

Insurance crunch hits housing

by Cris Isaza

This year for the first time nonprofit developers became concerned that they wouldn't be able to find property insurance at all for their buildings. They did eventually find insurance, but all are paying the price: skyrocketing premiums.

Over the last six months, insurance companies have been pulling out of the Chicago market, leaving behind a number of property owners and organizations with very few places to turn. This phenomenon is occurring in most major metropolitan areas, and has the effect of a widespread form of redlining.

"It used to be easy to determine when one insurance company was redlining certain portions of the city," explains Bill Foster, director of the Chicago Rehab Network. "Now we have a num-

ber of companies that are simply not underwriting in the city at all."

The lack of competition is causing insurance premiums to skyrocket. Increases of 150% are not uncommon. "The increase in insurance premiums

"It used to be easy to determine when one insurance company was redlining. . . . Now we have a number of companies that are simply not underwriting in the city at all."

has been so significant that the new premium in one of our buildings is now as high as the building's property taxes," notes Mike Rohrbeck of PRIDE. Another Rehab Network group had to buy insurance from three different companies in order to have adequate coverage for its building.

This method of acquiring insurance is

a step backwards. It is a return to the way insurance was sold thirty years ago, before insurance companies became increasingly sophisticated and began to offer their customers packages. It makes insurance purchase an inefficient, complicated, and extremely expensive transaction.

The high cost of insurance has a dramatic effect on all Chicago neighborhoods, and especially on low- and moderate-income housing. Costly premiums increase a building's operating expenses. This increase is immediately passed on to the tenants.

Let's take a six-unit building whose total insurance premium amounts to \$1500 (covering September '84 to September '85). A 150% increase in insurance premiums to \$3750 would represent a \$2250 increase in operating expenses or a \$31.25 increase per apartment per month. This increase, in addition to increases in utilities and other operating costs, makes the development and rehab of low- and moderate-income housing an extremely difficult task.

Insurance companies claim that losses due to excessive claims and litigation make it necessary to raise insurance premiums. However, claims from property owners to insurance companies represent a very small percentage of their total claims. Home and real estate owners are actually carrying the cost of health and automobile claims.

All insurance clients are also bearing the cost of their insurance companies' inability to reinsure themselves. By reinsuring themselves the insurance companies spread their risk. Reinsurance is provided by the largest insurance companies, such as Lloyds of London, but recently reinsurance has been almost impossible to find, because of excessive

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IHDA controversy builds

(Part 1 of a 2-part series)

by Mike O'Connor

IHDA, the Illinois Housing Development Housing Authority, is the agency everyone loves to hate—except perhaps profit-oriented developers specializing in lake front high rise apartment buildings.

The controversy over this agency has

taxes, and then use the proceeds to make below-market loans to developers for rehabilitation or new construction of housing.

To date, IHDA has about \$1.5 billion in loans outstanding, and it has financed more than 30,000 units of housing

IHDA's current major controversy involves its commitment to finance construction of a luxury high rise in Lincoln Park.

been slowly building for years and is likely to receive serious attention by the Illinois General Assembly during 1985.

IHDA is a housing finance agency charged under the Illinois Housing Development Act with promoting the availability of affordable housing for low- and moderate-income residents of Illinois. IHDA's primary function is to sell bonds which are exempt from federal income

throughout the state. This year the General Assembly provided an additional \$1 billion in bonding authority to IHDA, as part of the housing initiative for Build Illinois.

The chief criticism of IHDA is that, although its mandate is to promote low- and moderate-income housing, the vast majority of its projects do not do so.

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²*Linked development: the wave of the future?*

by Deb Weiner

"Linked development" could shortly become the next big battleground for residents working to build Chicago's neighborhoods.

Linked development calls for developers of downtown commercial projects to make mandatory contributions to a city-wide fund that would be used to finance neighborhood improvements. It is a policy that strives to create balanced growth, and is based on the premise that a booming downtown ultimately does a city no good if the neighborhoods are allowed to deteriorate. Both San Francisco and Boston have successfully launched linkage programs, despite the same kind of initial resistance from developers that has immediately greeted proposals for linkage here in Chicago. (See accompanying article.)

"What has happened for many years is that downtown has continued to boom while the neighborhoods have been allowed to deteriorate," says Joe Crutchfield, leader of the Save Our Neighborhoods/Save Our City Coalition (SON/SOCC). "We feel it's time for downtown development to contribute to the neighborhoods."

Crutchfield points out that for years, taxpayers in the neighborhoods have been subsidizing downtown development. A recent study funded by the Joyce Foundation backs up this claim, showing that 33 percent of the city's capital budget is spent on only two areas, the Loop and O'Hare. By establishing a linked development policy, the city makes a firm commitment, backed not by rhetoric but by cash, to neighborhood development. It sends a clear signal of a change in priorities toward a more balanced use of resources.

SON/SOCC, a coalition of white ethnic northwest and southwest side groups, originated the drive to bring linkage to Chicago. The concept was endorsed by more than 1000 delegates at the group's 1984 convention. SON/SOCC brought the idea to Mayor Washington, who then set up an advisory committee of business, community, and civic leaders last September to study the issue and make recommendations.

Two months ago, the advisory committee issued a draft report, which calls for the establishment of a linkage fund

and makes recommendations for its implementation. The report elicited expressions of support from community groups all across the city, as well as the downtown civic organizations. But it drew immediate fire from developers and business interests.

Crain's Chicago Business and the *Tribune* immediately responded with scathing editorials. Five developers on the advisory committee came out with a minority report which refuted the committee's conclusions. The Greater State Street Council, the Chicago Association of Commerce and Industry, the Chicago Board of Realtors, and the Chicago Federation of Labor came out against the proposals.

So what are all these people so upset about? Here are the report's recommendations for possible sources for a fund

The fee is based on the legal premise that new office development creates service sector employment growth. This growth attracts white collar workers to the city, which puts pressure on the housing market, creating an affordable housing crunch. Money from this fee would go specifically to create affordable housing.

Developers claim that such a tax will bring downtown development to a halt. According to a Shlaes & Co. report, although downtown is indeed experiencing tremendous growth, its success is extremely fragile. The suburbs are garnering an ever-increasing share of the metropolitan market, and a new tax would "accelerate a move to the suburbs by major downtown employers."

Linkage critics dispute the notion that the neighborhoods subsidize downtown growth, saying that in fact it is the other

By establishing a linked development policy the city makes a firm commitment, backed not by rhetoric but by cash, to neighborhood development. It sends a clear signal of a change in priorities toward a more balanced use of resources.

which would finance neighborhood housing and economic development projects:

- An exaction fee of \$10 per square foot on new office space over 50,000 square feet, to be paid out over five years.

- A yearly 10¢ per square foot use tax on all occupied office and commercial space in the city.

- Application of the real estate transfer tax to land trusts.

- Elimination of insurance companies' exemption from local taxes.

- Allowance of exemption from zoning setback requirements in exchange for contributions to neighborhood development.

All neighborhoods would be eligible for linked development funds. Projects must provide either affordable housing or economic development (job creation). Also, the project must "reflect the involvement of neighborhood-based organizations in the area," and sponsors must show that the project would not be able to go forward without linked development funds.

The proposal that makes the developers most irate is the exaction fee, which in effect is a tax on downtown building.

way around. At a recent Trust Forum, Charles Gardner of the State Street Council noted that although downtown occupies only 1 percent of the city's land, it provides 34 percent of all jobs and pays 23 percent of all real estate taxes. He claims the downtown economic boom is keeping the city going. The central business district is "the only positive economic generator in the city of Chicago," Gardner stated. "To kick it in the butt before it gets off the ground is ill-advised."

Furthermore, there is no housing shortage in the city of Chicago, claim the critics of linkage. Along with expansion of the service sector, there has been a corresponding expansion of housing in such neighborhoods as Lincoln Park, the Near North, and the Loop.

