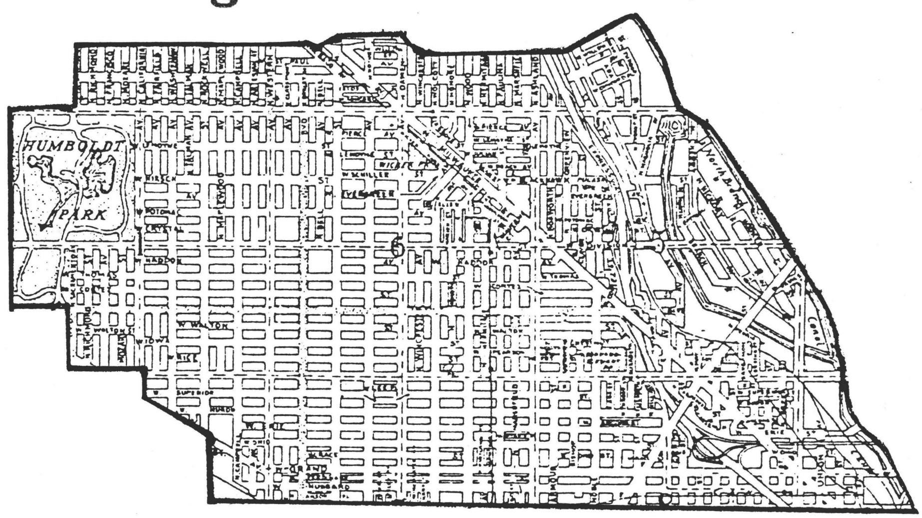
THE NETWORK BUILDER

Issue No. 26 Fall 1994 **The Chicago Rehab Network Newsletter**

REDEVELOPMENT FOR WHOM?

Examining the Link Between Community Development and Displacement in Chicago



West Town: Two Decades of Community Empowerment

By Maureen Hellwig

Maureen Hellwig is Director of Community Economic Development at Erie Neighborhood House: (312)666-3430.

"Development without Displacement," "Development as if Communities Mattered" — these are the mottos of community organizations formed in the 1970s and '80s. All suggest a tension between what would seem to be a positive notion associated with improvement, advancement and progress and a negative experience of loss, alienation, and powerlessness. The oxymoronic phenomenon they address has evolved from the unresolved questions of development for whom? by whom? and to what end?

To understand how development got a bad name and how it might redeem itself, we need to study past and present realities of our urban communities. Let the neighborhoods talk and listen carefully.

In 1995, Erie Neighborhood House will celebrate 125 years of serving the residents of West Town. Over the years, Erie has witnessed many changes. But there has also been a constant. There has always been an immigrant community outside the door using West Town and Chicago's vibrant industrial economy as a springboard to a better life. Scandinavians and Germans passed through first, then came the Poles and the Italians and the Russian Jews and the Ukrainian Orthodox. Some of them are still here, but many moved on in the 1960s, seeking newer housing and better schools and all that suburbia promised to deliver. Others were wiped out by a major federally funded development called the Kennedy Expressway. Behind them came Puerto Ricans and Mexicans, and African Americans in the 1960s and '70s.

As the last wave of immigration washed a splash of color over neighborhood faces, the tide washed out the economic foundation that had served earlier generations so well. Two cornerstones of that foundation were industrial jobs and bank credit. In the 1960s and '70s, both headed for subur-

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Beyond Gentrification, and Before

The Editor's Note

Assembled before you is the second issue in a three part Network Builder series on community development without displacement. The first issue elaborated the ways in which racial tension acts as a catalyst to Chicago's shifting real estate markets, transforming neighborhoods from white, to minority, and back again. This issue takes the matter a step further: if the end of racism is so often displacement, what can we say by looking more closely at the end itself? We have asked five community leaders in Chicago whether displacement is happening in their neighborhoods, and what it looks like.

Their response lays the ground for the work of a task force the Chicago Rehab Network has been calling together to study the matters surrounding community development without displacement. The fruits of their investigations will be featured in the next issue of the Network Builder.

The examples of displacement found here make clear that displacement in Chicago is not summed up with the word gentrification. The articles fall into order under a simplified model of the stages of urban development: A neighborhood is born, and built — it grows and prospers, eventually it peaks. As the city's interest wanders, it undergoes the humiliation of disinvestment — both public and private — and decline. Eventually, property values bottom out. They decline so low, they begin to attract attention again. The private and the public sector make their return; the reinvestment may be slow at first, gaining momentum as it is encouraged by its own progress, and the neighborhood perks up under its second youth.

There are several fallacies associated with this circular model: one is that displacement is an issue specific to the top of the circle, when a community is far in the upswing and rushing through its second resurgence.

This is not true. Displacement occurs at each stage of the cycle, and the concerns begin far before we have watched every community in Chicago go around the entire circle. The communities represented here speak from each of these stages, and each of them have experienced displacement in the past, are experiencing displacement now, or are poised to face further displacement. Even the neighborhood in decline experiences displacement as its building stock deteriorates. Meanwhile, the very deflation of its property values and of its population slowly build a vacuum that will suck the speculator in. New investment is good — but let it be inclusive of the interests of the people who already live there.

The second fallacy is that the model is in fact a natural cycle unshaped and unshapable by individual human decisions. We hear talk about real estate hot spots and black holes described like they are the objects of a metaphysics — phenomena to be predicted as best as possible beforehand and to be dealt with as well as possible afterward, but always remaining largely independent of our influence like the weird laws that govern the cataclysms of outer space.

The Chicago Rehab Network, and all of the contributors to this issue, maintain that "natural" real estate dynamics do not reduce us to watching their effects on our neighborhoods from lawn chairs. This conviction comes through in articles by community leaders, and through the proposals of a banker and a policy analyst. It also comes through in the last article — where we have interviewed members of the for profit sector to get their take on displacement. Their responses to our questions varied, but, in the end, the progress of their careers, if not their answers, make clear that they know very well that the rise and fall of neighborhoods are not mysteries governed by the stars. Somebody makes the decisions that build them and leave them to decline. Let the task force listen to them as it listens to their non profit counterparts, and translate their responses into proposals that will ensure that *somebody* will include the current residents of Chicago's neighborhoods. ❍

The *Network Builder* is published by the Chicago Rehab Network 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 742, Chicago, IL 60604, (312) 663-3936.

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Visit to the Old Neighborhood

by David Hunt

David Hunt is Executive Director of the Chicago Rehab Network.

What He Saw

Pressed for time, my friend Steve decided to take a short cut through his old neighborhood. He darted up the ramp, drove a half block north, turned right through the alley way, and finally, after a sharp right turn, found himself on the boulevard that ran through his old neighborhood.

