

CITY BOND ISSUE: BOOM OR BUST

Development of multifamily rehab projects for low-income residents of Chicago will be severely curtailed if a CDBG-supported mortgage bond financing vehicle goes forward this summer as planned by the city.

A CRN analysis of the new "comprehensive housing finance strategy" also indicates a decided shift from low-income to middle-income homeowners which could fuel displacement of the poor from gentrifying city areas.

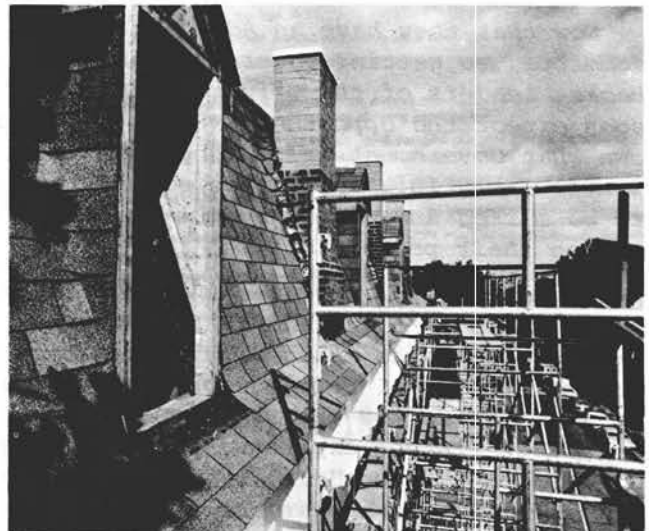
Viewed by many housing activists as a creative response to federal housing cutbacks when first announced last December, the program is now being viewed with increasing alarm by Chicago's neighborhood housing development organizations.

"We think the mortgage bond proposal is only good if it meets the needs of those families who need it most," according to a recently issued policy statement by CRN's Board of Directors. Reflecting on previous bond issues by the city under the Bilandic administration, the statement continues: "Another mortgage bond program for middle-income people would be worse than no program at all."

DEPARTMENT OF HOUSING OBJECTIVES

As disclosed through public meetings and private conversations over the past six months, Chicago's Department of Housing (DOH) will coordinate the financing program "which will include deferred payment and interest-free loans for persons who are unable to assume additional debt," according to DOH Commissioner Gilbert J. Cataldo in his department's latest HOUSING REPORT.

Also receiving increased attention is "the creation of a not-for-profit arm of DOH which can participate directly in the development of housing and the use of municipal pension funds to provide low-interest mortgages," according to Cataldo's statement.



MORTGAGE BOND FUNDING DETAILS

The city has already retained bond counsel and is currently underwriting a three-part bond issue.

The first issuance of \$25 million would be for home remodeling loans and would utilize some \$5 million in CDBG funds for interest-rate write downs. The loans would be made for a term of up to 12 years with a cap of \$15,000 per unit. Applicants would have to be owner-occupants.

It is anticipated by DOH that some 3000 loans could be made over the next year with these resources. At least 40% of the bond proceeds would be targeted to specific neighborhood strategy areas with significant low-income populations. Serviced through private financial institutions, these remodeling loans could qualify for FHA Title I guarantees.

The second bond issue would mirror previous city bond programs for acquisition of

CRN STAFF EDITORIAL

IS THE CORPORATE SECTOR READY?

In this issue of the NETWORK NEWSLETTER, we are devoting our editorial space to excerpts from a very thought provoking piece which appeared originally in the December, 1980 issue of FINANCIER. We found it a timely response to the uncertainties non-profit groups face with future funding.

Now that they have an Administration committed to getting Government off their backs, leaders of the private sector can soon expect the opportunity to do on their own what Government was making them do, particularly in...social responsibility, & to be marked and graded by the whole society on their performance.

The outcome of this testing process is by no means certain, and if the private sector flunks the chance its has so long sought, political retribution could be just as sweeping as the endorsement of greater corporate freedom expressed so convincingly in the Reagan landslide... (The electorate) voted for the change in direction in the belief that corporations and communities could tend to their own affairs better.

None should misread that message. It is not a license to relax, but a command to perform!

The FINANCIER editorial goes on to corroborate its thesis with comments by the chairman of Aetna and former chairman of

Time, Inc. It then picks up on a speech by Kenneth N. Dayton, chairman of Dayton-Hudson Inc., as follows:

"Business must be pushed to take steps now to redeem itself in the public's eyes. Business must be encouraged to quit blaming others for its low public ratings and meet the public's criticism head-on."

For "the business of business really is serving society." He specified: "Profit is the means and the measure of that service, but is not the end."

He called U.S. corporations "an under-tapped goldmine for the (Non-profit) Sector. Compared to its potential, the corporate giving record is, I'm afraid, abysmal. Despite the fact that 5% of pretax income is allowed by law as a tax deduction, the national average is below 1%."

Mr. Dayton concluded: Business falls so short of its potential for philanthropy, increased corporate philanthropy ought to be made a top priority."

The course of action is plain: The leaders of the private sector, who can impart so much force and direction to the vital (Non-profit) Sector, must not only maintain existing levels of corporate public involvement, but actually respond affirmatively, on their own terms, to the lifting of Government pressure, by increasing that activity.

THE CHICAGO REHAB NETWORK NEWSLETTER IS PUBLISHED MONTHLY AND IS AVAILABLE TO INDIVIDUALS AND ORGANIZATIONS CONCERNED WITH THE CONTINUING SUPPLY OF DECENT HOUSING OPPORTUNITIES FOR LOW AND MODERATE INCOME RESIDENTS OF CHICAGO. SUGGESTED ANNUAL DONATION IS \$10. INQUIRIES SHOULD BE ADDRESSED TO THE CHICAGO REHAB NETWORK, 53 WEST JACKSON BLVD., SUITE 603, CHICAGO, ILLINOIS 60604 (312) 663-3936.

NETWORK OFFICERS: WYMAN WINSTON, PRESIDENT; MARIO LOPEZ, VICE-PRESIDENT; PATRICIA BARNES, SECRETARY; ROBERT BREHM, TREASURER.

NETWORK STAFF: THOM CLARK, EXECUTIVE DIRECTOR; ELLIOT POWELL, TECHNICAL ASSISTANCE MANAGER; WILLIAM GOLDMANN + HENRY JOHNSON, CONSTRUCTION SPECIALISTS; DOUG GILLS, PUBLICATIONS MANAGER; JANET DAVIS, NEIGHBORHOOD PLANNER/FACILITATOR; OLGA GOMEZ, ADMINISTRATIVE MANAGER; GLORIA BOLDEN, RECEPTIONIST/TYPIST.

MEMBERS: Association for Black Community Development (ABCD, Inc.) * Bethel Housing, Inc. * Bickerdike Redevelopment Corp. * Christian Action Ministry * Coalition for United Community Action - ORTC, Inc. * Community Housing Education Corp. * Community 21 * Covenant Development Corp. * Economic Redevelopment Corp. * Eighteenth Street Development Corp. * Fifth City Citizens Redevelopment Corp. * Heart of Uptown Coalition * Howard Area Community Center * Kenwood Oakland Community Organization * Midwest Community Council * Northwest Austin Council * South Austin Realty Association * Spanish Coalition for Housing * South Shore Housing Center * Voice of the People, Inc.

ASSOCIATE MEMBERS: Center for Neighborhood Technology * Jewish Council on Urban Affairs * Metropolitan Housing Development Corp.

REPORT CITES LARGE RENTAL HOUSING LOSS

The Metropolitan Housing and Planning Council in its recent released study pointed to a substantial loss of rental housing in Chicago in the decade between 1970-1980. The 48-page report entitled Housing Chicago and the Region is mainly a descriptive analysis on changing trends, patterns and composition of housing stock in Chicago and the Northeast regions.

The MHPC used 1970 and 1975 baseline census data and data obtained from the Northeastern Illinois Planning Commission. It highlighted the factors of new construction and demolition patterns as central to changing the character of housing in many Chicago neighborhoods. The report noted that although the central city has lost population, a number of factors have contributed to and increased demand for housing units to accommodate the growing trend toward smaller size households.

Interestingly, the MHPC analysis of construction, demolition and vacancy trends highlighted the large loss of 2-4 flat and walk-up apartments along with the tremendous decline in large unit (10-49) buildings during the decade.

Noting that 74% of all apartments and a substantial proportion of buildings containing 10-49 units were traditionally occupied by renter households, the report suggested that the gravity of the multi-family rental housing problem could best be assessed on a neighborhood-by-neighborhood bases.

For example, the city had a net loss of over 21,000 units in 2-4 flat buildings while it gained some 9,000 units in 8-plus unit structures, these units were mainly concentrated in high-rise structures on the northside lakefront. This area had the highest concentration and percentage of condo-conversions. Condos have wrecked hardship on preexisting tenants in these areas while contributing to a growing displacement problem in Chicago.

The MHPC study indicated that the neighborhoods experiencing the greatest rates and amounts of new construction (outside the Loop's 137% increase) over the decade were mainly located on the north lakefront. On the other hand, most of the neighborhoods with the least amount of new construction and the highest levels of demolition were on the south and west sides of the city.

The near North, Lincoln Park, Uptown and Lakeview areas all had above 2700 new units constructed. The leading neighborhoods in demolished units were North Lawndale, Woodlawn, Near West Side, Westtown, Englewood, Grant Blvd. and East Garfield Park. All these areas had between 5400 and 3300 units lost.

During the decade of the 70's the total number of rental units decreased by 73,000 (to 667,000). Implicit in the report (though not explicated statistically) is the acknowledgement of an increasing demand for rental housing for low-income people.

Although the report is timely, useful and instructive, it falls short of a comprehensive housing needs assessment. The study comes out at a time when private market constraints and public subsidy retrenchment have forced us to reassess the housing situation, especially for low-and moderate-income families and households in Chicago.

IN THIS ISSUE

BUDGET CUTS TO CHANGE U.S.....	6
HOUSING NUMBERS GAME.....	8
CUSHING DOLBEARE'S VISIT.....	10
SHOWDOWN AT WICKER PARK.....	11
SECTION 8 PACKAGING.....	15
MISSING UNITS: IHDA UPDATE....	19
IHDA'S NOT UNIQUE.....	20
SPOTLIGHT ON COMMUNITY 21.....	24
BELOW MARKET MORTGAGES.....	28
ENTERPRISE ZONES IN ILLINOIS..	29
HOUSING MODELS FOR SCARE TIMES.....	31
DROP IN ON POLZ.....	37

single-family homes except that this round would be limited to first-time homebuyers and would allow wrap-around financing to permit some financing of rehab work as well. This issuance would total \$50 million combined with some \$6 million in CDBG funds for deferred, no-interest loans. The same targeting goals by areas would apply, but income restrictions for either issuance are still unclear at this writing.

The third phase of bond financing, designed for multi-family and/or new construction loans, would total \$15-25 million. Recently issued Treasury Department regulations governing mortgage revenue bonds have put restrictions on this type of financing which is causing the city to hold off underwriting such an issue at this time. The restrictions pertain to some forms of owner-occupied buildings (e.g. cooperatives) and non-Section 8 multifamily buildings. Until pending legislation altering these restrictions is passed by Congress, this third phase is on the back burner.

Disposition of the current application backlog for previous CDBG supported rehab grant programs (e.g. Chicago Financial Assistance Program to Property Owners-CFAP) would be determined by lottery as the new bond program is put into place.

A CHICAGO HOUSING FINANCE AUTHORITY

As originally conceived by the city's consulting firm (Caine, Midgley, et.al.), the success of the program would be dependent on DOH's ability to improve the efficiency of loan processing, particularly if private financial institutions are to be brought more into the servicing process.

One method proposed to deal with this historical problem, besides hiring new city staff, was to establish a new housing finance authority. This entity would also serve to act as a pass-thru of city-owned vacant land, HUD abandoned homes, and other properties to neighborhood groups and private developers. A city ordinance is now being prepared to establish this entity.

Although the finance authority could theoretically make it easier for neighborhood groups to obtain properties suitable for development, as well as a more direct line of bond or pension fund financing (when and if this becomes available), lack of specific details or involvement by such groups in its planning has raised some

concerns. Chief amongst these is the extent to which the finance authority will enhance rather than usurp the housing work of neighborhood development entities.

REACTION TO FINANCING PROGRAM STRATEGY

Previous mortgage revenue bond issues under the Bilandic administration were viewed by many neighborhood housing development organizations (NHDOs) as having a negative impact on their respective communities as a result of having below-market financing flooding an already gentrifying market-place without restriction.

In fact the Byrne administration itself made a commitment to these groups and other low-income housing developers in July, 1979 when it sponsored a City Council resolution calling for future bond issues to be designed for rehab and new construction projects more targeted to benefit low and moderate income families.

Despite uncertainties over the bond market, the city's credit rating, and the new federal regs, this new comprehensive financing vehicle seems ready to proceed by summer's end. NHDOs are concerned that the relative lack of specific details as to the financing program's overall coordination will leave them hard-pressed to transition from existing CDBG supported development programs into the new game plan.

More importantly, NHDOs are not convinced the program will indeed help those who are most in need of housing assistance in whatever form; nor are they satisfied that the clear potential for displacement of existing residents through gentrification caused by cheap financing in today's high interest-rate market has been eliminated.

ANALYSIS OF TYPICAL LOAN REQUIREMENTS

Let's take a look at who may benefit from this program from a dollars and cents approach. Though market conditions at time of bond sale will determine actual rates, assume for discussion purposes that a phase two loan would carry an 11½% rate for a term of 29 years. On a \$50,000 acquisition loan, a family allocating 30% of their income to cover housing expense (debt service, taxes, utilities, etc.) would need to earn \$27,000 annually to support a bond-rate mortgage. If the family qualified for a partial deferred loan of say \$15,000, the new mortgage amount of \$35,000 would require an annual income of almost \$20,000.

Continued on page 5

If a family desiring to buy a new home lived in an area where only \$25,000 was needed for a 90% financing package, an 11½% 29 year mortgage would require an income of \$15,000 again assuming 30% of income to meet housing costs.

Based on this analysis, the acquisition financing available under this program seems usable by moderate to middle income households, but out-of-reach to most lower-income families. It appears as if such families would better served by phase one of the bond program which is more heavily subsidized by CDBG funds, but only because the loan amounts have a cap of \$15,000 per unit.

