THE NETWORK BUILDER

Issue No. 30 Spring 1997 The Chicago Rehab Network Newsletter

Urgent: Washington is Making Big Housing Decisions

Chicago Groups are Making Plans

In their neighborhoods, some of our members run up against the perception that all assisted housing is alike. In fact, Chicago depends on a diverse range of housing assistance to meet the diverse needs of its residents. In a time when federal support of affordable housing is challenged on several different fronts, affordable housing advocates might find themselves more aware than ever that all assisted housing is not alike; that people who depend on public housing are not necessarily the same people who depend on Section 8, who are not the same people who depend on HOME and CDBG.

It is because all assisted housing is not alike that it was good to see the range of groups represented at the Chicago Rehab Network's legislative forum on May 8th. Representatives from the Chicago Coalition to Protect Public Housing to the Carmen Marine Co-op, the Statewide Housing Action Coalition and the Chicago Community Development Corporation joined Network members in the numbers that suggest there may be an upside to the ongoing shocks to our nation's housing supports: they break down distinctions among housing advocates.

In the upcoming months, Congress will begin making important decisions about three distinct aspects of federal housing support. These include public housing reform, the renewal of project-based Section 8 contracts, and HUD's ability to maintain other programs like HOME and CDBG. The Chicago Rehab Network convened the forum to coordinate a plan of action to impact these decisions. Individual attendees might prioritize these issues differently, but they came together because of what they have in common.

Affordable housing advocates of all stripes share a concern for real units of affordable housing - knowing that our supply of it is shorter than ever before, and that the short supply we do have is at risk; and they share an alarm about the possibility of a casual dispersal of communities as large multi-family Section 8 and public housing buildings are at risk of being reduced to vouchers.

It is relatively easy to explain the first concern because the numbers measuring the affordable housing gap, and the long, steep decline of HUD's power to address it, are irrefutable [see Executive Director's letter, page 3]. It might be harder to illustrate the reasons for alarm over the second. Yet dispersal

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of residents is even more dangerous because of the affordable housing gap; because isolated individuals struggling to find housing for their families in that gap are less visible, more vulnerable. But the attendees of the May 8th forum are determined to make it clear that affordable housing is not the nation's most easily cut, silent constituent issue after all.

To this end, a steering committee including both Network members, like Lakefront SRO and the Metropolitan Housing Development Corporation, and representatives of SHAC, CCDC and the Coalition to Protect Public Housing, have assembled a list of guiding principles. Briefly, these principles call for:
* the preservation of HUD funding to maintain existing Section 8 contracts without cutting HOME and CDBG
* the renewal of project-based Section 8 contracts, and assurances that any necessary debt restructuring would encourage the preservation of those units without converting to tenant-based assistance
* the assurance that public housing reform will neither exchange hard units of public housing for rent vouchers without giving tenants other guaranteed options, nor target tenants with higher incomes at the expense of tenants with the lowest ones.

We invited Jim Grow of the National Housing Law Project to come to the May 8th event to brief us on opportunities for action to address these federal issues. "I want you to know, this is happening all over," he told us, referring to similar action planning occurring from Seattle to Sacramento to San Jose, Pittsburgh and Columbus. "People tend to act locally, but the issues are the same - resources and a policy framework in which they can be spent effectively."

It's not just our usual allies and colleagues in other cities that are coordinating their efforts either. Days after the May 9th event, CRN got a fax from the City of Chicago — the word URGENT! scrawled on the cover sheet. It was the Department of Housing asking us to do our part with a sign on letter to the Honorable Jerry Lewis, Chairman of the House Appropriations Subcommittee on Veterans Affairs, Housing and Urban Development and Related Agencies. The letter urged him to fund HOME and CDBG at reasonable levels for fiscal year 1998.

At last measure, the Chicago area had an affordable housing deficit of 117,200 units, and a homeless population of about 80,000. We need our HOME and CDBG. After all, the letter pointed out, 90 percent of HOME goes to help finance housing for families earning under 50 percent of the area median income, and 5.3 million Americans pay more than 50 percent of their income for rent, or live in substandard housing.

Of course, by the same argument, we all ought to be willing to fight to prevent public housing reform from targeting higher income groups at the expense of the very poor. Still, there is a weighty issue behind the individual ones: it is the threat to our ability to maintain and create real units of housing that Chicago obviously needs more of. And the weight of that issue may bring out allies we don't ordinarily think of. Jim Grow suggested we keep the U.S. Conference of Mayors and Congress' moderate Republicans in mind, for instance.

In the latter half of the meeting, participants filled a 6 month calendar with suggestions for impacting federal housing decisions. "Target Daley as Chair of the U.S. Conference of Mayors;" "Hold a series of educational forums with public housing residents;" "Hold a 'Meet With Congress Week-end' during the July 4th recess;" "Hold public events to dramatize vouchering out in the neighborhoods where politicians and developers live." These were just a few of the suggestions. Some of them were the plans in progress of participants. Some of them will be taken on by the growing steering committee

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Printing by Reinhardt - LaShore

The Network Builder is published with the generous support of The Mayer and Morris Kaplan Family Foundation.

From the Executive Director: Redefining Who We Are

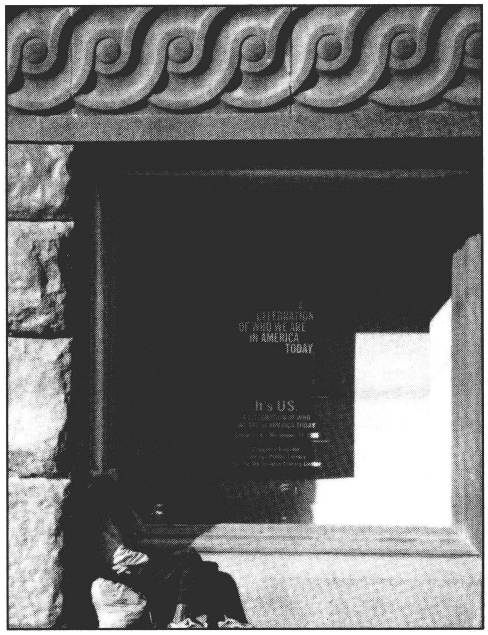
by Kevin Jackson

Kevin Jackson is the Executive Director of the Chicago Rehab Network.

The FY 1998 budget process did not start out well for affordable housing. In February, the Center for Community Change reported HUD had submitted a budget request for $32.5 billion, which came out the other end of the Clinton administration as a request to Congress for $24.8 billion. If memory serves, the difference between what HUD asked for and what the Clinton administration was willing to submit to Congress was roughly comparable to the amount the Department of Defense was awarded in excess of what it asked for last year.

I think we can do better, as a housing movement and as a nation. It might sound like a pipe dream to ask that HUD enjoy support comparable to that enjoyed by the Department of Defense. Yet insofar as our national priorities both reflect and define who we are, we must start communicating about opportunities to further our ideals. And nothing will make our vision sound more like a reasonable request than a look at where our federal priorities have been, and where they are now.

In 1995, the Center on Budget and Policy Priorities completed a study of America's affordable housing gap. That study reported that since 1970, the number of affordable housing units across the country has declined (from 7.4 million to 6.5 million) while the number of low income renters has increased sharply (from 6.5 million to 11.2 million). At the same time,



HUD's commitments to expand rental assistance to new renters declined from an average of 290,000 per year between 1977 and 1980, to an average of 74,000 per year between 1981 and 1995, to 0 in 1996. The study points out that "If the additional commitments made since 1981 had remained at the level of the late 1970s, over 3 million more low income renters would be receiving housing assistance today, and the affordable housing gap would not be so wide," although it would still exist, at about 1.7 million.

Part of this slashing occurred during the watch of the Reagan and Bush administrations, over the course of which the HUD budget was slashed about 80 percent. But with Clinton's arrival, the cuts continued. By the end of 1996, Congress and Clinton had reduced HUD's budget from $26 billion to $19 billion - roughly 28 percent of the 1980 HUD budget in constant dollars. In the same year, the Congressional Budget Office itself reported that there were 14.5 million low income renter households eligible for federal housing assistance, and that only 4.1 million, or 28 percent, would receive it. (Increases in this year's budget primarily represent the cost of maintaining existing assistance through the renewal of expiring Section 8 contracts.)