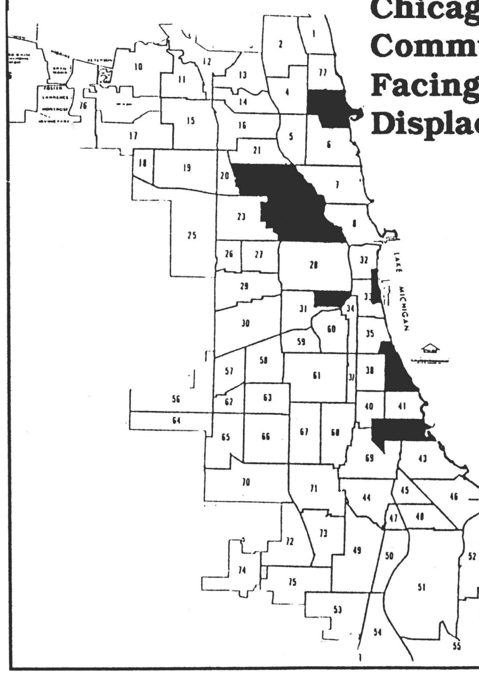
But as his eyes focused on his surroundings, he realized that he was in a strange community, nothing like the one he left 20 years ago.

You see, when he was a senior in college, he got married. And since he was the youngest of five children, his father, a retired steelworker, and his mother, a housewife, saw no need to maintain a five-bedroom house. They sold the house and moved to the outer limits of the Chicago area. Just like Steve, most of his friends got married, got jobs outside the community, and moved on. So there was no real reason for him to come back.

As he drove down the boulevard, now covered with huge potholes, he pulled up to the major intersection where his family would spend their weekends shopping, eating at the local restaurant, and going to church picnics. But this was a strange intersection now, nothing like the one he knew as a child.

The old Woolworth's, where he used to go and buy model airplanes every Saturday with his earnings from his paper route, was now closed, and in its place was a take-out Chinese restaurant, a Korean grocery, one of those everything-for-a-dollar stores and a huge liquor store. Upstairs was now a Baptist church. On the corner stood, now empty, the bank where his father had taken him at the age of twelve to open up a savings account. Every Saturday, he would stop at the bank and put in half of his earnings.

Among the Chicago Communities Facing Displacement ...



Across the street from the bank was his old parish church with a faded sign in front saying "Save Our School, Save Our Church." And then he saw a sign on the front door, "Closed." And the gas station where he and his father would go and fill up before long vacation trips in the summer and on weekends was now a vacant trash-filled lot, with five huge billboards advertising liquor and cigarettes.

Steve's soul suddenly called out to revisit his past. He turned down his old street. Where there once were twenty homes, there were now only two and a half houses still standing — his old house at 3028, Ms. Gan Jimmy's at 3030, and Mr. Romano's at 3032. The large red brick apartment buildings with the marble entrance ways that sat on every corner were still intact, but worse for wear. The windows needed painting, the back porches were falling apart, and there were security buzzers on the outside of every building.

What He Felt

As he stood in front of his old home, he felt an overwhelming sense of sadness. This was his home for twenty years, and now it lay in ruins.

Sadness soon gave way to frustration , and then anger — anger at the people who now lived in this strange community. "What disease must they possess to cause such callous destruction? Maybe they just don't give a damn." Anger gave way to pity as he realized that these were human beings with feelings. "Maybe they are just too helpless to change their conditions," he thought. Now the pity gave way to fear, fear for his own safety.

Realizing that if he was angry, how must he people who live day to day in this squalor feel? And what must they feel about him standing in the middle of their despair? He got in his car, rolled up the window, and drove away. As he turned the corner, out of the rear view mirror he could see the huge rusting hulk of the now closed steel mill looming over the community.

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Chicago Affordable Housing and Community Jobs
Campaign Update

Coalition Leadership Remains Unified Under Severe Pressure From City Hall

One Year Anniversary of the City Hall Rally on August 19, 1994: Over 200 Endorsers From 72 Organizations Grade the Mayor on 6 Month Progress:

How did he do? — Grade

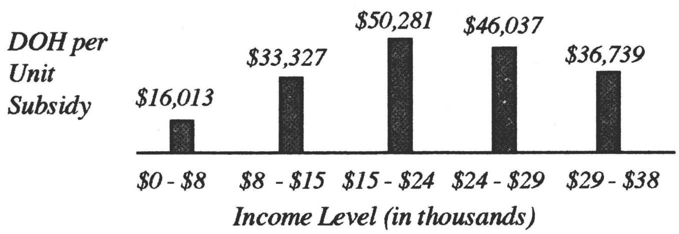
Monetary Commitment — 250 million new $ — — — — — — **D**

8 million HOME $ — **Lost, not replaced**
20 million CD Float — **Sunk**
6 million G.O. Bond — **Cut**
2 million TIF — **Stalled**
6 million Public Participation Bond — **Dead at IHDA**

Total $42 million lost

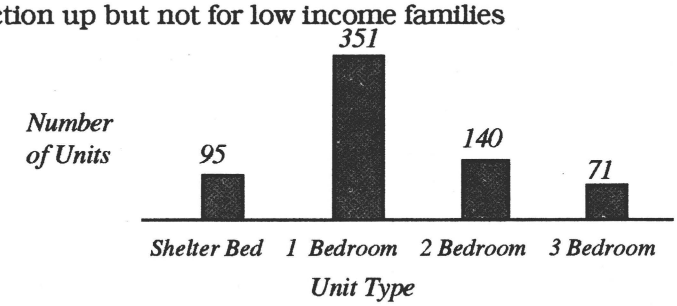
Fairness of Production — — — — — — — — — — — — — — — — **F**

Higher income housing is receiving higher subsidies



Production Level — **C**

Production up but not for low income families



Jobs created with DOH Funds — — — — — — — — — — — — — — **F**

No jobs, No plan presented to coalition

The Good News Is:

- DOH Promises to produce written procedures and timelines by November
- Housing Chairman Ambrosio Medrano promises to hold special hearings specifically on the Department of Housing reports in answer to CRN's request that he make the hearings more accessible to Chicago's citizens.

Mark your calendar:

November 15th, 1994, 10:00 a.m. at City Hall,
Housing Commissioner Marina Carrott will make her third quarterly report on DOH's progress towards Mayor Daley's commitments.

Displacement by Gentrification:

Logan Square Neighborhood Association Works to Keep the Community in Control as the Gentry Move In.

by Kristin Ostberg

For further information about the housing programs described, contact Becky Lopez, Housing Director of the Logan Square Neighborhood Association: (312) 384-4370.

"Like their West Town neighbors, Logan Square residents keep extending the turnaround deadline for their community. And while it is far from reaching the status of Lakeview or DePaul, Logan Square is seeing the invasion of an increasing number of urban pioneers and rehabbers. As the deadline quickly approaches, gentrification has become the name of the real estate game in the area, and home availability is shrinking." *Real Estate Profile: 5/18/94*

For the real estate writer, looking for a bargain to rave about, and the young urban pioneer, eager to squeeze in under the deadline, Logan Square offers a mouthwatering combination. Bounded by Diversey, Western, Kimball and Armitage, it is a stone's throw and a twenty minute train ride from the Loop — the next stop on the Milwaukee Pioneer Trail.

A stock of converted mansions offers unusually large apartments — what is more, they are outfitted with beautiful floors, fine cabinet work and exotic architectural details. The real estate pages wax sentimental over Logan Square's family oriented, residential flavor — and of course its ethnic diversity. And all this is to be had at rents $150 to $250 cheaper than those east of the river.