Beyond these cold economic facts, NHDOS are also uncertain whether the 40 % targeting feature of the financing strategy will indeed prevent gentrification. Financial institutions who participate in the program will be required to sign commitment letters accompanied with a 1% fee (payable to the city) of the total loan amount requested for their institution. While this requirement is designed to guarantee compliance with the targeting and other provisions of the program, what guarantee is there really that low and moderate income residents of those targeted areas will be the beneficiaries of these loans?



DOH Commissioner
Gilbert
Cataldo

CONCLUSION/COMMENTARY

One answer to these concerns, which speak to the heart of the displacement problem facing many low-income families in Network member communities, is the role the city's housing finance authority may play in directly assisting neighborhood non-profits. NHDOS have been receiving many assurances over the past few months that there will be a continuing role for them to play with the city's new program and that the new finance authority will be the vehicle which will make this possible.

NHDOS would welcome such city participation which builds on current initiatives in the development arena by neighborhood-based developers, which allows continued development of multi-family rehab projects, which permits limited equity cooperatives, that serves as a receiver or pass-thru of properties to NHDOS and which acts solely to facilitate community initiated and controlled housing projects.

The membership of the Chicago Rehab Network is encouraged by the Department of Housing's implicit response to Reaganomics in an era of diminished public resources. Our questioning of certain aspects of the proposed bond program and the new finance agency are only to insure that those families who are most affected by the low-income housing gap have an opportunity to participate in this multi-tiered approach to housing finance. To date our input has not been sought in any meaningful way. Given the collective experience of Network member organizations, we represent a unique resource to DOH and look forward to working with the department as the program is finalized during these hazy days of summer.

--Thom Clark

Development Without Displacement

BUDGET CUTS TO CHANGE AMERICA

--Dick Simpson

"What's good for the generals - General Motors, General Electric, and the Pentagon Generals - is good for the U.S.A."

Under this philosophy, Reagan's proposed budget and tax cuts seek to restructure American society and fundamentally change American government. Reagan claims his budget and tax cuts are needed to fight inflation, to end waste in government, and to ease the tax burden on all taxpayers. But if these proposals were meant to fight inflation, they would not raise military spending 39%, and still produce a \$45 billion deficit. If they were meant to fight waste, there would have been an equal cut from every government program; instead social programs, wasteful or not, are to be eliminated or cut drastically. The tax burden for a family earning \$10,000 will be "eased" by only \$50-100, while those earning over \$100,000 will get back more than \$5000. In truth, all Americans earning more than \$5000 pay an average of 26% of their income in taxes. The rich already get a big break; Reagan cuts would make it bigger.

The only reasonable conclusion is that Reaganomics is a political program, not an economic one. It eliminates hated social programs with their non-conservative, non-Republican clients. It increases defense spending in the federal budget by 25-33% by eliminating programs like Legal Assistance, VISTA, Community Services Administration, and the Neighborhood Self-Help Program. It cuts food for the hungry, medicine for the elderly, aid for the handicapped, job training for the unemployed, and jobs for CETA workers.

But Reaganomics harms the middle class as well. If these cuts in federal aid are not replaced, then basic services such as garbage collection, the 911 emergency number, and health services would be severely restricted. The City of Chicago will lose more than \$100 million in federal funds, which could only realistically be raised locally by increasing the property tax by 30%. Losses to schools, counties, cuts and property tax increases. The middle class and the poor will lose in other ways too numerous to list here. Over-

all, the effect of eliminating access of the poor to legal assistance, food, welfare, and the elimination of paid staff for volunteer agencies will inevitably increase social unrest in ways that will harm the middle class as well as the poor.

Reaganomics proposes more subtle changes such as the new disease, Block Grantitis. Funds for social services would be cut 33% and combined into a general block grant from which senior citizen food programs, child welfare, developmentally disabled programs and all former community services must be provided. Block grantitis is also proposed for health, energy, and emergency assistance. Programs without a highly developed political constituency will lose out as desperate people fight for a greatly shrunken pie.

In fact, it is the changing of American society without debate that is the most disturbing aspect of Reaganomics. For instance, the cuts in research funding and student aid combined will close over 500 small liberal arts colleges. Public universities will increase their tuition, restricting a college education to the rich and the poor who can still get grants. Yet, no one has debated the merit of ending liberal arts education or creating a class basis to higher education. Eliminating federal job training ends the government's role as employer of last resort: a policy adopted not by debate on its merits, but as a consequence of budget cuts.

Continued on next page



CHICAGO REHAB NETWORK 7-81

BUDGET CUTS

Continued from page 6

The alternative to Reaganomics is not traditional liberalism. A new political program supported by a new political movement is required. I-CARE is spearheading the fight in Illinois by attempting to block as many of the cuts as possible by forcing legislators to meet face-to-face with their constituents. A new political program will then have to be developed based on a noninterventionist foreign policy, participatory democracy, alternative technology, energy conservation, and full employment. Before that can occur, a clear analysis of Reaganomics and its alternatives must be developed. Reaganomics is fundamentally a political program and it will have to be met by political opposition. The battle will not be over until new governments are elected by new political movements.

* * * *

Dick Simpson is currently the chair of the 170 member group Illinois Coalition Against Reagan Economics (I-CARE) based in Chicago.



We Hold These Truths to Be Self-Evident

Or, A List of Things to Believe if You Want to Be Accepted by the (New) Right Crowd in Washington.

The rich are superior to other people; otherwise they wouldn't be rich.

People who are tortured by governments we consider friendly should not embarrass us by talking about it.

Mr. Darwin had a theory, but the Bible tells us that the first human being on earth was Adam, and he named all the animals.

Guns don't kill people; people kill people. That is why we register cars but not guns.

When a corporation gets a tax cut, it invests the money to create new jobs; it does not use it to increase dividends or sweeten short-term profits.

Even though tobacco is a health hazard we should use tax dollars to subsidize farmers who grow it.

Just because World War II made battleships obsolete doesn't mean they are obsolete today.

Reciting prayers in school turns children into good citizens.

Open space is wasted space unless you're doing something with it.

The way to strengthen your own security is to add to the insecurity of your opponent.

Life begins before you are born and doesn't end when you die; the Russians don't believe this, which is why they lie and cheat.

A nuclear war is winnable.

Since there'll always be plenty of oil, research on solar energy and other such schemes is a waste of money and unfair to the oil companies.

Defense spending does not contribute to inflation, whatever the economists say.

Capital punishment makes murderers pause and think twice before killing their victims.

U.S. intervention in Vietnam was a noble cause; Soviet intervention in Afghanistan is naked aggression.

Nobody on welfare *wants* to work.

Books that are critical of American society do not belong in school libraries.

Don't knock Calvin Coolidge; we had prosperity when he was President. Don't knock Herbert Hoover either; he was a Republican.

Friendly terrorists are called freedom fighters.

Only the unborn have a right to life.

The Equal Rights Amendment means the end of chivalry.

People who get married live happily ever after.

An apple a day keeps the doctor away.

Your check is in the mail.

WILLIAM ATTWOOD

William Attwood is former publisher of Newsday and served as ambassador under Presidents Kennedy and Johnson.

Reprinted from The Nation, July 4, 1981

THE HOUSING POLICY NUMBERS GAME

--Tom Lenz

According to the recently revised HUD Housing Assistance Plan, 265,771 lower-income rental households in Chicago require housing assistance. The same document projects that 10,700 Section 8, Public Housing, and Section 202 units will be completed by the end of the three-year planning cycle in 1982. Thus, roughly four percent of those requiring housing assistance will get it.

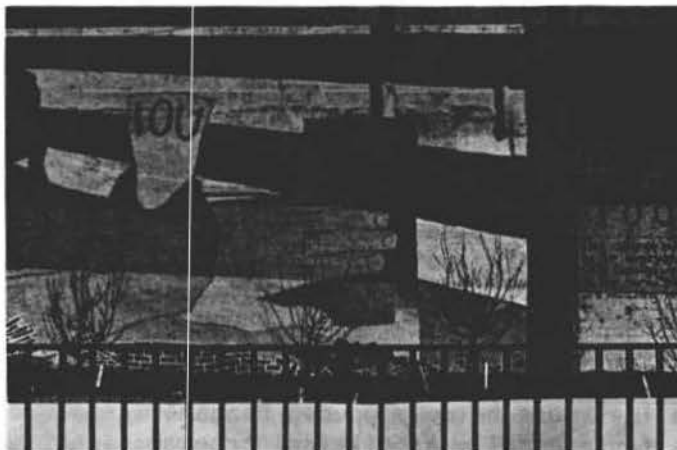
That federal housing subsidy programs have not come close to meeting the needs of low-income persons in Chicago is hardly news. What is surprising is the controversy that locating those few units (or households) has caused in several Chicago communities.

Uptown is a prime example. Concern about the "overconcentration" of subsidized housing in the neighborhood has prompted a group of residents to file suit in U.S. District Court to stop the further development of assisted housing in Uptown. To the plaintiffs in the S.U.N. (Save Uptown's Neighborhoods) suit, subsidized housing (and the persons who live in it) are a burden to be shared equally by all Chicago neighborhoods. Frequently cited is the statistic that Uptown has the second highest number of subsidized housing units of any community in Chicago.

Two positions on additional subsidized housing in Uptown have become discernable. One side argues that subsidized housing is a small, but important attempt to provide lower-income residents with quality housing they can afford.

The other side charges that subsidized housing is being unfairly concentrated in Uptown, and that such concentration will consequently "tip" the neighborhood economically and racially, making Uptown a "ghetto."

Which side you are on determines pretty much how you read the statistics. The source for much of the numerical debate has been a study published by Dr. Elizabeth Warren of Loyola University entitled Subsidized Housing in Chicago. This book has been required reading for



community activists in Uptown since it was published in the summer of 1980. More recently, the Metropolitan Housing and Planning Council (MHPC) used Warren's data to make its own assessment of subsidized housing policy in its Housing Chicago and the Region.

Opponents of more assisted housing in Uptown point to Warren's tabulation of subsidized housing units by community area to back up their contention that Uptown has more than its "fair share." As was previously mentioned, Uptown does have the second highest tally of subsidized units in the city, some 7,821 of the 73,694 Warren identified in Chicago. Thus, continues the argument, Uptown has 10.6% of all the assisted housing in the city while many neighborhoods on the southwest and northwest sides have little or none.

Some community groups in Uptown were not convinced that a gross tabulation of subsidized units told the whole story. In November of 1980, the Organization of the North East (ONE) released its own analysis of the data in a report entitled Subsidized Housing in North East Chicago: A Closer Look. The report rejected the notion that a mere addition of subsidized units by community proved that the area was being "glutted" with low-income families when:

1. The total number of housing units in the community area

NUMBERS AND PUBLIC POLICIES

Continued from page 8

was not considered; and

2. The different populations that use the various subsidy programs were not taken into account.

For example, subsidized apartments of all kinds make up 11% of the housing stock in Uptown, according to —E. By contrast, the MHPC study estimated that over 14% of Uptown's housing units were condominiums in 1980. In addition, 39% of the subsidized units in Uptown are occupied by the elderly and 45% of the units are rented to moderate-income tenants under the Section 236 and 221(d)3 programs (see chart). 1099 units in Uptown are reserved exclusively for low-income families under the Section 8 and Chicago Housing Authority public housing programs. Thus a whopping 1.8% of the housing in Uptown is subsidized for those families with the lowest incomes!

The Housing Chicago and the Region study argues the subsidized housing issue from both sides. It concludes that subsidized housing is heavily concentrated, again citing Warren, and notes that "just 11 community areas account for over 80% of all public housing in the city and 43 community areas do not have a single unit." (p. 32) But the MHPC report improves on Warren's data by factoring in the housing stock of the community areas and differentiating between the various subsidy programs. The alleged heavy concentration of subsidized housing along the northern lakefront from Rogers Park to Lincoln Park constitutes not more than 9% of the available housing stock, or 6% if subsidized family units are considered. (Appendix F) The report concludes that "the use of the federal Section 8 program in the last six years has begun to aid in dispersing subsidized housing throughout the city" (p. 36).

Public housing policies in the 50s and 60s created huge "projects" on the south and west sides which have been justly criticized. The landmark Gautreaux case challenged those policies and resulted in initiatives to locate public housing in other parts of the city.

But while statistics do illustrate this historic concentration of low-income family public housing on the south and west sides, they are less helpful, and often misleading, when applied to "revitalizing" areas of the city. The data ignore the housing needs of low-income families residing in areas of the city like Uptown that are experiencing substantial private sector re-investment. As the private market prices rental housing out of the reach of low-income families in those areas, subsidized housing is one of the few alternatives open to low-income residents who wish to remain in their neighborhoods.

Apparently, the proposed Gautreaux consent decree, which will help determine the siting of future assisted housing in Chicago, is sensitive to the particular needs of "revitalizing" communities like Uptown. Similarly, Housing Chicago and the Region concludes its analysis with the suggestion that:

The particular existing problems and characteristics of an area must be assessed together with the future trends most likely to occur. Then housing programs should be tailored to that specific neighborhood situation.

For Uptown and the rest of Chicago, that might mean less concern about "gluts" of low-income housing and more resolve to meet the housing needs of the community's low-income residents.



MEETING THE HOUSING CRISIS HEAD ON: CUSHING DOLBEARE'S VISIT

Cushing Dolbeare, president of the Washington D.C. based National Low-Income Housing Coalition (NLIHC) visited Chicago on May (22). Included on her itinerary was the Illinois Coalition Against Reagan Economics (I-CARE), The Program for Neighborhood and Community Improvement at the University of Illinois Chicago Circle, and the Housing Agenda. Ms. Dolbeare a long-time educator, organizer and housing activist also talked with members of the board and staff of CRN during her day-long visit.

Among the highlights of her presentation was an assessment of national housing policy and housing development trends. While acknowledging that the current low-income housing crisis is likely to be accelerated by the budget cuts proposed by the Reagan administration, she emphasized the finding of most recent demographic data that though low-income families were in serious need of housing--the situation was increasingly distressful for senior citizens. The situation is not likely to get better given the fact that the median age of the U.S. population is over 30 years.

