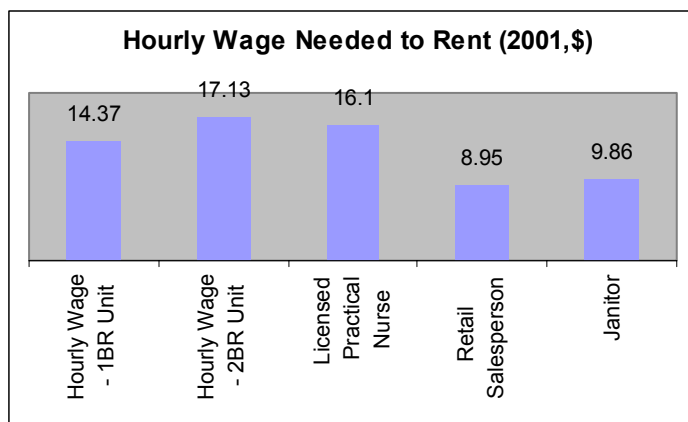
- Affordable housing benefits all residents and institutions, and is a necessity for a successful city and region.
- Sufficient public resources must be committed to meet real neighborhood needs at living rent levels.
- Strong and affordable neighborhoods require supportive public policies to prevent displacement, promote preservation, and encourage production.
- Affordable housing must be included in all real estate development.

This is the lens through which we view the past housing production by the City of Chicago, and for our proposal for the next 5 years. In the coming pages, we summarize current housing needs, present an analysis of the City's affordable housing production since 1998 and propose both citywide and tailored place-based policies. The capacity to create solutions is among us -- the stakeholders who care about neighborhoods and affordable housing in a strong, vibrant Chicago - our hometown.

The level of housing need is large and growing. It can be difficult to grasp - the magnitude touches the very poor, the disabled, homeless, seniors, working people, and moderate-income families. There is a growing consensus, among advocates from different sectors and from interested parties -- that the costs of not dealing with the housing crisis may outweigh a greater financial commitment to it. Most recognize that societal priorities on safety and education cannot be achieved without increased investment in affordable housing.

Costs are high and can be seen from different vantage points. Research is beginning to confirm what educators have known for years - highly mobile children have lower educational outcomes. Lack of a coordinated city housing policy has resulted in capital investments in Chicago Public Schools in neighborhoods where demand is low because new upper-income families use private schools, as detailed in the February 2002 issue of *Catalyst Chicago*.

Chicago Metropolis 2020 and other civic and regional organizations have come on board to advocate for solutions to the job-housing mismatch. In a study released last month from the National Housing Conference, housing in Chicago is not affordable to five vital community occupations: Elementary school teachers, police officers, licensed practical nurses, retail salespeople, and janitors. *Pay-check to Paycheck: Wages and the Cost of Housing in America, 2001* analyzes the cost of for sale housing and of fair market rents in comparison to the annual income and hourly wages of those five occupations. The data from this report, shown here, have staggering implications for the future of Chicago's economic and social well-being.



According to the Illinois Department of Corrections, 42,898 ex-offenders with Chicago zip codes were released from Illinois prisons during 2000-2002, for an average annual release of 14,299. This trend is likely to continue, suggesting that roughly 71,495 ex-offenders will return to the City of Chicago over the next five years. According to the Chicago Urban League, most of these individuals will return to neighborhoods on Chicago's West and South sides with high concentrations of poverty, low incomes, high unemployment and low educational levels.

A recent Chicago Tribune editorial by John M. Hagedorn discussed his upcoming research which will propose a link between Chicago's high crime rate and the lack of quality affordable housing. As noted above, this is just one more example of the growing acceptance that there is a connection between a decline in affordable housing investment and increased costs to society overall.

# Where we are: Housing Need

We enter a new five-year planning process after a decade of prosperity that wrought dramatic changes on the Chicago landscape. In many ways the 1990's turned out to be a great decade for housing starts and for the image of Chicago as a world-class city on the rise. The city's population expanded for the first time in 30 years, rising 4% due to a growing Latino presence. The number of housing units nearly kept pace, growing 2.0% in the same years. The city's median income rose nearly 10% in inflation adjusted dollars. The overall poverty rate dropped and home values rose by 25%. Rents appeared to change only nominally (5%).

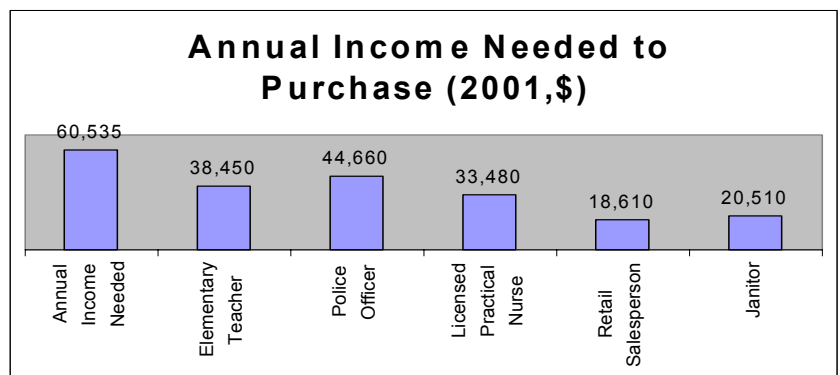
However, these general indicators gloss over the housing realities for many Chicagoans. The good fortune of the more affluent masks the fact that ten years of prosperity made no dent in the number of "rent-burdened households" (those paying more than 35% of income for housing), and the number of households with "extreme rent burdens" (those paying more than 50% of their income for housing) increased.

The resurgence of Chicago's housing market has produced uneven results. For instance, rents rose by more than 30% in real dollars in 25 communities, and by more than 50% in 7 of them. Other community areas saw large increases in poverty even as poverty was declining for the city as a whole. In 27 community areas crowding increased by 50% - rising as much as 200% in seven of these communities. The number of very poor Chicagoans dropped 12% citywide but rose more than 50% in 16 communities, and rose by more than 100% in 7 community areas. These disturbing counter-trends point to another reality - that redevelopment has shuffled around low-income families, reconcentrating them in neighborhoods beyond boom areas.

Despite the good fortune of some neighborhoods, the market boom of the '90s carried little if any positive effect on lower-wealth areas. The concentration of poverty and the resultant stress it imposes on people and the community assets where they live is considerable. If left unchecked, these trends spell trouble ahead.

Although 52,042 new housing units were built in the city during the 1990s, over half of those new units were in just eight of the city's 77 community areas: Lake View, Lincoln Park, Logan Square, Near North, Near South, Near West, Uptown, and West Town. Even though homeownership increased by 4.9% in the 1990s, foreclosures increased by 74% just between 1993 and 2001. And although the city issued 18,257 new construction permits between 1993 and 2002, the city also issued 15,970 demolition permits. And yet 91,000 vacant units still haunt Chicago's streets and over half of them are in just eleven community areas.