What makes these numbers all the more scandalous is that they do not represent necessary austerities for a deficit conscious nation. The federal government continues to support much larger costs of the homeowner mortgage interest deduction. Peter Dreier of the National Housing Institute has pointed out how Americans tend to reap greater benefits from this deduction the higher their income. That deduction cost the federal government over $58.3 billion in 1995 alone - that is more than twice the amount of last year's HUD budget, and probably more than twice the sum of this year's HUD budget this year too. Furthermore, $49.7 percent of that went to the richest 5.6 percent of taxpayers - those with incomes over $100,000; 21. 6 percent, or $12.6 billion, went to the richest 1.2 percent of taxpayers - those with incomes over $200,000.

The homeowner's mortgage interest deduction is only one possible means of communicating who we have turned out to be: the Committee for New Priorities reports that corporate subsidies and tax loopholes amount to $100-167 billion a year, for instance.

Keep these numbers in mind when you hear that the poor ought to perform for their housing subsidies with symbolic, wageless labor. Do homeowners properly understand the

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The Project-Based Section 8 Stock: Who Will Control It? At What Expense?

by Jim Grow

Jim Grow is Staff Attorney for the National Housing Law Project, a non-profit organization focusing on housing justice for very low income families.

Section 8 Expirations: Who Will Control The Housing Resource?

Over the past few months, considerable attention of housing advocates, policy makers and yes, even the media, has focused on the enormous budget problem facing HUD in FY 1998. New HUD Secretary Andrew Cuomo has called this problem of securing adequate budget authority for the renewals the "greatest crisis in HUD's history." It's true: the Section 8 budget problem is a very big deal. What's at stake is the federal government's ability to continue making rental-assistance payments on behalf of hundreds of thousands of very low income families living in Section 8 units nationwide. But the sheer magnitude of this crisis has obscured a fundamental issue raised by the impending expirations of those Section 8 units with project-based assistance: the question of just who should control this enormous housing stock in the future, and with what level of additional public investment. Unless housing advocates, policy makers and the public understand what's at stake here and act accordingly to design policies responsive to the needs of tenants and local communities, the federal government could pour billions into a system that fails to guarantee long-term decent and affordable housing.

The Budget Problem

Expiring Section 8 contracts first and foremost present a "budget authority" problem. "Budget authority" means "permission to spend" in federal budget parlance, whereas "outlays" are the actual spending in any given year. For Section 8, budget authority is a function of the number of units assisted and the per unit subsidy level, multiplied by the term of the assistance contract. Many of these Section 8 project-based units or tenant-based subsidies are approaching the end of multi-year contracts, which will begin to expire in dramatically increasing numbers in FY 1998 (beginning October 1, 1997). Every year these units have been spending funds that were authorized in a block sum when the contract originated. For the first time since their multi-year contracts began, maintaining funding for these existing units and subsidies requires new budget authority.

"By virtue of the impending expiration of the subsidy contract, the federal government now effectively controls what happens to these properties."

Even under the expedient gimmick of providing budget authority commitments for only a one-year term at a time, the sheer number of expiring units produces a staggering increase in the budget authority renewal figure, even though actual annual outlays would probably increase very little over current expenditures. The number of units expiring will jump from about 800,000 in FY 1997 to about 1.8 million in FY 1998. This includes not just those units scheduled to expire under their original 5, 15 or 20 year contracts, but also all recently expired contracts that have been renewed for just one year at a time. In addition, an increasing number of the expiring project-based contracts support the newer assisted stock, such as Section 8 New Construction and Substantial Rehabilitation properties. A higher proportion of these (about 60 percent of those with HUD insurance) are relatively expensive, carrying current contract rents that exceed true market rents. The growing budget burden also reflects these higher per-unit costs.

For FY 1998, according to the Administration's HUD budget request to Congress, Section 8 renewals (both project and tenant-based) will cost \$10.8 billion, compared with the FY 1997 cost of \$3.6 billion. In combination with \$1.6 billion in PHA Section 8 tenant-based reserves already on hand, renewals thus need about \$5.6 billion more in budget authority than they did in FY 1997.

So far this year, there seems to be bipartisan recognition of the unique Section 8 budget problem on Capitol Hill, and a willingness to support full renewals. This solicitude can be explained by the fact that the additional budget authority does not result in new outlay spending, but simply continues the old levels and thus does not make it harder to reach a balanced budget. Besides, no one wants to be seen as throwing thousands of poor, elderly and disabled tenants into the streets without protections.

Thus, the recent "agreement" between the Republican leadership and the Administration on a framework for balancing the budget over the next five years reportedly includes explicit designation of full Section 8 renewal funding. If the budget resolutions follow suit, and continue to do so over the remainder of the five year period (during which Section 8 contracts will continue to expire), the task will then be to ensure that the appropriations process actually provides the funding for the intended purpose, and that this funding is not diverted for other purposes in further bargaining by either legislators or the Administration.

These are still significant risks, but they too can be overcome with education and persistent engagement of federal policy makers. Getting the required budget authority will not alone solve the fiscal problems of Section 8. Any balanced budget agreement — and the actual appropriations decisions made to realize it — may threaten domestic spending (outlays) in general, and HUD spending or Section 8 in particular.

The only ways to cut Section 8 outlays will be to reduce the number of assisted units or to reduce the spending per unit. Restructuring the mortgage portfolios of project-based Section 8 buildings saves little, if any, real money. Since most of these mortgages are also HUD insured, restructuring simply shifts expenditures from the discretionary Section 8 budget to mandatory claims on the HUD mortgage insurance fund (as mass mortgage defaults triggered by such restructuring could cost about $6 to 12 billion). Restructuring Section 8 subsidies and HUD insured mortgages does help trim per unit discretionary costs, but as HUD estimates "savings" of about $1.3 billion over a five year period, restructuring does not represent huge savings for a Section 8 program that currently costs about $18 billion in annual outlays.

Substantial pressure remains for additional cuts in the number of units assisted, or reductions in per unit spending that could be accomplished by increasing rents, or by replacing lower-income tenants with higher-income ones.

"...costs could be reduced to operating and recapitalization expenses by retiring the original capital cost of the building and either transferring the property to non-profit or public ownership..."

The Housing Stock Remains Imperiled

Submerged in this big fight about money is the central question about what happens to this enormous housing stock with expiring contracts. The inventory consists of at least 1.3 million units, financed in a variety of ways, but all with project-based Section 8 assistance that eventually expires. For the time being, HUD and policy makers seem to be content to exclude properties financed by state agencies or Section 202 properties for the elderly and disabled from their proposals, allowing renewals at current rents for those properties if the owner so chooses. That leaves properties with HUD insured mortgages as the main subject of restructuring.

Immediate attention appears focused on so called "oversubsidized" properties - those that carry Section 8 subsidies above true market value. "Oversubsidized" properties face three options at expiration. One will be to decline a renewal and seek to make it with market based rents and possibly transitional vouchers. Another will be to take a renewal at whatever market rent benchmark is ultimately adopted, without any kind of mortgage restructuring. Some will pursue this as a temporary strategy while sorting out their options. Others that cannot make it with market based rents or subsidies because of intractable debt or operating expenses will be forced to restructure under whatever rules Congress adopts.

The restructuring proposals currently under consideration would cut out those properties, obviously some of the inventory's best, that are worth more than their current Section 8 rents. No additional resources would be offered to help preserve them, either by encouraging current owners to remain in the program, or by transferring the property to purchasers who would preserve the units.

At stake in this restructuring process is the control and future operation of at least 500,000 units of housing, many of which have little or no true equity beyond their current debt burdens. Unlike other procurement programs that use long-term budget authority, Section 8 is unique in covering the lion's share of the capital and operating expenses for the housing without purchasing the building for the public benefit. This subsidy structure means that the contribution the public subsidy makes toward retiring the building's debt accrues to the benefit of the private owner. Because of this, Section 8 requires virtually perpetual renewals

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just to maintain the current number of assisted units and families. Renewal costs could be reduced to operating and recapitalization expenses by retiring the original capital cost of the building and either transferring the property to non-profit or public ownership, or adding long term use restrictions.

