

Chicago Rehab Network Comments on CHA FY2008 Annual Plan

In 1999, the Chicago Rehab Network released a position paper in response to the announcement of the CHA's Plan for Transformation. Our position and detailed recommendations were structured around three core principles: redevelopment without displacement, public accountability and resident/community involvement in decision-making, and the goal of creating a net gain of affordable housing. We were also deeply concerned about the apparent insufficiency of projected resources to accomplish the level of demolition and redevelopment proposed by the Plan.

The coming fiscal year heralds the release of the CHA's newest Annual Plan. Many of our concerns have remained consistent over the years, and in fact intensified of late. Recalling our fears that the projected \$1.6 billion would be far from sufficient, we now find ourselves in a situation in which the collapse of the real estate market portends even greater financial woes for the CHA, which has banked much of its future on the belief that demand for market-rate housing would help finance its mixed-income developments.

Insufficient resources relates to another familiar concern: the slow pace with which replacement housing is being built, and the long years CHA families have been waiting to return to their communities. The CHA has completed 15,292 out of its planned 25,000 units – yet the majority of these are still made up by senior apartments (8,798) and scattered site apartments (2,543). Only 2,244, or 29% of the units at mixed-income sites have been completed, while a mere 1,707, or 32% of the units at traditional rehab sites have been delivered.

While we are pleased to see that a greater number of units are to be preserved at Dearborn Homes (660 up from 400), we notice that this gain is offset by the decrease in planned units at the Ickes Homes (312 down from 400), and the Washington Park Homes (192 down from 363). This reminds us, once again, of the substantial loss that all these plans entailed when compared to what we began with at the start of the Plan: 1,006 units at Ickes, 468 units at Washington Park, and 800 units at Dearborn. This translates to a net loss of 1,110 units—nearly half the original units—at these three developments alone.

While the last seven years of incredible effort to accomplish the vision of transformation have been met with praise and awards, the general failure of the CHA to achieve dialogue with community advocates has meant that efforts to truly critique the Plan have dwindled enormously. Yet the Plan for Transformation continues to impact communities: first, by shifting massive numbers of people in and out of neighborhoods; second, by creating an environment in which mixed-income housing has become the dominant model for new affordable housing; and third, by remaining the greatest consumer of affordable housing resources in Chicago. Just last year, the CHA announced that its construction timeline would be extended for another five years, until 2015. The ramifications of this decision have yet to be fully understood.

These broader concerns are highlighted by our most immediate concern: the future of Lathrop Homes. Since 2005, we have issued proposals for preserving this last remaining family public housing development on the north side, only to see a plan released last year that would replace Lathrop's 925 public housing units with only 400, to be matched by the same number of affordable and market-rate units. The plight of Lathrop is a strong illustration of the need to secure appropriate funding, and the dangers of relying too much on mixed-income redevelopment in an environment where the greatest market demand is by far for affordable housing. On a positive note, it is also a once in a lifetime opportunity to transform a scarce piece of land into an affordable community that will be valued for years to come.

We believe it is time that dialogue between advocates and the CHA be renewed, and we sincerely hope, with the falling market and inadequate federal funding posing challenges for us all, that we may unite our concerns in a re-imagined plan.

Lathrop Homes:
Vision for an Affordable Community

The Julia C. Lathrop Homes are one of the last remaining testing grounds for the struggle between the preservation and the demolition of public housing. As the last standing family public housing site in a rapidly gentrifying north side, Lathrop Homes is well-situated to avoid the historic economic and social isolation of other public housing that propelled arguments for mixed-income redevelopment. From 1999 until the release of its latest Annual Plan last year, however, the Chicago Housing Authority slowly shifted its plans for Lathrop Homes from rehabilitation, to undecided, and finally to demolition and redevelopment as a new mixed-income project. The Chicago Rehab Network proposes there be a serious and immediate re-evaluation of these plans that truly takes advantage of all the opportunities presented by Lathrop's unique situation.

Background

Under the original Plan for Transformation approved in 2000, Lathrop Homes was placed in a category of ten family developments exempted from the viability test. To be exempt from this test, a development had to meet one of the following criteria: (1) be under 300 units; (2) have a vacancy rate under 10%; or (3) fail to be identified as distressed housing, meaning that the public housing agency estimated the cost of operation and modernization to be less than the cost of vouchering out all the families. Since Lathrop Homes had over 300 units and an occupancy rate of only 747 out of 925 units (81%), this means that it was exempted from the viability test for the third reason: it was not a distressed property, and the cost of continuing operation was less than the cost of giving vouchers to the hundreds of families living in the development.