Homeownership rate in 1990s	+4.9%
Foreclosures initiated in 1990s	+74%
Construction permits issued in 1990s	18,257
Demolition permits issued	15,970
New Housing Units Built in 1990s	52,042
Abandoned Buildings (with 91,000 vacant units)	53,313



## Disparate Neighborhood Impacts

Census 2000 confirms the troubles many Chicagoans have as they look for stable, affordable housing. Revitalizing neighborhoods around the Loop have seen an influx of upper-income households and housing development while other Chicagoans appear to be displaced to a ring of overcrowded communities. Some of the most prominent problems documented over the last ten years include:

**Gentrification in West Town** – Just northwest of the loop in West Town, the white population increased by 10,328 persons while there was a net loss of 13,395 Hispanics. The number of upper income households in the community earning more than \$75,000 (about twice the city median) quadrupled.

**Exclusive Development in the Near South Side** – After thousands of new housing units were built using city tax-increment financing, the number of upper income households increased 3462%. Citywide, the total number of upper income households increased 60%.

**Overcrowding in the Bungalow Belt** – As gentrification pushes Hispanic families away from downtown, several traditionally white ‘bungalow belt’ communities are seeing large increases in both total population and overcrowding rates. Overcrowding rates in Brighton Park, Gage Park, Belmont Cragin, Irving Park, Portage Park, Albany Park have doubled or even tripled in the last ten years, as the housing stock strains to accommodate growth ranging from 8,000 to 21,000 additional residents

**Lead Hazards** -- In Chicago, African American children are 12 times more likely and Hispanic children are 5 times more likely than white children to have elevated lead blood levels. Chicago has a large African American population accounting for 33.8% of the population and Hispanics are the fastest growing population accounting for 22.8% of Chicago's population according to the 2000 Census. With 58% of all Chicagoans living in rental housing, it is critical to concentrate on the over 120,000 housing units in Chicago that are considered at high-risk for lead-based paint hazards.

## 2003 Facts at a Glance

<b>\$17.85</b>	The hourly wage necessary (at 40 hours per week) in Illinois to earn enough income to afford the Fair Market Rent for a 2-bedroom unit at 30% of income. <sup>1</sup>
<b>15%</b>	Percent of all tested children with elevated blood lead levels.
<b>139</b>	Number of hours per week that a renter needs to work at the Federal Minimum Wage of \$5.15/hr to afford a 2-bedroom apartment in Chicago. <sup>2</sup>
<b>72,000</b>	Estimated total of ex-offenders returning to Chicago's neighborhoods over next 5 years per Chicago Urban League
<b>39%</b>	Percentage of Illinois families unable to afford Fair Market Rent for a 2-bedroom apartment. <sup>3</sup>
<b>80,000</b>	Estimated number of Chicago residents without a home. <sup>4</sup>
<b>7%</b>	Average vacancy rate in the Chicago region, which is near HUD's 6% definition of a tight market. <sup>5</sup>
<b>46,000</b>	Number of rental units lost in Chicago since 1990 as the area's population increased by over half a million. <sup>6</sup>
<b>11,765</b>	Units of housing that are scheduled for demolition by the CHA. These units serve 42,000 people who are at risk of being displaced. <sup>7</sup>
<b>12,942</b>	Units of Illinois Section 8 housing that expire in the next five years. <sup>8</sup>

<sup>1</sup> NLIHC's "Out of Reach" report; <sup>2</sup> Ibid; <sup>3</sup> Ibid; <sup>4</sup> Chicago Continuum of Care "Vision Statement"; <sup>5</sup> Crain's Chicago Business; <sup>6</sup> U. S. Census Bureau ; <sup>7</sup> CHA's "Annual Plan for Transformation FY2003"; <sup>8</sup> HUD's Section 8 contract database

# Housing Track Record 1999-2003

Chicago's uneven resurgence was in full swing when the city launched its second 5 Year Housing Plan in 1998. Since then the city has spent roughly \$1.2 billion to preserve or improve nearly 26,000 units of existing housing, and has created about 9,600 new units. On the consumer end, the city also extends rental assistance to about 2,500 renters each year, and has extended homebuyer assistance to 5,500 households.

Looking back over 10 years, the City reports publicly that it has spent \$2 billion to preserve or create 80,000 units in ten years. At that level of production, one might wonder why the 49,000 affordable unit rental gap still exists. However, this 80,000 figure includes 25,000 units of rental assistance, actually reflecting the same 2,500 "vouchers" renewed each year. This figure also includes 10,000 units of grants made to homeowners for home improvement projects – as substantial as replacing roofs but also includes the installation of handrails. Finally, it includes homebuyer assistance programs for 5,500 households (approx. 1,500 per year) -- with one-quarter of those families earning between \$60,000-\$90,000. We maintain that households at that income level should be served by traditional loan products in conventional mortgage markets, thus freeing up scarce resources for those in greater need.

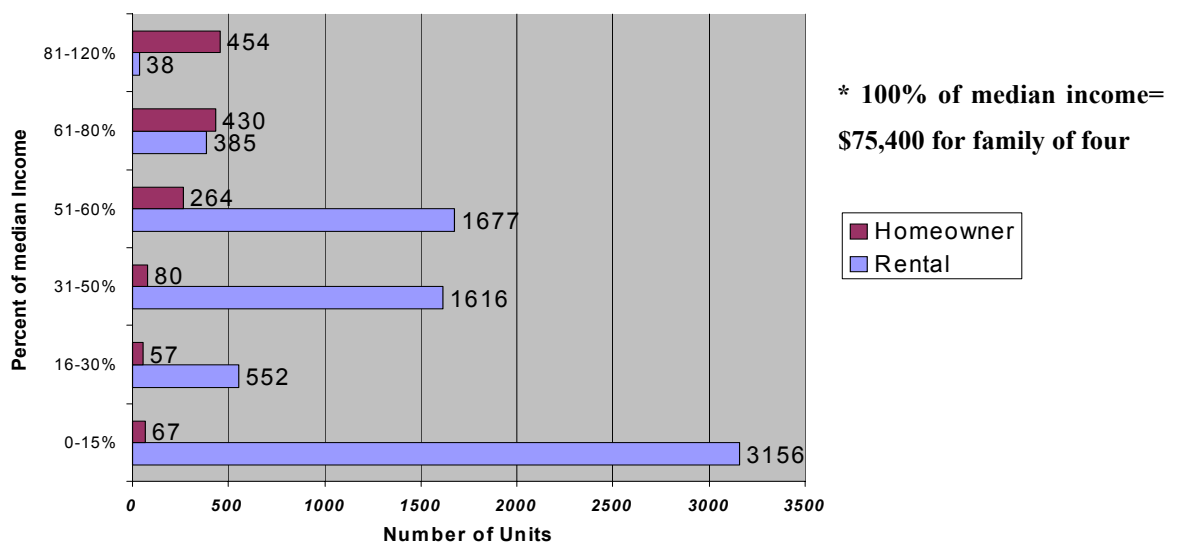
What follows is an analysis to provide greater context - and our analysis reflects our distinction between unit creation, preservation, and buyer/tenant assistance.