"We have no severe housing shortage," stated developer Jared Shlaes at a recent public hearing on linked development. "We are in fact in the process of eliminating buildings and housing units that are surplus to our declining population," he explained. "I can point to pages and pages of want ads in the *Reader* and in the Sunday papers . . . there is an ample choice of rental housing and con-

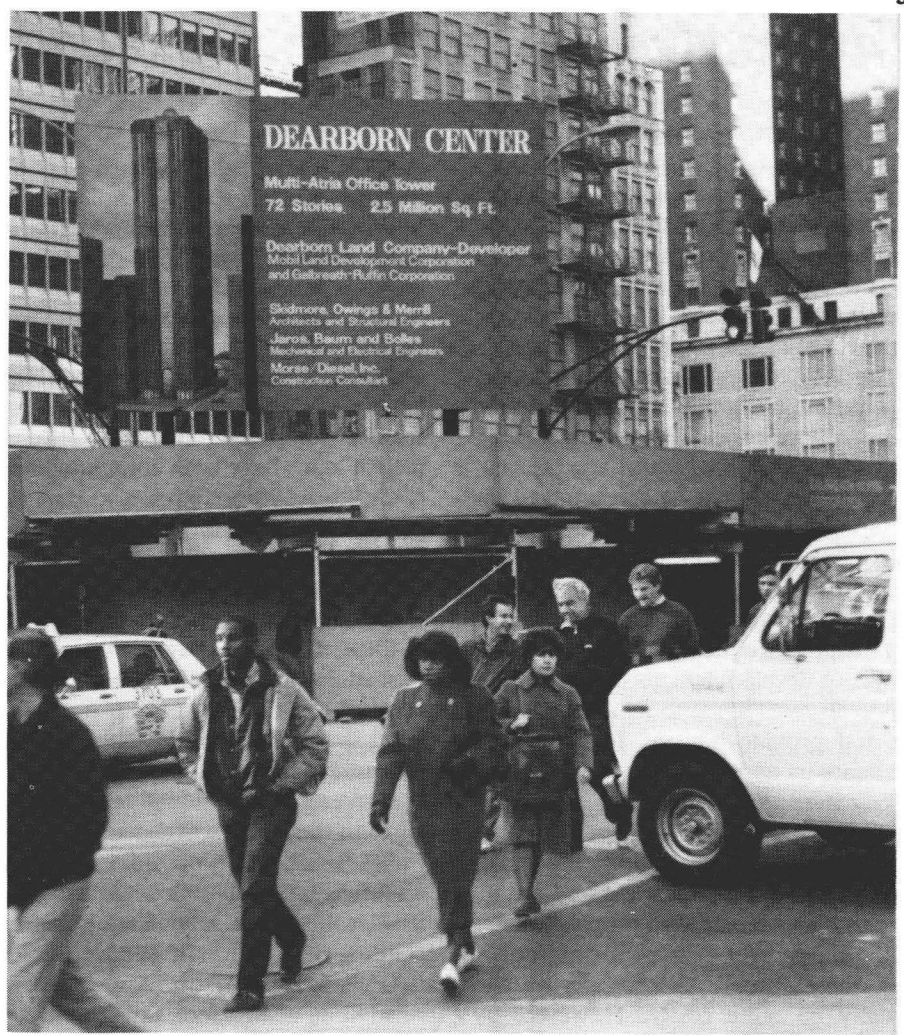
dominium housing available in the city of Chicago, and if (people) cannot afford it their problem is financial.”

Proponents of linkage do not buy any of the critics’ arguments. Developers have so far offered no hard evidence that an exaction fee will indeed drive development to the suburbs. They have refused to reveal figures on the costs and profitability of downtown development. The office boom is not as fragile as they claim, says Crutchfield. “We have more confidence in downtown than that.”

Neighborhood activists also scoff at the notion that there is no housing problem in Chicago. While select lakefront neighborhoods have seen an infusion of investment, the majority of Chicago’s neighborhoods have suffered for years from deterioration and disinvestment. These neighborhoods have suffered a tremendous loss of housing units, for which no amount of luxury high-rise development can compensate.

Meanwhile, skyrocketing rents in such neighborhoods as Lake View and Lincoln Park have resulted in massive displacement, putting pressure on the housing market citywide. Housing options are becoming more and more limited for low- and moderate-income people. While statistically there might not be a shortage of units per number of residents, in real terms there is certainly a severe shortage of affordable housing in this city.

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Will new downtown developments such as this one soon be contributing to neighborhood improvements? (Photo by Deb Weiner)

Linkage: a tale of two cities

San Francisco and Boston both have linked development policies.

San Francisco’s Office of Affordable Housing Production Program, passed in August, gives the developer of a new downtown office building the choice of actually building housing or else paying a fee, with both charges determined by separate formulas.

The number of required housing units, which must be affordable to low- and moderate-income people for 20 years, is equal to a building’s total office space times .00386. The fee is \$5.34 per square foot of office space above 50,000 square feet. Developers must also pay \$5 per square foot into a transit fund, \$2 per square foot toward a downtown park, \$1

per square foot to a child care fund (or provide child care centers in their buildings), and one percent of construction costs on public art.

The office boom during the last several years in San Francisco has caused a critical housing shortage. As white-collar workers pour into the city, gentrification and increasing competition for housing have caused displacement in many areas, and skyrocketing rents across the whole city. Housing activists have been fighting for linkage and balanced growth since 1970.

In 1977, linkage “in a very imperfect form” was begun by the city, according to housing activist Calvin Welch of the San Francisco Information Clearing-

house. The city allowed a downtown project greater density if the developer agreed to build housing in addition to office space. But this incentive made no dent in the housing crisis, so in 1981 a new, complicated system involving housing credits was enacted. This system was also based on incentive, and also proved to be a flop. Both these programs were done through administrative channels requiring no changes in law. Finally this August the city’s supervisors passed the kind of ordinance activists had been pushing for all along: a mandatory contribution on the part of a developer to create housing in the neighborhoods.

A variety of community groups parti-
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Tax reactivation: good news and bad

by Roberta Warshaw

The last six months have seen steady progress in Phase I of the Cook County Tax Reactivation Program (TRP).

However, Phase II of the program is in jeopardy because of a court challenge to the county's scavenger sale.

The TRP allows nonprofit developers to acquire multifamily buildings for free at the County's biennial "scavenger sale" of tax delinquent properties. The Chicago Rehab Network acts as screening agent and coordinator for the program.

In 1983 legislation was enacted enabling Cook County to make a non-cash bid on multifamily property at the sale and then transfer title to a neighborhood nonprofit development corporation. The nonprofit must agree to rehab the building and provide housing for low- and moderate-income residents for 15 years. Since scavenger sale buildings have been tax delinquent for five years or more, the buildings usually have additional problems related to disinvestment and are in need of costly repairs and rehab. Because of the many problems with such buildings, these "free" TRP properties can actually be quite costly. However, by acquiring and rehabbing them, community organizations can stabilize blocks and save much-needed housing from

abandonment.

When we last reported on the fourteen Phase I buildings acquired in 1983, slow but sure progress had been made by gaining clear deed to the properties, which had all been taken to court by the previous owners. (See Rehab Network Newsletter, May, 1985.) In the last six months, the next step has been successfully completed: loans have been committed on 13 of the 14. As we go to press, at least eight of the loans have gone on to closing, and the others are right behind. Two buildings have been completely rehabbed, and others are in various stages of repair.

Phase I showed that the TRP accomplished its main goals: more than 500 units of affordable housing were saved from abandonment, and all the buildings returned to the tax rolls.

However, this past fall, a court challenge to the entire scavenger sale has put Phase II of TRP on hold. The 1985 scavenger sale was scheduled to be held in October, but has been postponed pending clarification of a court ruling.

On September 18, the Appellate Court ruled that insufficient notice had been given to delinquent property owners that their buildings would come up for sale. In the past, the Cook County Treasurer

simply published the list of properties in the newspapers, because delinquent taxpayers frequently receive notice of overdue bills at other times during the year. The court opinion requires the Treasurer to mail notice of the sale to the owners of the 32,000 parcels on the scavenger sale list. However, it is still unclear whether this mailing will actually constitute sufficient notice, or if other measures will also need to be taken.

While the case continues to be litigated, Cook County Treasurer Ed Rosewell is reluctant to spend \$50,000 to mail out notices, and possibly another \$58,000 to republish the list of properties. He has informed members of the Rehab Network that his 1985 budget is insufficient to absorb these costs. Rosewell is hoping that the Court will modify or reverse its demand, or if not, that the County will budget additional funds.