Lathrop Homes was not a distressed property.

The Plan designated money for the rehabilitation of Lathrop Homes.

The original plan also laid out \$107 million for these ten properties, "based on the cost to rehabilitate all units," with the exception of two properties of poorer condition.¹ In succeeding years, however, the CHA slowly altered its stated plans. In its 2001 plan, it claimed Lathrop would still be revitalized, but that the total number of units would be altered after "modest density reduction."² From the following year until 2006, Lathrop remained an undecided property. Finally, in the FY2007 plan published November 2006, CHA reported that Lathrop was to be demolished and redeveloped as a mixed-income community that would include only 400 public housing units. These, it claimed, would be sufficient to replace all occupied units, which had dwindled to 340 by June 2006.³ According to the benchmark set at the start of the Plan, however, exactly 747 households have a legal "right to return."

Two thirds of the units at Lathrop have been vacated vacant—meanwhile, over 72,000 people remain on their waiting lists for family public housing.

¹ CHA Plan for Transformation. January 2000.

² CHA Plan for Transformation Year 2 (FY 2001). December 2000. p.11

³ CHA Plan for Transformation Year 8 (FY2007). November 6, 2006.

In 2007, the CHA's efforts to create a development team and finalize master redevelopment plans have been met with by wide public comment and critique of its plans to raze the historic property, as well as resistance from the Lathrop working group. The *Chicago Tribune* and National Public Radio covered the story, and advocates called for a new assessment of Lathrop's redevelopment goals, some promoting preservation of the historic buildings, others, including the Rehab Network, calling for more affordability and greater transparency. Our 2007 Policy Platform, for instance, included a call for a mixed-income policy that prioritized the needs of the local place-based housing market. According to the recently released FY2008 Annual Plan, only 311 units remain occupied at Lathrop, and demolition is to begin in FY2009.⁴

The CHA's mixed-income plan would result in 400 public housing units, after demolishing 925.

The following statement outlines CRN's critique of the CHA's existing plans to redevelop Lathrop Homes, and recommendations for a re-envisioning of those plans.



* Historic Lathrop Homes buildings. Photos from *Chicago Tribune*, April 5, 2007.

⁴ CHA Plan for Transformation Year 9 (FY2008) DRAFT. November 9, 2007. p.128, 145

CRN's Response to Claims Made About Lathrop Homes

The plight of Lathrop Homes illustrates several failings of the Plan for Transformation, and the underlying ideology that has led to the demolition of a vast quantity of Chicago's public housing stock, including viable units that will not be replaced for years to come, if at all. In its drive to re-envision and modernize public housing, the CHA has left behind key priorities, including what *should* be its first priority: providing affordable housing to families with low incomes. The following describes the basic claims made in favor of mixed-income redevelopment for Lathrop Homes, and CRN's response to those claims.

The Claims

- It is not enough that residents of Lathrop Homes live across the street from market rate housing. Unless middle to upper income residents move in, public housing can only be a negative island of poverty.
- Developers aren't willing to build affordable housing unless it includes market-rate units. The process of financing a fully affordable development is more complicated and daunting than financing a mixed income one.
- It is too expensive to rehabilitate Lathrop Homes. The quality and condition of the buildings make them not worth saving.

Response

- Lathrop Homes is not surrounded by poverty and isolation. Historically, it emerged as one of the few well-integrated public housing communities complemented by healthy surrounding neighborhoods, though those areas are now in desperate need of more affordable housing.
- Chicago has a very sophisticated, experienced and dedicated group of nonprofit and for-profit community developers. Their record has long proven the viability of creating developments that are 100% affordable.
- Lathrop Homes was a viable development at the start of the Plan for Transformation. The CHA is responsible if it has let units go vacant, neglected maintenance and created a capital backlog.