Of course, Logan Square is not yet Lincoln Park, but that's what makes it a bargain. And a bargain this good is not going to last. Real estate values in Logan Square have been rising 20 percent per year over the past few years. Real estate speculators have their fingers in this, but so do ordinary people, like David Janota, who told *Real Estate Profile* how he had bought a frame home on Washtenaw in 1988 for $47,000, invested an additional $150,000 in rehab, and put it back on the market two years later for $249,000. Unfortunately, many of the people who already live in Logan Square do not yet have a part in the real estate excitement, and it will become more difficult for them to buy into it the longer they save their money to do so.

Thirty-three percent of the residents in Logan Square reported household incomes of less than $15,000 a year in 1990, while 47 percent of all renters paid more than 35 percent of their income in rent. Meanwhile, Property Consultants Realty reported a 15 percent rise in the per capita income of applicants for their rental units in that same year. As a result, many families of modest income who had been saving for the down payment to purchase their own homes are watching those dreams recede before them as the home that cost $35,900 in 1985 climbed to $124,000 by 1990, and up to $144,000 a year later. At the same time, their own rent payments climb to $600-700 a month.

Unlike Wicker Park, which has undergone a dramatic transformation in the last five years, and Lincoln Park, which is an established affluent neighborhood, Logan Square is taking a more deliberate path in its evolution." *Chicago Tribune: 3/12/93*

People who live in Lincoln Park are often surprised to hear the word "gentrification" used in association with Logan Square, but they are forgetting that for a lot of people who live in Logan Square now, the question is not whether Logan Square is, or ever will become, as thoroughly affluent and homogeneous as Lincoln Park. The question is rather whether in ten, or five, or two years, they and their family will still be able to afford to live there. As one realtor assured the *Chicago Tribune*, Logan Square is still *diverse*, it is just that it has yuppie black and Latino people instead of poor ones.

New housing development and neighborhood revitalization are good things that the residents of Logan Square have worked at for years before Chicago at large took an interest in the results of their labor — but the very revitalization they have worked for has been turned against them by a number of factors.

Present here also is that cycle common to other Chicago neighborhoods threatened by displacement: the cycle begins with absentee landlords who allow their properties to deteriorate to the point where they are unlivable and residents move out, and/or the property value falls so low real estate investors can hardly pass them up. These investors then redevelop them — for a clientele

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Re-Phrasing the Questions; Re-Framing Our Approach

by Mary Decker

Mary Decker is Senior Vice President, Community Affairs, First National Bank of Chicago.

The paired issues of gentrification and displacement have been hot topics of discussion for a long time. But it has been a very narrow discussion, among and between like-thinkers, using the same language, making the same dire predictions, and citing the same villains over and over again. And while the search for a solution continues, neighborhoods around us either "improve" through massive rehabilitation and upscale replacement, or they deteriorate through demolition and abandonment.

Is there no way to achieve improvement in a community without massive dislocation of residents? I would suggest that there is, but it will require a change both in how we approach the problem, and in how we talk about it. We need to completely change the paradigm by which we judge neighborhood change. We have to stop tilting at the wrong windmills, and stop wasting our precious energy on the wrong battles.

We should start this process by abandoning three very noble but entirely useless activities:

1) We need to stop trying to make developers act like social workers. We should instead construct a set of rules within which developers can operate freely doing what they do best. If the rules are the right ones, this will actually help the community achieve and maintain economic balance.

2) We need to stop trying to change real estate market dynamics. Not because the market is fair, because it's not. Not because the market is good, because it usually has good and bad consequences. But let's face it, as planners and community developers, we are powerless to effect all but the most miniscule activities of the real estate market. We should put our efforts into other things, which I will get to later.

3) We should stop fighting private investments in poor communities. Not because private investment is good, predictable, or controllable. Because it is none of those things. But we should stop fighting private development per se because about 80 percent of all economic activity in a healthy community takes place in the private sector. Quite simply, if the private sector is not healthy in a community, the community itself cannot achieve its goals. The private sector is the tiger we have to learn to play with if we want lively business districts, a well-maintained building stock, and good schools.

So what do we do? If we've agreed to eliminate developers, the marketplace, and the private sector as our villains, how do we redefine the problem? To do this, let's examine the prince of all gentrified communities, Lincoln Park. If we look at Lincoln Park in, say 1962, we see a surprising picture. There were at that time plenty of low income housing units in fair to good condition, lots of small units for single adults, lots of good start-up housing. The story of the gentrification of this community would lead us to believe that all these units were rehabbed by development corporations into luxury-scale homes while poor people were kicked out. But this was only one of the many phenomena that displaced the original residents. Over the thirty years of intense demand in Lincoln Park, one-bedroom *units and studios were combined into larger units, small houses were enlarged and expanded, and even untouched units were sold to families of ever increasing wealth every time they changed hands. And the majority of this activity was done not by professional developers, but by individual homeowners and entrepreneurs for whom this was a personal investment.

Left to itself, the demand in a "hot" community will serve to eliminate all low- and moderate-income housing units regardless of size, cost, improvement, location, or zoning. Our response to the problem thus far has been to try to increase the supply of low- and moderate-income housing. But think about it. No matter how many small units are in a community, no matter how many affordable houses or bare-bones apartments are built, no matter how many "first-time-homebuyer" houses we construct, they are all destined to disappear over time as a neighborhood improves.

The solution lies not in more CDCs, not in more affordable housing construction, and not in more homeownership programs. *All* of those are essential to improving a community, but they are helpless in preventing large-scale displacement over time. In order to achieve the goal of maintaining low- and moderate-income housing in an improving community, two more tools are absolutely essential, and without them the battle cannot be won. These two silver bullets are: *much broader control of ownership,* and *laws* *governing replacement of affordable housing.*

Neighborhood organizations must join forces with government to create and implement community plans with the power of enforcement. We need to develop policies and pass laws that guarantee — not facilitate, not encourage, not promote — *guarantee* the construction and maintenance of low- and moderate-income housing. How do we do this?

I would suggest the discussion begin with these six ideas.

1) Establish a goal for the number of permanent low- and moderate-income housing units needed in a community to ensure economic diversity. This will need to be determined through an honest assessment of how many total units will exist in a community when it is fully developed, and by setting a fair percentage of low-and moderate-income units.

2) Get control of as much land as possible at the earliest possible opportunity. Governments in Illinois have never been aggressive in funding land acquisition. This practice has to change, for it is only in the ownership and leverage of land that balanced communities can be achieved.

3) Identify locations for low-income housing development and rehab. This could be done by dividing a community into sections of perhaps twelve to twenty-four blocks in size, within each of which a specific number of affordable units must be produced and permanently maintained.

4) Pass laws to require the maintenance of affordable housing. This is tough but simple: any permit for rehabilitation or construction of over four units must include a plan for replacement of the low- and moderate- income units. This does *not* mean that buildings should not be rehabilitated or replaced. It *does* meant that developers will need to learn to produce projects with income diversity, or they'll need to learn to do joint ventures with non-profit developers. The replacement housing must be in the same community, or if near a boundary, perhaps in an adjacent community but within the same school district.

> **We need to develop policies and pass laws that guarantee — not facilitate, not encourage, not promote — *guarantee* the construction and maintenance of low- and moderate-income housing.**

5) Public and non-profit entities must produce *new* affordable units in significant volume, and greater subsidies must become available to make this possible. This is necessary because most gentrification and displacement occurs with small private owners and entrepreneurs improving their own properties. This is extremely difficult to control, and probably should not be in buildings under four units. In addition, as first time home buyers improve their properties, these units often disappear from the low-income housing stock — a process with as many positive effects as negative. To counterbalance the effect of this overall improvement, new affordable units must be produced.