Meanwhile, although the scavenger sale is temporarily postponed, nonprofit groups are poised to expand on the success of Phase I. This year, 14 groups will try to obtain 48 buildings with more than 1300 units of housing, compared to 1983, when six groups acquired 14 buildings adding up to 500 units of housing.

This year's program has been expanded to include groups without prior development experience, if they could show that they have hired capable, experienced staff who have rehabbed and managed multifamily property. The Network accepted applications through September 11. After analysis of the applications, including the capabilities of each group related to the building(s) they had chosen to apply for, and site visits to determine the feasibility of the properties, the Network approved the 48 projects which met the programmatic goals.

The great danger for both the County and the nonprofit groups, not to mention the neighborhoods, is that many of the scavenger sale buildings will not remain standing if the sale is postponed for more than a few months. It's ironic that the innovative TRP, which successfully survived numerous court challenges in the two years of its existence, is now temporarily held hostage by a threat to the scavenger sale, which had been operating unimpeded for the past 25 years until now.



This PRIDE building at 36 N. Menard was the first completely rehabbed TRP project.
(Photo by Deb Weiner)

COMMUNITY FORUM

Three states announce new housing initiatives

California Gov. George Deukmejian last month signed into law legislation establishing a \$20 million annual housing trust fund to finance low- and very-low-income housing projects and the rehab of farm labor housing.

Money for the trust fund will come from taxes on offshore oil production. According to state officials, the trust fund may be the first in the country to provide a steady source of non-general-fund revenues for low-income housing. Deukmejian has been criticized by a coalition of housing groups for vetoing most low-income housing legislation passed in

1984. The coalition has urged that housing legislation be a top priority this year.

The housing fund is one of several trust funds to be financed from the Tidelands Oil Fund, which is based on revenues from offshore oil production.

State housing finance agencies in West Virginia and Rhode Island have taken steps to direct a portion of their low-interest mortgage funds to lower-income home buyers.

The agencies will fund 30-year home loans with proceeds of recent mortgage revenue bonds. In West Virginia, \$4.2 million of the \$92 million generated by

the bond issue will be targeted to low-income home buyers at reduced interest rates. The remaining funds will be available to borrowers with annual incomes of less than \$45,000. The reduced rates to lower-income borrowers will be subsidized by the higher rates charged to other borrowers.

The Rhode Island Housing and Mortgage Finance Corporation has adopted new geographic and income targeting mechanisms for its latest mortgage bond issue that are intended to steer mortgage funds to the neediest neighborhoods and households. Ten percent of the \$93 million in lendable proceeds will be reserved for up to one year for loans to low-income borrowers buying homes in neighborhood revitalization areas, which are blighted areas containing one-fourth of the state's population. Another 10 percent will be held for loans to low-income borrowers purchasing homes in other areas. Both allocations are for qualified borrowers with annual incomes below \$19,500. *From the Housing and Development Reporter.*

Phoenix develops subsidy program

The City of Phoenix is stimulating the production of low-income rental housing with a flexible new developer-funded rent subsidy program.

The program is mandatory for apartment projects financed with tax-exempt bonds issued by the city's Industrial Development Authority. Housing will be affordable to households with incomes of 65 percent or less of median area income, paying no more than 30 percent of their incomes for rent.

Subsidies will be paid quarterly to landlords from a central trust fund to reduce rents for 10 years on at least 5 percent of the units in each project. A formula is used to calculate the maximum annual amount of rent assistance per project. Landlords who don't expend at least 50 percent of the annual allocation

forfeit a portion of the subsidies.

The program gives landlords wide flexibility on how to fulfill the spending requirement. Within certain limits, they can decide the number and type of apartments to receive subsidies, and the amount of subsidy per unit.

The first subsidies will go to 16 units in the 310-unit Pebble Creek project. Rent subsidies will be funded by an up-front contribution of \$76,000 made by the developer plus future interest earnings on such monies. The payment by developers into the trust fund is equal to 1 percent of the size of the bond issue for new construction projects and .5 percent for rehab projects. *From the Housing and Development Reporter.*

Facade program draws big response

The City of Chicago's recently announced Housing Facade Program met with such overwhelming response that no new applications are being taken.

The \$1 million program will provide grants to owners of 1-6 unit buildings for exterior improvements. "The huge outpouring of interest in the program clearly signals a need felt throughout the city," said a Dept. of Housing spokesperson. "We would like to help meet this need, but we are strapped by our funding limits."

The grants can go toward tuckpointing, storm windows and doors, weatherstripping, landscaping, painting, siding, front porches, gutters, downspouts, and other exterior improvements.

Grants will be provided for 50 to 100 percent of eligible improvement costs, based on the median income of the census tract in which the improvements are being made. Grants will not exceed \$1,000 per building; the balance of the cost must be paid by the applicant.

Groups of property owners who wish to jointly improve their properties are eligible, as long as 51 percent or more of the buildings on the block are included.

Access Center starts computer network

The Access Center has formed a network of community groups to share computer information. Organizations interested in the purchase of computer hardware or software, or who need assistance analyzing their needs, should call the Access Center for referrals at 638-8700.

Information on TA, funding sources, and general community reference data is also available at the Access Center's recently-opened Technical Assistance Resource Center, located at 3040 W. Walnut. The Center is open daily, Monday through Friday. Potential users are asked to call at least one day in advance, 638-8700.

Publications available at Donors Forum

The Grantsmanship Center recently published its annual *Whole Nonprofit Catalog*. It contains "a compendium of sources and resources for managers and staff of nonprofit organizations," as well as the Center's schedule of training programs. Also included are an article on computers and nonprofits, a glossary of philanthropic terms, and a listing of state directories of grantmakers.

The Urban Institute recently released two studies: *Government Spending and the Nonprofit Sector in Cook County/Chicago*, and *The Chicago Nonprofit Sector in a Time of Government Retrenchment*.

All of the above publications are available free of cost at the Donors Forum Library, 208 S. LaSalle St.

Coalition fights housing abandonment

by Kim McReynolds

The city's Housing Abandonment Prevention program successfully completed its six-month pilot phase on September 30, and as of December 1 will become a permanent program of the Dept. of Housing.

The basic framework of HAP is to stop the abandonment of existing multifamily rental housing in Chicago by strengthening the capacity of community-based organizations to target buildings in their neighborhoods and provide assistance to owners and tenants to stabilize those buildings.

Most of HAP's \$1 million pilot-phase budget was allocated to the Emergency Repair Fund. The ERF makes low-interest, deferred payment loans to community groups, individual property owners, and court-ordered receivers all over the city. These funds are available for the repair of dangerous and hazardous conditions in multifamily buildings

which provide low-income housing.

Almost the entire \$652,000 six-month Emergency Repair Fund has been allocated. Since the program began last April, repairs have been made in 39 buildings containing more than 1100 housing units. These figures surpassed DOH's original objective to service 360 units of low-income housing during the pilot phase. The ERF will also be a feature of the permanent HAP program.

But the HAP program is more than a fund for targeted buildings. It is a partnership between the city and the community to accomplish the difficult task of saving affordable housing in Chicago's neighborhoods.

Together, community organizations and several city departments, spearheaded by DOH, intervene in buildings which have life-threatening conditions. DOH funds ten community groups to offer counseling, technical assistance,

and organizing skills to concerned property owners and tenants in troubled buildings. Each neighborhood has pooled existing resources to build an alliance between community residents, organizers, housing developers, property managers, and legal service professionals to target and revive buildings that are on the track to abandonment.

While HAP is designed to strengthen the capacity of individual neighborhoods to save their own housing stock, it has also increased communication between the different groups on a city-wide level. In April, nine of the community organizations with HAP contracts formed the Chicago Housing Consortium: Bethel New Life, SACCC, Lawndale People's Planning and Action Conference (LPPAC), Eighteenth Street Development Corp. (ESDC), Grand Boulevard HAP project, WECAN/Covenant HAP project, South Shore Commission (SSC),

Equity fund channels private sector dollars to housing

by Patrick Johnson

Chicago has never been a city that waited to be shown the way, and traditionally has turned need into opportunity for leadership and innovation.

The current crisis in affordable low-income housing has provided the motivation for Chicago to create an entirely new way for nonprofit community housing developers to access the investment capital of large corporations and use it to reduce development costs and interest expenses for low-income housing rehabs.

