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HOUSING

INSIDE

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Kendrick Durer saw an investment opportunity and moved back to the city from suburban Villa Park.

CHICAGO'S HOUSING JAM

Whether crumbling two-flats in Woodlawn or rocketing rents in Logan Square, formidable challenges face Chicago and its new mayor in providing and preserving viable, affordable housing. Homeowners and families are being squeezed, if not squeezed out. | **BY ALBY GALLUN**

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THE GREYSTONE IN WEST WOODLAWN was in bad shape when Kendrick Durer got his first look at it in 2016.

With its boarded-up windows and copper piping ripped out by scavengers, the property on South St. Lawrence Avenue needed a major rehab. Some of the distressed buildings nearby didn't look much better, remnants of a housing crisis that swept the South Side nearly a decade earlier.

But Durer saw an opportunity to buy an inexpensive two-flat in a neighborhood poised to rebound—and to move back into the city from suburban Villa Park. So he took a chance, buying it through Renew Woodlawn, a homeownership initiative that provides subsidies and low-cost financing for property acquisitions in the neighborhood.

"I'm glad I made this move because I've seen nothing but good things in this area," he says.

Durer's story is encouraging for Chicago, but it underscores one of the many challenges facing new Mayor Lori Lightfoot and the need for creative solutions as she tries to craft an affordable housing policy that works in poor communities like West Woodlawn as well as gentrifying neighborhoods like Logan Square.

The two scenarios represent two extremes of Chicago's many-faceted housing problem: West Woodlawn's housing stock suffers from too little investment, with many decaying buildings in danger of being lost absent the intervention of programs like Renew Woodlawn. Places like Logan Square, meanwhile, suffer from too much investment, with landlords fixing up properties, jacking up rents and pushing out working-class tenants.

Both trends have contributed to a major affordable housing gap, squeezing many low- to middle-income families struggling despite a booming economy. The deterioration of the housing stock is both symptom and cause of a broader problem afflicting the city: population loss, especially among African American residents on the South and West sides.

Is it a "crisis"? Not when you compare Chicago to places like the San Francisco Bay Area, where Google has pledged to spend \$1 billion to ease a severe housing crunch. But it's crisis enough for families being forced out of their longtime homes in hot neighborhoods because they can no longer afford the rent, or for families trying to maintain viable

and safe streets in the city's poorer neighborhoods, or for planners and employers worried about the longer-term effects on maintaining a stable workforce.

Over the border, some of Chicago's suburbs face their own housing pressures as homeowners suffer the double-whammy of collapsed property values and rocketing property taxes.

Lightfoot moved into City Hall with an ambitious housing agenda, including proposals to increase funding to combat homelessness, change the city's zoning and permitting processes and promote homeownership. It is seen as a pivot, at least in emphasis, from the Rahm Emanuel years, when the priority clearly was putting a shine on downtown.

Signaling her desire to address racial inequities through housing policy, Lightfoot hired Marisa Novara of the Metropolitan Planning Council—where she spearheaded a major report, "The Cost of Segregation"—to run Chicago's recently reborn Department of Housing. In his final months as mayor, Emanuel resurrected the department, which was

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eliminated in a 2008 cost-cutting by then-Mayor Richard M. Daley.

“The opportunity really is that we haven’t had a housing commissioner for 10 years,” Novara says. “So there’s, I would say, probably some deferred maintenance on how we adjust and prioritize the issues of affordable housing.”

Lightfoot’s election lifted the hopes of many in the affordable housing world, encouraged by campaign rhetoric that conveyed a sense of urgency.

Affordable housing also played a big role in the debate this year over proposed subsidies for the massive Lincoln Yards development on the Near North Side, which will include 600 affordable units—a victory for housing advocates. And a more liberal political climate in the City Council—highlighted by a vocal socialist caucus that has made housing a priority—could provide new solutions and more money.