6) Nonprofit and government entities must maintain ownership of the low- and moderate-income units in a community. And while this goes against the equally positive goal of selling these units to expand home ownership opportunities for low-income families, it is essential to keep affordable units in the rental stock, or they too will disappear eventually.

This is a whole lot more planning and government intervention than we're used to, and there is no doubt that it will be difficult to set all these activities in motion. But it is a workable plan, and one that will produce the kind of economically balanced communities that we all desire. We have all seen the results of unbridled development, suburban sprawl, and inner city neighborhood abandonment. Isn't it time we tried something new? ❍

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bia along with some of the residents. Property insurance companies followed suit. In fact, the term "redlining" is said to have been coined in West Town, and Northwest Community Organization (NCO) was one of the lead organizations in launching the nationwide anti-redlining camping that led to the passage of the Community Reinvestment Act.

At the same time, city government aggravated the situation by withdrawing services. Street cleaning and garbage pick-up became less frequent and building code enforcement less rigorous. When buildings became uninhabitable, the city tore them down and became a major owner of vacant land. Then the federal government offered money for urban "renewal" and city government used those dollars to finish the job in neighboring Lincoln Park, as Sandberg Village rose from the ashes of Mother Cabrini's old neighborhood. The village, however, was not for the poor people who lost their homes during the clearance process.

The Lincoln Park story was not lost on the residents of West Town. They had barely survived the highway development; they would fight urban renewal. Local Catholic churches took the initiative through grassroots community organization. A community redevelopment process was initiated that, unlike urban renewal, was directed by the residents, for the residents.

In 1962, the Northwest Community Organization (NCO) was founded to encourage community leadership. To address the flight of industrial jobs, the Industrial Council of Northwest Chicago (ICNC) was organized. To address the loss of housing units, Bickerdike Redevelopment Corporation (BRC) was founded in 1967. Residents understood that the best defense against urban renewal/slum clearance was to build housing for pre-existing residents on land that already had been cleared. BRC would not be *for*-profit but *for*-community.

In the face of mortgage and insurance redlining, real estate development in older neighborhoods was dependent on government programs. So, with the help of low-cost, FHA mortgages, between 1968 and 1972, BRC built approximately one-hundred single family homes and sold them to local residents for reasonable prices. But unlike for-profit developers, BRC did not disappear after the homes were built. They screened buyers and counseled them and trained them in homeowner skills. Consequently, after twenty years, there has been a less than 1 percent default rate. In other parts of Chicago, and in cities across the country, in the absence of a community controlled development process, the FHA mortgage program was a disaster. Foreclosure rates were high, houses were abandoned and boarded up, making the U.S. government a major slumlord. The FHA program was abandoned.

The early 1970s saw the dawning of a new viewpoint regarding the housing stock of older urban areas. The

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first blush of suburban living was off the rose, and track housing was boring. Urban architecture was rediscovered. Furthermore, making use of sturdy building shells instead of tearing down and building new appeared to be more cost-effective. But most importantly in West Town, the bulk of residents were renters and needed more decent rental options. As this approach spread to other neighborhoods, and more not-for-profits like Bickerdike emerged, the Chicago Rehab Network was formed in the late 1970s as a kind of trade association for not-for-profit housing developers interested in retrieving abandoned or run-down apartments and turning them back into decent, affordable rental units.

However, it soon became apparent that rehab of buildings that were seventy and eighty years old was not cheap. The only way apartments could stay affordable was by using the federally funded Section 8 Program that gave the tenants subsidies to help pay the rents needed to pay off the rehab costs. Finally, it was difficult to find buyers for these buildings, especially ones committed to long term affordability. The era of the not-for-profit landlord emerged.

Another limitation of rehab pertained to the size of apartments. In West Town, larger families needed larger units with more bedrooms than what the Victorian era had produced. There was still plenty of vacant land available, so Section 8 new construction was the logical next step.

As plans for Phase I of BRC's Section 8 developments were just reaching the drawing boards, another piece of community-controlled development was taking shape in the southeast end of West Town. It was called "neighborhood planning." When, in the early 1970s, Chicago's Central Area Committee unveiled its *Chicago 21 Plan* , which extended the traditional central area boundaries as far north as North Avenue and west to Ashland, West Town residents arched their backs and were convinced the smell of urban renewal was in the air again, this time spearheaded by private dollars. NCO organized a campaign to fend off this latest threat to neighborhood control and declared that no "outside" plans would be foisted upon this community. "We plan for ourselves." Thus, the Community 21 Neighborhood Planning Project was born. From 1975-76 a plan was written through an interactive process between community residents and a consultant *they* hired (now Congresswoman from Toledo, Marcy Kaptur), and a planning office emerged as a complement to neighborhood organizing and neighborhood controlled housing development by focusing on infrastructure issues.

By 1981, progress made ranged from infrastructure improvements to land acquisition programs — and a neighborhood land bank had been proposed.

As the Reagan era of the 1980s dawned, and Bickerdike was building the last phase of its Section 8 apartments, West Town was witnessing the return of the private, for-profit investment dollar in the Wicker Park area. Initially money was being invested by individuals to restore the old Victorian mansions and graystones for their own use. By the 1980s, some of those owners were beginning to sell to the next wave of buyers, who were paying considerably more for these rehabbed properties, counting on a continuing increase in property values to make their investment pay off. To that end, the new owners began to seek each other out and formed their own organization called the Old Wicker Park Committee (OWPC). They worked to enhance the image of the area by sponsoring an annual "Greening Festival" which featured a house walk, just like the Lincoln Park and the Gold Coast.

Serious conflict arose between the newer, more affluent residents and the older poorer residents when some members of the OWPC took a stand against the construction of BRC's Phase II Section 8 units in the Wicker Park area. Community meetings became hostile and one construction site was arsoned. The units were completed, but since that time, it has been difficult for BRC to develop any additional affordable housing in Wicker Park — even New Homes for Chicago.

Meanwhile, for the last ten years, speculators have been buying vacant land in West Town — from the city, through tax sales, and from private owners — anticipating the profits they would make when for-profit developers were ready to build. It started to happen in Wicker Park in the 1980s, and by 1990, the old Community 21 area east of Ashland and around Erie House was experiencing the same phenomenon. Statistics showed that between 1980 and 1990 the median home value in West Town had increased 300 percent. Gentrification was well under way and so was displacement.

Let's examine the process. First the mansions are purchased and restored; then, the three flats and six flats are purchased. To make room for gut rehab, tenants must move. They cannot afford to come back. Then new residents, who once proclaimed that love of diversity brought them back to the city, decide they really do not want the neighborhood to be "too diverse." They conclude that poverty breeds crime, so the fewer poor people there are, the less crime. Thus, when Bickerdike moves to build subsidized housing in the neighborhood, they oppose it in the name of personal safety and prop-

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LINE From cutbacks

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erty values. This means that as privately owned apartments become too expensive for lower income families, they will have no other options but to move out.