The Department of Housing has met the unit goals established in 1998. In terms of the overall targets, the city has already, at the four year mark of its five-year plan, substantially surpassed its spending goals, particularly for multi-family housing, and is on target with its production goals. With these gains, we must consider whether or not the housing need has been impacted significantly.

## Overall Targets

The centerpiece of policy to expand affordability is new unit creation. In the past four years the city created 1,600 single family units, and just under 8,000 multifamily units. These are respectable production numbers, and include DOH's support of CHA redevelopment. But they do not keep pace with the affordable housing market as it is -- exacerbated by deterioration, demolition, conversions and CHA transformation.

1998-2003 DOH Production by Income and Type





The city's most recent 5 year plan proposed to invest \$1.05 billion, including \$607.7 million for programs to benefit single family housing, and \$437.5 million to benefit multi-family housing.

This apparent priority on single family housing is out of balance in Chicago, which remains a city of renters. 56% of Chicago's occupied housing units are renter occupied, and yet it is primarily the city's rental stock which is subject to attrition accelerated by expiring subsidy contracts, condo conversion, and public housing redevelopment.

Notably, this priority was reversed in actual spending: at the end of 2002 the city spending on single family programs came to \$421 million, and spending on multi-family programs weighed in at \$737 million – with significant increases in all types of multi-family assistance programs but especially in new unit creation, due largely to CHA redevelopment.

That's as it should be – public resources should be used to create housing that the market doesn't supply on its own. In the case of Chicago, it is housing for those on the lower end of the income scale that should be the focus of public resources.

Several of the city's Single Family programs sputtered to a halt for lack of demand, because as interest rates dropped, the city was offering mortgage products no better than those available on the market.

## Housing Preservation and Improvement

A narrow focus on creating new units without regard to their long-term sustainability serves no long-term objective; the city's preservation efforts are essential to maintaining what's already been built. The Commissioner's focus on preservation through partnerships with the County and Federal government is one of the great successes of his administration at the Department of Housing.

In the current 5-Year plan, the city proposed to spend \$5.5 million on the preservation and improvement of existing **multi-family housing**. By the 4 year mark, it had actually spent \$19 million to preserve 10,100 units; 6,600 of them were rescued from default or market conversion through the city's property stabilization programs (the remainder received safety and code enforcement assistance).

Additionally, the city first proposed to spend \$9.7 million for **single family preservation**, including property transfers and rehab. In four years, it had spent \$22 million to preserve 2,279 units. Another 9,800 units were "improved" through homeowner assistance programs. The city's spending on this category is on target.

We know that the housing resource centers and delegate agencies report high demand for their products. Both the Department of Housing and the Department of Planning and Development should be tracking and reporting on these unmet housing needs.

## Two Landmark Plans

Over the last four years, the City has shown tremendous leadership for two landmark plans for housing the city's neediest populations. The **Continuum of Care** has created a **Ten-Year Plan to End Homelessness** that has been endorsed by Mayor Daley. This plan recognizes the importance of stable, permanent housing to the success of individuals and families. We applaud the efforts of this broad coalition in setting out this comprehensive strategy. This plan calls for at least 11,000 new permanent units of affordable housing to be created and requires a large infusion of capital.

The **Chicago Housing Authority's (CHA) Plan for Transformation** reports approximately 16000 units remaining to be developed. A significant amount of DOH funding is being channeled into massive CHA redevelopment projects. DOH specifically reports spending \$183.9 in city resources on CHA related projects. This includes Tax Credits, federal HOME dollars, Tax Increment Financing, Bonds, CDBG, Empowerment

Our awareness of growing housing needs must translate into a greater resource commitment from all levels of government to meet those needs.

Zone funds, and represents 27% of the \$675.3 million spent for all multifamily construction.

In 2002, the city spent \$45.9 million on projects including CHA replacement units. This represents 26% of the \$176 million it dedicated to all multi-family creation programs that year, including \$646,000 of that year's \$65.3 million LIHTC equity pool and 69% of the HOME dollars budgeted for multi family loans.

We do not suggest that DOH shield its resources and expertise from the CHA Transformation Plan or the Chicago Continuum of Care Plan; rather, in doing so, it should commit additional resources for the equally pressing need for affordability throughout the City.

Continuum of Care Plan = 11,000 permanent units  
CHA Transformation = 16,000 units to build  
Affordable rental shortage gap= 49,077 units  
At-risk Expiring by 2006 = 15,508 (Sec8+LIHTC)

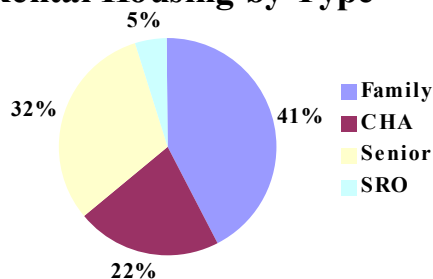
# Who Benefits

Fully half of all city assisted multi-family units were targeted to households earning less than 30% of the AMI (\$22,000 for a family of four), and another 30% were dedicated to households with incomes below 60% AMI (about \$40,000 for a family of four). This demonstrates the Department's ability to meet the most severe housing needs - we recommend that it be an expanded area of concentration.

The city is still targeting resources to create housing for Chicagoans earning more than 80% AMI funding about 450 single family units and 110 multi-family units. This trend shoots upward if you look at other single family programs, which prioritize homebuyer assistance over new unit creation: 3,000 of the 5,500 homebuyers assisted earn 80-120% AMI. While there may be neighborhoods that warrant expenditures at such income levels, they should be determined by an overall redevelopment strategy that seeks to balance preservation with reinvestment.

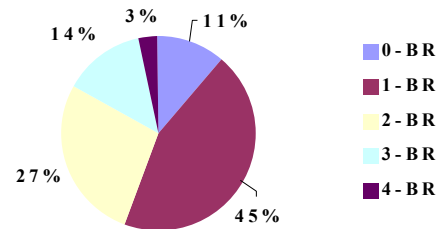
**City-funded multi-family housing is not always family housing.** Nearly a third of all the multi-family units are for seniors, while 5% of all DOH-funded rental units are SRO units. In fact only 41% of the units the city helped create in the last 4 years are family units.