On the national level, President Donald Trump and some Democrats vying to challenge him in 2020 also have highlighted the issue. In June, the president formed a commission to recommend ways to cut regulations that make it harder to build housing, an idea that some housing advocates support. Democratic candidates have endorsed tax credits and other incentives.

“This issue has come to the fore in a way that it hasn’t in the past,” says Stacie Young, director of the Preservation Compact, a Chicago nonprofit dedicated to affordable housing.

By the numbers? Demand for affordable housing in Cook County exceeded supply by 180,385 units in 2017, slightly higher than its average over the prior five years, according to the Institute for Housing Studies at DePaul University.

Yet the housing issue is about much more than supply and demand. It’s a big part of Chicago’s baggage, reflecting and reinforcing the city’s broader racial and socioeconomic divisions—which were exacerbated over the decades by government-endorsed “redlining” and notorious public housing projects like Cabrini-Green, disparaged

as “warehouses of the poor.” It’s a key lever of social policy: Just as the housing issue was used to segregate the city decades ago, many politicians and nonprofit leaders believe it should be used to promote socioeconomic diversity today—to prevent wealthy white neighborhoods from becoming even whiter.

Lightfoot, for instance, has said she wants to tighten the city’s Affordable Requirements Ordinance, or ARO, so that more developers include affordable units in high-end residential projects. She also quickly took steps to rein in “aldermanic privilege,” which she and other critics blame for allowing some City Council members to keep affordable housing, and therefore certain types of people, out of their wards.

“We have a chance to address some of the wrongs of our past and build diverse, inclusive communities,” says Kristin Faust, president of Neighborhood Housing Services, a Chicago nonprofit and partner in Renew Woodlawn.

Housing also can play a big role in rebuilding entire communities, like West Woodlawn, attracting people and eventually the businesses that drive a neighborhood’s comeback.

“Investing in housing can be the lead investment to incite and encourage related investments,” says Kevin Jackson, executive director of the Chicago Rehab Network, a nonprofit. It “provides a stability that can be built off of.”

The government, assisted by an army of nonprofits, already has myriad tools to boost affordability, whether it’s through the ARO, low-income housing tax credits, housing vouchers or low-cost financing for homeowners. Simply putting more money into existing solutions could go a long way toward narrowing the affordability gap, some advocates say. They welcomed a recently approved state capital bill, which included \$200 million to fund affordable housing through the Illinois Housing Development Authority.

But new ideas also are gaining currency. Some advocates contend



Diane Limas says a developer bought a two-unit building across the street from her two-flat in Albany Park and converted it into a single-family home. Others are making cash offers in unsolicited letters. “Every two-flat that goes up for sale is at risk,” she says.



Landlords in Logan Square are raising rents, and working-class tenants are being displaced.

asures to limit rent hikes. Landlords, who argue rent control would distort the market and limit the creation of affordable housing, managed to stymie a bill to lift Illinois’ rent-control ban in the spring legislative session, but the bill’s backers haven’t given up.

When it comes to housing costs, Chicago is better off than several of its big-city peers. Of the nearly 3.5 million households in the metropolitan area, 34.2 percent were cost-burdened in 2017, or spent more than 30 percent of their income on housing, according to a recent report from the Joint Center for Housing Studies at Harvard University. Six of the 15 biggest U.S. metro areas had higher cost burdens, including Los Angeles, Miami, New York and San Francisco.