Dolbeare noted a sharp decline in the production of rental housing during the 1970's because of the withdrawal of the private sector from the rental housing market. This decline in rental housing production is also related to the upsurge in condo conversions, (especially over the past 5 years). This development has cut sharply into the availability of rental units and artificially increased the demand and the cost of rental units relative to owner-occupied units.

Dolbeare indicated that in 1970, 9½ million families had annual incomes below \$5,000 and there were slightly less number of units available at that time. Despite the addition of assisted housing units over the past decade, there are 4 to 5 million households with income less than \$5,000. But there are only 2 million units priced within their ability to pay.

Dolbeare underscored the position taken by CRN in its recent DWD-II policy statement "Closing the Low-Income Housing Gap in Chicago", that there "is no way that

we can tinker with the housing system (providing coops, NHDO efforts) to provide for this large population of families needing affordable housing."

On Reaganomics

Dolbeare suggested that the Reagan administration's policies and legislative proposals amount to nothing less than a "reverse" revolution. It was described as "peaceful, legislative, and dealing with whole areas of domestic programs where budget cuts are only the first step". She observed that Reagan's proposals have the declared intent of turning these programs over to state and local government and getting the federal government out of the housing (and other social service programs) business and to completely undo the welfare state system built up since the 1930's. Finally, she noted the irony that defense appropriations "are going up and less and less money is available for social programs."

The Basic Housing Concern

Dolbeare, a veteran activist on the housing front, emphasized that of the four concerns to low-income housing interests across the nation--absolute amount of physical stock, housing quality, accessibility and affordability--affordability is the major issue in the 1980's. "Too many people spend between 30 and 50% of their income on housing", she contended.

Nationally, (and Chicago is no exception) the number of units to house people are there. Moreover, the greatest gains in the housing arena over the past two decades have been in improving the housing stock quality. Out of some 80 million household units only some 3-6 million can be classified as below standards.

Exploding the Housing Myth

Dolbeare challenged the view which holds that for nearly 40 years, we have poured billions into low-income housing

Continued on page 11

CHICAGO REHAB NETWORK 7-81

SHOWDOWN AT WICKER PARK CORRAL

--Maureen Hellwig

Was it cowboys vs. Indians? Ranchers vs. farmers? The North vs. the South? No, but the scene at the Wicker Park Lutheran Church basement on May 20, 1981, had some of the elements of these earlier American history scenes. There were no white hats and black hats, and no blue or gray uniforms to distinguish one side from another. Only designer jeans' labels.

What was taking place was a kind of showdown between two groups of Wicker Park residents. One group consists primarily of low-and moderate income Hispanics, Blacks and Whites who tend to be long-time residents of the community. Organizationally, their cause is championed by the Wicker Park Neighborhood Council (WPNC), established in 1953. The other group can be characterized as White, middle-class professionals, most of whom have moved into the area in the last 5 or 6 years. Many are archi-

MEETING THE HOUSING CRISIS

Continued from page 10

and we still do not know how to solve the housing problem as a myth and politically damaging to low-income housing interests.

"In fact, billions of dollars have gone to the middle-class housing through the Ways and Means Committee of Congress (rather than HUD), she exclaimed.

Dolbeare's analysis indicates that between 1937 and 1979 all housing service programs have costed less than the tax-related compensation last year alone. She asserted that "of the \$30 billion spent on housing last year (money and tax transfers) \$4.2 billion went to the bottom of the income scale (\$5,000 or less) where only 1 in 8 households received assistance". On the other hand, \$7.5 billion (26 percent of all allocations) went to households with \$50,000 or more in earned income. The top 2 percent of the income scale was subsidized to the tune of \$300 per month while the bottom of the income scale received only 14 percent of social program expenditures or about \$132 per month. This represents about 12.5% of the total families with incomes below \$5,000 who received any subsidy at all! "Why would

tects, some are realtors and speculators and almost all are investors in rehab and historic restoration. They have been called "urban pioneers", coming to reclaim the older, close-in neighborhoods that their parents and grandparents abandoned. Organizationally, they are represented by the Old Wicker Park Committee (OWPC).

The quarrel is over a new housing construction development proposed by Bickerdike Redevelopment Corp. (BRC) 535 N. Ashland. BRC is a not-for-profit housing developer, serving the low-and moderate-income residents of the West Town community since 1967.

The proposal calls for the construction of 31 units: 19/3 bedroom units and 12 with 4 bedrooms. The units are to be built on 4 sites in Wicker Park along Leavitt and Evergreen Streets. This housing represents one of 5 Clusters to be built throughout the West Town area.

any Congressman vote for this kind of housing package," she asked.

The Road ahead under Reagan

In the opinion of Dolbeare, the U.S. government has failed to develop and implement systematic housing policy. Dolbeare believes that the current proposals for alternative urban programs (i.e., Housing Block Grant, Housing Allowances, Housing Vouchers, Enterprise Zone, Urban Development Programs, etc.) all should be assessed from the standpoint of whether they can work to reduce the crisis in affordable housing.

Dolbeare believes that all of these strategies must be considered and analyzed from the standpoint of their potential impacts upon low-income housing.

The National Low Income Housing Coalition has been actively involved in extending the concept of networking in housing policy advocacy to the national level. It has provided solid assistance in representing the concerns of local housing interests and articulating the concerns of low income people for better and affordable housing. For more information, please contact: (NLIHC), 215 Eighth Street, N.E., Wash., D.C. 20002

SHOWDOWN AT WICKER PARK: THE BATTLE AGAINST DISPLACEMENT

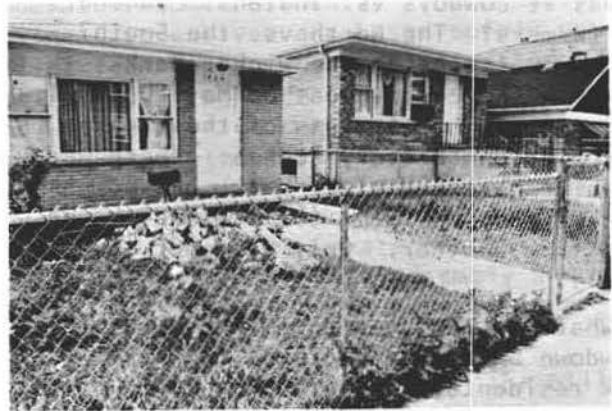
by Maureen Hellwig

On May 20, these 2 groups came together in the presence of their alderman, Terri Gabinski (32nd) to have a showdown.

The first sign of opposition to the proposed Section 8 housing came in early March at a Leavitt Street Block Club meeting. A newcomer, named Davis Weinberg, who had not attended previous meetings, came to complain that the proposed housing would bring a dangerous increase of low-income families to the area--thus increasing gang activity. He cited a figure of 4,035 as the average income of public housing residents in Chicago, even though the BRC project is not public housing. He also did not point out that more than half of all CHA units house senior citizens living on social security or less. He complained that the project would be absentee-owned and that BRC had no experience in management. BRC admitted the latter but pointed out that there was a rigorous evaluation process underway to select a quality property management firm for the project. Furthermore, although the owner would not be living on the site, BRC has its office in West Town, no more than a 15 minute ride from any site.

Finally, Weinberg claimed the proposed project would "disrupt the present pattern of gradual neighborhood development and home improvement by individual residents." Many local residents took issue with this point. What has been referred to in the media as "the Wicker Park phenomenon" represents anything but a gradual change. And when realtors use such phrases as: "last great deal on a historic property in the hottest area in town" in their listings one realizes that gradual change is not an accurate description.

Weinberg put all of his concerns on paper and began circulating a petition against the project. Meanwhile, OWPC (Old Wicker Park Committee) invited BRC to a meeting on March 30. About 150 people attended. Most OWPC members seem concerned about the architectural style of the buildings. Would they be compatible with the area? The density question was raised again as well as tenant screening. Some of the lower-income residents of the community who attended the meeting complained about too much



Pictured above are some of the original 70 scattered-site, single family homes built by Bickerdike Redevelopment Corporation through a federally subsidized financing program.

concern for buildings and not enough concern for people having roofs over their heads. OWPC never went on record in opposition to the BRC project, although some of their members continued to protest.

On the other hand, the Wicker Park Neighborhood Council was preparing to visit Alderman Gabinski to ask for his support for the proposed housing. Gabinski told WPNC leaders he wanted them to hold a public meeting on the subject so he could hear all points of view. So, the stage was set for May 20.

BRC came to the meeting prepared to present their revised proposal for the Wicker Park cluster. The total number of units had been reduced from 31 to 27, at the request of Wicker Park residents. The composition of the units was also different. Instead of all 3 and 4 bedrooms, 3/2 bedrooms, 15/3 bedrooms, and 6/4 bedrooms. They also outlined some design changes that resulted from community participation.

However, fine details were not the focus of the meeting. The real issue, which had been brewing for some time now, boiled over. It was the rich vs. the poor; and the poor were determined to

Continued on next page

SHOWDOWN AT WICKER PARK

Continued from page 12

make their case of their right to stay in Wicker Park with decent, affordable places to live. If the urban pioneers squelched this project it would be one more nail in the coffin. They drew on their greatest strength--numbers--and packed the church. One spokesperson for the poor folks said, "let's stop beating around the bush. You talk about architecture and density, but what you really mean is you don't want a bunch of poor people--especially Blacks and Hispanics--cluttering up your historic district."

The shouting match and exchange of epithets was launched. When the smoke cleared, the Alderman rose to speak; "I don't see myself in this situation," he said. "I don't see myself fighting the city administration over this. It's about 80% approved now. Why should I kid you?"

The pioneers uncircled their wagons (Volvos) and stalked out of the hall.

Bickerdike board president. Tom Brindisi, had this to say about the project and the controversy. "Any time a developer willingly seeks comment and input from the public, that developer is vulnerable to a whole spectrum of reaction. However, Bickerdike is a neighborhood-based developer that has always sought community input and support. In fact, we have received numerous letters endorsing our efforts on this project. Organizations that serve the cluster sites like Caudros Unidos, the organization of Palmer Square (tops), COPA (Community of People in Action), NWCA (North Western-California-Armitage Association) along with the Wicker Park Neighborhood Council, have all come out in favor. Community 21, Spanish Coalition for Housing, and Westtown Concerned Citizens have backed us. In February, the 500 delegates to the 19th annual NCO Congress passed a resolution in support of this housing. Ironically, even HUD reports they have not received a single complaint against this project. They note that this is extremely rare in the case of Section 8 projects.

Adding to this, Bob Brehm BRC Executive Director, points out: "We are especially anxious for the community to

accept this project. A commitment to build and manage 140 units of rental housing is a sizable undertaking for Bickerdike. Not many developers have been willing to build or rehab for large families. But our community needs 3 and 4 bedroom units. The fact that our units are being built on scattered, vacant sites, makes this project unique. If it is successful, it will set a precedent for what neighborhood groups have always said is the way to go."

"Naturally, many residents would prefer that we build single family homes for sale," says Brehm. "In fact, we are planning to build 24 homes in Westtown through the UDAG program. However, the cost of building such homes has increased 2½ times since we built our last round of homes in 1972. Although the 235 subsidized mortgage program we used then is still around, it is not nearly as generous. The reality residents have to face is that fewer and fewer families can afford home ownership. What we are shooting for is the possibility of eventually converting our rental units to a tenant cooperative to encourage pride of ownership. But it's too soon to predict if and when that can happen."

Meanwhile, BRC, like many other not-for-profit developers is studying the impact of the Reagan cuts. One of Reagan's cuts was the Government National Mortgage Assoc. (GNMA) which would have given BRC a mortgage at 7½% on the Section 8 project. Now BRC is applying to the City for bond funds at around 11%, which would still be well below conventional rates.



BRC Director, Bob Brehm, escorting Sen. Ted Kennedy thru rehab site last year.

GAUTREAUX UPDATE

--Doug Gills

The Gautreaux Case has brought a halt to the production of public housing in Chicago. The latest news is that the present provisions of the Judge Crowley court decree does not require that sufficient units of housing be built and that it ignores the suburban public housing issue. Moreover, the provisions of the decree do not adequately classify integrated (general) and "revitalizing" areas according to recent reports.

Furthermore, the latest complication is that the proposed Gautreaux settlement possibly conflicts with school desegregation plans under consideration by the city. Finally, there may not be enough federal money available for long term support for assisted apartment housing. This is more decisive than the insufficient number of units allocated by the decree settlement in determining whether or not in Chicago.

On June 17, Judge J.P. Crowley U.S. District court approved a consent decree that made enduring federal subsidies to reduce the rental cost of suburban apart-

ments. This action will enable primarily low income Black families to reside in predominantly white communities.

There are currently 40,000 past and present CHA tenants on current waiting lists for these type of apartments. Under the program, sponsored by the Leadership Council for Metropolitan Open Committees, the eligible family pays one-fourth of its adjusted income and HUD picks up the rest by the Section 8 subsidies.

Finally, the recently approved court action mandates an accelerated construction and rehabilitation program for apartments for low-income families throughout the metro region. It calls for 7,100 rent subsidized units to be built primarily outside predominantly Black areas of the region.

The main problem is that there simply isn't enough Section 8 money set aside to meet need/demand levels, not withstanding the issue of transportation and availability of jobs in the suburbs. Without public policy developed to consider these factors the Gautreaux case settlement is likely to result in an extension of displacement without resolving its material basis.

SHOWDOWN AT WICKER PARK

Continued from page 13

In the final analysis, one question remains. Can we afford not to develop low-income housing? Community 21 recently completed a survey of vacant land in its service area. This was part of a comprehensive vacant land study undertaken in conjunction with the School of Urban Sciences at Circle Campus and Midwest community Council. Community 21 counted over 350 vacant, 25 foot lots between North and Kedzie and Ashland and the Kennedy. This represents 15% of the tax parcels in the area. Community 21 covers about 20% of the BRC service area. A conservative projection would estimate the existence of more than 1500 vacant lots over the entire area. The replacement of thousands of units of low-income housing must begin somewhere. The poor people of West Town have taken a stand. What they are saying is: "This time 'the Indians' are us. We won't be moved off our land!"