In response to this process, in 1988, Erie House initiated a project called the Chicago Neighborhood Experiment in conjunction with the Chicago Council on Urban Affairs to study the issue of gentrification and come up with an appropriate strategy for Erie in the face of neighborhood change. The study, published in 1990, documented what was already observed informally. Families reported paying rents that were 50 and 60 percent of their income. Still others reported a pattern of relatives and friends migrating to areas like Cicero and Berwyn where they could buy a house for much less than what it cost in West Town. Ironically, many residents reported positive feelings toward the new investment. It was good to see the neighborhood improving. It was clear that the saw themselves as passive observers, not active participants in this process.

The study also indicated that vacant lots were still abundant in the Erie House area. A strategy was adopted to help residents counter the economic forces they were dealing with by focusing on local leadership , the redevelopment of vacant land, and increasing residents' earning power, so they might become stronger competitors in the changing housing market.

How has this strategy evolved since 1990? ~~First of all, by 1991 there was~~ a noticeable absence of any grassroots community organization providing support and leadership training for low-income residents. NCO had faded from the picture, a sad story too long to re-create here. Erie is committed to re-establish at least some modest form of that capacity-building structure. The new resident investors are organizing themselves into block clubs and organizations like the East Village Association. The older, less affluent residents must do the same.

Second, Erie is proposing a joint venture with Bickerdike to build forty units of scattered site housing, developed as a cooperative. Our intent is to combine subsidy with home ownership, but targeting a lower income range than the New Homes for Chicago Program. Erie is looking to house those with incomes in the $15,000-$30,000 range — the working poor. Residents and potential co-op members serve on a steering committee that is involved in the development process. The goal is to keep monthly costs to shareholders in the $350-550 range for two, three and four bedroom units.

Two major obstacles threaten achievement of this goal. First, in an environment where land banking plans were never realized, while speculators remained active, lot prices have escalated to levels that seriously inflate overall development costs far above the standard $100,000 per unit that banks and government agencies have used as a "cap" for subsidized housing.

One hope for bringing down the average cost of land per unit for the co-op depends on the city's cooperation. Erie has identified ten to fourteen vacant lots the city still has in its inventory. With the support of Alderman Mazola (1st) and Watson (27th) and the Department of Housing, a hold has been placed on these lots to keep them from being sold to individual buyers.

However, unless the city is willing to sell at below-market prices to help reduce the cost of land to the project, it will be difficult to meet the needs of the population Erie has targeted. Current city policy works against neighborhoods like West Town where the real estate values have gone up. Discounted prices are only available where land is appraised at $5,000 or less per lot — when the private market has no interest. This kind of policy makes the city an active player in guaranteeing that a gentrification process will move to its logical conclusion, wiping out diverse communities in its path.

The second obstacle the Erie-Bickerdike Co-op faces relates to the issue of construction subsidies. For some years now, low income housing in this country has had only one major tool — tax credit financing. Invented during the Reagan Republican years, it is designed to offer tax breaks to the rich if they invest their money in low-income housing for a fifteen year period. In the '80s, tax money for health, education, and community safety was thus diverted into housing development.

Nevertheless, not-for-profit developers took on the task of mastering this complex financing mechanism which replaced Section 8 new construction. The city learned how to administer it and saw tax credits as a way to spend federal dollars for housing and make local dollars go further.

In the '90s the affordable housing development community is facing a familiar problem. Demand for subsidies is exceeding supply. Just when not-for-profit developers get the hang of it, when they figure out how to crank out a significant number of housing units, the resource they have mastered runs out or is eliminated by Congress. The feds failed to monitor the FHA mortgage program in cities and pulled back on it. Section 8 was declared to be "too expensive." (As compared to what?) Now the city of Chicago has declared that it is running out of tax credits. The city used up its 1994 allocation mid-year and the pipeline is already jammed for 1995.

LINK Fren article

In reality, Erie would prefer not to use tax credits for the co-op development since that would defer real ownership by co-op members for fifteen years, until the tax credits expire. However, when it was suggested that the city provide larger subsidies using HOME dollars, say $70,000 per unit instead of $35,000, the department balked. They argued that building more rental units was justified over extending ownership opportunities to a lower income range of families.

Let us summarize the lessons these stories offer:

1. Often the federal government contributes to disinvestment and displacement while "trying to solve" other problems:

   Expressway construction displaced thousands of inner city residents and facilitated the flight of capital to the suburbs.

   FHA initially helped build suburban homes to sell to those in flight. When it was brought to the cities, it wreaked further havoc on an already distressed community. It only worked well where neighborhoods controlled the program.

   Section 8 began to address the needs of renters but became politically unfeasible when it dramatized how much it really does cost to house even the working poor when the private market has failed to do so.

   Urban renewal was the forerunner of gentrification. The poor were removed to renew urban areas for more affluent residents to enjoy.

2. The city "banked" land for years, land for which they had no market and no imagination. When the market returned to some neighborhoods, the opportunity to reap the benefits for city coffers has too often outweighed proposals to re-use the land to replace the affordable housing that once stood there.

3. During periods of neighborhood disinvestment, grassroots organizing keeps the neighborhood afloat and fosters the creation to alternative, community controlled institutions to fill the void caused by the flight of private capital.

4. If the neighborhood organizing and alternative institutions are successful, private capital returns and the people who fought to make it happen get pushed out.

Is this a vicious circle? How do we break it?

First, we have to ask ourselves whether diversity, both economic and racial, is something we really care about, or is it just rhetoric. If it is of value, then cities have to use their resources (actually *our* resources) of land and dollars to support at least enclaves of affordable housing in every neighborhood, where people who need affordable housing want to live. And this policy should support a spectrum of options, from public housing to home ownership.

Second, we all have to address the income side of the housing equation. People keep getting priced out of housing markets because their inadequate incomes make them poor competitors. While Erie House still finds an immigrant community outside its doors, the "vibrant industrial economy" that offered economic opportunity to previous immigrant groups has down-sized and restructured dramatically. The work of local industrial councils to retain industry, the school reform movement, and the work of other grassroots organizations are all part of the housing agenda and any effective, overall community development strategy.

For many years, West Town was ~~poor.~~ There is nothing glamorous or romantic about that. But it managed to have a community life that, through the 1970s and '80s, was shared by Puerto Ricans, Poles, Mexicans, Italians, African-Americans, Ukrainians, homeowners and renters. For a brief period, they all met at NCO to fight the slumlords, utility companies, the redliners, the unresponsive school system, and the politicians who no longer represented their interests. They did their own housing, their own industrial development and commercial revitalization, their own planning — not by themselves, but from *their* perspective. There was community empowerment and some development *without* displacement. When the former diminished, development *with* displacement returned. ❍

Displacement by City Plan:

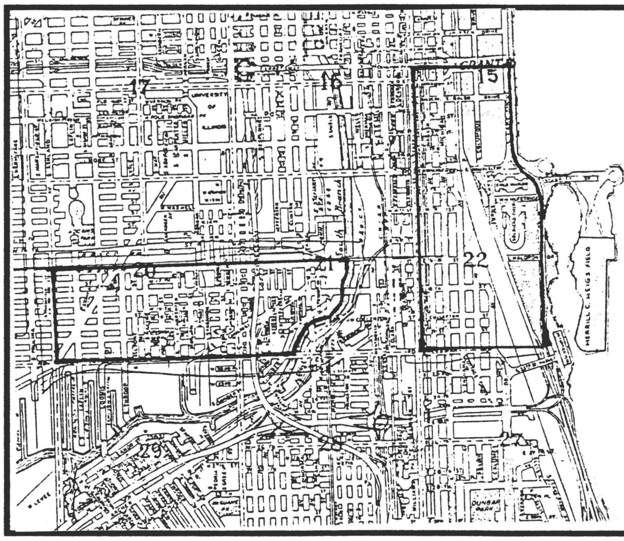
The Chicago Coalition for the Homeless and the Campaign for a Mixed Income South Loop

by Les Brown

Les Brown is Policy Coordinator for the Chicago Coalition for the Homeless.