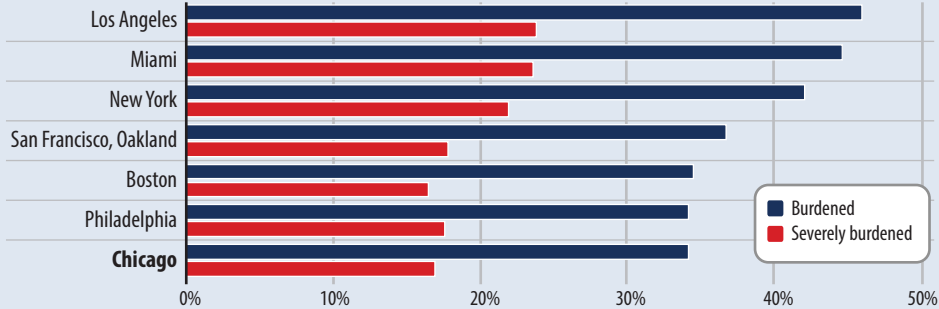
Indeed, the Chicago area’s lower cost of living gives the city a competitive edge when it comes to attracting companies looking for places to grow. Tech firms like Salesforce and Google, which are both expanding here, need alternatives to high-cost markets like the Bay Area to recruit talent.

Chicago and the nation as a whole have also been trending in

NOT THE WORST, STILL BAD

Among major metropolitan areas, Chicago ranked seventh in its percentage of households (34 percent) that were “cost-burdened” in 2017, or that spent more than 30 percent of their income on housing. More than 15 percent were “severely cost-burdened,” which means they spent more than 50 percent.

2017 COST-BURDENED PERCENTAGE

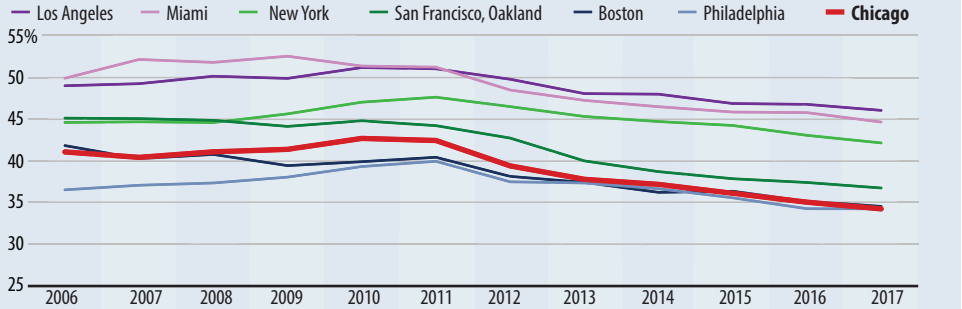


Sources: JCHS tabulations of US Census Bureau, 2017 American Community Survey 1-Year Estimates and Missouri Census Data Center data.

TRENDING BETTER?

Because incomes are rising again, the percentage of cost-burdened households in Chicago has fallen since its peak after the recession. Other data shows that the number of affordable apartments in Cook County dropped 15 percent between 2012 and 2017.

PERCENTAGE WHO ARE COST-BURDENED, BY METRO AREA



Sources: JCHS tabulations of US Census Bureau, 2017 American Community Survey 1-Year Estimates and Missouri Census Data Center data.

the right direction. Housing affordability was an even bigger problem after the recession, when incomes fell. With incomes rising again, the percentage of cost-burdened households in the Chicago area has fallen from a recent peak of 42.6 percent in 2010, according to the Harvard study. The figure covers both rental and for-sale markets.

Other data suggests the affordability problem here is getting worse. While demand for affordable apartments in Chicago declined 8.9 percent from 2012 to 2017, the supply dropped 15 percent over the same period, according to the DePaul housing institute. One potential reason: Cook County lost more than 29,000, or 9.8 percent, of its apartments in two- to four-unit buildings, a key part of the affordable housing stock.

Definitions vary, but DePaul defines an affordable apartment as one that rents for about \$940 per month. That figure represents what a family earning 150 percent of the poverty level, or \$37,641 annually, would pay if it spent 30 percent of its income on rent.

While many people assume that affordable housing is subsidized by the government, a vast majority of it in Chicago, about 75 percent, is considered “naturally occurring.” It exists on its own without government assistance, and landlords set their rents based on what the market will allow them to charge.