**Housing Development
Without
Displacement**

MOD SECTION 8: TOWARDS LESS RED TAPE

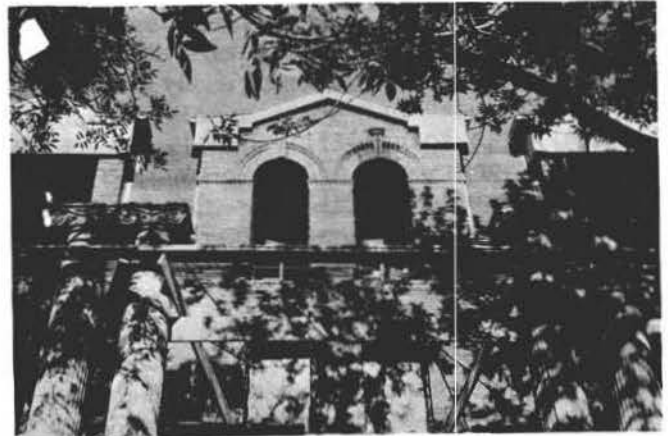
--Barbara Beck

As federal budget cuts reduce low- and moderate-income housing subsidies, the Moderate Section 8 program remains, for the moment, a relatively accessible government initiative which can assist the rehabilitation of low-income housing. A case study approach of a Voice of the People building is used in this article to examine the workings of the Moderate Section 8 program in Chicago. Voice of the People is a neighborhood housing development corporation in the northside Chicago community of Uptown.

The Moderate Section 8 Housing Assistance Payments Program, administered locally by the Chicago Housing Authority, received its first budget allocation, or Annual Contributions Contract, from HUD in August, 1980. The Fiscal Year (FY) 1979 budget allocated 459 units, with subsequent decreasing allocations for FY'80 of 227 units and 217 units in FY'81. The Moderate Section 8 regulations were written to encourage smaller building owners to make "moderate" repairs and to rent to low-income families. By providing a rent subsidy for the units, income is guaranteed for 15 years, allowing the building owner to repay rehab costs and to meet monthly operating expenses.

The Voice of the People became involved in the Moderate Section 8 program as part of the rehab financing for its 4861 N. Kenmore building. This project is atypical of the Mod Sec. 8 program because of the substantial rehab planned and its funding from the near-extinct Multi-Unit Grant program of the City of Chicago. However, a similar planning and development process (site control, architectural drawings, rehab specs, financial analysis, management plans) would need to be undertaken regardless of the extent of rehab or funding source.

The Voice purchased the 4861 N. Kenmore building in September 1980 with funds from a HUD Neighborhood Self-Help Development Grant. Built in 1901, the vacant brick building had been converted to 14 units and had serious fire and water damage. Although these conditions lent to a relatively low purchase price, the substantial rehab and deconversion of the property is estimated at \$167,000. The Voice's rehab plans are to deconvert the building to six family units, five of which will have seven rooms (four bedrooms), and one which



Exterior work has already begun on the Voice's Mod/Sec.8 project at 4861 N.Kenmore.

will have six rooms (three bedrooms). To support such a rehab cost for low-income housing, it became necessary to package several financing sources together: a rent subsidy and a rehab subsidy.

The Voice received a commitment for a Community Development Block Grant (CDBG) Neighborhood Rehab Services grant from the City of Chicago which provided part of the rehab monies needed. This grant, for neighborhood not-for-profits, provides monies for supervisors and some rehab materials, and is coordinated with CETA for construction training.

Since this grant started in fall, 1980, it was important that the other funding sources be accessible within a short time period. For this reason, the CHA Moderate Section 8 program was considered, since unlike the HUD Substantial Section 8 program, applications could be submitted at any time and processing could be efficiently done within several weeks. However, since the Moderate Section 8 rents are lower than those available with the Substantial Section 8 program, additional funds from the Multi-Unit Grant program were needed to complete the extensive rehab.

The final development package for this building included five different components: the CDBG Neighborhood Rehab Services Grant, the Multi-Unit Grant program supplemented

Continued on next page

MOD SECTION 8 PACKAGING

Continued from page 15

by a construction interim loan from Continental Bank, an end loan/mortgage from Harris Bank, and a CHA Moderate Section 8 Housing Assistance Payments Contract. By putting these public and private financing sources together, the Voice will rehabilitate the Kenmore property and provide housing for six low-income families. Construction on these six units is planned to be completed by late fall, 1981.

Packaging the Rehab Funds

There are several basic steps for planning a rehab project which most financing sources require. The owner will need to show:

1. Evidence of site control. This could be an option, letter of intent or contract purchase with a plan to be sole title-holder upon receipt of funding. The application's processing may be delayed if there are serious or complicated title questions.

2. Rehabilitation Plan. Write-up of planned rehab work, cost estimate, and previous experience of general contractor. To qualify for the Mod Section 8 program, each unit must have a minimum of \$1,000 in improvements. If \$1,000 of improvements is not needed in each unit, those units may still qualify if rehab of the common areas is needed.

3. Proposed method of financing. The owner should have as clear and definite plan for financing as soon as possible. Financing commitment letters are best. CHA has encouraged applicants to work with the Dept. of Housing for rehab funds, particularly the Multi-Unit Grant program. However, since the Dept. of Housing has dwindling rehab funds, owners will need to depend more on private financing, sweat equity, the few remaining financing programs, and less extensive rehab.

Sources of rehab financing, aside from bank loans, are the Community Investment Corporation's Home Improvement Loan program, or Title I FHA loans for owner-occupied dwellings. The Dept. of Housing is planning to establish a mortgage bond program (the Chicago Housing Finance Program), which would provide housing acquisition and rehab financing at lower-than-market interest rates. Since an important factor in low-income housing development is to guarantee an adequate source of rental income, it

may be useful to remember that the Mod Section 8 Housing Assistance Payments (HAP) Contract can be pledged to a financial institution as security for a loan. Furthermore, when there is a vacancy, the owner is entitled to a "vacancy loss" of 80% of the total unit rent, for up to 30 days. There is also a "security deposit provision" which may cover rent left unpaid by a tenant and damages to the unit. This helps to ensure a financially smooth transition between tenants. (This is similar to the Substantial Section 8 HAP Contract.)

4. Management Plan. The owner must provide information on the manager's previous experience, how the project will be managed and maintained, and what type of lease will be used. The owner also must provide a relocation plan for tenants and projected operating expenses.

5. Architectural Drawings. Floor plans are usually requested in funding applications, and more detailed drawings may be needed for obtaining the building permit, if structural changes are planned.

The Chicago Housing Authority reviews the application's projected operating expenses and debt service to determine the levels of rent. CHA depends on the rehab financing agency/bank to review and approve the rehab plans, and to complete all required inspections of the rehab work.

Application assistance in putting together an application can be obtained either from the Chicago Rehab Network or the Dept. of Housing's Office of Neighborhood Technical Assistance.

Continued on next page



MOD SECTION 8

Management

As rehab is completed, and the building passes the required inspections, CHA will refer eligible applicants* from the top of the CHA waiting list to fill any (and all subsequent) vacant units. Each month the tenant pays 25% of his/her income to the owner, and CHA sends a check to the owner for the balance of the rent. Initial paperwork for the lease is minimal, and monthly vouchers are not required from the owner. Fifty percent of the vacant units will be filled by CHA waiting list applicants who live in the same zipcode in which the project is located. If the building is occupied, eligible residents fill out Section 8 applications and will not be displaced. Units which have residents who are not eligible because of income will not receive a subsidy. Although the owner may know of several qualifying families, all vacancies must be referred from CHA's waiting list. This policy has provoked criticism of the Mod program, as it does not allow the owner much flexibility in tenant selection.

Rental income can be increased each year to keep pace with increasing utilities, taxes, insurance, and maintenance costs. Upon the owner's request, the Annual Adjustment Rate calculation is applied, which increases the rent by a set percentage of the initially determined "base rent". If additional rent increases are needed, CHA has to request an exception from HUD.

Pros and Cons

Like any public or private funding source, the Mod Section 8 program presents certain advantages and disadvantages to the owner and tenants of an assisted building.

One of the main criticisms of the program is that the Mod Section 8 rents will not support even a "moderate" rehab, given today's high interest rates. Although Mod rents may be as high as: \$408 for a one-bedroom, \$484 for a two-bedroom, and \$565

*In order to be eligible, the present tenant must be a single person or qualify as a family and must have an income which is under the program limits shown below:

1 person family \$13,350	5 person family \$20,250
2 person family \$15,250	6 person family \$21,400
3 person family \$17,150	7 person family \$22,600
4 person family \$19,050	8+person family \$23,800

(These income limits are set at 80% of the median income for families of corresponding size in Chicago.)

for a three-bedroom (after electric utility allowance) there may not be adequate funds, after debt service, taxes, and operating expenses for the rehab that may be needed. CHA recognizes this problem, and until recently, tried to coordinate Mod Section 8 projects with the Multi-Unit grants.

Timing is very important in the process of obtaining Mod Section 8 approval. The more complete the applicant's development plan is (site control, bank or financial commitments, rehab plans, architectural drawings), the more efficiently and quickly CHA will process the application. Of course there is a certain degree of risk in obtaining site control and architectural drawings before firm financing; each owner will have to decide how much risk to take. If most of the components of the project are in place, CHA can be very cooperative in streamlining its approval process (as short as 3 or 4 weeks). On the other hand, if the applicant is waiting for funding commitments from several different sources, or if assistance is needed in developing the finance plan, CHA's processing will be lengthier.

Unlike several City of Chicago housing programs, there is no formal Task Force Inspection required before Mod Section 8 approval. For this reason, an owner can apply without fearing pages of minor code violations and a housing court case.

The owner also must be cognizant of potential cash-flow problems during rehab. Inspectors usually approve payouts based strictly on their estimation of the work completed. For instance, the general contractor cannot be paid for the purchase of wood for cabinets until the cabinets are made and installed. There is usually no advance of funds granted, so the owner or general contractor must have a good line of credit or other cash-flow ability.

Continued on next page



MOD SECTION 8

Once a pay request and waivers are submitted it can take 3 or 4 weeks for pay-out.

Conclusion

Despite the criticisms and alleged drawbacks of the Moderate Section 8 program, it is a reasonable funding source for moderate rehab for low- and moderate-income families. This is somewhat reflected by the 144 applications (representing 1411 units) which have been received by CHA before May 31, 1981. CHA has approved 37 applications (420 units) and has another 40 units under agreement and contract.

Most of the applicants have been owners with small buildings that average 10 units; about one-fifth of the applicants have been owner-occupants. Large developers have not been attracted to the program for two reasons. First, the owner's return on equity is based on the purchase price, not on the appraised value. Therefore the owner's equity is limited to what was initially invested in the property, not to an inflated value. Second, CHA prohibits more than 30 units per building to be subsidized by the Mod Section 8 program.

It is unclear how the Reagan budget cuts will affect the Mod Section 8 program. But since CHA presently has a unit allocation, applications are encouraged.

For more information:

Chicago Housing Authority
Greg Schuler
22 West Madison, Room 204
791-8734

Chicago Rehab Network
Elliott Powell
53 West Jackson Room 603
663-3936

* * * *

Barbara Beck is the Development
Coordinator of Voice of the People
and a CRN board member.

NEEDED!
**SUBSCRIBERS TO THE CHICAGO
REHAB NETWORK NEWSLETTER**

Sample Proforma

Following is a hypothetical financial analysis for the moderate rehab of a 3 flat brick building with six 3-bedroom units. Initially purchased for \$75,000 the owner wants to refinance the existing balance of \$50,000 in the mortgage. Assuming that the owner can obtain conventional financing at 16% for 25 years, here is a sketch of how the Moderate Section 8 program works.

This plan includes \$25,742 worth of rehab (kitchen cabinets, storm windows and doors, new roof, rear porch repair, painting, and new central boiler).

<u>Expenses:</u>		
Rehab Costs	\$25,742	
Contingency	2,600	
Overhead	<u>1,000</u>	
Total Hard Costs		\$29,342
Construction Interest	2,000	
Architect Inspection	800	
Permits, Fees	300	
Insurance during rehab	1,500	
Title and recording	1,500	
Legal	<u>2,000</u>	
Total Soft Costs		8,100
Remaining debt		<u>50,000</u>
Total debt		87,442
Interest 16% for 25 years		<u>16.3</u>
		14,253
Debt Coverage		<u>1.25</u>
Debt Service		17,816
Return on Equity*		2,000
Operating Expenses @\$2,500/unit		<u>15,000</u>
Total Annual Expenses		34,816
Occupancy		<u>95%</u>
Income Needed Annually		36,648
Income Needed Per Month		3,054

Moderate Section 8 Rental Income:

<u>Units</u>	<u>Rent Needed</u>	
6 3-bdrm. @ \$509 =	\$3,054	
Max. Rent Allowed (after electric)		<u>Spread</u>
\$565 x 6 units =	\$3,390	10%

*CHA's formula for calculating the owner's return on equity is:
purchase price + improvements - debt x 8%.

**Operating expenses include central heat, trash collection, water, taxes, insurance, repairs and maintenance.

--Barbara Beck, Voice of the People

IHDA'S MISSING UNITS:

WHO'S GOT THEM?

--Bob Giloth

NOTE: Below appears a follow up to an article that appeared in the April, 1981 CRN Newsletter, "The Missing Units," by Bob Giloth. The questions raised in that article concerned whether or not IHDA (Illinois Housing Development Authority) projects with Section 8 reservations (100% or less) actually use less than the allocated number of Section 8 units--renting those other units to Section 8 ineligible market rate tenants. According to Don Rose, IHDA spokesman, such units do exist. The question is now raised as to how many of these "missing units" exist in the Chicago Area Office of HUD--IHDA-sponsored or not.

More information has surfaced on the question of the missing Section 8 units--those units under Housing Assistance Payment (HAP) contract for new construction and substantial rehabilitation housing developments that are rented to Section 8 *ineligible* tenants.

The United States General Accounting Office completed a sample study of Section 8 usage in a number of areas last summer. The sample from the Chicago Area Office (covering Illinois) is presented below.

Four of the sample projects seem to be in good order. They have HAP contracts for 100% Section 8, and have rented 100% of their apartments to Section 8 eligible tenants. The other four projects, however, are another story. Each of these uses 50% or less of their HAP allocation of Section 8. In other words, 273 units with Section 8 allocations are rented to Section 8 ineligible tenants.