By virtue of the impending expiration of the subsidy contract, the federal government now effectively controls what happens to these properties. The terms of Congress' restructuring program, and the mix of benefits it provides and burdens it imposes, will determine whether this stock will continue to help meet the nation's ever growing need for housing for very low income families. The benefits of restructuring for owners could include subsidy levels, debt restructuring or forgiveness, rehabilitation resources, and even tax relief. The burdens could include long term use and affordability restrictions, second mortgage repayment obligations, transfer rights or preferences for tenant-endorsed and community based purchasers.

Defining this package is the fundamental challenge before us. It is also a tremendous, once in a lifetime opportunity to construct a new and improved system of accountability for housing maintained by project-based Section 8. On the flip side, providing the benefits of restructuring to owners without restrictions that ensure a fair public exchange presents the risk that enormous investments will benefit private, not public interests.

What's A Fair Exchange?

Here, the proposals currently on the table are stuck. On the one hand, the Senate's moderate bill (S. 513, Sen. Connie Mack, R-FL) proposes to restructure mortgages and to reduce rents to market levels. Project based Section 8 subsidies would then be renewed while owners would avoid tax consequences by separating their mortgages into serviceable and "sleeping" portions. Certain bad owners would be excluded from renewal, but most owners would be eligible for renewal as long as Congress provided the funds. HUD or other public agencies would perform the restructuring and oversee future regulation of the properties.

To receive these "rollover" benefits, owners would have to agree to accept renewal for up to 20 years, together with any other restrictions imposed by the new public administrator. At the end of that period, the owner would have no restrictions, but the "sleeping" debt would be awakened and require servicing. (The first would have been retired from tenant rents and public subsidy over the intervening period.) Depending on the terms of the second note and market returns, some properties may even be capable of providing additional financial returns. Many owners' groups support the general thrust of the Mack bill, although some have pushed for additional changes included in a recent House bill developed by Reps. Pryce and Moran.

"This year presents a real danger that the moderate Republicans proposing to preserve the current system will either sign off on a flawed program that doesn't weed out enough bad owners or sufficiently improve the accountability structure, or eventually be pressed by administrative capacity and ideological constraints to move toward HUD's voucher model."

The Senate bill presents at least two issues: (1) is this a functional delivery system to ensure the provision of decent housing during the restricted use period? and (2) at the end of the period, does the taxpayer again get stuck with resolving the problems of the weak properties while writing big checks to preserve the better ones, as currently occurs under the Title VI Preservation program?

HUD, on the other hand, has recently proposed a different approach (H.R. 1433). HUD's bill would also restructure mortgages and reduce subsidies to market levels. It differs on several key points, however. It generally proposes vouchers rather than renewals of project-based Section 8, though it allows project-based renewals for buildings serving almost exclusively elderly and disabled tenants and for buildings in tight markets. It provides tax relief to owners affected by mortgage restructuring in the form of tax deferral, with varying amortization periods for the taxes deferred. This is intended to encourage owners to transfer properties to tenant and nonprofit purchasers. It requires that owners receiving restructuring benefits maintain some units free of discrimination against Section 8 certificate holders, and that it maintain 40 percent of its units at rents within the restrictions imposed by tax credits. It also allows private entities to perform restructuring functions.

The Administration's proposal, unveiled jointly with Treasury Secretary Rubin, provides political cover enabling Capitol Hill to discuss tax relief for owners and to do so without fear that Democrats will accuse Republicans of seeking to line the pockets of greedy owners who have already milked the system enough with tax breaks, fees and generous subsidies. But as yet, no one in Congress seems to believe that tax relief for owners is a real possibility this year, or anytime soon enough to be part of a comprehensive legislative program.

This year presents a real danger that the moderate Republicans

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Chicago Coalition to Protect Public Housing: The New Group In Town

Matt McDermott of the Chicago Coalition to Protect Public Housing contributed to this article.

A new group is fighting to stop the demolition of public housing in Chicago and to create a voice for residents in planning the redevelopment of public housing communities. The Coalition to Protect Public Housing is composed of public housing residents, community organizations, unions, religious institutions, businesses, and non-profit organizations who have joined together to change the face of public housing without changing the faces within public housing. The Coalition's motto is "Redevelop, Don't Displace!"

While the Coalition's main focus is local - fighting for a voice in city and CHA plans - it also recognizes the need to address housing legislation on a federal level. Like other Chicago housing advocates realizing that mounting federal challenges will require a coordinated response, the Coalition builds its legislative agenda from a commitment to hard units of housing and to directing increasingly scarce housing resources to those least able to afford to house themselves.

One indicator of the federal commitment to affordable housing for people with very low incomes has been the progress of the FY 98 HUD Budget. HUD requested $32.5 billion; the President responded by submitting a proposal to Congress asking for $24.8 billion. Public housing advocates stress that the President's proposal would only maintain level funding for both public housing operating subsidies and modernization funds. It would not compensate for any loss of operating revenues that public housing authorities suffer as the drop in some residents' incomes due to welfare reform begins to affect rent revenue.

Also, any appropriation bill for HUD will probably continue the suspension of the federal one-for-one replacement rule with either another one-year suspension, or a permanent repeal. There is already an unmet demand for 80,200 rental units for low income families in Chicago. As the number of very low income tenants that public housing authorities are able to house shrinks, adding pressure to an already straining private affordable housing market, these issues will become immediate problems for community developers too.

"According to the National Coalition for the Homeless, as HR2 takes full effect, only 35 percent of public housing units would be occupied by residents with incomes at or below 30 percent of the area median income."

The Coalition to Protect Public Housing points out that the Housing Opportunity and Responsibility Act (HR2), introduced by Rep. Rick Lazio (R-New York) and passed by the full House on May 14th, would exacerbate these pressures. The Senate continues to debate a related public housing reform bill (S462). As the 2 versions are worked out in a conference committee, debate over the details is likely to last through August.

The Coalition to Protect Public Housing's concerns with some of the main points of these bills appears to be justified by Chicago's progress in the redevelopment of Cabrini Green into the Near North Development Area. Research by the Nathalie Voorhees Center at UIC reveals that the main features of this redevelopment combine a large public investment (a TIF designation has been proposed for the area that alone would redirect about $281 million in tax dollars back into the redevelopment) with about $100 million in profits for the lucky developers chosen to participate, and, after the dust has settled, a net loss of 1,000 public housing units. Further, while 30 percent of the replacement units will be ear-marked for public housing residents, half of that 30 percent will be set aside for a new bracket of tenants with higher incomes than those who live in Chicago's public housing now.

As it turns out, a central feature of HR2 is new income restrictions to gradually set aside a large proportion of public housing units for people of higher incomes. According to the National Coalition for the Homeless, as HR2 takes full effect, only 35 percent of public housing units would be occupied by residents with incomes at or below 30 percent of the area median income. S462 is only slightly more moderate, calling for 40 percent of admissions for tenants with incomes at or below 30 percent of the area median. In Chicago, 30 percent of the area median income is $16,260 - slightly more than the income of a person working full-time at an $8 an hour wage. Nationally, 84 percent of public housing residents are at or below 30 percent. This provision

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Initial Comments from Chicago's Congressmen

We wrote to our Congressmen, asking their position on some pressing housing issues. We asked about Section 8 renewals and the preservation of HOME and CDBG funding. We asked about the House public housing reform bill and about the temptation to turn to rent vouchers as a simpler, maybe cheaper way to extend housing support. The questions we asked were general ones, and so were the responses: they represent the beginning of a discussion between Chicagoans and our elected representatives that must be pushed further over upcoming months as our representatives prepare to make big decisions about the future of assisted housing.

We have heard we are confronted with a Congress that does not think much of assisted housing in general; a Congress that might hesitate to put thousands of Section 8 recipients on the street all at once, but that might respond to the mounting pressure to renew billions of dollars of Section 8 contracts by snipping at HOME and CDBG; a Congress that might be tempted to take HUD apart altogether.