Through the Chicago Equity Fund, a nonprofit organization newly formed as part of the Chicago Housing Partnership, Chicago-based businesses are becoming "silent partners" in low-income rehab projects. The Chicago Housing Partnership was created this past year to bring the resources of government, the lending community, and the corporate sector together to address Chicago's affordable housing crisis.

Chicago Equity Fund is the corporate part of this formula, providing a way for companies to invest large amounts of

equity (up to 25 or 30 percent of total costs) in return for tax write-offs while allowing the nonprofit sponsors to retain operating control.

The corporations investing in the fund to date are: Amoco, Commonwealth Edison, Dart & Kraft, First National Bank of Chicago, Harris Bank, Illinois Bell, Illinois Service Federal S&L, Johnson Publishing, Peoples Gas, Quaker Oats, Sara Lee, Sears, Soft Sheen, and the Tribune Co.

Community housing developers have always had the same primary problem to deal with: where to get the money for projects. The answer has taken only a few forms, namely the old standbys of government subsidies (grants, loans, insurance or rental assistance); grants or "slow loans" (those you can take your time repaying) from charitable organizations and individuals; and more conventional loans, often with a reduced interest rate, from more typical lenders like banks, S&Ls or insurance companies who are motivated to participate out of a desire to help and a fear of regulatory

sanctions if they don't.

Largely missing from this picture has been an element that is a necessity in most other kinds of development projects, housing or otherwise: the owner's capital investment, better known as equity or "the downstroke." It has been possible for projects to happen without equity primarily because they were sponsored by nonprofit organizations for the community good (meaning that lenders would be flexible about their usual requirement for a minimum "down payment"); grants and low-interest loans were readily available from government sources for large portions of the cost; and with the use of rental assistance ("Section 8") subsidies, paying "real" interest on a lot of the financing was economically feasible. This situation has, in recent years, changed dramatically.

Though all government support for housing has been drastically reduced, the most significant and direct loss for community-based housing developers has been the withdrawal of Section 8

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Northeast Network (NEN), and the West-town Network.

Twenty-two organizations around the city contribute to the Consortium. SACCC and Bethel work together in South Austin and West Garfield. LPPAC is working in nearby Lawndale and ESDC is active in Pilsen. Moving farther south to the Grand Boulevard area, the Chicago Urban League is assisting the Center for New Horizons and Grand Boulevard '76 Community Organization. In Woodlawn, WECAN works with Covenant Development Corp. In South Shore, SSC is working with The Neighborhood Institute.

On the north side in Uptown, Edgewater, and Rogers Park several organiza-

tions are working together: ONE, Voice of the People, Rogers Park Tenants Committee, Rogers Park Housing Services Center, and Peoples Housing. On the near northwest side, NCO, Bickerdike, LUCHA, and the Spanish Coalition for Housing are working together.

Three legal resources work with the Consortium. The Lawyers Committee for Better Housing, the Legal Assistance Foundation of Chicago, and the Mandel Legal Aid Clinic provide counsel in housing court and are researching important legal issues raised through the Consortium's efforts in HAP.

The Consortium's approach to fighting housing abandonment through HAP is to deal with the complete housing picture:

the tenants, the owner, the building, and the community itself. The groups apply technical, legal, and people-oriented solutions using a variety of resources. To set the HAP process in motion, the organization must first identify buildings that can be stabilized by the use of emergency funds and counseling.

During the past two years, an increasing amount of data has become available to community organizations to aid in targeting these buildings. The City's Affirmative Neighborhood Information Program (ANIP) provides a breakdown, by community area, of the buildings currently in housing court. The Illinois Commerce Commission (ICC) also
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The HAP process: one group's experience

In Woodlawn, on Chicago's south side, Woodlawn East Community and Neighbors (WECAN) and Covenant Development Corporation have joined forces to work on HAP.

WECAN is a community organization that has been fighting housing problems and other issues like crime and unemployment in Woodlawn for the last six years. Under HAP, WECAN organizes tenants, owners and community residents to fight to save housing in Woodlawn.

Covenant Development Corporation is a nonprofit housing development corporation that provides WECAN with technical assistance such as inspecting buildings for code violations, estimating cost of repair work, lining up contractors to bid on repair work, monitoring the actual contract work done at the building.

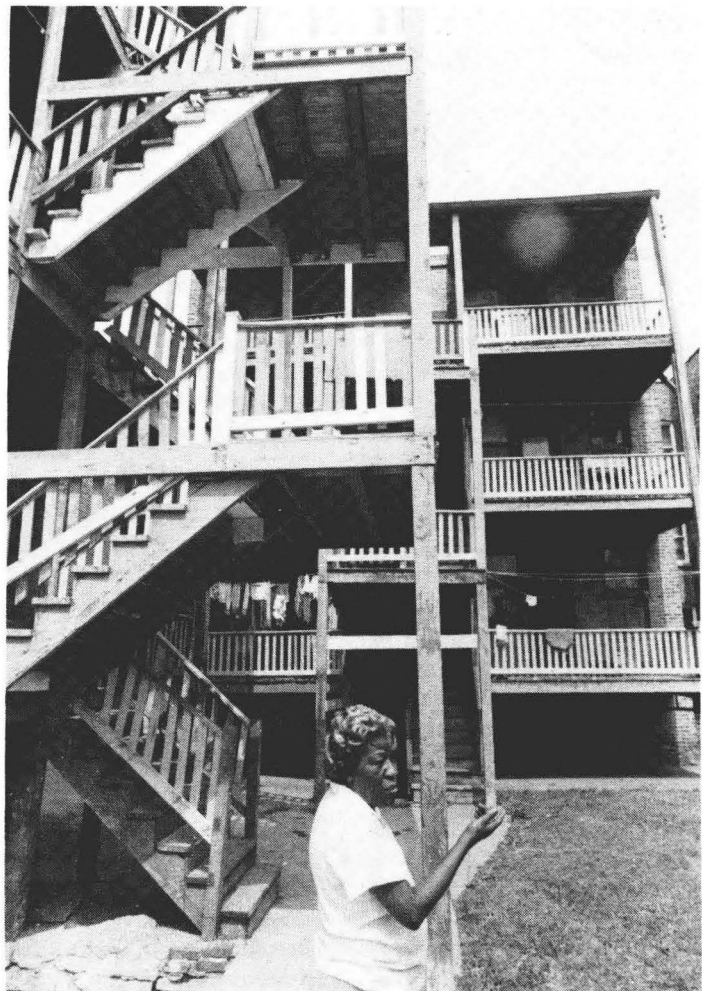
When HAP began, WECAN made a list of properties in the area that were headed toward abandonment. For its first project, WECAN took on a building it had been working with for months. Mattie Butler, executive director of WECAN, states simply, "I felt like they invented the HAP program for this building! Through the HAP program, we were able to get \$33,780 pumped into this building to deal with the dangerous and hazardous conditions. That HAP loan made the difference."

WECAN had been working with the building since December 1984, when the tenants called the WECAN office and asked for help. The gas had been turned off and the back porches were very dangerous. The tenants' efforts to get in touch with the owner had failed and they

were frustrated and cold.

Working with the Englewood Legal Assistance Foundation (LAF) office the tenants went to court and petitioned for

a utility receiver. WECAN found that the building was owned by a speculator who purchased the property and vacated it with the hope of converting it into condos. But condo laws changed and he
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(Photo by Bruce Powell, courtesy Ted Hearne & Assoc.)

Tenant Sadie Wilson worked with WECAN to save her building. The back porches were particularly dangerous, and repairs are now underway.