Continued on page 20

Sample of Projects From
The Chicago Area Office
Showing the Range
of Compliance

	<u>Units Under</u> <u>Effective</u> <u>HAP Contract</u>	<u>Units</u> <u>Under</u> <u>Lease</u>	<u>Units Leased</u> <u>to Eligible</u> <u>Households</u>	<u>Percentage</u> <u>Leased to</u> <u>Eligibles</u>
Project A	5	5	0	0%
Project B	70	70	35	50%
Project C	231	231	69	30%
Project D	212	212	212	100%
Project E	79	79	79	100%
Project F	154	148	77	52%
Project G	210	210	210	100%
Project H	140	140	140	100%

Source: Ineligible Households in Assisted Housing Projects, August 21, 1980. #113154, GAO. Report to Lawrence B. Simons, Department of Housing and Urban Development: Assistant Secretary for Housing--Federal Housing Commissioner; by Richard J. Woods, Associate Director, GAO, Community and Economic Development Division

IHDA'S NOT UNIQUE : A COMPARATIVE INVESTIGATION

---Elinor Arthur

An article in the Chicago Rehab Network Newsletter (April, 1981) began an investigation into the Illinois Housing Development Authority's (IHDA) unresponsiveness to the housing needs of Chicago's low-income population. It described IHDA's legislative mandate to help finance low and moderate-income housing and the problem in evaluating IHDA's performance because of the absence of comprehensive information.

Given the restraints imposed by "secret doors," it seemed reasonable to take a look at another state housing finance agency to see how IHDA compared--in terms of the production of low and moderate-income housing, work with non-profit groups, and public accountability. This provides a back-door look at IHDA.

The Minnesota Housing Finance Agency (MHFA) was kind enough to answer our request for information on their programs for low-and moderate-income housing. They sent a copy of their 1980 annual report--an unusually readable document in the form of an illustrated newspaper. It described half a dozen MHFA programs intended to meet the housing needs of poor Minnesota residents: a tribal housing program, a rehabilita-

tion initiative for rental housing, a multi-family rental housing construction program, an accessibility improvement program for the handicapped, down-payment assistance for Vietnam veterans, and an energy conservation program.

Realizing that this highly readable document had been prepared with a concern for public relations, we made some follow up phone calls.

A call to MHFA yielded the following figures on the multi-family projects they have financed to date:

Total number of projects: 247

Total number of units: 16,412

	New	Substantial Rehab	Total
Elderly	7,305	409	7,714
Family	7,696	1,002	8,698
	15,001	1,411	16,412

About half the multi-family projects they finance are in metropolitan areas and half are "outstate" in the rural areas. The following table shows the

Continued on next page

IHDA'S MISSING UNITS: WHOSE GOT THEM?

Continued from page 19

Of course, these projects with Section 8 ineligible tenants are not necessarily IHDA projects. However, since the GAO focuses largely on uninsured projects (those housing developments that do not use FHA mortgage insurance), one can infer that IHDA projects are prominent in their analysis. GAO states that "In... Chicago (Area Office) we estimate that at least 1000 units were occupied by households ineligible for Section 8." (p. 3) This is out of 8900 units in Chicago that have Section 8 allocations.

The GAO report concludes that there are cost and program effectiveness consequences from the missing unit problem. FHA, GNMA, HUD admin-

istrative, and tax-exempt bond tax incentives underwrite the units rented to Section 8 ineligible tenants. Project costs go up, therefore, while Section 8 program achievement lags. Those who need affordable housing suffer.

GAO recommends that the regulations governing the permissible number of Section 8 units rented to Section 8 ineligible tenants be reduced from 10% to 5%. (p. 5)

The missing units are certainly missing.

* * * *

Bob Giloth is a Neighborhood Activist and Housing Consultant whose articles frequently appear in the CRN Newsletter.

IHDA'S NOT UNIQUE

breakdown of residents' income and the proportion of minority and very low-income residents living in these projects:

	Residents' Median income	% non-white*	% very low income**
Metro. Areas	\$4,760	3%	72%
Outstate	\$3,800	1.6%	58%

*minority population for the state of Minnesota is about 5%

**by HUD criteria

We asked if MHFA financed any projects sponsored by non-profit housing groups. The MHFA official replied that they finance very few.

We called IHDA to obtain figures on their multi-family projects. The total number of projects was not available; the total number of units was not available, but 25,000 was offered as a "ballpark" figure. They could not provide a breakdown on elderly/family or new/substantial rehab "for at least a day or two" but said that approximately one out of every three units are for seniors and that about 10% (or 2,500) of their multi-family units are substantial rehab.



In response to our question about geographical distribution, IHDA replied that about one-third of their units are in Chicago, one-third suburban, and one-third downstate. Unlike MHFA, IHDA has no figures on residents' median income, percentage of residents with very low income, or percentage of residents who are minority.

"MHFA IS A BANK"

We asked if MHFA financed any projects sponsored by non-profit housing groups. The MHFA official replied that they finance very few. "There's a problem," he said, "in that many people don't realize that we are a bank, even though we are a state agency. A lot of people have a grant mentality." (With these remarks our MHFA official echoed a recurring theme of the IHDA people, that a state housing finance agency is "a bank.")

We remarked that we had heard that it was only with the greatest reluctance that some state housing finance agencies finance non-profit projects. We wondered if this was true in Minnesota. He admitted that they had encountered some criticism on this score. He said they required FHA insurance on non-profit projects of community-based housing groups even though this was not necessary for projects sponsored by other developers. When we asked about public accountability he replied that the state legislature keeps close tabs on the MHFA. "However," he said, "the MHFA does enjoy a cordial relationship with the state legislature who, unlike the general public, realize that MHFA must operate as a bank."

FOUR STRIKES YOUR OUT!

Several Minneapolis-based housing analysts had a different perspective on the MHFA. The director of a community-based non-profit housing organization described MHFA's criteria for financing a project as "four strikes and you're out." The four strikes which marked a project as undesirable to MHFA are, he

Continued on next page

IHDA NOT UNIQUE

Continued from page 21

said:

- 1) if the project is rehab, not new;
- 2) if the project is co-op, not rental;
- 3) if the developer is non-profit;
- 4) if the developer is a community-based organization.

"Even one of these features can condemn a project," he said. "If you have all four, you have real problems."

When asked about MHFA's annual report and our impression that the agency seemed concerned about low-income housing, he replied that we are the latest victims of "the myth of Minnesota: that everything is lovely in the land of one thousand lakes."

In reply to our question about MHFA's programs, such as the one we had read about for Indian housing, another analyst the Director of Community Development at the University of Minnesota, explained that money allocated by the federal and state governments for tribal housing is all channeled through the MHFA. "When an Indian housing group in St. Paul wanted to build earth-sheltered housing for very large families and lacked the technical expertise to package the deal, neither the city nor MHFA provided the necessary help. The housing was never built. It was not the kind of project MHFA was interested in. He described MHFA's professed concern for tribal housing as "a joke."

THE POWERHORN EXPERIENCE

One case illustrates the problem with MHFA. The Minneapolis-based Powerhorn Residence Group recently rehabilitated an old school building and turned it into 45 cooperatively-owned Section 8 apartments.

It took us years to get it financed said Powderhorn's Program Director. "The MHFA even required us to get FHA insurance; that was a first for them," she said.

"They had never before required FHA insurance for any project they financed but it looks as if they will require it of all non-profit projects from now on. We had to get the state law changed to make it legal for them to finance a cooperative project." The Powderhorn Residence Group began meeting with the MHFA five years ago.

"I think it was their idea to string us along," she said, "they were very cordial. Originally we wanted to do a whole package, buy several of these old buildings at one time, rehabilitate them and convert them to co-ops so there would be minimum displacement of residents. But MHFA played along with us for five years, refused to give us the financing and we wasted a great deal of time. In the meantime the housing market changed drastically and we could no longer buy all those old buildings cheaply. Then this old abandoned school building came up and we decided to try for it. HUD went for it; they were difficult to deal with too, but they did finally give us the FHA insurance. Then MHFA had no excuse. It was a very secure mortgage. It was 100% Section 8. But MHFA gave us only a 66% mortgage, which meant we had to raise 34% or \$600,000 ourselves. We did it with Community Development Block Grant funds and some other sources."

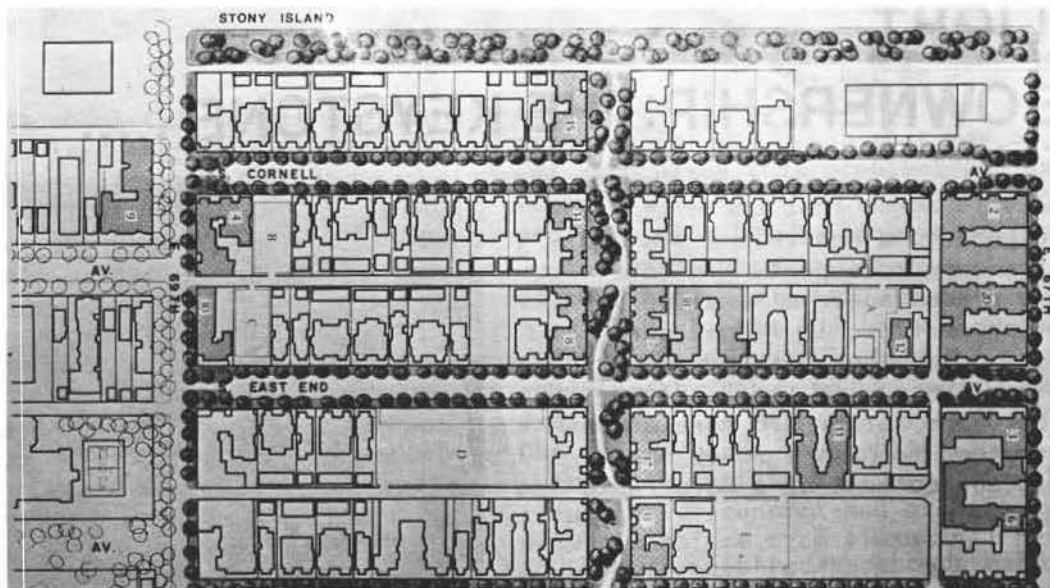
MHFA KICKS AND SCREAMS

When we asked about how the project turned out, she said that "it's working beautifully. There's been no displacement in the neighborhood; a co-op educational program is going. The 45 families who live there love it and the rest of the neighborhood is delighted to have this 100-year old school building preserved."

But, we asked, despite all these benefits and the security of the project, the MHFA was reluctant to finance the project? "Reluctant?" she said, "That's an understatement. They were kicking and screaming all the way."

We called the President of the cooperative residents' association to see if

Continued on next page



Housing projects underwritten by state housing finance authorities can be impressive in their relative size such as the IDHA financed Parkway development in South Shore shown above. However, many non-profit neighborhood-based developers find it difficult to obtain such financing for smaller projects.

IHDA *Continued from page 22*

residents agreed with the evaluation that the project is "working beautifully." The President said that the project was, in his opinion, the best form of subsidized housing that he had ever seen. "The residents have an opportunity for ownership and for some control over their housing conditions, in a way most of us have never had before." He said there was "a strong desire among residents to make the co-op a good place to live," and that out of the 45 families, about one-third of them are very active in making decisions about the co-op. He said there were problems, like controversy about how to spend money allocated for improvements, but that, as a whole, the co-op was working very well.

IHDA'S NOT UNIQUE

This brief look at the Minnesota Housing Finance Agency reveals that like IHDA it is the object of controversy. On the other hand, the Powderhorn Residence Group's cooperative rehab project has shown us that a state housing finance agency which operates on the same basis as IHDA can and actually did finance a non-profit, community-based cooperative rehab project.

Although IHDA's method is that of a bank, it operates as a part of the public sector. IHDA finances projects with tax-exempt bonds, and the State of Illinois has a moral obligation to back up the bonds issued by IHDA. Community housing groups are not asking IHDA for a handout. They are suggesting that IHDA extend its public interest purpose to facilitate neighborhood-based operations. However, we should not be overly optimistic. None of this will come about without a struggle.

Like IHDA, the Minnesota Housing Finance Agency is an object of public controversy. But at least they have figures on who actually benefits from their housing units. An important starting point, no doubt. However, the MHFA does not like to work with non-profits and/or unconventional projects. It sounds all too familiar.

* * * *

Elinor Aurthur is an intern with a public agency in Chicago and a graduate student in Urban Public Policy Studies at UICC.

This has been the third in a series of articles exploring the policies and activities of IDHA. The final report will appear in the next issue.

SPOTLIGHT

HOME OWNERSHIP: THE KEYSTONE

--Maureen Hellwig

Most analysts agree that the keystone of neighborhood health and stability is the owner-occupant. In most areas with a predominance of smaller residential properties, it is not difficult to distinguish the absentee-owned buildings from those with the landlord in residence. The former are more often run-down and tend to pass through deterioration to abandonment at a more rapid rate.

It is these abandoned buildings that are often acquired by neighborhood-based rehab organizations. Certainly neighboring owner-occupants are grateful for the rescue and restoration of these buildings. But what assistance is available for them?

This is a particular problem in Chicago's oldest neighborhoods like West Town. While their buildings are generally maintained, the owner-occupants are still faced with the wear and tear of 80 to 100 years of use and the factors of "built-in-obsolescence" vis-a-vis the Chicago building code. Where major rehab is warranted some residents have in the past applied for grants through the Chicago Financial Assistance Program (CFAP), funded with CDBG money. Since costs frequently exceeded the grant amount available, due to the requirement of full code compliance, CFAP applications were often coupled with 312 loans. With the elimination of 312, diminishing CDBG funds, and burdensome new regulations recently added to the CFAP program, what's left for the owner-occupant?

Even before Reaganomics struck, many owners lost much interest in getting involved in the red tape of subsidized rehab programs. Recognizing this reluctance, as well as the need to get owner-occupants more involved in the overall neighborhood revitalization effort, Community 21 decided to sponsor a three-part home improvement program for homeowners.