So it's not surprising that much of the discussion about affordability revolves around protecting the low-cost housing the city already has—keeping the problem from getting worse. In places like West Woodlawn, that means keeping apartment buildings and homes from falling into disrepair.

Because new housing costs so much to build, “it's a lot more efficient to fix what we have,” says the Preservation Compact's Young.

That's the big idea behind Renew Woodlawn. Launched three years ago by Preservation of Affordable Housing, Neighborhood Housing Services and the Community Investment Corp., the initiative aims to reclaim vacant, foreclosed single-family homes and two-flats in Woodlawn. It has saved 43 so far, most in West Woodlawn, which is bounded roughly by Cottage Grove Avenue, Martin Luther King Drive and 60th and 67th streets.

Durer's two-flat was ripe for rescue. Not only was the building saddled with \$47,000 in back taxes, but it needed a \$125,000 rehab. In a complicated transaction in 2017, he was able to finance the entire \$231,300 cost of the acquisition and renovation through NHS, including a \$50,000 grant. Durer, 45, lives on the building's first floor, while his mother lives upstairs.

Walloped by the foreclosure crisis and recession, the South Side housing market is rebounding now, at least in some places. In Woodlawn, some residents are already worried about gentrification resulting from the planned Obama Presidential Center. That prospect doesn't bother Durer—it's one reason he bought there.



Homes on South St. Lawrence Avenue show the deterioration and disinvestment that contributes to housing loss on the South Side.

JOHN R. BOEHM

But distress remains a threat to the South Side's housing stock. After two fires, the three-flat next door to Durer's property is vacant and dilapidated, including a caved-in roof, he says.

“It's not livable,” he says. “It's going to take at least \$250,000 to fix it.”

Developers are more than happy to spend that much to fix up buildings in places like Pilsen, Logan Square, Lincoln Square, Avondale and Albany Park. The problem is they then raise rents beyond the reach of low- to middle-income renters. Some developers seek two-flats they can convert into expensive single-family homes, while others just build anew.

In Albany Park, “every two-flat that goes up for sale is at risk,” says Diane Limas, president of Communities United, a nonprofit that works on affordable housing and other issues.

Limas, who owns a two-flat on Whipple Street in Albany Park, says a developer bought a two-unit building across from hers and turned it into a single-family home. She also recently received an unsolicited letter from a broker representing a “cash buyer” interested in her property who could close quickly on a commission-free transaction.

In Albany Park and Irving Park, the share of affordable apartments dropped from 45.2 percent of all units in 2012-14 to 34.3 percent in 2015-17, according to the Institute of Housing Studies at DePaul. In Logan Square and Avondale, the affordable share fell from 40.4 percent to 28.4 percent.

The city and nonprofits are trying to preserve affordable housing in hot neighborhoods through initiatives that provide attractive financing to landlords. In return, the property owners agree to set aside some of their apartments for affordable housing. Lightfoot, for instance, wants to expand the Preservation of Existing Affordable Rental program, or PEAR, a pilot launched last year by Emanuel.

The city needs to encourage the construction of more affordable housing as well. The Chicago Housing Authority is backing multiple projects with affordable housing, including a 900-unit development on the South Loop site of the former Harold L. Ickes Homes.

While the CHA has replaced its infamous high-rises with 25,000 units of mixed-income housing, its so-called Plan for Transformation has delivered mixed results, with some critics arguing that the CHA should be doing more.

Then there's the ARO, which requires developers to include affordable housing in apartment or condominium projects if they seek a zoning change or financial assistance from the city.

But the ordinance, which was introduced in 2007 and amended in 2015, allows developers to leave most of the units out of their buildings if they pay a fee or build them elsewhere. So far, developers have

“We have a chance to address some of the wrongs of our past and build diverse, inclusive communities.”

Kristin Faust, president, Neighborhood Housing Services

built fewer than 400 units under the ARO.