## Rental Housing by Type



**Only 17% of all rental housing units funded by DOH have more than 2 bedrooms.** (See pie chart in next column). Large family housing continues to be a priority on paper only. This unfulfilled promise has a disproportionate impact on immigrant communities which traditionally have larger families.

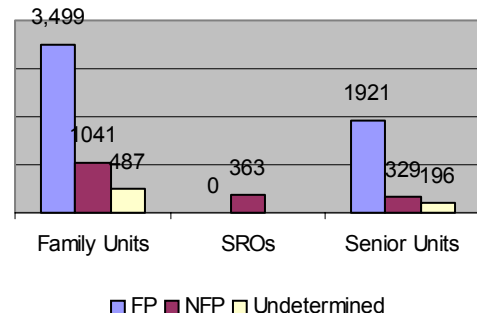
## Rental Units by Number of Bedrooms



**Fully 74% of all rental units funded by DOH were developed by for profit corporations.** Though we applaud all contributions towards expanding affordable housing, we must note the project disparity between for profit and nonprofit developers. The chart below details the rental production by rental unit type and profit status.

Nonprofit community development corporations operate from a mission-driven business model which is unique in the development arena. CDCs tend to commit to long-term affordability of a project, beyond even the life of the financing. They strive to serve community residents at the lower end of the income scale. Projects are typically part of a broad community development strategy that seeks to improve individuals and the overall community through the provision of housing and often supportive services. And CDCs are accountable to their boards and community residents and leaders in ways that guarantees the sustainability of the affordable units over the long-term.

## Rental Units by Developer Type



# Income Targeting

DOH currently targets its resources to households earning less than 120% of the Chicago Primary Metropolitan Statistical Area household income, in line with federal standards. However, the Chicago PMSA includes all nine counties of Northeastern Illinois. As a result, the median income for the PMSA is skewed upwards by its well-off suburbs; the PMSA per capita income in 2000 was 24% above the city's per capita income of \$20,175.

Other major cities, like Los Angeles, San Diego, and New York City, are better able to target their affordable housing resources because their PMSA boundaries are more tightly drawn around the center cities and thus do not include as many high-income suburbs. Prior to 1993, Northeastern Illinois was divided into four PMSAs: Chicago, Elgin-Aurora, Joliet, and Lake County. Despite this federal income definition, it is a City policy choice about how to target resources locally.

The table below illustrates the difference between the 2002 HUD income limits for the Chicago PMSA and an estimate for similar limits for Chicago, based on the disparity between the areas' per capita incomes. This proposal recommends that if the PSMA continues to be the baseline used by the City, that the income targeting be lowered to match the actual Chicago median, as shown below. All public resources would be used for households of four earning less than \$48,657 a year.

*The table shows a comparison of the current city policy which governs the distribution of housing resources according to the PSMA vs. an alternative proposal which would target resources according to the City of Chicago median income.*

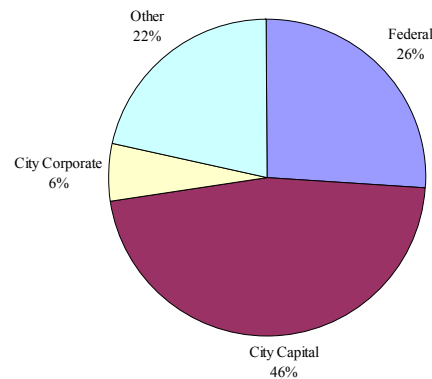
HH	PMSA <b>30% AMI</b>	Chicago <b>30%</b>	PMSA <b>50%</b>	Chicago <b>50%</b>	PMSA <b>80%</b>	Chicago <b>80%</b>	PMSA <b>100%</b>	Chicago <b>100%</b>	PMSA <b>120%</b>	Chicago <b>120%</b>
1	\$15,840	\$12,777	\$26,400	\$21,295	\$42,240	\$34,073	\$52,800	\$42,591	\$63,360	\$51,109
2	\$18,090	\$14,592	\$30,150	\$24,320	\$48,240	\$38,913	\$60,300	\$48,641	\$72,360	\$58,369
3	\$20,370	\$16,431	\$33,950	\$27,386	\$54,320	\$43,817	\$67,900	\$54,771	\$81,480	\$65,725
4	\$22,620	\$18,246	\$37,700	\$30,411	\$60,320	<b>\$48,657</b>	\$75,400	\$60,821	\$90,480	\$72,985
5	\$24,420	\$19,698	\$40,700	\$32,830	\$65,120	\$52,529	\$81,400	\$65,661	\$97,680	\$78,793
6	\$26,250	\$21,174	\$43,750	\$35,291	\$70,000	\$56,465	\$87,500	\$70,581	\$105,000	\$84,698
7	\$28,050	\$22,626	\$46,750	\$37,711	\$74,800	\$60,337	\$93,500	\$75,421	\$112,200	\$90,506
8	\$29,850	\$24,078	\$49,750	\$40,131	\$79,600	\$64,209	\$99,500	\$80,261	\$119,400	\$96,313

Note: 1- Chicago figures are CRN calculation, based on metropolitan area figures from 2003 HUD Income Limits. The 2000 Census indicates that per-capita income in Chicago is 19.3% lower than the per-capita income for the metropolitan area.

# Sources of Resources Committed

In drawing up the current five year plan, the city proposed to spend a combination of federal, city capital, city corporate and "other" funds, as represented on the accompanying pie chart. Federal funds include the city's share of federal block grant and tax credit allocations. City capital funds were to be raised through the city's bonding authority. "Other" funds represent the city's Resource Challenge to identify \$150,000,000 in new resources over the course of the plan, and came to include funds from lenders and insurers like Allstate, Metrolinks Housing Choice Vouchers, empowerment zone and TIF funds. While succeeding at drawing on a wide array of sources, the budget effectively minimizes the city's use of its own corporate funds to 6% of the Department's total five year budget.

1998-2003 Housing Resources Budgeted



# The Future: Housing Proposal 2004-2008

Current city priorities on safety and education cannot be achieved without increased investment in affordable housing. Most would agree that the current level of production is insufficient to the current need. Below, we outline ways to maximize current resources and ways to create new ones. We then discuss citywide policies that should be considered in order to address the growing housing problems in our neighborhoods. Finally, we will provide recommendations based on a cluster analysis of community areas based on common housing type and problems.