In the spring of 1980 and 1981, Community 21 sponsored a Neighborhood Home Improvement Fair and a series of



Community 21 outdoor Home Maintenance Workshop session with neighbors.

Home Maintenance Workshops. This year the organization is also planning to explore the establishment of a co-op buying club for home improvement materials.

The most successful activity so far has been the workshop series. Over the last two years, workshop topics have included: Plumbing, Plastering, Electrical, Energy Conservation, Drywall, and Wooden Porch repair. The first four were held on weekday evenings at local church halls throughout the community with an average attendance of 40-50 people. At the time of this writing, the Drywall Workshop is scheduled to take place on an actual work site, as is the Porch Workshop.

There are a variety of resources available for putting together a workshop series. Our plumbing workshop was handled by a local plumber with many years of experience in the trade. He is known for his willingness to teach clients as he works for them, so that they can either avoid similar problems in the future, or deal with them themselves. Every neighborhood has tradesmen like this if you ask around.

Continued on next page

....IN COMMUNITY 21'S PROGRAM

Community 21 also tapped a local resource for the electrical workshop, a company that has worked in the West Town area for over 60 years. Local Electric Company at 1758 N. Rockwell specializes in rehab wiring. The owner, Mr. Phillip Ristau, was very willing to share his experience.

For the plastering and energy workshops, some outside resources were secured. Community 21 contacted the Chicago Plastering Institute at 5839 W. Fullerton for assistance. The person to contact is John Boland at 237-6910. The energy conservation workshop involved a combination of resources. The Illinois Institute of Natural Resources has a slide show. The slide show can be obtained by contacting Tom Campbell at (217) 785-2772 or Trudy Daley at (800) 252-8955. Write to them at: Illinois Institute of Natural Resources, 325 W. Adams, Springfield, IL 62706.

Community 21 turned to a fellow member of the Chicago Rehab Network for the instructor. For a \$50 stipend, Bill Warren, from the Center for Neighborhood Technology, came out, showed the slides, offered an excellent commentary and answered numerous questions from residents. CNT's number is 454-0126. Speak with Scott Bernstein or Bob Adams to make arrangements.

This year two new workshops have moved out of church basements to construction sites. By special arrangement with Armando Alcalá, president of Competitive Drywall Co., 2619 W. Armitage and the Hispanic American Construction Industry Association, residents will have the opportunity to learn how to install drywall on an actual construction site. Mr. Alcalá's workmen will go through the stages of installation, taping, and finishing and familiarizing participants with all the necessary tools and materials. Each participant will then get to apply what he or she has learned by actually attempting some of these procedures.

HOME IMPROVEMENT FAIR

Another event Community 21 has tried, with less success, is a Home Improvement Fair. Local businesses and companies supplying home improvement materials or services were invited to exhibit their products or services with the idea that residents would get some ideas and become acquainted with companies and stores that could meet their needs.

The first year the Fair was held on Saturday afternoon in late May, the second year on a Sunday afternoon in mid-May. A list of potential exhibitors was drawn up from the local commercial strip, the yellow pages, and the City House list of Exhibitors and Advertisers. Although contact with close to 100 of these the first year resulted in many promises for the following year, the net result of both years was about the same--more than 15 exhibitor-participants. The smaller, local businesses said they couldn't get away; the larger companies said the event was too limited.

HOW TO IMPROVE TURNOUT?

The resident turnout did not measure up to expectations either. In evaluating the event, suggestions have ranged from moving the event to early April to incorporating more gimmicks like giveaways and special demonstrations. Thus we tried enticements. C.J. Schnakenberg of Schnakenberg Ace Hardware, 2767 N. Lincoln, graciously agreed to provide a power tool demonstration as part of the Fair activities and Skil Corporation donated an electric drill as a door prize. (An item worth nothing here is that the two major tool companies, Skil and Black & Decker, require a 6 month notice to send out their representative to put on a tool demonstration.) Everyone who came liked the Fair, but not enough came.

GENERATING COMMUNITY SUPPORT

Community 21 used the same channels to publicize the Fair that were used to publicize the highly successful workshops: the Community 21 monthly news-

Continued on next page

SPOTLIGHT: COMMUNITY 21

Continued from page 25

letter mailed to 1200 homeowners, articles in the local weekly newsletter, church bulletin announcements, posters, flyers at community meetings. The community 21 board is puzzled and presents the puzzle for your unraveling should you choose to tackle a similar activity.

The most responsive participation in the Fair and support of the workshops came from community-minded lenders. Northwest Federal Savings & Talman Home Federal Savings had booths at the Fair and helped to fund the entire home improvement program. Both these institutions, as well as the Community 21 board, would have welcomed local lender support and participation, but none of the local institutions responded to requests for their participation.

CO-OP BUYING AND OTHER FUTURE WORK.

Finally, a third aspect of the Community 21 home improvement effort this year is a plan to test the water regarding the interest in and feasibility of establishing a co-op buying club for home improvement materials. A simple format is envisioned. If enough residents volunteer to help, organizers would contact local businesses to ascertain their willingness to offer a 10% discount to co-op members presenting their ID cards, in return for the promotion of their business to co-op members. Members would be asked to pay a modest annual fee to cover printing of a brochure and postage. It remains to be seen if this idea will catch on.

Overall, Community 21 is pleased with the general thrust of the Home Improvement Program. Through the workshops and other programs, over 300 homeowners, as well as some tenants, received training or information to help them improve their housing.

We also promoted the work of Bickerdike, an important local housing organization serving the West Town Community. Two cooperative lending institutions were identified that are interested in serving the Community 21/West Town area. Residents met some responsible companies and tradesmen to do business with.

The Community 21 planning committee included: Michael Bisberg, Julian Gomez, Manuel Gutierrez, Loretta Landowski, Harriet & Casimer Patryn, George & Frances Santoyo.

As Loretta put it, "The theme of our program is "DON'T MOVE, IMPROVE! With the cost of newer homes skyrocketing, this is not just a slogan, it's survival."

COMMUNITY NOTE

Another CRN member, Bickerdike Redevelopment Corp. (BRC) is cooperating with Community 21 by having their workers rebuild a wooden front porch as a demonstration and instruction project. Community 21 asked for a resident needing porch repair to volunteer to serve as a workshop site. The homeowner would pay the cost of the materials but would receive free labor. The new office of Neighborhood Technical Assistance of the Dept. of Housing, agreed to pickup the labor costs. Gene Conway, formerly of NHS, heads up this new office. Contact him at 774-8518. Both of these on-site workshops are being offered on Saturdays.

* * * *

Maureen Hellwig is the Director of Community 21 a CRN board member who frequently make contributions to the Newsletter.



ESDC CELEBRATES

--Soyla Villicano

April 28 was a day of celebration for the 18th Street Development Corporation (ESDC). A day-long open house was held for the just-completed three story, six unit apartment building at 901 W. 19th Street.

Five of the completed apartments have three bedrooms, and the other has the added feature of a loft area with a skylight. Each unit has its own tenant-controlled heating system. Pre-apprentice plasterers stuccoed the airwell on the west side of the building, and performed other finish work in the building. Pre-apprentice carpenters installed oak flooring--salvaged from a building undergoing demolition--in two of the apartments.

The open house was attended by community residents, three building trade unions--Carpenters, Plasterers, and Bricklayers--city agencies, community organizations, construction trainees from Community Housing Education Corp. (CHEC), contractors who have hired ESDC apprentices, and, of course, the tenants who moved into the building on May 1, 1981. A total of 175 people came.



The open house gave the pre-apprentices and their instructors an opportunity to show their work and get feedback as they gave tours of the building. The comments heard throughout the day were: "You've done a fantastic job," "I'm glad to hear that community residents will occupy these apartments," "What took so long", and, from the future third floor tenants, "I can't wait to move in with my family."

An unexpected visitor to the open house was City School Superintendent, Dr. Ruth Love, who toured the building and told pre-apprentices: "I'm really proud of what you've done here. I hope you will continue and get those marketable skills."



Completed building at 901 West 19th St. Pictured at upper right is Soyla Villicano who served as coordinator of project.

Contact: Soyla Villicano at Eighteenth Street Development Corporation 1900 So Carpenter Chicago, Ill 60608

BELOW MARKET MORTGAGES:

THE EAST HUMBOLDT PARK EXPERIENCE

--Kaye Gregg

The recently announced East Humboldt Park Mortgage Program will provide one million dollars in below-market rate mortgages, and \$200,000 in deferred payment rehab loans for homes purchased through the program. This community initiative can be an important tool in the fight against displacement in the East Humboldt Park area. It demonstrates that community organizations can develop workable programs for their neighborhoods.

Combining the resources of the Treasury of the State of Illinois, the City of Chicago, Pioneer Bank, and local community organizations, homeownership will be made more affordable for some low- and moderate-income tenants in the Humboldt Park area.

The Westtown Concerned Citizens Coalition, the Community Housing Education Corporation, and the Spanish Coalition for Housing developed the idea of a below-market interest rate program supported by below-market rate deposits in a local lending institution. Neighborhood meetings around Community Reinvestment Act issues (i.e., responsible neighborhood investment policies of local financial institutions) produced an aware-

ness that community stability in East Humboldt Park required increased investment and an increase in the proportion of owner-occupants. Contract sales were prevalent, indicating that there was demand. Although the price of properties were relatively low, market interest rates made home ownership unaffordable for most residents.

The community organizations were aware that some corporations supported the development of minority banks by investing funds at $\frac{1}{2}\%$ to 1% under market. It seemed possible that this concept could be expanded to provide affordable mortgage rates for East Humboldt Park. The community would solicit private and government institutions to deposit discretionary funds in a local bank at interest rates slightly below market. The discount on the funds could be returned to the community in the form of a reduced interest rate on mortgage loans.

Community organizations approached several neighborhood banks with the idea. Pioneer Bank was the only area lending institution with the vision, however, to realize that there were benefits to be gained from this type of project--the program was financially feasible, and by reinvesting in the community they were improving their long-range business prospects.

The Illinois State Treasurer's Office offered a "Specific Opportunity Program" which linked deposits of state funds to banks serving community needs. Community organizations approached the state with the idea of expanding that program to include a reduced interest rate program for mortgage loans. The state has expressed favorable interest in the program.

Negotiations on program guidelines and deposit and loan terms took many months. During this time, the Mayor's Office was contacted and asked to participate. The City agreed to fund the rehab component of the program, which made



Continued on next page

HOUSE GUEST: ENTERPRISE ZONES IN ILLINOIS

--MARLINDA MENASHE

First in a series of articles that treat the possible implications of new federal proposals on the development of low and moderate income housing.

Enterprise Zones may become the Reagan Administrations' solution to the problems facing cities. The possibility of creating these zones in the U.S. first appeared with a bill sponsored by U.S. Representatives Kemp and Garcia in 1980. The Kemp-Garcia bill would eliminate what is perceived as government interference in the free market. By restricting government regulation in the zones, it was expected that industrial

and housing developers would be attracted to the zones. The Kemp-Garcia bill was never passed into law by Congress, but enterprise zone supporters are now encouraging state legislators to sponsor similar bills which will be followed by national legislation at a later date.

A bill to create Enterprise Zones in Illinois was introduced and passed (43 to 12)--unnoticed by many--in the Illinois State Senate. Senate Bill 819, the Enterprise Zone Act, was introduced by Senator Donald Totten from Hoffman Estates in May, 1981. The author de-

Continued on next page

BELOW MARKET LOANS - EAST HUMBOLDT PARK

Continued from page 28

the program more workable in an area populated by homes suffering poor conditions and deferred maintenance.

Pioneer Bank will operate this program for qualified borrowers wishing to purchase homes in the area bounded by North Avenue, Western, Division, and California. Mortgage loan terms include a 10% interest rate, a maximum 90% loan-to-value ratio, and a 25 year term negotiable after 10 years. Pioneer Bank will refinance after 10 years at their own current interest rate, or the borrower can go elsewhere if more favorable rates are available.

A brief survey of area savings and loans indicates that current interest rates on owner-occupied residences vary from 16% to 17% and are often negotiable every three years. Some S & L's are still making 29-year, fixed-rate loans; but these are generally only available to current customers, or at a higher interest rate.

The 10% interest rate is produced by the deposit of Illinois State funds in Pioneer Bank at 1% under the going market rate. The deferred payment loans (deferred until sale of property) will be given by the City of Chicago, and will provide second mortgages for the rehab of homes acquired through the program. Both the mortgage and rehab loans will be limited to owner-occupied, 1-4 unit buildings. There is no income limitation

placed on the borrowers of acquisition funds. Deferred payment rehab loans, however, are limited to borrowers whose incomes are below 100% of the median income in Chicago.

Throughout the development of the program, Westtown Concerned Citizens Coalition, the Community Housing Education Corporation, and the Spanish Coalition for Housing took the lead to make sure that the end-product would meet the needs of current residents. These same organizations are now working to identify potential homeowners for the East Humboldt Mortgage Program. This is critically important to the success of the program. East Humboldt Park has attractive and "cute", housing stock. The area is just south of Wicker Park and Logan Square--current "hot" and trendy neighborhoods, avariciously marketed and hyped by local real estate companies and speculators. A measure of the success of the East Humboldt Park program depends on its ability to avoid displacement and gentrification providing generous terms for legitimate low-income buyers, not developers and speculators. The community organizations and Pioneer Bank are committed to the program's success but they will have to work very hard to make sure the program serves the interests of those for which it was intended.

* * * *

Kaye Gregg is currently Illinois Representative for the National Consumer Cooperative Bank.

ENTERPRISE ZONES IN ILLINOIS

Continued from page 29

signed the bill to enable the designation of areas where industrial development and neighborhood revitalization could occur unhampered by government interference. What this bill seems to do, though, is to dismantle existing revitalization measures and to replace them with a meager portion of incentives, along with a large portion of disincentives. In essence, this appears to be a "subsidy" transfer program from community-based institutions to the private sector. And a "big" subsidy program at that!

Senate Bill 819 has now been introduced into the Illinois House by Representative Petters (District 15). Expected to pass, this bill has two parts: industrial and residential development. The major incentives for industrial development in the zones are: 1) businesses are not allowed federal, state and local assistance for those programs which are not federally mandated; 2) all state and local laws on zoning, building codes, rent control, wage and price controls, and other similar regulations are suspended; 3) programs mandated by the federal government will operate at minimum levels; and 4) purchased property assessed (for real estate purposes) at zero percent of its value in the first year, to increase at a rate of 20% a year over the next 5 years.