Lightfoot wants to strengthen the regulations to make it harder for developers to opt out. Developers contend a tougher ARO will just drive up their costs and discourage construction.

Away from the city's prosperous downtown and North Side, city officials need to promote affordable housing without losing sight of the bigger picture, says David Doig, president of Chicago Neighborhood Initiatives, a nonprofit developer based in Pullman.

“What's more important is that we're rebuilding neighborhoods and repopulating neighborhoods,” he says.

If Lightfoot can do that, advocates hope, a lot more people like Kendrick Durer will be coming back to Chicago.

► Q&A: Chicago's new housing commissioner prioritizes equity, funding balance

By Alby Gallun

Edited for space and clarity



CRAIN'S FORUM: Does Chicago have a housing crisis? Is that the right term to use?

MARISA NOVARA: We know that Chicago has a major gap in the need versus our supply. I would say our biggest challenge is that we have a real mismatch in the way the sources of funds are set up to meet a level of income that is not where the majority of the need is in the city of Chicago. A big proportion of our renters are in the 0 to 30 percent of the area median income range. And the way that our funding systems are set up, they generally come in at around 60 percent of the area median income. So even when we're producing more units with the resources that we have, we're often struggling to meet the needs of a population that needs a much deeper subsidy.

Would you explain what you and Mayor Lori Lightfoot mean by racial equity in the context of housing?

It would mean that we would put all of our policies, our decisions, our budget, through a lens of racial equity. We see very, very different outcomes when we look at data by race. Not just when we look at white versus people of color—we have to dig deeper than that and see how impacts may be hitting populations of color very differently. Then how do we create a policy or budget or ordinance—whatever it is we're looking at—causing the least disproportionate negative impact on people of color as possible? The way that systemic racism works is that, regardless of intent, you can perpetuate inequities over and over when you don't examine the policies that you're enacting in this way.

How do you balance all the very different housing problems?

We need strategies that get at those very different forms of displacement, because what works in one neighborhood is not what the other neighborhood may need. An example could be limited equity housing, and this allows someone to buy into homeownership at a much lower cost than they would otherwise, and then they pay proportionally lower taxes, etc. That may not be the best strategy, though, in a place where land values and residential values have been depressed.

Are there any housing solutions in other big cities that you think would work here?

A city like Philadelphia—they've taken city-owned land. When they create affordable home-

ownership opportunities on that land, they abate the property taxes for the owner for the first 10 years. That makes it a more affordable prospect for the incoming owner, and it incentivizes that development and that ownership.

Can you talk a little bit about how the mayor wants to strengthen the city's Affordable Requirements Ordinance?

I think the ARO has had a bit of an identity crisis. Is it a tool for desegregation, and thus we want as many units built on-site or nearby as possible? Is it a tool to raise money, and thus we want to maximize fees to subsidize other programs in the city? We've heard clearly from advocates and developers that it's time to take a step back and, in the context of the citywide vision for affordable housing, evaluate what role the ARO should play. Our plan is to start that process over the course of the first year.

But it sounds like the mayor is in favor of tightening the requirement that there be more on-site housing.

She said that there was a preference to go from 25 percent of the (required affordable) units being built on-site to 50 percent. So that's something we'll definitely be looking at. (Editor's note: Developers of projects subject to the current ARO must set aside 10 percent of total units as affordable. Developers currently must include 25 percent of those affordable units within their project; the rest can be built off-site.)

Talk about how reducing aldermanic power could address affordability.

Anything that previously required a letter of support from the alderman to pass go now becomes a notification to the alderman and the opportunity to provide input on the proposal. So, basically, we're simply asking that if you object to affordable housing in your ward, you document your reasons why, and that's new.

Has that been a big problem in the past, that we've had aldermen rejecting projects because they have affordable housing?

We have had very hyperlocal decision-making on that front without a citywide vision. Once we've established that, then it makes it much easier to make decisions about an equitable distribution of affordable housing.