The Affordable Housing and Jobs Campaign spearheaded by the Chicago Rehab Network represented an important victory in the fight for affordable housing. It clearly was a big step in the right direction. But we still have a mile to go. Following this victory, the Housing Committee of the Chicago Coalition for the Homeless (CCH) held a retreat to determine what its next campaign should be. After considerable debate, it was decided to focus our attention on Chicago's South Loop: the mayor's new neighborhood.

The demographics of the South Loop are rapidly changing. Take Burnham Park, for example. In 1980, the census showed that the population of the area was 5,354, of which 40.3 percent were white, 50.9 percent African American, and 4.7 percent other. However, by 1987, the overall population had increased to 10,095 with 68 percent white and 32 percent classified as African American, Indian, Asian, and Hispanic. The median household income in 1980 was $8,696, while in 1987 the Burnham Park Planning Board estimated it to be at $42,000. These recent changes and the rampant development to come will most certainly result in the displacement of African Americans and other low-income minorities in the area. This trend has been labeled the "whitening" of the Loop.



It is well known that the majority of city development funds have gone to support those projects that serve the social and economic interests of upper-income developers and the consumers of their services. Such development has been concentrated in the Loop and the periphery of the Loop, while neighborhoods have been ignored and allowed to decline and deteriorate.

This pattern is about to be repeated in a major way in the South Loop. Recently the city council passed an ordinance which designated a major portion of the South Loop as a tax increment financing (TIF) district. The boundaries of this TIF are Congress to the north, State Street to the west, Cermak to the south, and Lake Shore Drive to the east. This is one of the largest TIF districts in the nation. Using TIF financing, the city plans to pump $104 million into the South Loop to fund infrastructure improvements and upscale development.

The Chicago Coalition for the Homeless and the Chicago Affordable Housing Coalition have launched a campaign, "The South Loop Campaign for Development Without Displacement." The campaign is an organized attempt to prevent the loss of more than one thousand units of SRO housing in the South Loop, the closing of small businesses, and the displacement of low-income minorities and other low-income South Loop residents. The South Loop should become a mixed-income community and serve as a model for future city supported development.

Thus far, our efforts have resulted in the passage of an amendment to the TIF ordinance that requires a one for one replacement of occupied units, or a minimum of three hundred "affordable housing units." While the amendment is certainly a step in the right direction, it falls far short of what is needed. The amendment calls for replacing only occupied units for "low and moderate income" individuals and the city is allowed the duration of the TIF agreement (eighteen years) to provide such replacement.

CCH has coordinated two major demonstrations which have served to promote a mixed-income South Loop and made clear our demands. More than three hundred people attended each of these events. Support for the campaign is growing daily. We hope Mayor Daley, the Departments of Housing and Planning and Development will see the wisdom in creating such a neighborhood. The mayor has been quite vocal in support of the concept of mixed income communities. He now has a golden opportunity to put his words into action in his own back

Displacement by Government Disinvestment:

Where City Indifference Threatens to Weaken the Fabric of Pilsen, Neighbors Come Together

By Sherry Rontos

Sherry Rontos is Chairperson of Pilsen Homeowners and Renters Association.

Pilsen, like many neighborhoods in Chicago, is being threatened by gentrification. The city of big shoulders is having a hard time finding room for us and one by one our neighborhoods are being destabilized and our neighbors are being displaced.

So many times when we think about displacement, we see it as a housing problem — an issue of people becoming homeless. We do not even see it coming, when often the threat of displacement surrounds us every day. A fine example is the Maxwell Street Market. It was forced to relocate because of buy outs and cutbacks that the city imposed on the vendors. The lack of garbage pickup, and other city tactics pushed these Sunday morning entrepreneurs out. This particular area was targeted for displacement by disinvesting and pulling city services from the Maxwell Street sector. A piece of Chicago's history gone forever, and all that is left is fenced in streets and a generic Maxwell Street.

Displacement is not just about housing, it is also about how the city services our neighborhoods. Why do some areas seem to get more than others? When the city disinvests in a community by letting garbage pile up, sidewalks fall apart and crime run rampant, how does it expect the private sector to invest in these neighborhoods? Pilsen, like Maxwell Street is in need of city services to sustain a viable community, or it too will die. Pilsen has a history of fighting for everything it gets, and we will continue to demand our fair share until it is realized. This will call for capital expenditures, and that is where the delicate balance of displacement and an improved stabilized community takes place. If improvements in a neighborhood forces taxes to increase, or property values to exceed the cost of living for the people who live there, then we begin to see people being financially pushed out.

The City needs to make a public commitment to invest in capital improvements and plan strategically with the community stakeholders: the homeowner, the renter, the LSC members and organizations that serve the neighborhood so that stabilization occurs and not displacement. The Pilsen Homeowners and Renters Association (PHARA, a task force of Pilsen Neighbors) has begun to do that, by working with block club leaders to put together a community plan. Homeowners in the area have to create a vision, or outsiders (developers, city and state) will plan for them and often that is how displacement occurs. PHARA/ PNCC has begun to open doors of collaboration with city officials through meetings with the local Alderman, Ambrosio Medrano, The Office of Budget and Management, Department of Transportation and the Mayor's Office. These meetings have been instrumental in bringing more infrastructure dollars to Pilsen and replacing dangerous vaulted sidewalks.

We have worked with the Office of Budget and Management and the Neighborhood Capital Budget Group in a coalition to have direct input into the last years G.O. Bond, that brought more capital investment dollars throughout the city. We need to build these types of partnerships among the private sector, residents and the city to create substantial growth and stabilization in communities like Pilsen. Otherwise, how can we encourage residents to remain homeowners and renters when disinvestment goes on and city inspectors are knocking at their door? We need to find other solutions, besides raising taxes; that would only increase displacement. The time to work together to create viable communities is now.