In the discussions following the announcement of its plans for Lathrop, the CHA has offered substantially the same arguments it has used to justify other mixed income redevelopments. First, the CHA holds that leaving Lathrop an affordable community without market-rate residents would be contrary to the vision of the Plan for Transformation. As CHA spokesman William Little told the *Tribune*, "the point is it's still an island of low-income and poverty, compared to the surrounding community... We want to end the distinction between public housing and market-rate housing."⁵ A second point maintained by the CHA is that market rate housing is needed to entice developers, who would otherwise be uninterested in the "cumbersome" process of building only affordable housing.⁶ Finally, the CHA has been cited stating that rehabbing Lathrop is in fact cost-prohibitive, and that demolition is now the only financially feasible option.⁷

⁵ "Where Public Housing Is a Beautiful Place" Patrick Reardon. *Chicago Tribune*. April 5, 2007

⁶ "Mixed-Income Housing Sought for Lathrop" Patrick Butler, *Pioneer Press Booster*. n.d.

⁷ "Where Public Housing Is a Beautiful Place" Patrick Reardon. *Chicago Tribune*. April 5, 2007

The claim of social and economic isolation is undercut by evidence that the Lathrop Homes neighborhood has long been home to a community of diverse income levels and racial and ethnic backgrounds. Lathrop Homes itself, which as one of the first public housing projects in Chicago was originally maintained as all-white, became notable as one of the few CHA developments to introduce and maintain a racially integrated resident population.

At the intersection of five north side community areas, Lathrop is situated amongst diverse, integrated neighborhoods with strong infrastructures and a healthy pace of economic development.

Income Diversity in 2000

	Avondale	Logan Square	Lincoln Park	Lakeview	North Center
Low Income Households	5623	12064	7407	14025	3922
Moderate Income Households	2933	5782	4591	10438	2576
High Income Households	5183	11010	23707	32544	8309

Racial and Ethnic Diversity in 2000

	Avondale	Logan Square	Lincoln Park	Lakeview	North Center
White	29.6%	26.3%	84.5%	79.5%	68.8%
African American	1.6%	5.2%	5.2%	4.4%	4.2%
Hispanic	62.0%	65.1%	5.1%	8.7%	20.4%
Asian - Pacific Islander	2.3%	1.3%	3.6%	5.5%	4.2%
Other	4.6%	2.1%	1.6%	1.9%	2.5%

The qualities of the surrounding neighborhood are important to the discussion of Lathrop’s future. The irony of the argument that Lathrop is an island of poverty is the presence of many upper-income residents living in nearby gated communities. If there are any islands of isolated living in the neighborhood, they are these upscale housing developments that are literally gated off from the surrounding streets. Interestingly, while the CHA can mandate that Lathrop be opened to market-rate buyers, there is no one who would question the right of residents of gated communities to define and create borders around their community. Furthermore, there are positive design features to support integration that could be utilized, as we discuss below in our recommendations. CHA is in fact pursuing such planning at its other traditional public housing developments.

More importantly, as any observer can testify, the overwhelming trend in the area is gentrification. From 1990 to 2000, high income households were by far the fastest growing income group in four out of the five community areas surrounding Lathrop.⁸ Despite the area’s general hold on diversity, this trend has had a serious impact on housing affordability. All five surrounding community areas have seen rapid condo conversions and soaring home prices over the last five years. Avondale, Logan Square and North Center all saw increases in median home prices of over 20%, with adjustment for inflation. The average median home price across the five areas is quickly approaching

The community around Lathrop has been rapidly gentrifying. With this economic growth comes the loss of housing affordability.

⁸ Chicago Rehab Network 2003 Affordable Housing Factbook. Volume 2: Chicago. Note: Income distributions are based on household incomes as a percentage of the Chicago median income (\$38,625). Low income is defined as <80%, moderate income is 80%-120%, and high income is >120%.

