

Housing and the Economy:

We need the people who need affordable housing

Whether housing is “affordable” or not is critical to Chicago’s economic health. Defined as one-third of housing costs relative to income, affordability is key at any price point. Spending any more than one-third of income means a household is cost burdened.

Since the beginning of the decade, there has been a 10 percent increase in cost burdened renters, but homeowners in Chicago are even more burdened—a staggering 40 percent increase among cost burdened owners in the same period. That translates to a present reality of almost 180,000 owner households who pay too much of their income for housing. The consequences of selling or renting housing that does not correspond to the needs of the community will be an escalation in households that are at-risk of falling into financial trouble and frequently, vacancy and neighborhood blight.

For Chicago’s residents and our workforce, the ability to locate and sustain housing that is affordable relative to their incomes is the first foundation for stability in employment and healthy communities. Growing and retaining Chicago’s job base is crucial for the economic health of the City and its neighborhoods. The development and preservation of affordable housing not only gives workers and employers access to affordable housing, but it also provides the economic engine that supports the vitality of the region and its ongoing economic recovery.

Many factors played into the economic recession we are facing today. But the most damaging, such as predatory lending, boutique and subprime loans, and the spate of home refinancing, arose due to housing policies that did not prioritize affordability and community need. The result, as we all know, is the devastation of many communities, neighborhoods, and families from the inevitable wave of foreclosures that followed.

The 4th Quarter 2010 U.S. Housing Market Conditions report published by the Department of Housing and Urban Development states that “...completed foreclosures are likely to increase as alternatives for seriously delinquent borrowers are exhausted.” Given the 24,000 newly-filed foreclosures in Chicago in 2010, coupled with the jobs and housing mismatch, economic recovery remains elusive. Affordability is crucial in mitigating further economic decline across Chicago neighborhoods; without it, we will see continued delinquency and deterioration in more households and across our communities.

The following graphs illustrate who can afford housing in Chicago and the impact of affordable housing creation on the economic growth and sustainability in Chicago and throughout the region using the **Center for Housing Policy’s** *Paycheck to Paycheck* wage and housing cost database and an economic impact model by the **National Association of Home Builders**. The data shows that affordable housing is out of reach for many workers who provide essential public and social services. In addition, research shows that affordable housing not only creates jobs and revenues from direct construction activity for the region, but it also produces ongoing economic growth from the commerce generated by occupants of the new housing.

These numbers uphold what we hear in communities across the City—focusing on housing affordability will attract business and workers to our regions and will be the foundation of long-standing economic recovery for Chicago and its residents.