Not all of those fears sound justified if you judge by the comments of the Illinois delegation. All of the respondents were quick to express their confidence in the future of HOME and CDBG, for instance. "Clearly these programs have proven to be valuable, and for this reason, I will continue to support their funding," Republican Congressman Porter assures us solidly. "I see no reason why the 105th Congress would not do the same."

"I am against any cuts in the HUD budget," says Congressman Yates. "I am totally committed to preservation of the CDBG and HOME Programs," wrote Congressman Rush. "It is unlikely that Congress will attempt to use CDBG and HOME dollars to solve the Section 8 crisis," reports Senator Moseley-Braun.

The assurance is a welcome one, and it segues into all the comforting comments the Congressmen made about Section 8: "Section 8 project-based units provide some of the best affordable housing we have," Senator Moseley-Braun exclaims. Congressman Gutierrez strongly opposes the vouchering out of the Section 8 Program; Congressman Yates "supports continued renewal." Slightly more specific about the terms of his support, Congressman Porter writes "I am pleased that the President and the Congress have tentatively reached an agreement on the budget which would provide adequate funding to renew Section 8 contracts for the next year." However, he adds "I feel strongly that a permanent solution, rather than a quick fix, is necessary, so that we may continue to provide assistance to those who need it in the future."

"I am steadfastly opposed to H.R. 2 in its present form. This bill represents an attempt to overhaul the federal government's 60 year commitment to provide affordable housing to those in need." -- *Congressman Rush*

One vote for permanent solutions - but what does that mean? Does it mean a return to fifteen year contracts and project based assistance over more ephemeral tenant based vouchers? Or is permanence approachable through solidly planned portfolio restructuring?

Senator Moseley-Braun adds a sober qualification to her own warm praise of project-based units - "I do believe, however, that changes must be made in how Section 8 contracts are funded. We cannot continue our current path of paying rents of 120 percent of 180 percent of fair market rents."

If portfolio restructuring is necessary, it's important to pay close attention to how it is done. Congressman Gutierrez's staff points out that last year, the Congressman organized a working group that brought together a diverse range of mortgage industry professionals, community development organizations and public housing residents - all with strong concerns about that year's Mark-to-Market plans for restructuring Section 8 mortgage portfolios. In this issue, the National Housing Law Project's Jim Grow specifies the elements of a preservation program that could begin to ensure the permanence that Congressman Porter is looking for.

Meanwhile, more marked differences among the Illinois delegation become apparent in comments about HUD itself. Most of the respondents weigh in with varying degrees of support for a beleaguered HUD.

Congressman Rush states simply "I support the continuation of the Department of Housing and Urban Development," then adds that HUD ought to draw the employment of residents and public assisted housing residents into projects using HUD funds more fully into its goals in order to help meet the job crunch imposed by welfare reform.

A staff person of Congressman Yates told us that the Congressman is generally against transferring responsibility from HUD to localities through block grants - that if it's not HUD itself distributing the funds, it must be a federally controlled agency.

Congressman Porter's view

of HUD is marked by his view of its record with public housing. "Based on the appalling condition of most public housing complexes today," he writes, "it seems fair to say that the Department of Housing and Urban Development (HUD) has failed in its mission to provide adequate housing to those in need of public assistance." Congressman Porter suggests that HUD is itself a drag on the quality of public housing stock. "If HUD continues to operate as it has in the past, I am certain we will see an escalation of the urban housing crisis. I believe that by repealing the 1937 Housing Act and implementing the provisions of the Housing and Responsibility Act, we will alleviate much of what plagues public housing today."

"H.R. 2 seeks to reform public housing by repealing the 1937 US Housing act and replacing it with legislation designed to prevent the process which has resulted in the crime infested, dilapidated housing projects of today."
-- Congressman Porter

Senator Moseley-Braun, the moderate respondent, asserts that "HUD has greatly improved under Cisneros and Cuomo and will continue to make a real difference." She concedes that HUD has problems, and even says she strongly supports Andrew Cuomo's commitment to streamlining the agency. But in case any feathers have been ruffled, she describes herself admonishing Cuomo to remember the mission "to remedy the acute shortage of decent, safe housing" for low income families as presented in that Public Housing Act of 1937 that Congressman Porter would repeal.

The differences among respondents widen over public

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HOME and CDBG

"Clearly these programs have proven to be valuable, and for this reason, I will continue to support their funding." *Congressman Porter*

"I am totally committed to preservation of the CDBG and HOME Programs." *Congressman Rush*

"I worked last year for an increase in CDBG funding." *Senator Durbin*

"I strongly support full funding for the HOME and CDBG Programs." *Senator Moseley-Braun*

Section 8

"I support the continued funding of Section 8 contracts. Affordable housing is scarce in Illinois and we cannot afford to lose existing affordable housing stock." *Senator Moseley-Braun*

"I am aware of the difficulties surrounding the renewal of Section 8 contracts." *Congressman Porter*

"Congress has been working with HUD on a bi-partisan basis to ensure that all existing Section 8 contracts are renewed. This effort should continue." *Senator Durbin*

Public Housing Reform

"HR 2 would encourage self-sufficiency..." *Congressman Porter*

"I am steadfastly opposed to HR 2 in its present form." *Congressman Rush*

The Future of HUD

"I support the continuation of the Department of Housing and Urban Development." *Congressman Rush*

"It seems fair to say the Department of Housing and Urban Development has failed in its mission to provide adequate housing to those in need of public assistance." *Congressman Porter*

"HUD has greatly improved under Cisneros and Cuomo and will continue to a make a real difference." *Senator Moseley-Braun*

Vouchers and Hard Units

"Use of rent vouchers has proven to be effective and has given recipients the opportunity to choose the community in which they reside. Because residents will be able to choose whether they live in public or private housing (under H.R. 2) the supply of affordable housing will not be adversely affected." *Congressman Porter*

"Section 8 tenant-based vouchers can be an effective means of expanding affordable housing opportunities for low-income families. Unfortunately, in many communities there is nowhere to use the vouchers." *Senator Moseley-Braun*

"Rent vouchers cannot substitute for increasing the stock of affordable housing." *Congressman Rush*

O.N.E. Tells How They Got Represented On Project-Based Section 8

by Chris Pope
Chris Pope is an organizer at Organization of the NorthEast.

There are 2,812 units of housing in Uptown Edgewater whose affordability depends on project-based Section 8 contracts. All of these contracts will expire and need to be renewed by 2010; about 2,000 of them will expire within the next few years. Representing tenant associations, congregations, ethnic associations, non-profits, banks and businesses of the Uptown and Edgewater communities, the Organization of the NorthEast (O.N.E.) has spent the past 6 months working to secure real representation from our elected officials on several issues critical to our community. One of the most pressing of these has been the matter of preserving project-based Section 8 contracts. As we encourage Congress to provide the budget power to preserve these units, we have worked particularly hard to cultivate the support of Senator Dick Durbin - and we have been successful. This is how we've done it.

We began developing a relationship with Durbin before his election in 1996. We were confident he would be elected to Congress, and that it was important to foster a relationship with the new Illinois Democratic Senator. Durbin had been a member of the Illinois State Legislature for 14 years, and going to Washington with a distinguished career in Illinois politics garnered him more influence than many freshman Senators enjoy. He now serves on the Senate Budget Committee, and is lobbying for a spot on the Senate Appropriations Committee in 1998.

Knowing that we needed a strong ally in Congress in this time of housing cuts and federal welfare reform, we invited to the soon-to-be Senator to a pre-election meeting, where we asked him to make 2 commitments about housing issues. First we asked him to hand deliver a letter to President Clinton urging funding for the Preservation Program for buildings with expiring or pre-

"We began developing a relationship with Durbin before his election in 1996. We were confident he would be elected to Congress, and that it was important to foster a relationship with the new Illinois Democratic Senator."

paid HUD mortgages. We were asking that the program be funded at levels that would reach the tenant association of a senior citizen building in the neighborhood who were working to purchase their building. Durbin delivered the letter at a fund-raiser later that evening. (The Kenmore Plaza Tenants Association did receive this funding and purchased their building in April.) Second, Durbin agreed to come back to tour our neighborhood to visit those buildings that benefit from Section 8 subsidies.