The incentives for residential rehabilitation are based on a county or municipal homesteading program allowing sale of abandoned homes in the zone for \$100.00 or less. The program requires purchaser to live in acquired residences in 7 years and to rehabilitate the buildings. The major incentive for the homeowner is an additional standard exemption (of \$1000) from Illinois income tax and also the assessment incentive mentioned previously in regard to industry. The Illinois State Department of Commerce and Community Affairs was delegated the responsibility for determining a precise definition of the zones and their administration.

The effects of this bill could be detrimental to neighborhood development, particularly for low-to-moderate income residents. The proposed homesteading

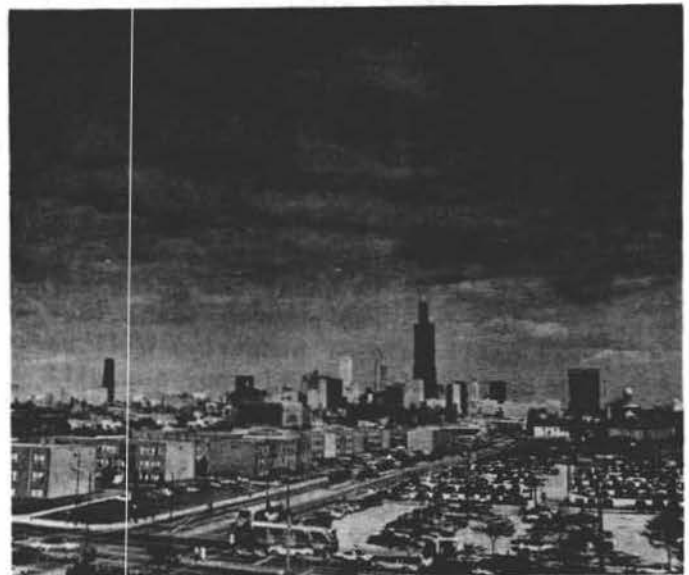
program has a distinct potentiality of abuse, and also seems to encourage displacement of a neighborhood's low-to-moderate-income residents. The proposed business incentives are based solely on relief from government regulations on zoning, building codes, rents control, and wage and price controls. It has been demonstrated that relief from these types of regulations are not locational incentives-in-themselves, but that relief from federal corporate income taxes, assistance in land assembly and the availability and cost of capital are far more important to location.

The most punitive measure of the bill results from a section requiring the operation of federally mandated programs at a minimum level. Typically, affected programs would encompass income support, medical aid, educational assistance, day care, affirmative action, and occupational safety and health standards. It is expected that those receiving these benefits and programs and residing in the zones would move out of the zones, creating population shifts, particularly in the larger cities.

The bill is presently on the House floor for its first reading, after passing unanimously in committee. From present indications it is expected to be passed in the House with few, if any, amendments.

* * * *

Marlinda Menashe is a Research Associate at the University of Illinois at Chicago Circle, School of Urban Sciences



HOUSING MODELS FOR SCARCE TIMES:

This article initiates a series that will examine various alternative models currently being advanced to resolve the low-income housing crisis and revitalize our neighborhoods. We would appreciate your comments and contributions in response to issues raised in this series. In this article, Bob Giloth is joined by Robert Brehm, CRN board member and Director of Bickerdike Housing Development Corporation.

HOUSING MODELS FOR SCARCE TIMES

--Bob Giloth & Robert Brehm

Reaganomics, inflation, gentrification, budget discipline--these words mean that the production of affordable housing for lower-income people is going to get tough. Neighborhood developers and advocates will either have to sit out the lean years, organize, or do some innovative thinking. We urge the latter two.

The housing gap is simple to understand. Producing housing costs more than many people can afford to live in it. Four basic methods have been used to bridge the gap over the years:

- o interest write-downs
- o grants (including CDBG, CETA and land)
- o tax incentives (syndication, tax-exempt financing)
- o rental subsidies

A new variant in the last decade has been sweat equity; this involves the investment of labor by housing users into the production of housing.

There is much discussion, some very esoteric, about how these methods should be combined to create affordable housing--the amounts of each, the timing of each, and ways to bring them together. Section 8, our latest and soon to be deceased rental subsidy program, has been criticized on all sides as being too costly, and for subsidizing developers. At the same time, though, Section 8 does produce housing low-income people can live in, and has enough financial flexibility built in to it to prevent defaults (at least so far).

In this article we critique a model for bridging the housing gap developed by two Chicago urban activists: Steve Perkins and Stanley Hallet. In future issues we intend to discuss other approaches for the production of low-income housing. We hope that readers will send in their comments on our comments. New approaches require discussion.

One disclaimer. We are not lawyers or accountants. Our remarks are based upon experiences as neighborhood developers, and on conversations with a variety of housing analysts.

Toward Low-Income Coops

A Summary

This housing rehabilitation and ownership model for low-income coops unites a limited partnership investment structure with a donation of project equity (75%) to a 501(c)3 community organization after seven years. This donation produces, according to the authors, competitive tax benefits and return on equity for investors and a low acquisition cost for the community group and tenants. With a low purchase cost, and accrued tenant payments and long-term repair fees (both above and beyond contract rent), the authors believe that a viable low-equity coop can be developed.

Favorable analysis of this model by the authors, however, rests upon a number of assumptions and premises, some of which will be questioned in the critique section:

- o a 60 unit property (24 1-brm, 36 2-brm) purchased for \$5,000/unit.
- o a \$10,000 per unit "minimum to moderate" rehabilitation program to last for 10 years.
- o post-rehab rents of \$260 (1brm) and \$310 (2brm); these rents do not equity contributions (\$10 per month) or fees for the repair fund.
- o 70% tax-bracket investors who are

Continued on next page

HOUSING MODELS FOR SCARCE TIMES

Continued from page 31

available to form a limited partnership with a socially minded general partner. They agree to donate the property after seven years.

- o the availability of some type of government housing programs--CDBG interest or grant write-downs, 312 low interest loans, or tax-exempt municipal bond financing at 8%.

How it Works

A limited partnership would be formed by a socially-conscious general partner and a number (up to 35) of 70% tax-bracket limited partners. The general partner would have the experience to put the deal together. A 60 unit property would be purchased at \$5,000 per unit or \$300,000. Capital for purchase and front-end costs would be raised through financing and syndication.

The property would be rehabilitated at a modest level--\$10,000 per unit--for a total of \$600,000. Work would focus on energy conservation, common areas, and cosmetic repairs. The authors foresaw three financing scenarios for this development when their report was published in July, 1980.

- o City of Chicago 50/50 Multifamily Demonstration Program (CDBG) plus conventional financing (at 11.5%).
- o Federal 312 low-interest financing (3 percent).
- o Municipal Tax-exempt bond financing at 8%.

Construction would take approximately 1 year. If possible, the authors emphasize that local labor should be used.

After rehabilitation the property would be operated as a conventional rental project in most respects. "Tenants would be required to pay rent promptly or face immediate eviction." The unique part of this program is that tenants would pay \$10.00 per month (above rent) into an equity fund to be used later for the purchase of the building. This amounts to \$840 per tenant over seven years, or approximately \$45,000 for the entire building (with vacancies, etc., included). Secondly, tenants would pay a "larger-than usual

allowance for repair, the expenditure of which would be determined jointly by tenants and management." This amount, however, is unspecified by the authors, but would also be above contract rent. This fund is needed to support over time the "minimum to moderate" rehabilitation at the outset.

The partnership would hold the property for seven years. The authors' financial projections suggest that investors would receive competitive returns--in the range of 61% for this time period.

After seven years the limited partnership would divest itself of the project. The tenants, with their equity fund, would buy out the 25% interest of the general partner; the 75 equity interest of the limited partners would be donated to a 501(c) 3 community organization. Again, the authors believe that the partnership would receive adequate return from this sale and donation, and that this form of conveyance would enable a low-equity coop to be formed. By definition, a low equity coop requires a minimal fee for membership. In fact, the equity fund accumulated over the years would be adequate for tenant membership fees.

Toward Low-Income Coops:

A Critique

The housing development model constructed by Perkins and Hallet raises questions from three perspectives:

- o Are the technical components of this model--financing, ownership, and tax strategies--reasonable and tested, both individually and in combination?
- o Who is likely to benefit from the application of such a model? In part, beneficiaries will be defined by the economic circumstances required to make the technical components work.
- o Does this model work from the perspective of what has been learned about organizing cooperatives?

Continued on next page

HOUSING MODELS FOR SCARCE TIMES

Continued from page 32

Hobby or Business?

There is some concern among the experts that we have talked to about the impact of the "hobby clause" in the IRS Code. The hobby clause attempts to distinguish between those activities that are undertaken for profit-making business purposes, and those activities that are non-profitmaking in intent. This distinction may come into play with the Hallet and Perkins model, since investors are being asked at the beginning of the project to donate their equity to a 501(c)3 organization at a later date. Is this a business?

Other aspects of the hobby clause are cause for concern. First, if the particular project experiences repeated cash flow losses, it again becomes suspect after a time. Business or tax dodge? Furthermore, our experts question whether limited partners will jeopardize their position (partnership, liability, and profitmaking) if they decide at the time of the initial investment that they will dispose of their equity at agreed-upon terms, regardless of the intervening marketplace changes.

One accountant we spoke to told us that she had started to put together one deal that included the donation component, but had been approached by

the owner of the property and not a community organization or tenants. Moreover, the specific project she dealt with was not at the inception stage; the owners were exploring ways to dispose of an existing project rather trying to financially structure a new one. This has been the conventional usage of the donation for neighborhood housing development.

Another accounting firm suggested that there were ways around or through the hobby clause. They believed that since real equity contributions were being made by the limited partners, appreciation calculated, and cash flow distributed, this distinguished the deal as profitmaking as opposed to schemes designed to create eternal losses or activities entered into without intent to make a profit. They went so far as to say "Bring us a deal."

Community organizations have used tax write-off potential associated with their 501(c)3 status to obtain donations of buildings and vacant land over the years. It is a proven financing device. Perkins and Hallet attempt to extend the use of this method to a sophisticated real estate deal. We think the idea is worth pursuing, but suggest that community organizations proceed with caution and talk to their accountant and attorney.

Two added notes. Perkins and Hallet mistakenly suggest that the appreciation of the housing development can receive the same tax donation treatment as the initial project. This is incorrect from the reading of relevant regulations by one of our consulting accountants. Not more than 50% of the appreciated value of the real estate can be written off as a donation. This means that their current investment scenarios overestimate returns from the tax write-offs associated with the donation.

A second problem. A lawyer we spoke to expressed concern about the role of the 501(c)3 organization. In particular, he questioned whether it might be interpreted as a "dummy" corporation to provide a tax write-off, and then to pass the property on to tenants. "Lots of people would like to set up one of these," he said.

Continued on next page



HOUSING MODELS FOR SCARCE TIMES

Continued from page 33

This issue and the long-term role of the 501(c)3 organization needs clarification.

Financing Issues

Reaganomics, coupled with a restructuring of local Chicago housing programs, is resulting in fewer financing alternatives to provide rental or rehab subsidies. Of the three financing scenarios projected by the authors, the first two, the 50/50 program and the 312 program, are not currently available. The City of Chicago's proposed Housing Finance Program (Mortgage Bond) is likely to have an interest rate of 11% instead of the 8% projected in the authors' third scenario. As we currently understand it, the new mortgage bond program will be largely focussed on 1-4 unit buildings.

PROPOSED TAX CHANGES

On the tax front, there are several legislative proposals in Congress that if passed would eliminate the use of accelerated depreciation for low-income housing, and would reduce the maximum personal income tax from 70% to 50% over a three year period. Both changes would have the effect of reducing demand for low-income housing investments for tax shelters.

These changes and proposals have to be factored into the Perkins and Hallet model. Three effects are likely:

- o Rehab costs and debt load will escalate;
- o Syndication or ease of syndication for unconventional deals will be less lucrative and likely; and
- o The donation approach will be less attractive.

These problems are not unique to the Perkins and Hallet model; they affect the viability of all future housing development designed to bridge the affordability gap.

Who Benefits

The hobby clause and the current political and economic climate make the Perkins and Hallet model questionable.

If we put these issues aside for the moment, though, and review their scenario on its own terms, it becomes obvious that their title, Towards Low Income Coops is a misnomer. And, in fact, they recognize this themselves, perhaps unconsciously, when they introduce their paper, stating, "This paper seeks to demonstrate how the current tax laws can be utilized in the establishment of low equity cooperatives." Indeed, their model does produce low equity, not low-income housing.

Even without factoring in equity contributions and maintenance fees (and the latter is significant, the authors state), a rent of \$310 per month for a 2 bedroom apartment is required as of their writing. Using 25% of income as a standard housing allocation, this rent requires a family income of at least \$15,000. This is above the median income level for a family of four in Chicago. This model does provide the opportunity for moderate and middle income families to buy into a collective form of housing ownership which is cheaper than a standard home mortgage. But cost increases and housing program cutbacks will probably price the housing created by this method out of the reach of low-income families.

DEBT SERVICE HELD CONSTANT

The significance of a low equity cooperative as a means of providing low-income housing is that the single mortgage for all owners, and caps on equity appreciation, combine to maintain the single largest component of monthly expenses--debt service--at a constant level for the life of the mortgage. This advantage is lost in this model to some extent, because of the deferred maintenance costs. There exists the potential for these costs to rise, (which would trigger an increase in monthly payments) given that the coop did not start with a fully rehabilitated property.