Many of the residents of Pilsen are people who have been displaced from one community to another. As one homeowner said to me "I've been pushed out of the Taylor Street neighborhood and others. I'm not going to be pushed out again." If we are going to keep communities like Pilsen alive in Chicago we cannot allow our neighbors to be displaced by lack of city services that crushes the human spirit, or lack of affordable housing. We must push on government to work for the People and with the People! ❍

South Loop TIF, continued

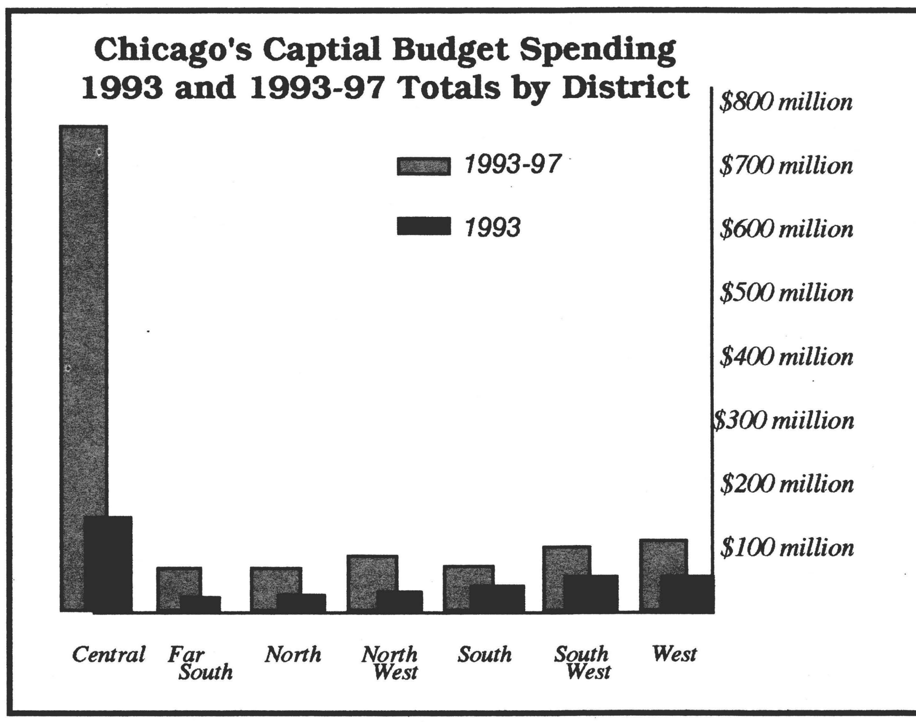
yard.

Together, we can prevent the gentrification of the South Loop and create a model mixed-income community to be duplicated elsewhere. Please join the South Loop Campaign for Development Without Displacement. Call Les Brown at (312)435-4545. ❍

What Role Can Public Investment in Infrastructure Play in Disinvestment?

By Jacqueline C. Leavy

Jacqueline C. Leavy is the Executive Director of The Neighborhood Capital Budget Group — a city wide coalition that works to attain increased and more equitable public spending on neighborhood improvements (infrastructure), and to bring public sector dollars into Chicago's neighborhoods in support of other reinvestment. Jackie Leavy has been a community organizer, coalition builder, neighborhood development advocate, and observer of urban public policy for the past seventeen years. (312)939-7198



Do government dollars help to displace low income and minority residents from their neighborhoods? Where *does* our public money go, anyway? The Chicago Rehab Network is trying to spark a far reaching and thorough debate. What grassroots organizations and government do about these concerns could affect the composition of our city's population and our quality of life in the next century. CRN's call for "Community Development Without Displacement" makes us ask, **what** is displacement, **who** displaces whom, and **how**?

I define "displacement" as the forced movement of established populations out of community areas. Typically, a new population or non-residential, institutional land uses replace them. The turn over of the real estate in areas undergoing displacement generates profits for somebody — and losses, both economic and social, for the displaced population.

Growing up in Chicago in the 1950s, I watched so called "market forces" and the failure of public policy wreak havoc with the social and economic fabric of our city. Panic peddling, block busting, race baiting, the literal abandonment of whole neighborhoods by banks, some businesses, and the governments that were supposed to serve local residents, brought us to our knees, and ushered hundreds of thousands of Chicagoans to the suburbs. As an urban community, we emerged unsteady, bloodied, divided, and shaken by the turmoil we had experienced.

Back then, in the 1950s and 1960s, "displacement" was not the buzz word. But it happened, and it took the form of rapid racial change and resegregation. The ensuing disinvestment — both public and private, I will argue — would later on make these neighborhoods ripe for "redevelopment," "gentrification," — or "displacement," depending upon which side of the real estate speculation deal you were on.

By the 1970s and 1980s the phenomenon of displacement had clearly evolved into struggles about race and class: land and housing values had been forced to artificially low levels in neighborhoods that had "too many" minorities, "too many" poor or old people, not enough city services, and bad schools. These neighborhoods became "high risk" for bankers. Vast areas of urban America were redlined. If you lived in one of these areas, you could deposit your money in lending institutions, but could not get a conventional mortgage or home improvement loan approved.

But many redlined neighborhoods had "prime" locations. They had historical, recreational or architectural assets obscured by the decades of neglect. So the 1970s and '80s saw new residents move in and take the place of

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poorer, older, or darker skinned long term residents. "Urban pioneers" rediscovered city neighborhoods from which their parents had fled a decade or more before, and the term "YUPPIES" entered the public's vocabulary.

By the 1970s, many of us active in Chicago's neighborhoods had come to equate "displacement" with "gentrification," a term to describe those who were replacing the displaced population: "gentry," owners, purchasers, people with enough money to pay for the land and buildings speculators had for sale, with enough besides to make needed repairs. YUPPIES were not and are not bad people, but achieving a balance between economic integration, and the few benefiting at the expense of the many disenfranchised was — and is — a dilemma.

Displacement also has taken the form of removing large tracts of land from residential housing, industrial or commercial uses for the development of major institutions (e.g. the University of Illinois-Chicago and the Medical Center complex), or the creation of new infrastructure (the Eisenhower and Kennedy expressways). Just as striking a balance between the influx of the middle class and the betterment of existing populations has caused tensions in many poor neighborhoods, so has the establishment of large public institutions in formerly residential or industrial areas, when the existing population does not benefit from or participate in that development.

In these communities, what role has government played in displacing the older, established but less affluent and politically influential populations with new, more affluent migrants or institutions?

In the case of the development of our expressways, government certainly executed the displacement. With the investment of billions by the federal government in the interstate highway system, we created the pathway for suburban migration and the exodus of jobs and private capital from the inner city. In the case of the creation of new and powerful public institutions on cheap inner city land, government again played a heavy handed role.

When we analyzed the city's capital allocation by wards for 1988-92, we found that only two of the fifty wards (the old 1st and 42nd wards, the Downtown and near north side) received nearly half of the city's capital budget allocations.

Some argue that government "paved the way" for gentrification and thus created displacement by pouring public dollars into physical improvements to attract the private sector (speculators) back into depressed neighborhoods to "invest" (reap large profits through short term turn over).

The Neighborhood Capital Budget Group, having evolved from the anti-redlining, neighborhood revitalization movement of the 1970s and 1980s, may have gained some insights about this relationship. Yes, government had played a major role in neighborhood change in earlier years, and continues to do so today.

But rather than government using public works projects to lure private developers back into the city, we are finding government to be the follower rather than the leader. Government does a poor job of using public capital investment to prime the pump of economic development to benefit low income areas. Several important patterns have emerged over the years:

1. The public sector engaged in large scale "redlining" or disinvestment of its own — *everywhere* across the city except downtown. Government failed to maintain basic infrastructure in the inner city.

2. Government's inaction reinforced and exacerbated declining property values in inner city neighborhoods. Deteriorating infrastructure added to urban blight and the crisis of confidence as to whether it was "safe" to invest in neighborhoods. But government followed, rather than led, the flight of private capital from the neighborhoods.