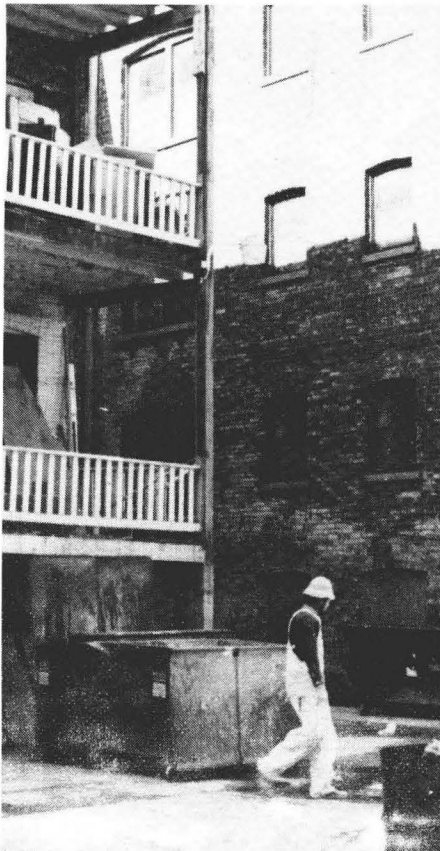
A morning at Peoples Housing

by Joe Gatlin

Peoples Housing is a community-based housing and economic development group located in the North of Howard area of Rogers Park. Six years ago we did not exist. Four years ago we had a small board of directors, one staff person, no buildings, and no tenants.

My goal for this article was to write about a "typical day" nowadays at Peoples Housing. But I very quickly realized that this was a bit ambitious. Here, then, is a somewhat typical *morning*, which gives a little idea of the frenetic, sometimes chaotic, but always purposeful activity that now surrounds Peoples Housing.

4:30 a.m.: A bleary-eyed executive director staggers into PH's basement office, plugs in the coffee pot, and finds about two hours of peace and quiet to work on budgets, correspondence, or grant proposals.



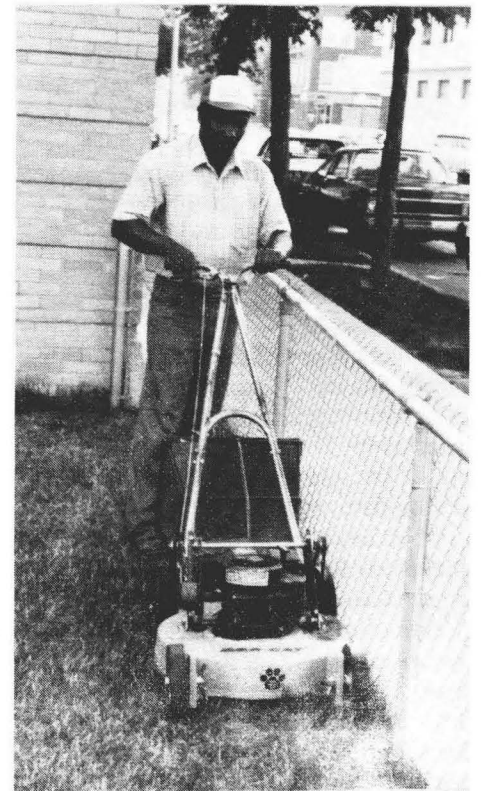
5:30 a.m.: Many of the working, low-income households living in the 123 units in six buildings begin to stir. A lot of people work cleaning jobs in the nearby northern suburbs and have to leave the apartment by 6:30 a.m.

6:30 a.m.: The two janitors begin their daily rounds of picking up the previous evening's trash. One works on cleaning the paper-cluttered PH office before he goes across the alley to the community tot lot owned by PH and donated by the Amoco Foundation.

7:30 a.m.: The six-person Peoples Landscaping crew arrives. PL was a neighborhood business begun by Peoples Jobs to provide neighborhood jobs. The two crews get their assignments. One leaves in the old green truck to work on a landscaping contract at a housing development on the South Side being done by City Lands. The other crew takes off in the gold van to do some half-dozen maintenance contracts primarily on the North Shore.

8:00 a.m.: Construction workers arrive at the rehab site of PH's fifth building, the Juneway Commons. Two of the subcontracting crews are composed entirely of neighborhood people. The general contractor is pulling his hair out as he

tries to figure out how to keep the construction going while drywall is nowhere available in the city and when the rehab is 25% complete, but no money has been drawn due to our inability to close with the Illinois Housing Development Authority on the financing.



The bookkeeper, a PH tenant, arrives at the office, officially opens it up, turns on the coffee again, and immediately starts answering the incessantly ringing telephone. She also begins writing the daily average of fifteen to twenty checks disbursed from the ten different checking accounts.

The rest of the staff starts drifting in.

8:35 a.m.: The landscape supervisor blows in and wants a check for \$1,000 for materials. The bookkeeper blows up and the director of job development starts pulling out his hair.

8:40 a.m.: The director of housing development runs out the door to head to housing court. PH is a defendant in court on its two buildings that are not yet rehabbed.

8:59 a.m.: A tenant calls to report a leaky pipe. The property manager isn't in yet. The maintenance engineer is paged.

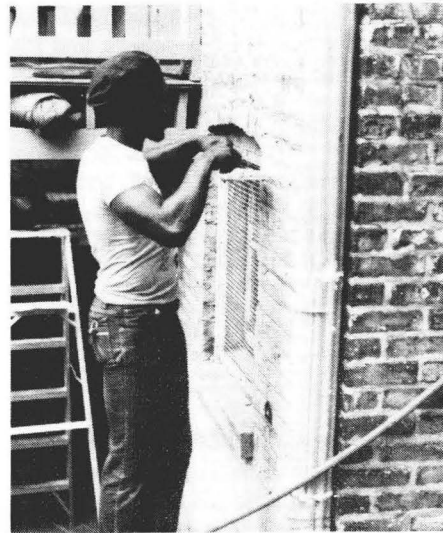
9 a.m.: A meeting starts in one corner of the office with two PH tenants, the executive director, and an intern from the Tribune Charities about the feasibility of setting aside some PH units for the mentally retarded.

9:30 a.m.: The tenant organizer convenes a meeting with her committee on the composition of the *Tenants International Cookbook*, a tenant fundraiser.

9:35 a.m.: The PH president and the property manager begin a series of interviews with prospective tenants for the Juneway Commons. By this time there is no more room in the office and they retreat to an unfinished room in the basement.

10 a.m.: A bottleneck begins to develop around one of the computers as the administrative assistant tries to get the bookkeeper off of it so the labels can be run for the next newsletter.

10:05 a.m.: The carpenter who is working on the new office addition in another part of the basement comes in asking for a vehicle to go get some additional materials. There is a scramble to see who has a car large enough to go get the lumber.



WHEW!! By this time the author is exhausted, the reader is probably beginning to find the material tedious, and the day is still young. In addition to the constant managerial and maintenance functions, there could be countless other activities happening on this day including, but not limited to, work on one of the Housing Abandonment Prevention buildings, clean-ups of basements for tenant activities, and countless meetings on such topics as the development of a community park, cooperative development, and common programming with other local or city-wide groups.

This description of a single morning's activities at Peoples Housing helps to demonstrate that the impact of community-based housing development extends far beyond the direct benefit of new or rehabilitated homes. The work provides a base for new jobs and job

training in the community, for economic development by providing low-income people with more disposable income after their rent is paid, and for leadership development through the growth and building of the organization.

Community-based development organizations are always being faced with the tension of having a business agenda based on human and community needs. The business community often fails to recognize us as a business since we are not for-profit; and the nonprofit charitable world seems hesitant to recognize us as one of their own since we are more development than service oriented. Yet the work of groups such as Peoples Housing is critical, for we are often one of the most important empowering, hope-giving, and life-sustaining forces in our neighborhood. *Joe Gatlin is executive director of Peoples Housing.*

A tale of two cities

(continued from page 3)

icipated in the fight to obtain linkage, led by the Council of Community Housing Organizations and San Franciscans for Reasonable Growth. The groups did research to show the direct causal link between office boom and housing crunch, and sponsored referendums which proved the general public overwhelmingly supported the concept of linkage. They lobbied, testified, and negotiated for months to obtain passage of the current ordinance.

At first, developers fought hard against linkage. However, according to Welch, they soon began "seeing the handwriting on the wall." The developers saw great public support for linkage, and they also started to realize that the housing shortage would soon begin to hinder downtown development. During the formulation of the present linkage ordinance,

"there was no opposition from the developers publicly," although they worked behind the scenes to weaken the ordinance as much as possible.

The current ordinance is therefore a compromise, and housing activists are not entirely satisfied with it. They find the definition of "low- and moderate-income" far too broad, allowing the developers to build housing that will not be affordable for low-income people. They also object to the formula that is used to determine the amount of the developers' contributions, saying that it is not nearly enough to mitigate the effects of office growth. They plan to try to amend the ordinance next year.