\$400,000 despite recent downturns in the housing market.⁹

Median Homes Values from 2002-2007

	Avondale	Logan Square	Lincoln Park	Lakeview	North Center
Start 2002	\$250,000.00	\$237,500.00	\$350,000.00	\$245,500.00	\$312,000.00
Start 2007	\$368,500.00	\$341,500.00	\$440,000.00	\$316,500.00	\$435,000.00
Percent Increase	47%	44%	26%	29%	39%
Increase Adjusted for Inflation	27%	24%	8%	11%	20%

These figures represent a continuation of trends begun in the 1990s, which also witnessed significant growth in terms of population, rising income levels, and vigorous commercial and residential development. From 1990 to 2000, four out of these five community areas saw significant gains in total housing units and total population, while all five areas saw a decline in overall vacancy, and serious jumps in median rent and home values.¹⁰ This strong residential growth has also been met with new commercial development, including new big box stores such as Cub Foods and Costco. Even the CHA recently acknowledged that residents of Lathrop “have access to a growing number of amenities in the area, including thriving commercial development and the new pedestrian river walk.”¹¹

What these trends mean is that Lathrop Homes faces significantly different challenges than the traditional high-rise public housing developments located in racially and economically segregated areas of the city. If there is any pressing challenge for the neighborhoods around Lathrop, it is not combating growing poverty and isolation; rather, it is the challenge of retaining viable housing options for longstanding low income families in the area, as well as new families seeking to take advantage of the opportunities created by economic growth. Residents and local community leaders have testified to the critical need for creating and preserving affordable housing in the area. As the single remaining traditional family public housing development since the demolition of Cabrini Green, Lathrop is one of the most valuable affordable refuges remaining on Chicago’s north side.

Stemming the loss of affordable housing, rather than reversing disinvestment and segregation, is the key housing challenge for the neighborhood around Lathrop.

The second major claim made about Lathrop—that developers must be enticed with market rate housing—is also misleading. Contrary to this claim, there are many cases where it is both possible and appropriate to create an affordable development without market-rate units. Historically and until today, both nonprofit and for-profit community developers have demonstrated this type of achievement in neighborhoods across the city. Moreover, their developments have been financed by the same resources that CHA has successfully tapped into over the course of the Plan for Transformation, including City and State Low Income Housing Tax Credits, other Department of Housing funds, and TIF dollars. For community-based developers, the first

Nonprofit and for-profit community developers have long been building and managing developments solely for low-income families.

⁹ Illinois Real Estate Market Pulse. <<http://nwnews.public-record.com/realestate/index.asp>> Accessed 11/5/07. Inflation adjustments based on Bureau of Labor Statistics standard.

¹⁰ Chicago Rehab Network 2003 Affordable Housing Factbook. Volume 2: Chicago.

¹¹ CHA Plan for Transformation Year 7 (FY2006). October 31, 2005. p.59

priority in development is to serve the housing needs of the community. Based on this commitment, locating the resources to finance their projects is a means to serving the community, not the starting point of development.

The final claim about Lathrop—that rehabilitating the buildings is financially unfeasible—overlooks the fact that Lathrop was deemed a viable development by the CHA itself in its own Plan for Transformation. Since the release of its initial plan to rehabilitate all units, CHA instructed property managers to place a moratorium on leasing, thus allowing the vast majority of units in the development to go vacant. Initially, Lathrop’s property management company was under the impression that this policy was instituted to create room for forthcoming rehabilitation work. Unfortunately, the money to fund rehabilitation was not forthcoming, while the increasing vacancies have diminished operating income and contributed to the further decline of the units, not to mention left remaining residents vulnerable to the dangers of living near sparsely populated buildings. What’s more, these units have remained vacant despite the fact that 72,533 individuals have accrued on the waiting list for family housing, as of September 2007.¹²

After deeming Lathrop a viable development, the CHA placed a moratorium on leasing at Lathrop Homes, then failed to allocate funds for rehabilitation.

This lack of transparency by the CHA in the planning process for Lathrop Homes has been experienced on many sides. Evidence has indicated that neither residents nor members of the Lathrop working group were informed of or involved in the CHA’s redevelopment plans. In comments on the FY2006 Annual Plan, Lathrop leader Terry Rousseau questioned what was taking so long for plans to be finalized, and why CHA wasn’t using Lathrop’s vacancies to house other relocatees.¹³ In fact, efforts by the working group to negotiate with the CHA’s mixed income plan were met with strong resistance, and finally with a shutting down of all communications. Even the property management agency at Lathrop Homes remained under the assumption for years that capital funds for rehabilitation would be forthcoming.

