Thoughts on Naturally Occurring Affordable Housing in Chicago

Community Investment Corporation

June 2018

Rental Housing Facts

- 90% of rental housing is privately owned and privately financed
- 75% of low cost rental housing is privately owned and privately financed (no form of public assistance)
- Rental Housing Stock – Size of Buildings
    - 52% - 1-4 unit buildings (33% SF)
    - 32% - 5-49 units

      84%
    - 12% - 50 or more units
- Multifamily buildings with <50 units
    - Tend to be privately owned
    - Have lower rents than large buildings

Rental Housing in Cook County (2015)

Renter Households	867,000
Median Income	$36,000 (can afford $900/mo)
Median Rent	$1,000

Income required to make median rent affordable: $40,160 (about 64% AMI)

400,000 renter households ≤ 50% AMI ($31,576) -> 85-90% rent burdened

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Rental Housing

The Importance of Preservation

- Most low-cost rental housing in Chicago was built 50-100 years ago
- With a rent of $900/month, a rental unit is worth about $50-$70,000
- New construction and/or substantial rehab with public financing costs $300,000 or more/unit
- Affordable rents cannot support new construction

Naturally Occurring Affordable Housing: Market Drives Strategy

Weak Markets:

- Goal: Keep buildings in good condition
  - Ensure financing for rehab & acquisition
  - Cut operating costs: Energy, property taxes
  - Cultivate strong, responsible owners
  - Streamline muni codes and processes

Strengthening Markets:

- Goal: Preserve affordable rents over time
  - Incentives linked to affordability restrictions
    - Low cost financing; property tax relief

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Market Driven Strategy: Understanding the Chicago Market

Is Chicago like: New York, Boston, Washington D.C., Seattle, L.A., San Francisco?

Is Chicago like: Milwaukee, Detroit, St. Louis, Cleveland?

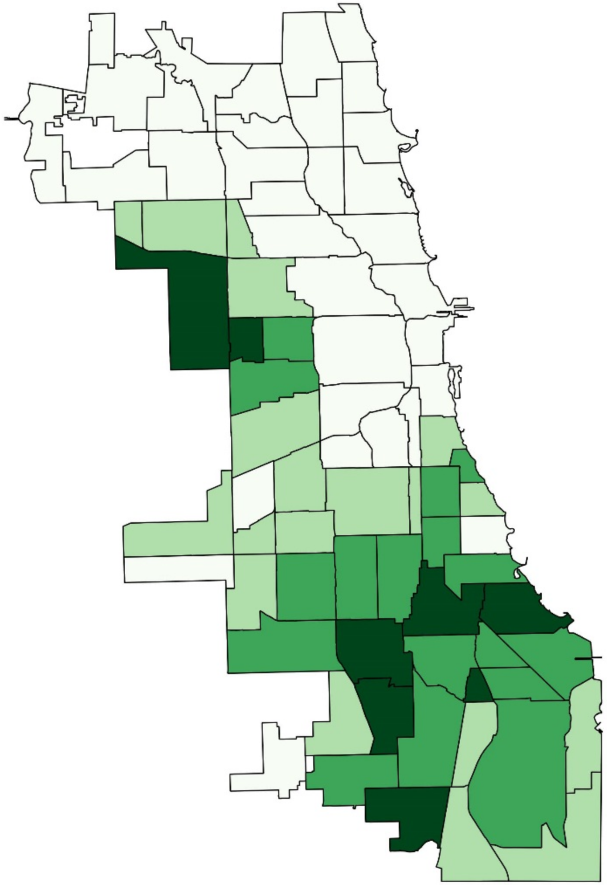
Answer: Both! “A combination of Manhattan smashed against Detroit.” (Andrew Diamond, *Chicago on the Make*)

Chicago’s Bifurcated Marketplace

Strong Markets - Downtown Area, north lakefront, Logan Square…

Weak Markets – large parts of the south and west side

Chicago's Bifurcated Marketplace



Chicago’s Bifurcated Marketplace

	Strong Markets	Weak Markets
Population	Stable, Increasing	Loss
Incomes	Increasing	Declining
Property values, rents	Rising	Depressed, Flat
Vacancy	Very little	Widespread

Other factors: Schools, Crime, Retail Vitality

Chicago’s NOAH: What and Where

Chicago’s NOAH rental stock

- Most located in LMI census tracts
- Most privately owned
- 34%: 5-49 unit buildings
- 46%: 1-4 unit buildings

} 80%

Community Investment Corporation

- Not for Profit 501(c)3
- Founded 1974
- A “Consortium Lender”
- A Community Development Financial Institution (CDFI)
- Member, Federal Home Loan Bank of Chicago

Community Investment Corporation

Core Competencies

- Multifamily housing
- Rehab
- Chicago neighborhoods
- Merging private, philanthropic, and public funds

CIC Programs

- **Financing ($1.3 billion since 1984)**
  - Multifamily Loan Program
  - 1-4 Unit Rental Redevelopment Loan Program
    - $38 million loan pool for investor owned 1-4 unit
  - Energy Savers
    - Retrofit financing to reduce energy costs
- **Community Development**
  - Code Enforcement (TBI 12,000 units)
  - Acquisitions (550 properties/5,000 units)
- **Policy Leadership**
  - Property Management Training
  - The Preservation Compact

The Preservation Compact

Collaborative policy forum to preserve affordable rental housing

- Market Based Approaches
  - Weak markets need development
  - Strong markets can power preservation strategies
- Cost Based Approaches
  - Energy, taxes, building code
- Government Coordination
  - Strategies to preserve affordability


2017
preservation compact
biannual report

Preservation and Beyond
Effective strategies to preserve the naturally occurring affordable housing stock, the government assisted stock, and create affordability where it is needed most

CIC Strategies to Preserve Affordable Rental Housing in LMI Communities

- Ensure credit is available
- Technical assistance/support of owners
- Aggressive code enforcement
- Assembling properties for redevelopment

CIC Lending

Buildings: Locations and Rents

- 95% of units affordable at 60% AMI
- Tract median income: $42,290 (55% of AMI)

Borrowers

- Small business people: 65% - full time real estate
- 39% - minority
- 24% - women-owned businesses

Tenant Households

- 92% of households earn < $40,000 per year
- 34% earn < $20,000 per year

City Report – Lost In Place (2014)

Tracks neighborhood change in 51 metro areas, 1970-2010

1. Concentrated poverty is persistent
   2/3 of high poverty census tracts in 1970 remain high poverty in 2010
2. High poverty neighborhoods are unstable
   Lost 40% of population, 1970-2010
3. Odds of a high poverty area rebounding: 1/20
   For every 1 rebounding area, 12 neighborhoods have become high poverty
4. “Up or out” dynamic – either redevelop with higher income and new population or continue deterioration and population loss.

In general,

- Concentrated poverty, disinvestment, and deterioration are the greatest threats to affordable rental housing
- Not gentrification
- In most LMI communities, Reinvestment = Community Development = Preservation of Affordable Housing

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