Nevertheless, a breakthrough was made. Linkage is now an accepted fact of life by the city, the developers, and the general public. It is now on the law books

instead of just an informal arrangement between developers and the city's planning department. And the exactions did not cause so much as a pause in the city's office growth, says Welch. "These developers have pretty deep pockets," he comments.

In Boston, too, linkage is accepted by all as a matter of course. "The idea that there is an obligation to provide the money is pretty much entrenched," according to Emily Achtenberg, a neighborhood consultant who was a member of the mayor's linkage advisory committee. The big debate is not whether linkage money should be collected, but rather how linkage money should be spent.

The original push for linked development in Boston came from community groups. But the idea really caught on and

Linkage battle looms

(continued from page 3)

Both sides agree on one thing: Chicago's neighborhoods have lost a tremendous amount of jobs, mostly in manufacturing. Opponents of linkage use this fact as a reason for not investing in the neighborhoods. If the jobs aren't there, and the workers must ultimately move away, there is no need for more housing. Since a growing proportion of jobs are downtown, why kill the goose that is laying the golden egg?

Neighborhood proponents of linkage turn this argument around. "A shining downtown will not continue to prosper if it is surrounded by decaying neighborhoods," reads the advisory committee's report. A balance must be struck if Chicago is to prosper: more jobs, and more housing, are needed in the neighborhoods. To effect this balance, profitable downtown developments must reinvest some of their profits in the neighborhoods.

Both sides also agree more research is needed regarding both the costs of linked development and the possible benefits.

The advisory committee hopes to come up with a final report and recommendations to the Mayor by the end of this year.

Meanwhile, support is building in the neighborhoods, as community groups start to organize around the issue. One

coming up in Chicago, it will be interesting to see if linked development becomes a factor.

Despite the resistance of developers, Joe Crutchfield sees in linked development the possibility of promoting greater public/private cooperation. He points

"We have no severe housing shortage," states developer Jared Shlaes.

proposal in the report, extending the transfer tax to land trusts and using the funds for neighborhood development, could be enacted fairly quickly, and would at least set the stage for legitimizing the idea of linkage as a way to achieve balanced growth. But the other proposals will encounter fierce opposition, and most activists predict they will be involved in this issue for quite awhile.

In San Francisco, it took years to get a linkage ordinance on the books. In Boston, the cause of linkage was furthered by becoming a major issue in the last mayoral campaign. With elections

out that establishing a fund for neighborhood development could attract private investors to Chicago by showing Chicago's commitment to its neighborhoods. It doesn't necessarily have to be a disincentive.

It also shows investors that Chicago is not waiting around for the flow of federal money to resume. "The time has come," Crutchfield says firmly. "We're not going to be able to count on the federal government to come up with the dollars. Linked development is the wave of the future."

support steamrolled when the groups made linkage a major issue in the 1983 mayoral campaign. Polls came out showing that the vast majority of the public favored linkage. Ultimately, eight of the nine mayoral candidates came out in favor of linkage. The issue went to the heart of a longstanding conflict between the downtown and the neighborhoods.

Incumbent Mayor Kevin White, who was not running for reelection, saw that his successor would be likely to adopt a strong linkage policy. In order to head off such a measure, says Achtenberg, White, a mayor with strong ties to downtown development interests, set in motion his own linkage plan before he left office.

As a result, Boston's linkage "is not a terribly strong policy," says Achtenberg. It is technically a voluntary program which developers must submit to in exchange for a waiver of rigid, outdated zoning regulations which prevail in Boston. Developers must pay a total of \$5 per square foot of office space over a

period of 12 years, or 42¢ per square foot per year.

The current political climate is to push for more, Achtenberg says. Current Mayor Flynn is a strong supporter of linked development, and his popularity is such that, even among developers, "it's seen as prudent to support some kind of linkage." Also, she continues, "The downtown development boom has not abated. If anything, it has gotten more intense." As in San Francisco, there is a consensus that linkage is a good thing.

Many kinds of changes are being considered: raising the fee to \$6 per square foot, getting more money upfront, adding funds for day care, and promoting partnerships between neighborhood groups and downtown developers by linking specific downtown projects with specific neighborhood sites.

Under the current linkage policy, the money collected should go into a trust fund for low- and moderate-income housing. But the trust fund has not yet

been set up because the city council has not yet passed the appropriate ordinance. There is controversy over how the money should be spent, and what mechanisms should be in place to administer and monitor the program. Currently funds are being held in escrow by the Boston Redevelopment Authority.

Both Achtenberg and Welch caution that linked development is not exactly a cure-all for neighborhood organizations or neighborhood development. In San Francisco, says Welch, "Only two deals have actually come our way (to neighborhood developers), although there are four in the hopper now. It could be a very real resource, but we're not exactly counting on it." Much of the \$18 million collected so far has gone to the city's bonding program and public housing authority. In Boston, none of the money has been spent as yet. But as a move toward balanced growth, both see linked development as a big step forward for their cities.

THE PLUMB LINE

A new, ongoing feature on what's up and who's who in Chicago's neighborhood housing development world.

Circle Christian opened a new facility at 118 N. Central last month. The dedication ceremony on Sunday, October 27, was well-attended, according to Clarence Watkins. "We received a lot of encouragement from the Austin community." . . . LUCHA recently hired Juan Mendez to do block club organizing. LUCHA is still looking for a housing counselor to provide TA for weatherization and other services. Call Juan Rivera at 276-5338 for more info.

Other staff changes: David Hunt has been named interim director of the Housing Services Center of the Howard Area Community Center. David reports that HSC is gearing up for its new repair/challenge grant program. HSC will give up to \$250 in matching grants to owners and

tenants who want to fix up their properties in the Rogers Park area . . . Peoples Housing is looking for a property manager. Call Joe Gatlin at 262-5900.

The Perils of Tax "Reaggravation:" Tax reactivation buildings are full of surprises, usually unpleasant ones. Just ask TNI's George Arrington. While preparing to board up a building TNI recently acquired through the program, he and a maintenance person pulled out the fuses. The lights went out in the building, and moments later, they found themselves surrounded by the angry gang members and drug dealers who lived there illegally. George escaped with his life, but says he'll be glad once the buildings are fixed up and rented to some more desirable tenants. Congratulations are in order to TNI, which closed on loans recently for two buildings: 6924 S. Clyde, and 7048 S. Merrill. Congratulations also to KOCO

on its 13th annual meeting, which drew more than 300 residents of Kenwood-Oakland on October 20. KOCO has started up a new job training program. In Phase I, the 6-month training course will provide job skills and development to 18 people, who are being trained in computers. Bethel New Life also held a successful event: its senior bazaar on October 13.

Last but not least, there have been quite a few staff changes at the Network. Roberta Warshaw came on board in September as a Financial Specialist/Attorney. After a lengthy search, we've hired a new architect, Ann Shapiro, from San Francisco. Juanita Ferguson has joined the staff as secretary, and Sara Daines has joined us as an intern from the University of Chicago.

Thanks to the Northern Trust's Bob Huesing for his inspired help in naming this column.

¹² *HAP fights abandonment* (continued from page 7)

recently agreed to release shut-off information, provided by Peoples Gas, to all the members of the Consortium, after a successful trial run with SACCC and the Rogers Park groups. Discussions are also being held with the Dept. of Water, the Mayor's office, and the Corporation Counsel to determine if the city can release water shut-off information to community organizations.

For maximum effect, the building targeted must be occupied and have a limited number of dangerous and hazardous conditions that can be repaired with a commitment of \$30,000 per building or \$4,500 per unit. Once the building has been selected, the community organizations then give direct financial assistance by referring the owner to DOH for a

HAP loan, or indirect assistance through counseling on management, repairs and long-term finance planning. The average HAP loan has been \$24,320 and the average-sized HAP building between 18-30 units. Repairs have dealt with roofs, heating systems, back porches, electrical and plumbing systems.