Once Senator Durbin was elected, he also delivered 1,200 postcards from the Uptown/ Edgewater community to the Director of the Office of Management and Budget, Franklin Raines. The postcards stressed the importance of renewing the Section 8 contracts without diminishing funds for other HUD programs. We asked Senator Durbin to deliver the postcards because we thought the message would be even stronger coming from a member of the Senate Budget Committee.

Meanwhile, since the Budget Committee was to begin its work in early Spring, we wanted the Senator to make his promised visit as soon as possible. He followed through in March, returning to the community to meet with O.N.E. leaders at LakeView Towers. LakeView Towers was chosen because it is a 600 unit building that will be tenant-owned by the end of this year. We did not have time to visit all of the 2,812 Section 8 units in our community, so we took the Senator to the roof of Lake View Towers. On a windy Chicago afternoon, Senator Durbin stood on the roof and saw all of the large multi-family HUD buildings in the community, in addition to smaller buildings owned by Lakefront SRO and Voice of the People. He listened attentively as ten residents described the neighborhood and their buildings.

Coming down to the community room, the Senator was greeted by many of the children in the building and a group of local leaders, where he heard the success stories of both Winthrop Towers and the Lake View Towers building. Both buildings were made affordable with project-based Section 8 contracts and HUD insured mortgages. Threatened by mortgage default and pre-payment respectively, each was purchased by a CRN member (Century Place Development Corporation and Voice of the People) determined to preserve its affordability. The new owners are working out the details to allow the tenants to purchase their buildings themselves - an undertaking that is only made possible by the security of the project-based Section 8 contracts.

Senator Durbin also heard about the successes of supportive housing in this community, like that developed and managed by Lakefront SRO. Project-based Section 8 subsidies allow Lakefront to provide employment, recovery and counseling services to their residents in addition to scarce affordable housing.

The event allowed us to describe the 4 specific kinds of buildings in our community that depend on project-based Section 8 contracts: the large multi-family buildings the Senator viewed from the roof; the property disposition buildings like Winthrop Towers; buildings like LakeView Towers that were able to use Section 8 for moderate rehab; and supportive housing like the Lakefront SRO properties. The stories behind these buildings highlight the success of project-based Section 8, where contracts are tied directly to individual buildings, and reinforce the urgency of maintaining the program.

At the conclusion of his visit, the Senator made three additional commitments. He promised to work to preserve all of the Section 8 contracts without diminishing other HUD programs. He promised to write a letter to the Chairman of the Budget Committee to push for renewal of all Section 8 contracts. After this visit, he also wrote letters to the Chairman and the Ranking Democrat on the Senate Budget Committee to stress the importance of continued funding for all Section 8 contracts. Finally, Senator Durbin promised to conduct quarterly meetings or conference calls with O.N.E. leaders to maintain the flow of information.

O.N.E. is pleased with the steps that Senator Durbin has taken to preserve the affordable housing in our community and throughout the nation. We believe that his willingness to be available quarterly to discuss housing issues signals his commitment to Uptown/Edgewater, and hope to be able to count on his leadership in Congress to assure adequate housing for low income Americans. We will be sure that he hears our views on any housing policy decisions that he can affect.

Still, many Congressmen do not see the provision of safe, decent and affordable housing as a federal priority. We need all of our elected officials to make it a priority. Our ability to convince them to do this will depend on cultivating relationships with them, and on our ability to demonstrate in concrete terms the impact that their decisions on upcoming housing issues will have on the residents of their districts.

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proposing to preserve the current system will either sign off on a flawed program that doesn't weed out enough bad owners or sufficiently improve the accountability structure, or eventually be pressed by administrative capacity and ideological constraints to move toward HUD's voucher model. Non-profit, tenant groups and local governments and communities must mount a campaign to prevent this result. We must clearly define and campaign for a rational program centered on meeting affordable housing needs. Either Republicans or Democrats could provide education or leadership, but as yet no members are firmly committed to any of these principles.

The elements of this preservation program should include:

* Ownership responsive to tenant and community needs for affordable housing. One essential tool will be real incentives for owners to transfer properties to tenant endorsed non-profit and public agency purchasers, or to other purchasers that commit to preserve the long term affordability of the property for very low income families. Such incentives could take the form of tax relief, or the restrictions imposed for restructuring.

* Guarantees that any financial benefits realized as a result of the restructuring process (e.g., unrestricted rents) beyond what is necessary to secure proper asset management are retained for the public benefit to preserve the future affordability and availability of the housing to people currently served by the Section 8 program.

* Preservation of project-based assistance except in extraordinary circumstances. Existing developments that offer guaranteed access for Section 8 eligible families cannot be preserved by converting to tenant based vouchers.

* A hard look at reforms that screening out bad owners, that encourage tenant participation in ownership, management and regulatory decisions (e.g., nonprofit board membership, management reviews and physical inspections, enforcement decisions), and that permit direct tenant empowerment through individual and joint action (e.g., rent withholding for violations).

* Rehabilitation planning and resources adequate to ensure the long-term viability of these properties as affordable housing.

The current proposals contain pieces of this program, but none contains them all, and they are rarely sufficiently developed. As policy proposals are refined over the next few months, housing advocates must engage their communities, the public, the media, and their elected representatives about the nature of the issues at stake in restructuring the Section 8 portfolio. Contract expiration presents a unique opportunity to redesign the housing delivery system, to channel any additional benefits and resources into more accountable and cost effective operations, and to produce permanent investments in our affordable housing supply. It is an opportunity we cannot afford to miss.

Flexibility as a Virtue: IHDA Argues for Block Grants

by John N. Varones
John Varones is the Director of the Illinois Housing Development Authority.

The last few federal election cycles have sent one resounding message to politicians: taxpayers want their money's worth from government.

The electorate believes that government has a role to play in society and can be a vehicle for doing good, but most believe that the current size and structure of government is not working. Similarly, housing policy is undergoing a seachange with significant developments coming from Washington, namely the pullback of spending on affordable housing programs. As the U.S. Department of Housing and Urban Development re-engineers and reinvents itself, state and local housing finance agencies have stepped in to develop innovative ways to create and preserve affordable housing.

The Low Income Housing Tax Credit: A Program That Works

There are two significant issues that are being addressed in Washington whose outcome will decide how affordable housing practitioners will operate in years to come: the renewal of Section 8 contracts and the fate of the Low Income Housing Tax Credit (LIHTC). The Section 8 program has not been a new source of housing production for over a decade. But the importance of maintaining the subsidy in order to preserve the housing and protect the millions of low income tenants that rely on Section 8 is paramount. But, as of the writing of this article, a more immediate threat to affordable housing has come out of Washington: the possible sunset of LIHTC.

Functioning since 1987, the tax credit is used by not-for-profit and for-profit developers to raise equity for housing projects. It has evolved as the most significant federal resource for developing affordable rental housing. In the last few years, Governor Edgar has urged lawmakers in Washington to continue the tax credit program, arguing that it is a housing and urban development program that produces tangible results. The value of the tax credit is understood by all: on average, the tax credit directly accounts for more than 90 percent of all affordable rental housing developed in the United States.

The tax credit program is structured as a block grant to state and local housing finance agencies, which gives states and localities flexibility and freedom to tackle problems head-on. Block grants for housing have been proposed by some in Congress as well as former HUD Secretary Cisneros in his "Reinvention Blueprint" which called for consolidating some 60 programs into three block grants to states and localities.

I will briefly discuss some of the merits that block grants bring to the housing and urban development fields as well as some recommendations on how a block grant system for housing should be structured.

Block Grants: the Building Blocks of Affordable Housing

Flexibility for Tailor-Made Solutions

Block grant provide states and localities the flexibility to tailor programs to address their local circumstances and neighborhood needs. A one-size-fits all approach does not work, especially in regards to housing. Housing needs vary from neighborhood to neighborhood, and block grants allow for funds to be used to meet the specific needs of an area, such as homeownership, family rental housing, housing for the elderly, etc.