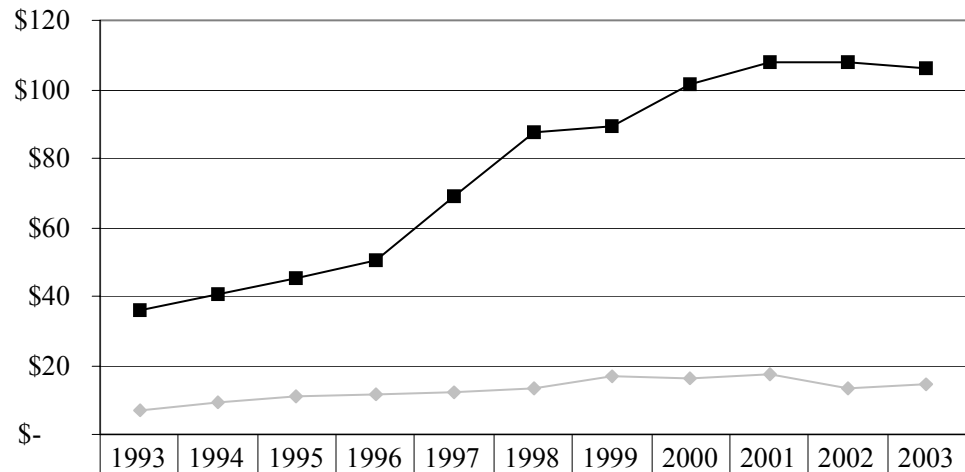
## Recommendations for Maximizing Current Resources

- Target all public resources to renters under 60% of median income (\$36,000) and to homeowners under 80% (\$49,000) of median.  
Result: Under current levels of funding, this could impact rental production by 152 additional units and for sale housing by 397 homes annually.
- Prioritize non-profit developers in all program and funding allocations.  
Result: This maximizes scarce public resources by investing in properties which are likely to be preserved over the longest term.
- Of all federal and city dollars, 60-75% should go to rental development and preservation, with a significant portion targeted to households under 30% of median income.  
Result: This could create or preserve an additional 1,600 units annually. The ratio of rental:for sale should be dependent upon existing community assets.
- Expand use of bonding authority for multifamily rental development and preservation.  
Result: Accessing \$50 million in bonds could create 500 more affordable units annually. It will require the packaging of multiple projects for feasibility, and the City possesses the capacity and creativity to lead this effort.
- Provide incentives to create rental housing to those over 60% of median income utilizing inclusionary zoning policies, broadly used planning tools, and cost offsets.  
Result: This would channel the scarce federal dollars to create units for those most in need.
- Expand use of cooperative and land trust models to support for-sale housing that will be affordable over the long-term.  
Result: These models providing access to homeownership for lower income households, while also serving a larger community interest to maintain an affordable stock.
- Expand existing tax-based rehab incentives, similar to J51 in New York City, to encourage single-family owners and multifamily owners to maintain and upgrade their properties.  
Result: This would allow the City to utilize more of its CDBG money for housing rehab and construction, rather than maintenance and code compliance.

## Recommendations for New Sources of Revenue

- **We are calling for the City of Chicago to annually commit at least 2% of its corporate budget to affordable housing - about \$95 million per year.** Currently, the City of Chicago corporate budget spends only \$15 million dollars of its corporate budget on affordable housing in Chicago each year. This is 0.03% of the City budget.
- Work to develop and implement the City of Chicago **Federal housing agenda** that calls for expansion of the Low Income Housing Tax Credit, creation of a new rental production program like the National Housing Trust Fund, full funding of HOPE VI, and identify other potential sources of federal and/or state revenue.
- Securing a **dedicated source of revenue** for housing rehab and production is critical. This dedicated source of revenue should be tied directly to the Chicago Low Income Housing Trust Fund. The State of Illinois dedicates 50% of its real estate transfer tax revenues to affordable housing activities - creating a revenue stream of over \$20 million annually for the Illinois Housing Trust Fund. Tying a dedicated source to a percentage of permit fees, TIF redevelopment surplus funds, or the real estate transfer tax, currently at \$109 billion a year, would ensure that the affordable housing sector “booms and busts” right along with the larger real estate market. The following chart illustrates how over the last ten years, a tripling in revenues from the Real Property Transfer Tax (one potential dedicated revenue source) has filled city coffers while City of Chicago corporate fund commitments to affordable housing have not kept pace.

**Corporate Fund Expenditures for Housing vs. Revenues from Real Property Transfer Tax<sup>1</sup>**



—◆— DOH Corporate Fund Expenses (\$ millions)	6.8	9.5	11.3	11.6	11.9	13.6	17.1	16.5	17.4	13.1	14.4
—■— Real Property Transfer Tax Revenue (\$ millions)	36.2	40.4	45.0	50.2	69.1	87.4	89.5	101.7	108.0	108.0	106.0

<sup>1</sup> Actual figures for 1993-2001 are from historical City of Chicago Budgets. Both the 2002 year-end estimates and the 2003 projections come from *2003 Preliminary Budget Estimates*, City of Chicago Office of Budget and Management, 2002.

# Policy Recommendations

A sound and comprehensive policy-setting process should result in the identification of measures that we believe will result in success. The unit and overall spending goals set in 1998 were met in general. However, particular priorities for spending those resources were not identified, nor were benchmarks set for improvements in particular neighborhoods. To address the uneven development patterns that have occurred, we are calling for a place-based approach to neighborhood investment that requires a prioritization of resources based on local neighborhood assets and needs.

CRN recommends that a specialized task force of city elected officials, staff of the relevant city departments, community-based organizations and developers, advocates, and neighborhood leaders join together to adopt a policy framework to guide affordable housing development in Chicago. This effort should provide a structure and process for investment of public and private dollars, while also remaining flexible and responsive to local needs.

Our analysis shows that a comprehensive and coordinated City approach is required. The Departments have few formal processes in place to maximize their efforts in any given neighborhood. Two overarching principles should guide all housing investments: *affordability and long-term preservation of the affordable housing stock.*

**Coordinate neighborhood development among city departments to prioritize affordable housing in all city policy-making.** Provide coordinated access to the full planning and development capacities of city government. This should include Planning and Development, Buildings, Zoning, Permits, the Chicago Housing Authority, the Chicago Transit Authority, and the Chicago Public School system. Analyze and improve all land acquisition and disposition policies to ensure their consistency with affordability of the housing stock.

**Prioritize nonprofit developers** in all funding and resource allocations, including the assignment of an expediter to fast-track nonprofit proposals.

**Preserve the existing stock of multifamily rental housing in all areas.** Provide incentives for existing owners to renew government contracts, granting capital improvements for the older assisted stock, and restructuring debt where affordable units are at risk.

**View neighborhoods from a community-based asset framework.** Current residents should benefit from investment and development. Incentives and protections for long-term residents must be prioritized in all development decisions.