HAP also offers the chance for community organizations to work with tenants to intervene through housing court when the owner has grossly neglected the building. Several community organizations have used court-appointed receiverships when seeking cooperation with the owner has failed. The consortium groups have not viewed receivership as an end in itself; rather, as a tool to be used in the long-term process of stabiliz-

ing a building. The continuing cooperation of the city and housing court is required to make the future of a receivership successful. The Corporation Counsel Housing Division and the Dept. of Inspectional Services are participating in HAP, and chief Housing Court Judge Frank Sulewski has been helpful and has agreed to hear cases in housing court that become part of HAP.

In the short term, receiverships have been used in seven HAP buildings to repair dangerous conditions. These emergency repairs dramatically reduced the immediate threat to the safety of the tenants and also removed the threat of a vacate order.

But the long-term questions concerning

The HAP process: one group's experience (continued from page 7)

fell into debt, so he ended up turning the building over to a management firm that did nothing but collect rents. The building deteriorated, some tenants stopped paying rent, and others moved out. The gas bill mounted to \$30,000 and the boiler went out. Around this time the owner filed bankruptcy proceedings.

In April 1985, when the HAP program began, WECAN/COVENANT applied to the Dept. of Housing for HAP funds to stabilize the building and make the emergency repairs that would allow tenants to continue living there.

LAF worked with the tenants and WECAN on the housing court strategy. A receiver was appointed, and Covenant started soliciting bids for repair work, after helping the tenants come up with a list of priorities. WECAN/COVENANT hired a local property management firm to manage the building while it was in receivership.

This process took several months. Actual work began in the building during August and September and to date a new energy efficient boiler has been installed and work is continuing on the repair and replacement of the back porches.

The tenancy of the building has also stabilized under the HAP program. Last December, only two tenants remained. Today there are 16 occupied units, and the other two units will be rented next month. All the units provide housing for families with a low or fixed income.

Now that the building has been stabil-

ized, "we're going into stage two of the HAP program," states Mattie Butler. "The question is how to find new ownership for the building and who will it be. Hopefully, it will not be a speculator again." One local nonprofit organization has expressed interest; however, no final decisions have been made on future ownership.

Tenants are wary of turning the building into a co-op, although tenant morale is high now that work is actually being done on the building. It has been a rough road for the tenants and WECAN. "The tenants couldn't believe that anyone cared enough to get involved with them," commented Butler. "They didn't think

anyone would stick with them through the winter and thought they would be forced to move."

In addition to the central question of ownership, the building is not covering its monthly expenses, and finding a responsible management firm has been a problem. But the building is standing, and it is occupied.

Overall, WECAN/COVENANT feels that the HAP pilot program has been successful in Woodlawn. "This building would have been vacant and vandalized by now if it weren't for the HAP program," states Butler. "The brick stealers would have turned this building into a shell in no time."

(Photo by Bruce Powell, courtesy Ted Hearne & Assoc.)



Mattie Butler

Equity fund channels dollars

(continued from page 6)

subsidies linked to rehab. Without rental assistance for rehabs, low-income tenants simply can't pay the interest bill. This wouldn't be an insurmountable problem if low-interest loans and grants were more readily available to take up the slack and reduce the interest expense, but these, too, have been heavily cut. The result is a widening gap between costs and affordable funding for community-based housing rehab projects. Equity could help to fill this gap.

Equity, of course, is not a new invention. How to get some has been the subject of many conversations among non-profit developers, and some have even been successful at raising investment capital for their projects from wealthy and concerned individuals and corporations. The IRS has, since 1974, rewarded high-income investors in low-income rental projects with substantial tax write-offs through accelerated depreciation of rehab costs.

In fact, though the technical demands are many and those with the stamina and ability to meet them are few, the number of projects being "syndicated" by non-profits has been rising steadily in recent years. But these have still been the rare cases—risks taken by exceptional individuals and companies at the request of particularly knowledgeable and persuasive developers. Other investors lacked confidence in low-income housing pro-

jects and other developers lacked the expertise that could overcome this fear.

Even those few intrepid investors and developers are now finding it impossible to come to terms with cutbacks in government funding. The loss of guaranteed income through rental subsidies has undercut investors' confidence in low-income rental projects, and threatens to stall this important advance in funding at a time when private cooperation in community development is most critically needed.

The Chicago Equity Fund is rebuilding investors' confidence in low-income housing rehabs by providing expert, consistent and reliable evaluation of projects undertaken by Chicago nonprofit developers, and convincing investors that low-income rental rehab projects, even without rent subsidies, can be economically sound investments. Offering investors the opportunity to pool their resources and spread their risks, Chicago Equity has raised \$6.5 million in 1985 from more than a dozen leading Chicago-based businesses that will leverage \$25 million in low-income rental rehabs and add more than 500 newly renovated apartments for low-income families to Chicago's housing stock.

Through the Chicago Housing Partnership, major city banks provide mortgage funds for these projects, and the city's Dept. of Housing lends additional funds at little or no interest. Also, in the highly exacting work of designing and presenting their rehab projects for financing, community-based developers have received valuable technical assistance from Community Equity Assistance Corporation, a subsidiary of Local Initiatives Support Corporation newly formed for that purpose. Organizations interested in TA should contact Emmett Hines at 559-9820.

A new Chicago Equity investment pool will be created in 1986 and each year thereafter, and new projects are currently being identified for investment in 1986. If you're planning one (or more) that you would like considered, or want information about Chicago Equity, call or write to Chicago Equity at 14 W. Erie St., Chicago 60610, 943-2266. *Pat Johnson is the director of the Chicago Equity Fund.*

ownership of the building, sound day-to-day management, stabilizing utility usage, paying back taxes, and analyzing additional rehab needs must be addressed. These questions are a challenge to answer for all the buildings that have received HAP funds, especially those buildings which have been in receivership and at some point will be returned to the original owners.

The Consortium plans to analyze each receivership property individually. Different ownership options will be evaluated, such as returning the stabilized building to the original owner with an offer of financial counseling and management assistance; finding another buyer in the community who has a commitment to the neighborhood; converting the building to cooperative tenant ownership; or selling the building to a community-based organization. The Consortium feels that a variety of strategies must be created to return a building to economic and structural stability.

HAP was created because the city responded to the community organizations' recommendations to intervene in the abandonment process with financial assistance and departmental cooperation. Now, the challenge is for the community organizations to come up with recommendations for long-term ownership and financial plans. The experience and creativity of all those who are concerned with saving affordable housing is needed now. *Kim McReynolds is the staffperson for the Chicago Housing Consortium.*

The *Network Builder* is published bi-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. Inquiries should be addressed to: The Chicago Rehab Network, 53 W. Jackson, Suite 818, Chicago, IL 60604; (312) 663-3936.

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IHDA's projects questioned

(continued from page 1)

IHDA has interpreted its mandate toward the upper edge of the "low and moderate" spectrum.

IHDA's current major controversy involves its commitment to finance construction of a luxury high rise in Lincoln Park. In this typical IHDA project, rents will range up to \$2000 per month for 3-bedroom apartments. Because federal law requires that 20% of units in developments financed by such bonds be allocated to "low- and moderate-income people," a requisite number of studio apartments will be set aside at lower rents—about \$465 per month. While \$465 for a studio apartment might seem a bit steep to some, IHDA is well within the constraints set by federal and state law for promoting affordable housing for low- and moderate-income persons.

Projects like these have come under close scrutiny of late, in the media and in the legislature. The *Sun-Times* recently used the Lincoln Park project as an example in a front-page article on ram-

pant misuse of tax-exempt bonds. (IHDA is being sued over this project.) A House subcommittee of the Urban Redevelopment Committee, led by Rep. Art Turner, has been conducting hearings around the state on IHDA and its activities since August.

IHDA's bias toward serving middle-income families rather than truly low-income families is exhibited by policies it established to implement its single family mortgage program. Since January 1983, this program has provided more than 5000 loans to first-time home buyers. IHDA has devised three categories: 40% of the financing is committed to developers (they in turn offer below-market loans to qualifying purchasers of tract housing in the suburbs); 40% of the financing is allocated to individuals for purchase of existing single family housing; and the 20% balance is targeted to low-income areas.