Comprehensive Solutions

A fragmented and inefficient delivery system has developed under the categorical grant approach. The current system addresses problems in isolation, stifling comprehensive holistic approaches to housing problems. For example, many special needs populations such as the mentally disabled or the chronically homeless lack more than just a roof over their heads. They need intensive "wrap-around" social services such as job counseling and training, supervision of mediation, educational, living skills and crisis intervention programs in order to get back on the path to self-sufficiency. Specifically, the block granting of McKinney homeless assistance programs, coupled with other housing block grants would allow state HFAs to provide both permanent housing and supportive services, thereby minimizing the need to weave a patchwork of disparate funding sources that at times have contradictory requirements.

The consolidation of housing funds to the states also allows public, private and non-profit entities to better coordinate their efforts in developing housing and community development strategies. This idea was confirmed by the General Accounting Office (GAO) in testimony before the U.S. Senate when it remarked that "community development experts advocate a multi-faceted, comprehensive approach to address the complex, interrelated problems in distressed urban areas."

Cutting Intergovernmental Red Tape

A myriad of program rules and regulations exist with categorical grants that bog down efforts to build housing because so much time is spent complying with different application periods, funding criteria and reporting requirements. Time delays can add significant costs to a development proposal because property and other fixed costs are being carried by the property owner/developer. A block grant for housing cuts through that red tape and frees states and private developers from burdensome paperwork requirements.

Closer to the Customer

States and localities are closer to public policy problems and thus more informed in developing and implementing solutions. State HFAs possess knowledge of many locally based factors necessary to provide housing: the low income population, the housing stock, and experience with private and non-profit developers. Because of proximity, states and localities can also benefit from feedback in a more timely fashion and adjust programs and policies accordingly.

Structuring Block Grants

In general, HUD's block grant proposal is a step in the right direction, but as with any type of reform proposal, the devil is in the details. Any housing block grant approach should contain the following guiding principles.

No Unfunded Mandates

When funds are block granted, the states should receive adequate funding to meet their housing needs. Some reductions in federal spending in these areas is expected, but significant savings should not be achieved by merely shifting costs to the states. In short, no unfunded mandates, programmatic or administrative, should be considered.

Adequate State Share of Funds

States should receive an adequate share of funding vis a vis local governments. At minimum, a 50 percent local and 50 percent state split should occur in any block grant system. Previously, HUD was proposing a 60 percent local and 40 percent state split. The proven track record and capacity of state HFAs to finance the development of affordable housing is testament to at least an equal split with localities for any block grant.

True Flexibility

For the states to adequately grapple with housing issues, maximum flexibility and minimum regulation must be at the core of any block grant system. Broad guidelines to assure accountability and performance are necessary, but these guidelines should not tie the hands of state HFAs to do the best job possible with the funds. The federal government needs to avoid placing prescriptive conditions on states for the allocation of funds (e.g. set-asides). This is tantamount to micro-managing state affairs from Washington, and locks the states into the same mistakes that the federal government has made.

Conclusion

The states have been responsible for many governmental innovations throughout the years. Indeed, one of the most popular government programs, social security, was first developed by the State of Wisconsin in the 1920s. Called laboratories of democracy by Supreme Court Justice Louis Brandeis, the states have forged ahead and tackled public policy problems while partisan wrangling and the difficulties of moving large, lumbering federal bureaucracies have paralyzed Washington. Brandeis believed that the state was a fertile testing ground of new approaches to solving social and economic ills. Block grants give states the flexibility, freedom and tools to find solutions to these pressing problems of the day.

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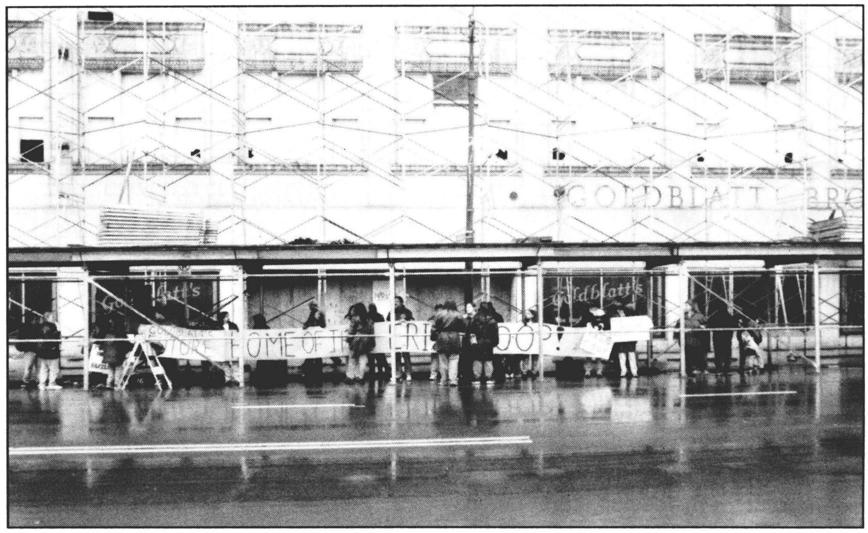
that planned the May 8th event.

Describing the challenge presented by Section 8 renewals, Jim Grow pointed out that Congress isn't oblivious to the difficulties of putting millions of voucher recipients on the street at once — but the challenge to us is to make sure that difficulty remains visible. The challenge presented by the other principles is the same - to make the difficulty of the issue, the potential impact on our communities and the sheer number of people affected, visible in the mind's eye of each of our representatives.

If you couldn't be at the May 8th Forum, but recognize how these legislative issues will impact your community and want to contribute to making them visible, get in touch with the growing steering committee. Call Whitney Dahlman at the Chicago Rehab Network, at (312) 663-3936.

The Long, True (Unfinished) Tale of West Town's Erie Co-op

As told to Lisa Arnold
Lisa Arnold is the Senior Organizer for Bickerdike Redevelopment Corporation.



"It turned out that the change that we made to accommodate the Department of Housing would spark a long battle with other members of the community. We believe that battle illuminates some of the issues central to community development."

Lorraine D. lived in West Town for over ten years. When she describes how she struggled to find decent, affordable housing in West Town, this is how she describes the housing she could afford:

"In the Huron/Paulina Apartment, I found my infant daughter, lying in her buggy, covered with maggots. The room's window was closed, but it was so bad that all kinds of things could get in. The next apartment was so infested with roaches that we'd shake out our clothes before wearing them. My kids were poisoned with lead — my son's lead level was 63 [any level above 10 is unsafe]. He now has attention deficit disorder, hyperactivity disorder, and though in the fifth grade, reads at the first grade level.

"One apartment was never warmer than 64 degrees, although I paid $300 to $400 for each of 12 months, just for the gas bill. My landlord had made vents to channel my heat into his basement.

"At one place, when we flushed the toilet, the contents would go into the basement. You could see toilet paper all over the basement floor. There was a hole in the bed-room wall big enough for my son to crawl through. I had to deal with the rats myself. I bought tons of rat poison, taped it on the wall, and plastered over it. The roof had a big leak, and water dripped from the attic into my bedroom. I had to buy a kid's pool to catch the leaking water. Every month, the kids and I would empty the pool.

"I finally moved out of West Town, though I still work there, volunteer at the settlement house there, and take my kids there to go to the doctor. My apartment was burglarized within weeks of moving in. My daughter can't go to the corner store without a John approaching her. We find needles. In the hallway are drug dealers. I don't want my kids walking into deals. I found a knife above my apartment door. What if my daughter had walked out and some-one had used in on her? There are no grocery stores, and the laundromats are run by gangs.

"But I am lucky in one respect. Unlike everyone else working towards the co-op, I have not been served with notices to inform me of a rent increase of $100 or more."

Lorraine's struggle illustrates 2 pervasive issues that drove us to lay the plans for the Erie Co-op: the private market was not meeting lower-income families' housing needs, and with sky-rocketing rents, West Town was very close to losing its diversity as a mixed-income community.

In conjunction with Erie Neighborhood House — a 125 year-old settlement house — Lorraine and other low and moderate income West Town residents formed a plan for the co-op to provide West Town's working poor families with housing affordability, stability, and resident control. We invited Bickerdike Redevelopment Corporation — a 30 year old non-profit community development corporation that has developed 800 affordable housing units on the Near Northwest side — to help assemble plans for the structural design, marketing/resident selection, property management, and financing of our housing. The resulting plans for the Erie Co-op would make decent housing available to West Town families with annual incomes of $15,000 to $30,000 units for monthly payments of $335 to $495.