**Convey land at no cost to nonprofit developers to maximize long term affordability.** Current policy adds unreasonable costs to the development of both single family and multifamily affordable development.

# Policy Recommendations

**Use the City of Chicago median income to better target public dollars**, as opposed to the metropolitan area median. Alternatively, the City should commit to re-setting the income targets as proposed on page 11.

**Consider unused industrial and commercial sites for conversion to affordable residential purposes.**  
Encourage mixed use rehabilitation as a source of traditional affordable housing.

**Waived fees and expedite processes for any developer of affordable housing.** Stakeholder review of internal funding processes suggests the need to reduce development costs through advanced collaboration that prioritizes affordable housing in other City departments to best leverage scarce public resources.

**Use land trusts and cooperative models to prevent displacement** in both gentrifying areas and areas with lower household income. This policy will encourage homeownership opportunities for households that cannot qualify for conventional financing.

**Preserve and bank public land for affordable housing development** in areas that are Booming, Bursting, and Filling. Public land in all neighborhoods should be considered for affordable housing before being identified for other uses, including land that is zoned for industrial and commercial uses.

**Establish project-funding criteria.** Prioritize nonprofit developers, large units for families, income targets that are in line with neighborhood market rents, and protections for long-term residents. Initiate a Qualified Allocation Planning process to guide the distribution of funds, and the impact on particular neighborhoods.

## Make Rents Place-Based

Affordable city-sponsored developments are often too expensive for residents of the communities they are built in. The Department spends much of its resources on housing for seniors, but these dollars are not affordable to most seniors; over half of the city's 198,689 senior-headed households have fixed incomes below \$25,000 a year. Households headed by persons over 75 years old have incomes 45.4% lower than the city norm.

Over the past four years, Senior Suites, Inc. has built hundreds of senior apartments using Department of Housing funds. However, these apartments are frequently not affordable to their target populations. Senior Suites of Hegewisch, a project approved in 2000,

rents fully 86% of its units at rents at or above the South Deering community area's 1999 median gross rent of \$460 a month. Half of its units rent for 20% more than the average South Deering apartment. The project's average rent of \$509 a month is plainly unaffordable to the average Social Security recipient in Chicago, who receives an average of \$872 from Social Security each month.

A closer evaluation of all project rent levels should be conducted in order to assure that, going forward, public resources benefit existing neighborhood residents. Rent levels must be set, and subsidy determined, by the existing income of potential tenants from the particular neighborhood. Rent levels that are at- or over-market, in effect, result in the displacement of local households.

## Reinvestment and Smart Growth Policy

The Chicago region is projected to gain 1.6 million residents over the next thirty years. The region will need 9,000 new affordable housing units every single year in order to keep up with this population growth. But if this demand for new housing is met through continued suburban sprawl — as has been the case over the past half-century — the region’s quality of life could suffer. Chicago Metropolis 2020 has projected that traffic congestion will increase by 25% and that 500 square miles of green space — twice the land area of Chicago — will be developed by 2030 if current trends continue.

Several recent efforts to craft a new vision for the Chicago region’s growth have identified infill development as a priority step towards building a better region. More infill would focus new residents in areas which already have infrastructure — notably mass transit to job centers, like downtown Chicago and O’Hare — already in place, and which are often historically or culturally significant. Building two-flats on just one-third of the nearly 10,000 acres of vacant land within city limits would result in over 100,000 new units, or housing for 300,000 new residents (based on analysis by Openlands Project). Taking advantage of underutilized “soft sites” and higher densities could result in even more units; the Central Area Plan forecasts 40,000 new units in downtown alone by 2020, fulfilling one-tenth of the region’s projected population growth.

In other growing metropolitan areas, like Seattle and Washington, D.C., central cities have led their regions in planning for new residents. These cities have quantified population growth objectives and identified priority areas for revitalization and infill development; they are now undertaking and leveraging significant new investment to spur quality development. These cities have also realized that the scarce supply of af-

fordable housing near job centers is a major factor driving suburban sprawl. That sprawl may be cheap for new homebuyers, but ultimately holds great costs for regional quality of life. Similarly, the newly passed Illinois Housing Initiative Act encourages Illinois municipalities and the state to coordinate and better plan for affordable housing activities.

DOH has already proven that its investments, when properly coordinated with other efforts through community-based planning efforts, can help to spur reinvestment in overlooked neighborhoods. Active cooperation with other city departments to implement place-based strategies can maximize both the impact of and resources available to community development projects. Not only will these investments help to rebuild strong local communities, but they will also help to build a stronger, more livable region. The city should seize the opportunity to lead the region towards smarter growth patterns.



# Neighborhood Cluster Analysis

As census data became available, CRN worked with the UIC Voorhees Center to analyze the data from a neighborhood perspective using the following indicators.

- *What's the predominant housing stock in a community? Rental or single family?*
- *Is the rental vacancy rate increasing or decreasing? Is it high or low?*
- *Is the community's rental stock growing or shrinking?*
- *Is overcrowding on the rise?*
- *How much new construction has the community experienced over the decade?*

Emerging from the questions above are seven distinct clusters of community areas:

**Homeowning**—communities with predominant housing stock of single-family homes.

**Thinning**—areas losing population with increasing numbers of vacant units.

**Tightening**—communities losing population and housing units.

**Converting**—neighborhoods with tight rental markets, losing rental units.

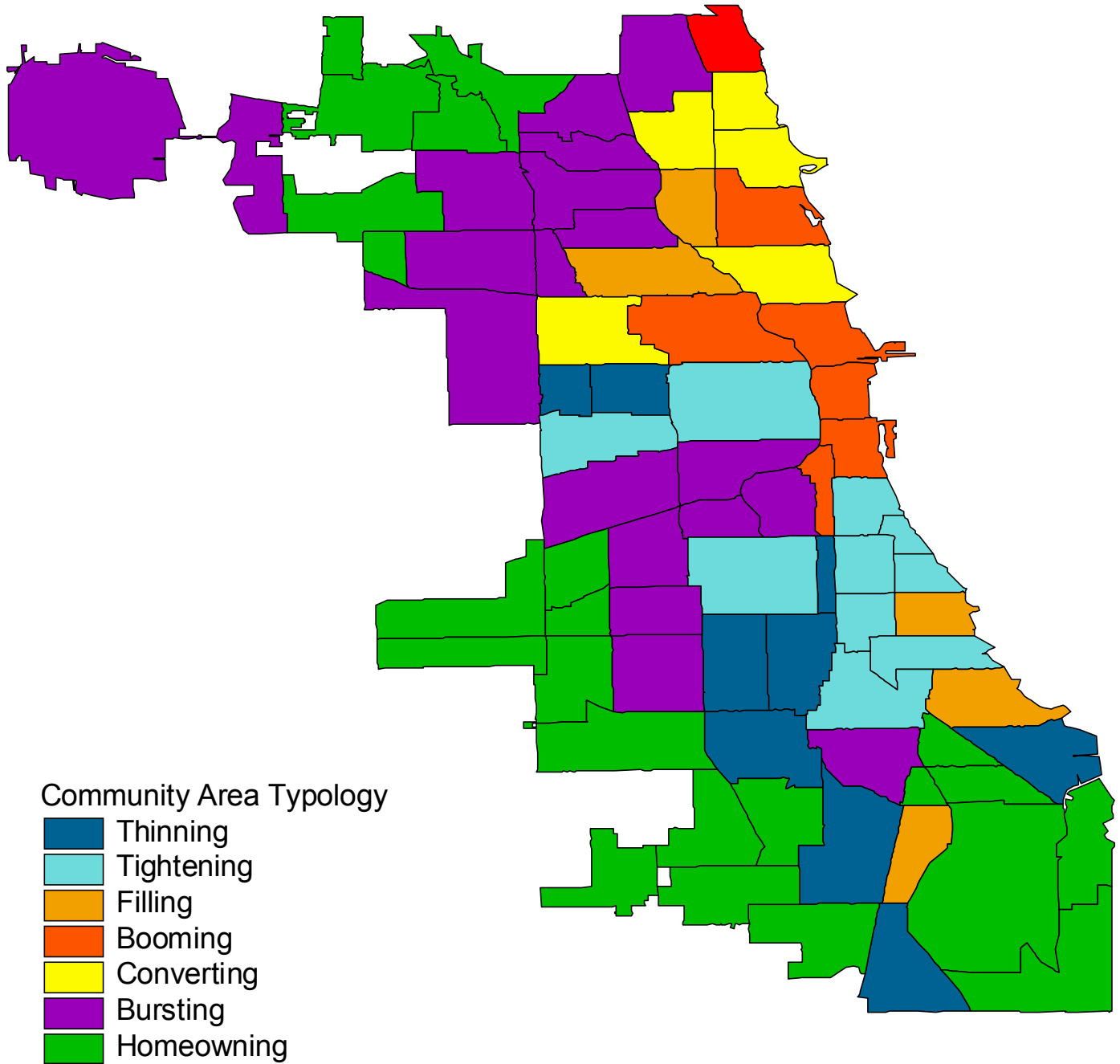
**Filling**—areas with steady demand for housing and not much vacant land for new construction.

**Booming**—communities that have experienced a spike in population, new construction, and rehab.

**Bursting**—neighborhoods with extreme population growth and overcrowding.

Though each neighborhood is unique, cluster communities are linked by similar housing market characteristics and census data. When viewed in the map showing cluster groupings, one can see how Chicago's communities face common challenges and policy solutions that require us to work across geography, political, and cultural boundaries. For a more complete analysis, see the 2003 Affordable Housing Fact Book.

# Neighborhood Clusters



# 1. Homeowning

Defining Criteria:	Mostly homeowners in single-family houses
Archetype:	Mount Greenwood, Morgan Park
Total Population:	516,947 (17.9% of city), grew 4.1%
Housing Stock:	Single family, some small multifamily
Household Income:	\$48,738, increased 1%
City-Owned Land	472 parcels

The Homeowning cluster is the second largest of the clusters and is comprised of communities with homeownership rates of at least 60%. Relative to other community clusters, households in Homeowning communities tend to have long-term tenures, lower vacancy rates, and higher incomes. These communities exist on the city's periphery and are racially homogenous with one racial or ethnic group predominating. Over the decade, the Homeowning cluster has seen significant growth in its Hispanic population: an increase of over 160 percent. The cluster has also seen an increase in the number of renter households, households living in poverty, and households burdened by excessive mortgage and rent costs. The number of overcrowded households in the Homeowning cluster has increased as well.

## *Housing Issues for Homeowning Cluster*

- Emergency foreclosure assistance
- Home repair and maintenance
- Overcrowding

Homeowners can sometimes have difficulty covering mortgage payments or finding money for home repairs. Home repair loans and emergency foreclosure prevention can help keep these neighborhoods stable. Many single-family homeowner neighborhoods have a high unmet demand for moderately priced senior housing, as empty-nest homeowners seek to downsize from large single-family houses without leaving the community. The increase in overcrowding raises a need to ensure safety and public health code violations which result from a lack of affordable housing supply.

# 2. Thinning

Defining Criteria:	Vacancies increasing
Total Population:	289,880 (10% of city), decreased 9.9%
Housing Stock:	Mixed multifamily and single-family
Household Income:	\$28,369, increased 1.6%
City-Owned Land	3046 parcels

Thinning lost more residents than any other community cluster. Though it had relatively low homeownership rates to begin with, it was the only cluster to actually lose homeowners between 1990 and 2000. They appear to be segregating further as Hispanics move out. These areas have extremely high numbers of children with lead poisoning; also, a precariously high number of vacant buildings: 20% of the building stock in this cluster is abandoned.

## *Housing Issues for Thinning Cluster*

- Improving quality, lead remediation
- Unabandonment
- Rehabilitation
- New construction

New demand for housing should be stimulated through comprehensive economic development strategies, from expanding local employment options and investing in local schools to building better transportation links. Demand can also be stimulated by improving public safety. The quality and safety of older buildings needs to be improved through rehabilitation. Home repair loans and comprehensive rehabs can improve both small and large buildings. New low- and moderate-income housing can help to stabilize communities scarred by vacant lots. Abandonment and deterioration of the housing stock can be curtailed by stabilizing and increasing demand.

### 3. Tightening

Defining Criteria:	Vacancies decreasing, rentals decreasing
Archetype:	Kenwood, Oakland
Outlier:	Near West Side
Total Population:	298,708 (10.3% of city), decreased 8.1%
Housing Stock:	Multifamily, new homeowners moving in
Household Income:	\$23,587, increased 19.7%
City-Owned Land:	4046 parcels

Tightening communities are marked by tension between population and unit loss and significant new development. This cluster overlaps Chicago's largest public housing developments – Henry Horner on the Near West Side, and Stateway Gardens and Robert Taylor in the Douglas and Grand boulevard areas on the South Side. Tightening areas have the highest vacancy rates of all the clusters – half the areas in this group have vacancies over 10%. This cluster has also lost more housing units than any other. Between 1990 and 2000 these communities lost over 26,000 residents and showed the steepest drop in poverty households. Yet, several communities are showing signs of rising demand. Large numbers of lead poisoned children and rent burdened households co-exist with dramatic increases in homeownership and income rates, suggesting instability fueled by growing income irregularity.