A precursor of this paper is in an article by Stephen Perkins for the Neighborhood Works. In this piece, titled "Strategies to Conserve Housing: Section 8 Tenant Ownership"

Continued on next page

HOUSING MODELS FOR SCARCE TIMES

Continued from page 34

(Neighborhood Works, September 28, 1979, Vol. 2, #18), he argues against the use of "deep subsidy" programs such as Section 8, and for the development of more moderate approaches to housing development and finance. We agree with this goal. However, while identifying some new financing approaches, their "alternative" model rests on two important assumptions:

- o Focus on moderate/middle income housing rather than low-income housing production; and
- o Housing rehabilitation in neighborhoods with large buildings of newer vintage and better conditions

PERKIN'S VIEW ON TENANT HOUSING

The model as explicated can only be used under certain highly selective conditions: neighborhoods with large, multi-unit buildings, areas with buildings in moderately decent shape that only require \$10,000/unit of rehab to be habitable, areas where units of this condition sell for \$5,000 per unit, and are occupied rather than unoccupied. Another key issue is project size. How large does the project have to be to achieve the desired economic results? What are the size and location parameters that allow a coop to function successfully as a social unit? Perkins and Hallet do not discuss where their model would work in Chicago, or how it could be adjusted to fit the circumstances of specific local housing markets.

Is This the Way to Set Up a Cooperative?

Perkins and Hallet have developed a cooperative model which calls for limited participation of tenants during the first seven years of the project. They are guaranteed in their lease that after 7 years they have the right to buy into the cooperative. During the preceding six year period, the tenants are supposed to learn management skills and accumulate equity. In particular, the authors earmark the allocation of the extra-maintenance fees as a joint responsibility of tenants and management.

It seems to us that this waiting period before the cooperative is in full swing may be dysfunctional for several reasons:

- o Duties and roles of tenants and management are unclear;
- o The excitement and commitment in forming and operating a coop are put off--making tenants wait through six potentially tough years before collective ownership begins;
- o The role of the community organization or cooperative associations is not clearly defined;
- o This approach may be unnecessary given other cooperative models, such as: lease-back, mutual housing associations, and investor sponsored coops, that have already been developed.

Management and membership participation are often the most difficult aspects of coop housing to make work. Yet, they are also the most important to the long-term success of the cooperative. Deferring the creation of the coop for six years carries some social and organizational risks, such as the attrition of member interest and the hardening of a tenant/landlord mentality among members. We believe that the earlier the coop is established, the more likely its chances of success.

On the other hand, the notion of a "training period" for residents of up to several years should not be entirely discounted. Several examples in Chicago alone of joint ventures between not-for-profits and residents, wherein the residents only gradually assume control of the cooperative, have answered a legitimate and practical training need.

"MANAGEMENT AND MEMBERSHIP PARTICIPATION ARE OFTEN THE MOST DIFFICULT ASPECTS OF CO-OP HOUSING TO MAKE WORK, YET THEY ARE MOST IMPORTANT TO SUCCESS"

Continued on next page

HOUSING MODELS FOR SCARCE TIMES

Continued from page 35

An interesting model that might possibly be combined with the Perkins and Hallet approach is the lease-back coop. This model uses syndication for equity, but has a coop involved from the outset. In the lease-back, a not-for-profit cooperative association buys a building and sells it to a limited partnership. Alternatively, a limited partnership is set up to develop housing. In either case, the cooperative participates as a general partner in the project, with at least one other general partner and limited partners. The partnership develops the housing and then leases it back to the coop on a commercial net lease basis, in which the cooperative has all financial and management responsibilities. The coop has an option to buy the property from the partnership after a specified amount of time. It is quite possible that the donation of equity idea could be combined with the lease-back coop model to produce an even more workable cooperative structure. A case study of the lease-back coop in Washington D.C. is available from the National Consumer Cooperative Bank.

Conclusion

Cushing Dolbeare of the National Low Income Housing Coalition stated recently at a Chicago housing session that "affordability" is the critical issue for low-income families in the years ahead. The housing gap grows. The difference between what it costs to produce quality housing and what people can afford to pay will become larger as interest rates remain high and government housing programs are scaled down. Perkins and Hallet have constructed a housing model which combines housing syndication, equity donations, low-equity coops, moderate rehab, and moderate-income residents. It is a model that has much merit and deserves further scrutiny and experimentation. Although stimulating in this regard, the authors seem to have bridged the affordability gap by omitting those low-income persons most in need of housing.

--Bob Giloth and Bob Brehm

READER COMMENTS ARE ENCOURAGED

NEED CLUES!

Researchers at the Center for Urban Economic Development at the University of Illinois at Chicago Circle are developing a manual for community organizations on how to research real estate in Chicago. As part of this endeavor, they are attempting to compile case studies of property research and community action, and approaches to the interpretation and use of real estate research.

They would appreciate any ideas, cases, or clues on this type of research in Chicago or from across the country. Call Pat Wright at (312) 996-2153



CO-OP BANK OPENS REGIONAL OFFICE

The National Consumer Cooperative Bank has opened its eighth regional office in Detroit Michigan. The Great Lakes Regional Office will serve Ohio, Indiana, Michigan and Illinois. The Illinois and Chicago area will be served by Bank field representative Kaye Gregg who is sharing office space with the Chicago Rehab Network, 53 W. Jackson, Suite 603, (312) 663-3936.

For most purposes the local office will be the direct line of contact for organizations interested in utilizing the Co-op Bank. Loan applications, technical assistance applications and general inquiries should be channeled through the Chicago office.

DROP IN ON POLZ

BEATING THE BUSH (AND REAG'N LEAVES)

--Henry Polz

Emissaries from the Gipper are making the rounds. Now that the cuts are cut, it's time for policy-debate and good will.

Thus, on Friday, May 15, a select group of neighborhood advocates, brokers, technicians, and free-floaters gathered atop Continental Bank, at the personal invitation of Mr. Perkins (the president), to harvest the quips and coin of Don Hovde, Undersecretary at HUD--the second in command.

The folk dressed up, polished their sneakers, and formulated provocative questions.

Monsignor Baroni had also convened neighborhood-types on the last go-around, but not at banks--the home of redlining. Rather, they met at the Conrad Hilton and other liberal hangouts.

It takes you back.

Remember the afterglow of Jimmie's triumph. The early days: before the vagabond sideshow called the National Commission on Neighborhoods; before the 'revolutionary' Neighborhood Self-Help Development Grant Program; and certainly before the final Carter urban policy statement which predicted the demise (and dismantling) of northern industrial cities. There were great expectations in those hours.

With Reagan, however, it's the 20th floor of the third largest bank in the country. And premonitions.

The Hovde get-together started with a frontier allegory. Once upon a time there was a boy. One day he went to a soda fountain with some friends. They bought ice cream cones but he got a pop. While they slurped he gulped--and then bought his own cone. And so developed Don Hovde.

Another 'good ol' boy' story followed. Don has pursued public office with determination, if not success. First, he ran for sheriff and lost; then he ran for another vacant spot and lost;



and finally, he ran for something or other and lost. Don has the requisite losing experience that we need in Washington. Right?

Question and avoidance ensued. Don tagged one neighborhood developer's statement a "commercial." Subsidies were pooh-poohed and private sector initiatives bally-hoohed. "The budget is in bad shape..."

And facts too: this cost and that program, this benefit and that price. Little actually was said, however, except that, indeed, there would be less, and that less was right.

Faces were drawn as people left. Much had been omitted.

"If we can guarantee adequate profits for the private sector, we can cut government waste and get something done," a bank officer refrained. "We banks have never wanted government involvement."

Afterwards, the reactions varied. "Maybe he's right," one policy-analyst observed over cocktails. "Let's admit the waste," he added, baring his soul.

Others, perhaps most, were frustrated. They would have to fight to keep projects alive, and climb to the 20th floor on occasion.

Could one do otherwise?

MAY 2ND TENANT MEET CALLS FOR UNITY

Janet Davis

State Representative, Carol Mosley Braun, in her opening remarks at the Chicago Citywide Tenants Conference stressed that unity does exist in the housing movement. "Judging by the wide range of participants at the conference here today signifies that there is hope," she said. Ms. Braun made reference to the historic British legal document, The Magna Charta, (on view at the time in Chicago) which delineated liberties granted in England in 1215 A.D. "Of particular interest", according to the State Representative, "is the fact that tenant/landlord relationships have changed very little since then".

The Conference, sponsored by The Housing Agenda, addressed the housing needs and problems affecting the poor of Chicago. The unity and camaraderie witnessed at the meeting reflected the fact that the young and old, men and women, Blacks, Whites, and Latinos in Chicago, are demanding that their basic housing needs be met and are struggling together to claim those housing rights.

The day was divided into two sessions. The morning session included workshops on: "Organizing Your Building; How to Enforce the Building Code"; and "What are The Legal Rights of Tenants."

The workshop on "Affordable Housing Methods-Low Cost Rehab and Limited Equity Co-ops" conducted by Elliott Powell and Bill Goldman of The Chicago Rehab Network, gave neighborhood group representatives and individuals an overview of the remaining resources available for low-cost rehab. In addition, the need for energy conservation and low cost construction were discussed in this workshop.

The speaker during the luncheon session was Alderman David Orr, who managed to keep interests levels high in his discussion of "Chicago: the Condo King (Queen) City." He further aided participants' digestive processes when he recalled housing-related statements made by candidate Jane Byrne who once supported the Fair Rent Commission.

Alderman Orr concluded his speech by noting that Chicago has a strong real estate lobby and insensitive politicians.

John Atlas, from the New Jersey Tenants Organization and National Tenants Union opened the afternoon session with "Making the Transition from Organizing Buildings to Becoming a Citywide Force." He offered strategic organizational models that could be adapted for use in major metropolitan areas nation-wide, where most of the nation is in the "midst of the worse housing crisis since the depression".

Afternoon sessions included workshops on: "A Chicago Citywide Tenants Movement? How and What"; "Expanding The Legal Rights of Tenants"; and a special Spanish language workshop: "Organizing to Enforce Your Rights as Tenants."

The major speaker of the conference at the close of the afternoon session was Congressman Harold Washington, of the First Congressional District. Congressman Washington's speech "Building a Chicago Tenants Movement in the 1980's", is indicative of the Congressman's sensitivity and commitment to the people of Chicago in the quest to find a solution to close the low-income housing gap.

One observer noted "a Citywide Tenants Conference should also include landlords and property managers to not only present their point of view, but also to provide input as to how an effective solution can be formulated. After all, they are part of the problem, why not invite their input in finding a solution".

In conclusion, the Citywide Tenants Conference was an important step in providing a forum for the people of Chicago to come together in the fight for the right to live in decent affordable housing.

CITYWIDE TENANTS CONFERENCE: (A PERSONAL VIEW)

--Janet Davis

"Power to the people!! No, we're not reminiscing about the 60's, an era hot with issues and controversy concerning basic human rights. Instead, we're approaching the 21st century and the controversy over basic human rights has not been resolved".

These are the words of State Representative Carol Mosley Braun at the Chicago Citywide Tenants Conference held May 2, 1981, at the Chicago Kent College of Law.

The most disturbing issue raised at this conference, however, is the same concerns over decent housing, availability of jobs, and accessibility to education (basic human rights we thought had been guaranteed to the people a decade ago) have a real chance of being rescinded in the 80's.

A solution is at hand. There is a method that the people of Chicago must use to insure that decent housing is made available to all. ORGANIZE--With organizing comes the revelation that the power--the political power--in the city of Chicago is at the fingertips of those most in need.

The process to insure that equal tenant/landlord rights/responsibilities legislation materializes can begin at the local community level. Community organizations must make needs known to the Alderman and to the Representatives in Illinois who have the capacity and the ability to make decisions regarding fair housing tenant laws. After all, tenant votes helped to put the politicians in office, tenant votes can also take the politicians out of office. Yet our activities need not be confined to the ballot box.

The time for mass grass roots action is now! There is something that can be done: Influence the political process through organization of church groups, block clubs, school committees, etc., by selecting representatives who are truly reflective of their constituency, and through ongoing political education.

The time for solidarity and organization is at hand. Power to the People lends itself to the realization that
POWER IS THE PEOPLE!

CURRENT LEGAL RIGHTS OF CHICAGO'S TENANTS



- Tenants are entitled to live in a habitable premise that meets the building code. If the apartment is in violation, a tenant can withhold part of his/her rent.
- Tenants cannot be discriminated against on the basis of race, sex, color, national origin, or marital status. A state law says landlords cannot refuse to rent to a family simply because it has children under the age of 14.
- Tenants cannot be evicted without opportunity for a court trial.
- A state law says a landlord cannot evict a tenant because the tenant complained to the city about building code violations.
- A tenant can pay a utility bill and deduct the amount from his rent if the landlord has not paid the bill and the tenant is in danger of losing service.
- Landlords with more than 25 units must pay 5 per cent per year interest on security deposits (does not apply to Chicago Housing Authority).
- Landlords who own property with 10 or more units must return the security deposit within 30 days after the tenant moves out. If the landlord withholds part of the deposit, he must give the tenant receipts for repair work necessitated by damage caused by the tenant.
- Tenants must receive 120 days' notice of a landlord's intent to convert a building to condominiums.
- A landlord cannot raise rent during the term of a fixed-rent lease, and the tenant cannot be evicted unless he has breached the lease.

Chicago Tribune Graphic. Source: Legal Assistance Foundation of Chicago

TENANTS: THIS IS NOT ENOUGH!

- Withholding part of a months rent does not guarantee that the landlord will make the necessary repairs and improvements. Unfortunately more often a tenant is served with an eviction notice for violation of his/her lease.
- What about the question of economic discrimination?
- Are all tenants made aware of their legal rights when they sign their lease?
- But a landlord can make things so uncomfortable; for example, raising the rent so that the tenant must look for other housing because he can no longer afford to live in the same apartment.
- There are some landlords who may be months behind in utility bills and if the tenant pays the landlord's bill is not the landlord violating his portion of the contract.
- In addition to 120 days notice of conversion, a tenant should receive relocation assistance, especially in areas experiencing gentrification.

SWEAT-EQUITY COOPERATIVE UNDERWAY IN SOUTH SHORE

The closing documents are all signed; contracts have been let; and the sweat-equity co-operators have begun their work alongside experienced tradespeople as the rehab project at 7011-19 South Merrill moves into its heavy summer construction phase. Sponsored by The Neighborhood Institute's South Shore Housing Center, the Genesis Cooperative will result in 22 units of new housing for low and moderate income families later this year.



**CHICAGO
REHAB
NETWORK**

53 West Jackson Chicago, Illinois
Suite 603 60604
312 / 663-3936

**NON-PROFIT ORG.
U.S. POSTAGE
CHICAGO, ILL.
PERMIT NO. 937**