

# Daily Whale

## Cost to build affordable housing in Chicago on the rise



By: Matthew Blake

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The cost of building affordable housing units in Chicago is on the rise, while at the same time there is less public money to finance those projects, according to the city's Department of Housing and Economic Development.

The findings were disclosed at a meeting on Tuesday of the City Council Committee on Housing and Real Estate, where DHED released the city's first quarter affordable housing progress report.

Lawrence Grisham, managing deputy commissioner at DHED, presented details on a set of multifamily affordable housing developments that the Council has already signed off on. Council members nonetheless voiced concern about the

price of those projects.

Ald. James Cappleman (46<sup>th</sup>) was alarmed that the per unit cost for Hope Manor II apartments, a retirement home for homeless veterans and near homeless veterans at 60th Street and Halsted Avenues, is \$321,287. The total cost of the 73-unit project is \$23.5 million.

"There's an extreme lack of affordable housing yet it's so expensive to build new affordable housing," Cappleman told Grisham. "My concern is that the cost is rising so much it's really outside your control."

Grisham pointed out that the high prices are due, in part, to recent increases in construction costs. "I was talking to someone involved in the private sector who says [construction] costs have gone up 10 to 12 percent," Grisham said.

Kevin Jackson, executive director of the affordable housing advocacy group Chicago Rehab Network, noted that the price hike "is a trend that you see across the country" due to an increase in labor and construction costs.

Jackson's group presented a report to the committee showing that while costs for affordable housing projects are up, city of Chicago money set aside for these projects is down. The report stated that total DHED funds budgeted for affordable housing dipped from \$436.2 million in 2011 to \$311.8 million in 2013, a \$124.4 million decline.

Several factors have caused the drop, Jackson said, including a decline in Federal Housing and Urban Development tax credits and a drop in the amount of Tax Increment Finance funds appropriated for affordable housing projects.

Also at the meeting, Ald. Robert Fioretti (2<sup>nd</sup>) noted that recent increases in foreclosure activity in the city could lead to a greater demand in the affordable housing market.

Completed foreclosure auctions in the city of Chicago increased by 53.8 percent between 2011 and 2012 even though foreclosure filings actually dropped 1.4 percent during that time period, according to DHED data. Grisham testified that a February 2012 settlement between states attorneys general and major lenders opened the floodgates for banks to once again foreclose upon properties.

Photo Caption:

Low-income housing development in Chicago's Humboldt Park ([htinhabitat.com](http://htinhabitat.com))

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