#### *Housing Issues for Tightening Cluster*

- Target available land for affordable development
- New construction using land trusts
- Maintaining affordability for current and new residents
- Rehabilitation

Demand for housing in these neighborhoods is increasing, but many still have ample supplies of available land. Community land trusts are ideal for this situation, since a land trust can assure long-term affordability in a rising market. Non-profit developers can still buy or develop buildings at reasonable costs, helping to maintain and build affordable supply to meet rising demand before vacancies fall and prices spike. Continued rehabilitation and modernization of older buildings will improve quality and safety. Rental subsidies should be expanded to protect existing renters from displacement.

### 4. Converting

Defining Criteria:	Vacancies and rental stock decreasing
Archetype:	Edgewater
Outlier:	Humboldt Park
Total Population:	363,963 (12.6% of city), grew 1.5%
Housing Stock:	Multifamily, new homeowners
Household Income:	\$39,599, increased 10.4%
City-Owned land:	239 parcels

Converting communities are characterized by extremely tight rental markets as vacancy rates fall and rental units are converted to homeownership. Of all seven community clusters, these areas had the steepest decrease in vacancy rate. Homeownership rates in Converting communities rose significantly—as much as 70% in one community. Overcrowding increased as well, making the Converting cluster the second most overcrowded market. Poverty rates decreased significantly between 1990 and 2000 pointing to displacement, though a substantial number of households in Converting communities continue to be rent burdened as rents increased above the city norm. These lakefront communities, home to many immigrants, were unstable in the 90's as indicated by high numbers of residents new to their units in the last half of the decade. Converting communities have significant numbers of subsidized units at risk due to expiring federal contracts.

#### *Housing Issues for Converting Cluster*

- Preservation of existing affordable rental housing
- Infill development
- Construction to meet rising demand
- Creating affordable options through set-asides and zoning incentives

Supply of affordable housing in these neighborhoods is not meeting rising demand, leading to rapidly rising prices and displacement. Preservation and affordable rehabilitation of existing affordable housing stock is crucial; the market has caused substantial rehabilitation, but not without raising prices. All new development should include affordable housing, especially if construction involves demolition of existing affordable units. Rising rents and property taxes should be curbed to prevent continued wide-scale displacement.

## 5. Filling

Defining Criteria:	Vacancies decreasing, rental stock stable
Archetype:	Hyde Park
Outlier:	Logan Square
Total Population:	215,007 (7.4% of city), stable
Housing Stock:	Multifamily, new homeowners and renters
Household Income:	\$35,859, increased 10.1%
City-Owned Land:	161 parcels

Communities in the Filling Cluster tightened in the 1990's as each experienced a decrease in vacancy rates and a steady demand for housing. Filling communities have a mixed housing stock with a prevalence of large, dense, multi-family courtyard buildings. This housing stock has allowed several communities in the cluster to meet rising demand by placing out of service units on-line. Several communities in this category cover large geographic areas and include pockets of middle-income homeowners. Race and income changes in these communities, however, point to significant rates of displacement, which in some instances, have increased dramatically since the 2000 Census. Though poverty rates are decreasing in the Filling cluster, the number of rent burdened households is on the rise. These communities have significant numbers of assisted housing units, which may be at risk as the markets continue to tighten.

### *Housing Issues for Filling Cluster*

- Preservation of existing affordable rental housing
- Affordable homeowner opportunities
- Infill construction

Sustained demand without a corresponding rise in supply can lead to pressure on local rental markets. Strategies to increase the supply of rental housing include new infill construction (perhaps mixed-use in underutilized commercial areas), set-asides for affordable units, and limits on conversion activity and on rent or property tax increases. The existing stock of affordable housing — in project-based Section 8 buildings, for example — should be maintained as contracts expire.

## 6. Booming

Defining Criteria:	Vacancies decreasing, rental stock growing
Archetype:	West Town
Outlier:	Near South Side
Total Population:	292,992 (10.1% of city), grew 8.1%
Housing Stock:	Multifamily, new homeowners and renters
Household Income:	\$49,108, increased 22.6%
City-Owned Land:	225 parcels

The communities represented in the Booming cluster have seen tremendous population shifts as vacancies decrease, prices rise, homeowner rates increase, and new rentals come on line. This cluster has experienced a high amount of new construction—both rental and homeowner. Between 1990 and 2000 Booming added the most new housing units of all seven categories. Much of the new construction is multi-family condominium with some rehab of rental stock targeted to higher income brackets. The population in this cluster has undergone drastic change. Booming was the only cluster to show a growth in the white population (all other clusters lost whites), while it lost a remarkable 24 percent of its Hispanic population—16,568 residents. The number of poor households in this area has decreased, as has household size.

### *Housing Issues for Booming*

- Preservation of existing affordable housing
- Creating affordable options through set-asides and zoning incentives
- Right of first refusal for non-profit developers

Increased demand and supply have caused extremely tight markets and escalating prices in these areas. Homeownership opportunities are soaring for upper-income brackets. The little affordable housing that does exist is primarily non-profit owned and operated. Policies should create opportunities for affordable homeownership, and include a right of first refusal for non-profit developers. Set-asides and zoning incentives should create and preserve affordable rental housing.

## 7. Bursting

Defining Criteria:	Population outpacing housing = overcrowding
Archetype:	Brighton Park, Albany Park
Outlier:	Lower West Side
Total Population:	918,519 (31.7% of city), grew 15.4%
Housing Stock:	Single and small multifamily, majority rental
Household Income:	\$37,615, increased 3.4%
City-Owned Land:	379 parcels

The Bursting Cluster is the largest, with one third of the city's entire population residing in just over 300,000 units. Though predominantly rental, these neighborhoods have a mix of multi-family and single family units located in the 'second ring' near the city's edge. These areas are more affordable than other community clusters, and have experienced extreme shifts in population. 104,000 whites moved out of Bursting communities in the 1990s (more than any other community cluster); but over 122,000 new residents—mostly Hispanic—moved in. Though the area has added rental units, and construction permits are high, the cluster's housing stock has not kept pace with the population boom. Bursting communities are the most overcrowded in the city and have the highest number of rent burdened units—even though they contain a relatively low number of households living in poverty. They also have very few numbers of assisted housing units.

### *Housing Issues for Bursting Cluster*

- Overcrowding as demand increases faster than supply
- Preservation
- Rental Assistance

Increased demand is fast outpacing supply in these communities as families turn to overcrowding in neighborhoods with little new construction and little available land. A targeted mix of new construction, rehabilitation, and repair should provide quality affordable housing for families and seniors, helping to accommodate demand without pushing prices up. Non-profit affordable housing development should be increased in these areas to provide stability through public investment.

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