Efforts by the CHA to push a mixed-income plan through on the claim of financial data are thus not supported by any publicly released feasibility studies. In December of 2006 and again in April of 2007, CRN issued a FOIA request to the CHA for studies regarding the viability of Lathrop Homes, and documents pertaining to future redevelopment plans. No viability studies were returned to us, while the report commissioned to examine three different redevelopment scenarios was too basic for conclusions, and in any case recommended preservation of some buildings rather than full demolition.¹⁴ Before demolition and displacement are to take place, the burden must be on the CHA to prove the financial infeasibility of preserving Lathrop or redeveloping as 100% affordable, rather than the burden of residents and advocates to prove positive feasibility.

The CHA has not released any viability studies of Lathrop, or any detailed studies on the feasibility of specific redevelopment plans. The case for mixed-income remains unproven.

¹² CHA Plan for Transformation Year 9 (FY2008) DRAFT. November 9, 2008. p.127

¹³ CHA Plan for Transformation Year 7 (FY2006). October 31, 2005

¹⁴ “Lathrop Homes: Assessment of Needs and Improvement Opportunities” Camiros Ltd. June 30, 2005

Recommendations for the Lathrop RFP

- Immediately halt all plans for demolition scheduled for FY2009.
- Give developers the opportunity to respond to the challenge of creating a development that is 100% affordable.
- Include provisions for an upper benchmark of affordability that would serve families earning up to 60% AMI (\$41,900 for a family of four).
- Include the incorporation of design elements that foster integration of the affordable community with the surrounding neighborhood.
- Ensure the legal right to return of all 747 households living at Lathrop as of 10/1/99.
- Establish a collaborative planning process with the Lathrop Working Group that provides for real input into the RFP, including determination of the unit mix, and ensure incorporation of the vision statement of the Lathrop LAC's Leadership Team.

The major claims made to justify the current direction of Lathrop's redevelopment contain substantial flaws. First, the application of the mixed-income model is inappropriate in a context where the dominant neighborhood challenge is to produce and preserve affordable housing. Second, the claim that market-rate is needed to even interest developers in public housing redevelopment disregards the work of dedicated, successful community developers in the city. Finally, the CHA has exhibited a disturbing lack of transparency in choosing to empty out Lathrop's buildings under the guise of planning to rehabilitate them, only to release a demolition plan that proposes to replace only the remaining occupied units. The burden of proof still rests on CHA's shoulders.

From CRN's perspective, Lathrop presents a unique opportunity to create a successful affordable community that prevents displacement, addresses the right to return of current and former Lathrop residents, and serves the most immediate housing needs in the neighborhood. Not only does Lathrop sit on an attractive piece of land adjacent to the Chicago River, but the surrounding area provides other key resources for a successful affordable community. Aside from nearby public schools, parks and religious institutions, Lathrop's proximity to ample job opportunities fulfills the "live near work" and economic empowerment goals of the Plan for Transformation. In addition, the successful establishment of the adjacent Addison South TIF district by residents and allies could bolster efforts to create a revamped Lathrop, while Historic Preservation Tax Credits could contribute further funds.

In response to the potential "island of poverty" CHA believes would be created by such an affordable community, this would be addressed the same way CHA addresses integration of its other traditional public housing developments. This means the inclusion

of design elements that support integration, such as connection of the community to the street grid, and alterations to the layout of landscaping and pedestrian paths. These changes would be mirrored by the bridging of resident life with neighborhood life, through the continued tradition of shared community facilities such as daycares and Boys and Girls clubs, and the connecting of CHA residents to local jobs and schools. What's more, an affordable Lathrop community could still very well contain a mix of incomes below 60% of the Area Median Income (i.e. below \$41,900 for a family of four). For 30 years now, community developers have been doing just that.

We firmly believe that Chicago's experienced, capable CDCs would respond eagerly to the challenge of an RFP for a 100% affordable community. These developers would utilize the range of tools available to them, such as land trust and mutual housing options, employing the creative, complicated, and multilayered financing that is the hallmark of community development.

The vision of an affordable community at Lathrop Homes is an opportunity that must not be missed. Not only is the option of 100% affordability possible, it is the most appropriate in the context of a housing market beset by a foreclosure crisis and the after-effects of years of over-valuation of market-rate housing. Advocates, elected officials, community developers, Lathrop residents, and a host of other partners enlisted by the Lathrop Leadership Team are ready to line up behind a re-envisioned plan for this precious piece of land. It is time for the CHA to re-evaluate its course and begin afresh in collaborating with this team of supporters.