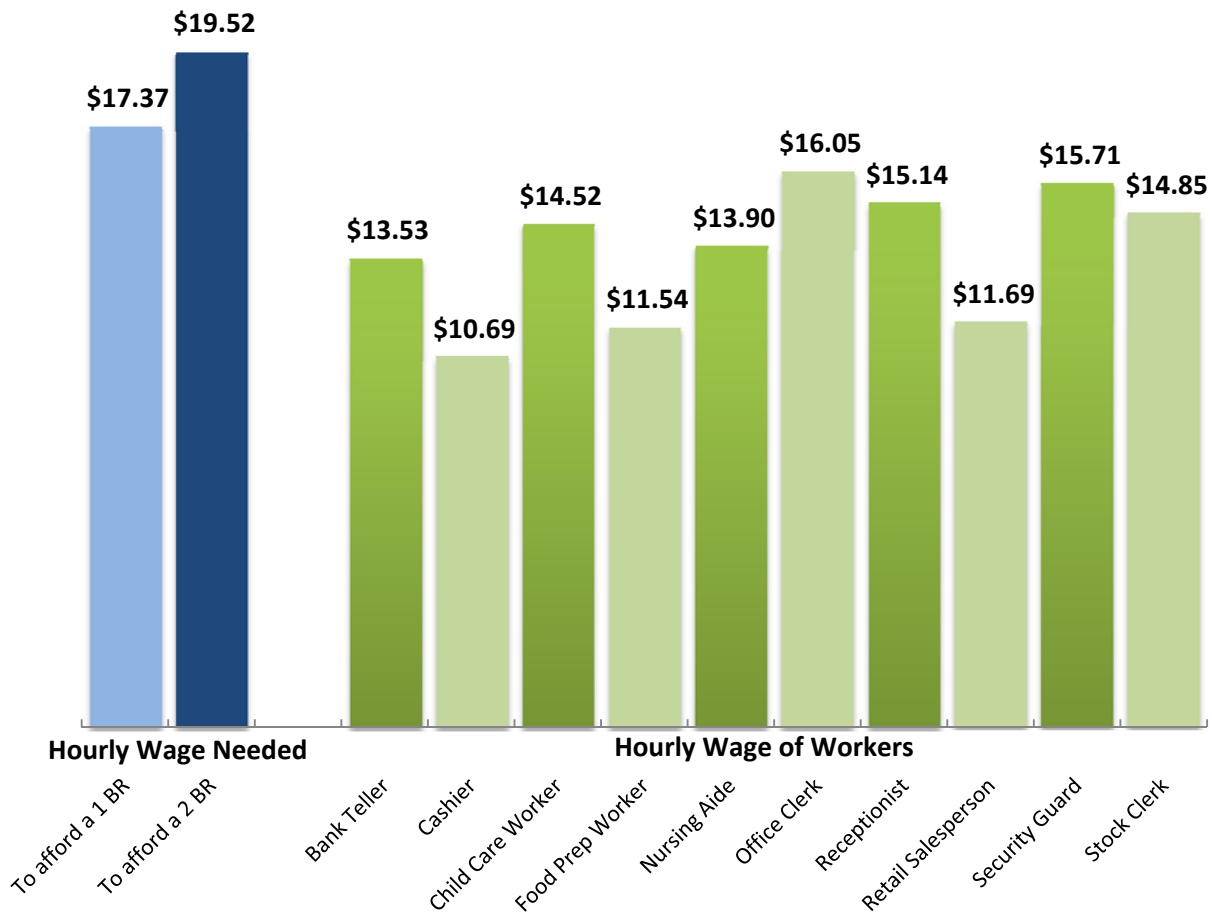
Rental Affordability

According to *Paycheck to Paycheck*, an average one bedroom apartment in Chicago costs **\$903 per month** and an average two-bedroom unit rents at **\$1,015 per month**. This means that a worker would need to earn at least **\$17 an hour** to afford a typical one bedroom apartment in Chicago, and at least **\$19 an hour** to afford a two-bedroom apartment.

The following graph illustrates just how much workers from essential occupations earn. Bank tellers, who earn about \$13 an hour, would have to work 52 hours a week to be able to afford a typical one-bedroom apartment in Chicago. For a food prep worker, earning about \$11 an hour, this would amount to 61 hours a week.