A housing cooperative is multi-family housing owned and/or managed by its residents. Typically, residents purchase shares in the cooperative corporation, and so become voting members of, and occupy a unit in, the co-op. As members, families make monthly payments to the cooperative to cover the co-op's operating expenses. A limited equity co-op uses an ownership structure that limits the price at which co-op residents may re-sell their shares. This is to ensure that the co-op will be affordable for generations to come.

In 1994, we publicly outlined our plan at a public meeting, and submitted a formal proposal for financing our limited equity co-op to Chicago's Department of Housing. However, after many discussions with Commissioner Marina Carrott and her staff, it was clear that the only way we would be able to secure financing from the Department of Housing was by applying for tax credits. The use of tax credits necessitated a change in the co-op's ownership structure - to a form known as master lease. Master lease cooperatives offer residents the same amount of control as limited and full equity co-ops; however, residents do not retain an equity position in the development until year 16. We were willing to postpone ownership for immediate stability, affordability, and resident control. It turned out that the change that we made to accommodate the Department of Housing would spark a long battle with other members of the community. We believe that battle illuminates some of the issues central to community development.

Who defines homeownership and how?

In December of '94, the Erie Co-op was challenged by then-first ward aldermanic hopeful Jesse Granato, who called for a referendum on the co-op, saying that he would support the plan if the community supported it. Co-op supporters spent the winter knocking on doors. We sold our idea of homeownership, which we identify with affordability, resident control, and a stable place to live. Granato won the election. We won the referendum: 56 to 44 percent.

In April of '95, the Department of Housing notified us that the co-op had been approved for tax credit financing, but for 30 units instead of the 50 we had originally planned to create. Commissioner Carrott attributed the adjustment to Alderman Granato. We submitted a proposal to the Illinois Housing Development Authority for the rest of the financial support necessary for the now 30 unit co-op. We were certain that it would be funded for several reasons. First, affordable housing initiatives that receive tax credits typically receive additional assistance via HOME dollars. Second, the Commissioner herself had written a letter to the Illinois Housing Development Authority, advocating for additional support for us.

"We sold our idea of homeownership, which we identify with affordability, resident control, and a stable place to live."

In March of 1996, Brian Boyer and other community residents, some with ties to a local real estate office, formed a community group called the Eckhart Park Community Council (EPCC). In April, the EPCC attacked the co-op's revised ownership structure, calling the co-op rental slavery, CHA housing, and subsidized rental housing in an attempt to scare their neighbors. EPCC insisted that the co-op was not a solution, and that they wanted to give us "real homeownership." Unlike "real homes," they said, our co-op would not provide us with sufficient equity to finance our children's college educations.

This response was ridiculous for several reasons. First, as parents of young children, we had witnessed the educational consequences of frequent displacements and school transfers. Our primary concern was ensuring that our children should be able to complete their respective grades in one grammar school. (Some of us had been forced to move as often as 3 times in one year.) Second, a home that would qualify as "real" by EPCC standards was not even a remote possibility for us. We were best able to resolve our housing problems by striving for stability, affordability, and resident control. Finally, not only were our detractors (many with ties to the real estate industry) not helping us acquire "real" or any other homes, they were actively obstructing our work to help ourselves.

The co-op committee invited EPCC to discuss their concerns regarding ownership. The invitation was refused. EPCC did, however, make a surprise visit to IHDA's board meeting and asked that final approval of its support for the co-op be denied. IHDA decided to postpone a decision.

Who chooses the community in community support?

In early May, the Department of Housing notified Bickerdike that the co-op would need written support from Granato to be eligible for HOME dollars. We contacted Granato's office and were told that he was having problems with the co-op.

At about this time a pattern began to emerge: When Granato met with us, he would say that he did not find any outstanding issues regarding the co-op, but he would ask us to discuss the matter with EPCC - a group of about 30 individuals - at a meeting his office would arrange. When we showed up at the alderman's office for the meeting, Granato's chief of staff would inform us that the meeting had been canceled by Boyer and EPCC. We asked that he convene another meeting for the

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following week, since many of us had taken great pains to get time off from work. The next week, EPCC members attended the re-scheduled meeting and attacked the co-op committee. Granato talked about "real" homeownership, and said he would withhold his written support due to EPCC's concerns. Granato would later frequently say that his aldermanic responsibility was to represent the majority opinion regarding the co-op. Of course, we have already won the referendum on the co-op. We are still waiting for his definition of community support.

Meanwhile, the bad feeling has grown. We couldn't even get a meeting with EPCC to explain how we had re-structured the proposal to its original, limited equity form to accommodate both Granato and EPCC, even though the change would require more funding than we had previously requested of the Department of Housing. In July, the revised proposal was presented to Alderman Granato, who stated that he had no problems with it, but asked that we meet with EPCC at a meeting that he would convene. After multiple calls to Granato's office, we were given a meeting date of September 12th. When we arrived for the meeting, EPCC was not present...and Granato said that he could not support the co-op.

How does the city translate its affordable housing rhetoric into reality?

At this point we decided to ask the city to intervene. We thought we had a good case based on the city's rhetoric: "Based on the city's housing and community needs assessment, the following priorities have been identified...serve the full range of constituencies among low and moderate income populations..." Also encouraging: "Many community areas and minority groups have homeownership rates dramatically below the citywide average of 41.5 percent. To alleviate this problem, the city of Chicago and its housing partners are committed to increasing homeownership opportunities for all eligible Chicagoans." But the city's support did not match its rhetoric.

At one point, Lupe Calderon, the Mayor's assistant, agreed to help us resolve the Erie Co-op issue. We made numerous follow up calls over the next several months, but nothing happened. Hoping to spur the city to meaningful intervention, we decided to make our housing concerns public. On the day after Thanksgiving, we went to the city's tree-lighting ceremony, where a supporter carrying a turkey carcass led a procession of 60 adults and children chanting and carrying signs that read "no more housing scraps!" in English and Spanish. That day, we left a written request at the Mayor's office for a meeting with the Mayor that was unanswered.

"We attempted for weeks to meet with EPCC - again to no avail. At this time, EPCC circulated a meeting notice that included an item that read: 'Community Alert...Bickerdike's Low income Housing Again.'"

Two weeks later, 60 of us sang holiday carols, with lyrics describing our need for the co-op, outside of Mayor Daley's gated community. Police officers on the scene - who brought 4 squad cars and a paddy wagon - would not allow us to leave a holiday card containing a written request for a meeting with the Mayor. We mailed it; it was never answered. At least we were receiving print, radio and television coverage. And we sent over 400 letters of support for the co-op to Mayor Daley.

What is the responsibility of a community council to the community?

In March of '97, we were informed that Alderman Granato would meet with Joy Aruguete, Bickerdike's Executive Director. Granato told Ms. Aruguete that he wanted us to: 1) Change the co-op's ownership structure to a limited equity, which we'd already done almost a year earlier, 2) present the revised co-op to EPCC, and 3) hold a community meeting about the co-op.

We attempted for weeks to meet with EPCC - again to no avail. At this time, EPCC circulated a meeting notice that included an item that read: "Community Alert...Bickerdike's Low income Housing Again." The flyer said that friends and neighbors were welcome. A flier recipient shared the flyer with a friend who was on the co-op committee. Five of us attended; we were not welcome. EPCC raised numerous demonstrably unfounded concerns that the co-op would bring gangs and crime to the neighborhood. When co-op supporters attempted to talk, EPCC members shouted at them. Two co-op supporters were accused of lying, and one person who offered to respond to questions about how the co-op would work was told to be quiet.

After the meeting, we heard one of the more vocal EPCC members explain that the way she knows that a community resident is invested in the community is if the resident has paid $175,000 to live there.

The alderman's chief of staff stood up to contrast the generous voluntary community service of Mr. Boyer (who also has multiple real estate investments in the community), with the mercenary service of Bickerdike's staff person. No one acknowledged the long voluntary efforts of the co-op committee to maintain the mixed-income nature of West Town.