Eligibility standards for this program demonstrate a distinct bias toward the middle class. All "first-time home buyers" in Illinois with a family income

under \$50,200 per year are eligible to participate. The upper price for new homes in the Chicago area has been set by IHDA at \$136,320. It is therefore not surprising that the median income of all participants is only slightly below the overall median income for the entire state. Moreover, only 13% of home buyers had an income of under \$20,000 per year. IHDA imposes further barriers for low-income families by refusing to permit financing for rehabilitation of single family residences. The money is for purchase only. Also, IHDA refuses to permit financing for mobile homes—a major source of low-income housing downstate.

A number of organizations in the Chicago area have raised complaints about IHDA's failure to address, in effective terms, the housing needs of low-income families. Most recently, Bernie Kleina, director of Hope Fair Housing Center in west suburban Lombard, and the *Chicago Reporter* have charged that more than 573 units originally committed for low-income families in the collar counties are in fact being rented to ineligible middle-income families. The Center for Neighborhood Technology has long complained about inadequate weatherization standards and the practice of providing individualized electric heat for tenants, which results in extremely oppressive utility bills.

Neighborhood housing developers have also charged for years that IHDA has been inaccessible to them. Partly because of this pressure, IHDA is now working with six neighborhood housing developers in its moderate rehab Section 8 program. Because these groups are more concerned than the majority of for-profit developers about producing affordable housing, all of the units will go to low-income people. This is the first time in recent years that nonprofit groups have worked with IHDA, and most activists feel that it was a long time coming.

Some of IHDA's problems are out of the agency's control, however. IHDA's ability to serve low-income people is severely handicapped by the loss of federal subsidy and the high cost of construction and rehab. Market conditions being what they are, IHDA would have a very difficult time promoting low-income housing even with the best intentions.

IHDA's response to unfavorable market conditions last year consisted of legislation proposed and adopted which

Insurance crisis hits

(continued from page 1)

claims relating to aviation, health, and environmental claims concerning pollution and toxic waste.

One community leader speculates that "the high increase in insurance premiums is also the result of insurance companies divesting from the insurance business and investing their funds in more profitable enterprises." Others in the business community agree. Unfortunately, insurance companies refuse to answer questions or release information pertaining to the actual insurance crisis.

To find insurance, many property owners are turning to options other than the traditional insurance companies. Nonprofit developers can obtain insurance from the First Trust, a nonprofit risk pooling entity. Property owners may resort to the Fair Plan for buildings of up to four units and to the Illinois Insurance Exchange for buildings with five or more units. But fair plans and insurance pools are last resorts, because in most cases they are two to five times more expensive than insurance written by traditional insurance companies.

Other customers are even shopping in other states to find companies that will insure them. However, there is a risk

involved in insuring with companies who are licensed, but not registered, to operate in the state of Illinois. The Illinois guarantee fund will protect policy holders up to \$100,000 should their insurance company become insolvent, but this protection is provided only to customers of companies registered to operate in this state.

Insurance is a vital necessity. It protects the real estate and the investment. Also, a lack of adequate insurance is a factor in the disinvestment of a neighborhood. Banks won't make loans on uninsured property. So something needs to be done.

The first step toward solving the problem is for property owners—individuals and nonprofit developers—to register complaints with the state's Dept. of Insurance (917-2420). Consumers need to show that the problem exists, and it is serious.

But an organized effort is also needed. The legislature must become involved. "We need to call these companies on the carpet," states one Network member. Until the insurance companies are held accountable, lack of adequate insurance will become yet another ingredient in the deterioration of Chicago's neighborhoods.

Annual meeting 1985

Housing at the crossroads

More than 100 people heard Cushing Dolbeare's message of challenge and hope at the Chicago Rehab Network's annual meeting on October 12.

The day-long event also featured workshops, a delicious lunch, and music and dancing at the end of the day.

"We are at the crossroads," keynote speaker Dolbeare told the crowd. "What we really need, at every level, is to mobilize the kind of political and social action" that will bring about a change in the housing policy of this country.

Dolbeare is chairperson of the National Low-Income Housing Coalition and the leading national spokesperson for low-income housing. She described a bleak national housing picture, detailing how conditions have worsened since President Reagan took office in 1980. However, she also outlined a solution to the crisis: stepped-up political activism, particularly on the national level.

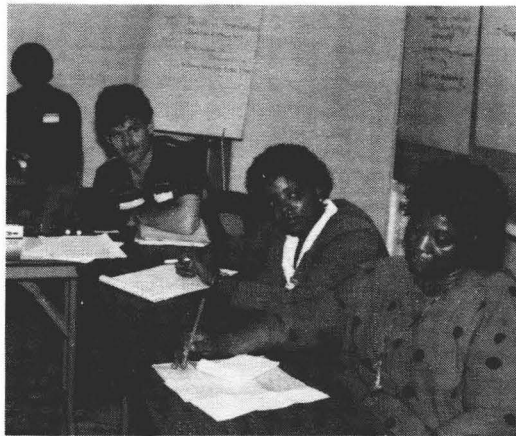
"We never have had adequate housing policy and programs in this country," Dolbeare noted. In recent years the situation has gone from bad to worse: in 1977, for every dollar spent on the military, .26 was spent by the federal government on low-income housing. In 1980, just before Reagan took office, the amount was down to .19. After his first year, .14 was spent for every defense dollar, and in 1984, the federal budget spent 1.5 cents on low-income housing for every dollar

spent on the military. "That's just a kind of clear index of the change in national priorities that we've had over the last decade."

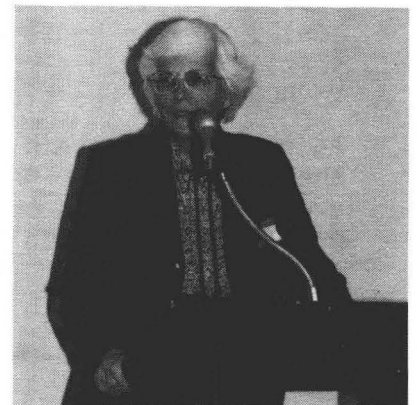
However, Dolbeare observed, for the first time she can remember, the general public is starting to express outrage at the state of housing in this country—through the problem of homelessness. She ended her speech on a note of optimism, while urging a higher level of activism. "It will come back our way. The question is how much suffering is there going to be

before we wake up. And in large part the answer to that question depends on how much effort each of us puts into changing things."

Workshops on housing advocacy, resident management, and new sources of financing followed Dolbeare's speech, as tenant leaders, nonprofit housing developers, and other housing activists grappled with some of the challenges Dolbeare posed by concentrating on aspects of the low-income housing situation in Chicago. By the end of the day, people were ready to relax and party to music by the Sonlight Band.



Cushing Dolbeare



(Photos by Len Robinson)



IHDA

authorizes IHDA to finance "commercially related facilities," e.g. shopping centers. While this could be considered an innovative way to attract developers, given IHDA's track record, the potential for further misuse is enormous.

But even without misuse, there are limits to what a bonding authority can do. IHDA's primary functions are to float bonds and lend money—nothing more. IHDA's track record, and the limitations inherent in its set-up, lead many housing activists to conclude that a bonding authority is not enough—that the state must create other mechanisms to deal with the affordable housing crisis in Illinois. *Mike O'Connor is director of the Illinois State Support Center.*

In our next issue, we will provide an analysis of the role of a bonding authority, and explore other programs the state could adopt to promote housing.



LATEST THREAT FROM D.C.

The Gramm-Rudman amendment to the debt ceiling bill currently overshadows tax reform as the greatest current threat to low-income housing.

Gramm-Rudman calls for the President to make mandatory across-the-board cuts in spending if deficit reduction goals are not met each year, starting in '86. However, Social Security and 38% of the defense budget are exempt from the cuts, causing the burden to fall on social programs such as low-income housing.

The Senate passed Gramm-Rudman last month, and the House passed a similar version early this month. As we go to press, the two sides are deadlocked.

At issue are certain social programs the House wants to include in the exemptions. Low-income housing programs are not on the House's list of programs to exempt. Either plan would be disastrous to low-income housing. Also, both plans allow Congress and the President to

avoid making the hard decisions about our national spending priorities by instituting "mandatory" cuts.

Tax Reform UPDATE: The Ways and Means Committee came up with a draft tax reform bill which includes special tax incentives for low-income housing. It also changes targeting requirements. However, the National Low-Income Housing Coalition opposes the bill because it does not go far enough. Most political observers predict that tax reform is dead for this year, however.

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