Rental Market

2009 Chicago Fair Market Rent: 1 Bedroom Unit: \$903/month 2 Bedroom Unit: \$1,015/month



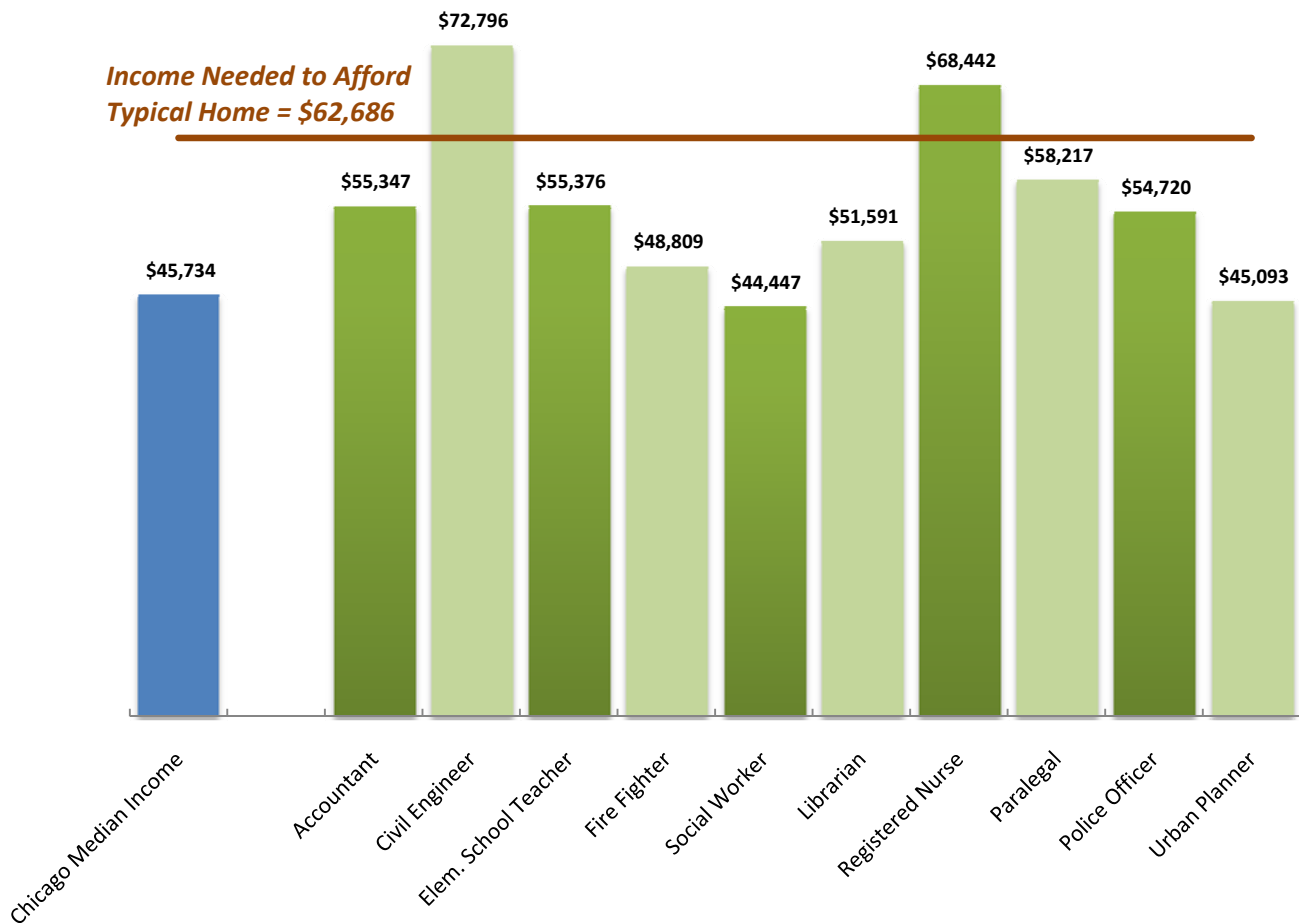
Homeownership Affordability

In 2009, the median income for Chicago was **\$45,734**. According to *Paycheck to Paycheck*, a median priced home in Chicago in 2009 is \$210,000. This means that in order to be able to afford to purchase a typical home in Chicago, one would need to earn at least **\$62,686** a year.

The graph below shows that those with occupations that provide crucial city and social services such as teachers, firefighters, social workers, and police would find homeownership in Chicago difficult to attain even with salaries that are well above the city median income.

Homeownership Market

2009 Median Home Price : \$210,000



Housing Creates Jobs and Revenue

The continuing mismatch in housing cost and income is detrimental to the economic health and vitality of Chicago's communities. The creation of affordable housing not only generates jobs, wages, and local revenue but also creates a citizenry who are able to participate in the local commerce because they can afford to do so.

The impact of housing creation in Chicago can be estimated based on a model by the National Association of Home Builders (NAHB). According to NAHB, the impacts of housing creation on the local economy are captured in three phases: 1) direct construction activity, 2) the ripple effect from construction activity such as wages and profits from construction, and 3) the ongoing effect from taxes and revenue generated by occupants of the new home.

Research from the NAHB shows that for every 100 multifamily units in a typical metro area, the local impacts for one year include **\$7.9 million in local income** and **\$827,000 in taxes and revenue** generated for local governments, and **122 jobs** supported. Additionally, the annual recurring impacts using the same variables are **\$2.3 million in local income**, **\$395,000 in taxes and revenue** for local governments, and **32 local jobs**.¹

Local Impact in the City of Chicago and Metro Area

In 2010, the City of Chicago Department of Housing and Economic Development reports assisting 890 units in newly constructed affordable housing developments². Using NAHB's model, construction activity last year for these new developments generated **\$70 million in local income**, **\$7 million in taxes and revenue**, and supported **1,086 jobs** in the metro area. The ongoing, annual impacts resulting from occupants participating in local commerce are **\$20 million in local income**, **\$3.5 million in taxes and revenue**, and **285 local jobs**.

Units Created in Newly Constructed Multifamily Housing, 2010

890

Total One-Year Impact for Chicago Metro Area

Local Income	Taxes and Revenue	Local Jobs
\$ 70,310,000	\$ 7,360,300	1,086

Ongoing, Annual Impact for Chicago Metro Area

Local Income	Taxes and Revenue	Local Jobs
\$ 20,470,000	\$ 3,515,500	285

¹ Local impacts include direct and indirect impacts for residents and local jurisdictions within the metro area. *The Local Impact of Home Building in a Typical Metro Area Income, Jobs, and Taxes Generated*, National Association of Home Builders, June 2009

² Approved New Multifamily Developments, City of Chicago Department of Housing and Economic Development Quarterly Progress Reports, 2010