Within several weeks of our face-to-face request for discussion, we did, in fact, meet with representatives of EPCC, to present the revised co-op proposal. Shortly thereafter, we met with Granato to try to obtain a commitment for support. His office was decorated with a large map with differently colored pins that marked assisted housing efforts. Granato told us to be frank: "Let's not play games with words here. The co-op is subsidized housing...Subsidized housing has been rammed down this community's throat...If it doesn't work out, don't take it personally."

The co-op committee launched a campaign to obtain letters from the community surrounding the co-op lots, as defined by the precincts that voted on the co-op during the '95 referendum. Only a very small percentage of the housing in these precincts is low income. Additionally, the committee obtained over 450 letters of support from Near Northwest Side residents, which were displayed on a 450 foot banner held by about 140 first ward residents, in front of Granato's ward office. Two weeks later, the committee organized 70 First Ward residents to stage a "move" into the empty Goldblatts Building on Chicago Avenue. The city had recently bought the historic building from Del Ray Farms to appease a neighborhood group who had fought to preserve it. Del Ray Farms' asking price for the building was $3 million. Having bought it, the city acknowledged it had no designated use for it. It might be renovated to serve as a library for an additional $5 million. Or it might be suitable for other uses. At their "move in," residents carried a banner that read "Goldblatt's: Future Home of the Erie Co-op."

Over the last month, co-op supporters have been strung along with promises of a meeting involving Granato, Department of Housing Commissioner Marina Carrott, and a representative of Mayor Daley's office. On May 15, the committee was informed that the Department of Housing is no longer able to support the co-op effort.

The Erie Co-op Steering Committee continues to organize. We believe that this debate is not only about homeownership, it is also about community ownership. We believe that community ownership is not bought by spending $175,000 for a home. Rather, it is nurtured over many years by the development of social relationships and support and networks. What amount of money can buy these relationships? Will the young couples buying lofts and condos really stay for 20 years? Some of us who have been displaced continue to work, worship, and volunteer in West Town, in part because we plan to move back - into the Erie Co-op.

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would clearly mean fewer units affordable to truly low income people.

Presumably, this feature is designed to allow public housing authorities room to redesign their projects as mixed-income communities. Suspension of the one-for-one replacement rule increases the likelihood that this will not be done by building even more housing to accommodate additional tenants. Although current residents would not be removed, fewer and fewer units would be available to low income people as units turn over.

Resident Participation

HR 2 would require that one public housing resident representative be elected to Public Housing Authority boards. The Senate bill would also allow for tenant empowerment activities, but neither would address resident participation in redevelopment plans. The issue is of obvious importance in Chicago, where Cabrini Green tenants were engaged in a lengthy planning process, only to have the city ultimately trash the plan. Closed door meetings among city bureaucrats and development professionals produced the plan described above. A federal mandate for resident participation could well help the local situation.

Loss of Hard Units

Both HR2 and S462 would repeal the "vouchering out" requirement attached to last year's budget, making it a voluntary option for public housing authorities instead. "Vouchering out" requires any development to undergo a viability test. If the test determined that the cost of maintaining the development would be greater than the cost of giving every resident a Section 8 voucher, it would be required that the development be demolished and all the residents given vouchers.

According to CHA, the "vouchering out" rule applies to as many as 19,000 units in Chicago, making more than half of CHA family housing at-risk of being demolished. The "vouchering out" requirement will obviously drive the loss of units faster and farther than ever before. Even if made voluntary, however, it will not ensure that CHA and HUD will not try to continue this type of policy on their own.

Meanwhile, research by the Voorhees Center unearthed the unsettling fact that 30 percent of tenants who receive vouchers in Chicago return them unused because they can't find a place to rent. That compares with the 20 percent of vouchers returned nationally, and does not begin to account for thousands of new tenants being vouchered out into the private housing market. It also adds vouchering out to the list of pressures on public housing that will translate into new pressures for community developers in their efforts to house very low income families in the private market.

If you are interested in working with the Coalition to Protect Public Housing on legislative issues, please contact Matt McDermott at (312) 435-4548.

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housing reform. "I am steadfastly opposed to HR 2 in its present form," Congressman Rush writes. "This bill represents an attempt to overhaul the federal government's 60 year commitment to provide affordable housing to those in need. Provisions in HR 2 such as the requirement to perform 8 hours per month of community service in exchange for housing assistance and the elimination of the 1 for 1 replacement requirements are just 2 examples of how this bill is a contract on poor people."

Congressman Porter agrees HR 2 is an attempt to overhaul the government's 60 year commitment to provide affordable housing, but he's all for it. "The Housing Opportunity and Responsibility Act of 1997 (HR2) seeks to reform public housing by repealing the 1937 US Housing Act and replacing it with legislation designed to prevent the process which has resulted in the crime infested, dilapidated housing projects of today."In addition, he believes "HR 2 would encourage self-sufficiency by permitting up to 65% of new tenants admitted by Public Housing Authorities to be from the 'working poor' (those who earn more than 30% but less than 80% of the area's median income). This requirement would succeed in transforming public housing into an environment where employment is the norm, rather than the exception."

Congressman Gutierrez agrees with the concept of trying to improve the mix of incomes, but not the way HR 2 would do it. His staff points out that last year, the Congressman supported an amendment that would target 40 percent of units to families with median incomes below 30 percent of the area median, but 90 percent would go to families with incomes below 60 percent of the median income.

Congressman Porter argues that "The use of rent vouchers as an alternative to public housing is a viable option when it is less expensive than the cost of public housing." Senator Moseley-Braun is not so sure. She warns "Too many vouchers are being returned unused. In many communities, there is no good substitute to hard units. We must preserve our $90 billion investment in the existing stock of affordable units in this country."

Congressman Yates agrees. His staff points out that there are a lot of tenants with vouchers, but no apartments to rent. Housing projects themselves are not the problem. Congressman Rush expands the theme: "Rent vouchers cannot substitute for increasing the stock of affordable housing."

As individuals and as a group, the Illinois delegation has already made their voices heard in support of affordable housing. Congressman Porter has written to Jerry Lewis, Chairman of the House Appropriations Sub-Committee on VA, HUD and independent Agencies, requesting support for workable funding levels for HUD to support Section 8 renewals. Senator Durbin has written to Senator's Domenici and Lautenberg, Chairman and Ranking Member of the Senate Budget Committee; Congressman Gutierrez worked steadfastly to amend HR 2 to add tenant protections.

In addition, the Illinois delegation has acted to make its opinion known as a group with a letter to Congressman Kasich, Chairman of the House Budget Committee. The letter originated with Congressman Rush, and was signed by Representatives Rush, Davis, Evans, Jackson, Yates, Poshard, and Blagojevich.

The discussion begun in this article represents a starting point. As long as Section 8 renewals, public housing reform, and the funding of HUD, HOME and CDBG remain on the table, we anticipate that a developing dialogue between housing advocates and the Illinois delegation will encourage further action from our representatives. To each member of the Illinois delegation — thank you for your efforts to improve the nation's ability to support affordable housing for it's low income citizens. We will be looking for your support in the future.

Jackson, continued from page 3

value of their housing subsidy without performing mandatory "community service?" Keep these numbers in mind when you hear the argument that voluntarism is the answer to our social problems over direct support. These arguments further an unnatural selection process that determines who will participate in the benefits of American society, and how.

To counter this unnatural selection process, we need to communicate, to let our vision of justice and fairness to lead us to the telephone to call and say "Hello, Senator," or "Hello, Congressman. I believe Americans should be housed. I think housing is a right, and that decent housing provides the foundation for all other reform policies to work - you can't take people from welfare to work without decent housing; your efforts to improve the schools will be undermined if kids are constantly moving." Then, after we call, we write, and visit.

We need to do more than communicate how our national priorities reflect on us, we must act. We must act to encourage those who depend on housing assistance to help define their own participation, by registering to vote, for instance. But that is just one of the suggestions for action arising from CRN's May 8th legislative forum (see cover). As members of the housing movement begin to translate some of those suggestions into action, we can also claim to have begun the work of redefining who we are as a nation.

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