3. Meanwhile, as private developers got rich quick by buying up cheap rural land to build suburbs, public policy served as a hand maiden to private interests, using public works to provide infrastructure (such as the network of expressways) to support suburban sprawl and the flow of private investment from inner cities. But again, government followed, rather than led, and reacted to the demands of private interests with profit making opportunities ("economic development?") at stake.

4. Today, the patterns of government redlining and following the private sector rather than leading it, continue.

First, look at NCBG's chart of the City of Chicago's 1993-97 Capital Improvement Program by major sections of the city. We found that the lion's share — over 57 percent — of capital improvements were planned to go to Chicago's Central Area (expanded Loop), with the neighborhoods left with the remaining 43 percent to address their crumbling streets, sidewalks, libraries, and industrial areas. This is essentially the same pattern we found when we analyzed the city's capital allocation by wards for 1988-92, when we found that only two of the fifty wards (the old 1st

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and 42nd wards, the Downtown and near north side) received nearly half of the city's capital budget allocations.

What does this mean? Citizens cannot rely upon government to make their neighborhoods a priority for public capital investment. It means that once again, by failing to act, the city is actively contributing to a climate of decline. The City is spending too little, too slowly to keep up with the pace of our infrastructure's deterioration. And more importantly, the continued neglect will perpetuate urban blight, and worsen neighborhood decline.

Now consider some recent examples of private investment trying to "prime the pump" of redevelopment with private capital, in order to win public works projects that support private developments:

The new United Stadium project on the near West Side has leveraged nearly $20 million in public infrastructure improvements. Streets, sidewalks, sewers, intersection improvements, and even a new library are now being built. The neighborhood has needed these improvements for decades. But not until the stadium developers offered to finance a new sports facility, did public capital dollars from the state and the city begin to flow. These improvements are all needed and very positive. But the question remains: Why weren't basic capital improvement needs addressed long ago? Does the development of the new stadium mean real economic development for the city? Will new wealth be created in the economy, other than for the people that own the development? Will the presence of the stadium mean displacement for the residents of the Chicago Housing Authority's Henry Horner Homes? Or will the development generate employment and services for current neighborhood residents?

Consider the Central Station development at the south end of the Loop: A prime location for redevelopment, the city had invested nothing to attract a developer. But once a private developer acquired the land (and air rights over the old Illinois Central tracks) and announced his plans to invest, public subsidies and public improvements began to flow. The Tax Increment Financing district, established to aid in the building of Central Station, is slated to be expanded, and more than $100 million in additional public works improvements, from general capital funds that could be used elsewhere in the city, are being contemplated for this area. What will the Central Station development be? Upper income housing, when we are losing thousands of affordable units of housing in the neighborhoods each year, and new office and retail development, in a central area of the city that is already over built and 20 percent vacant. Meanwhile, several affordable housing organizations are fighting against the displacement of low income residents of the area.

Finally, consider the proposed Empowerment Zone: The corridors carved out by the city in their application to the Federal government have needed serious, large scale reinvestment efforts since the King riots in 1968. Many of these areas have seen little in the way of public or private investment. The Empowerment Zone is an opportunity for the federal government and the city to lead, and the private sector to follow and join a partnership with government and community residents. The city of Chicago has committed to several economic development initiatives within the proposed Empowerment Zone, but it still has to decide what commitment of public capital dollars it will make to help in the rebuilding of these areas.

Private investment in our city is a good thing. We welcome private investment and economic development. But for our public capital dollars to be hostage to private sector capital is wrong. There should be a whole spectrum of scenarios, combining public and private dollars in partnerships to renew our neighborhoods, and make our city stronger. Citizens should be able to count on a steady and substantial reinvestment of their tax dollars into public improvements for the communities in which they already live. That investment is necessary to help maintain a climate of confidence conducive to private investment and stability.

And where private and public redlining have helped to create distressed communities, or we as a public can agree upon the direction of future community development, we should work to turn the traditional relationship on its head, and use public capital improvements to bring private capital to neighborhoods in ways that benefit current residents. We must develop the capacity of government to help lead the private sector, rather than always to follow it.

But what we build, and how we build it, matter very much. In the end, citizens must have a voice in forging and directing the public/private partnerships. After all, we live in the neighborhoods, and it is our public dollars being used to reinforce private investment. We could use them to encourage investment in our neighborhoods. By helping to guide public capital investment and private investment toward real community economic development that we participate in and benefit from, we can help pave the way for positive community change, rather than displacement. ❍

Displacement and Vacant Land:

The Beginnings of New Investment Heat Up the Battle for North Kenwood Oakland

by Bob Lucas

Bob Lucas is the Executive Director of the Kenwood Oakland Community Organization (KOCO) and the President of the Kenwood Oakland Development Corporation (KODC).

According to the North Kenwood-Oakland Conservation Plan, which is a city ordinance, there has to be balanced development in the North Kenwood-Oakland Conservation Area. The Kenwood-Oakland Community Organization (KOCO) and the Kenwood-Oakland Development Corporation supports this commitment to balanced development.

However, if the present trend continues, in a manner of time low- and moderate-income people will be driven from North Kenwood Oakland. For the time being, our community is being redeveloped for middle and upper middle income people — with homes ranging in price from $95,000 to $242,000.

Since NK-O was declared a Conservation Area in 1990, one of the responsibilities of NK-O's Conservation Community Council (CCC) has been to prevent developers from displacing people from the conservation area. But CCC continues to approve proposals to build middle and upper middle income homes — that is, homes ranging in price from $70,000 to $95,000.

If this pattern continues, land values will rise sharply, and real estate taxes will go through the roof. Homeowners with modest means (which is the majority of NK-O's homeowners) will be driven from the community — as will the tenants of multi-family buildings, as those buildings' owners raise rents in order to pay the increased real estate taxes.

Background

Not long after the Kenwood Oakland Community Organization (KOCO) was organized in 1965, the leadership learned that because of the severe deterioration of the business strips and the housing stock there, simply providing social and human services was not enough to turn North Kenwood-Oakland around. North Kenwood-Oakland had to be redeveloped. Accordingly, between 1965 and 1987, KOCO initiated nine development plans. None of them ever materialized because of the lack of community consensus and political support.

When the late Mayor Harold Washington was campaigning in North Kenwood-Oakland in 1982-1983 for the office of Mayor of Chicago, he promised the residents that if elected, he would institute a planing process that would be responsive to the needs and goals of local residents. His promises found an audience in the for-profit sector as well. While North Kenwood Oakland was the scene of some real-estate speculation prior to 1983, it was Washington's election as mayor that ushered in the recent interest in North Kenwood-Oakland among the for-profit sector.

In June of 1984, in response to a request from KOCO/KODC, former Department of Housing Commissioner Brenda Gaines convened a meeting to fulfill Mayor Washington's campaign promises and initiate a planning process for a portion of NK-O. Present at that meeting were representatives of the Departments of Planning, Real Estate, Public Works, and the Mayor's Office of Employment and Training (MET), as well as the alderman and representatives of KOCO and KODC.

Because of the outside interest in the neighborhood, it was important that the city and the community get on with the planning to protect the interests of the community. One of the intentions of this planning effort was to show community consensus for future development.

The product of this cooperative planning effort was the 47th Street/Lake Park Redevelopment Plan. But the plan never went before city council, because the alderman refused to support it.

In April of 1988 a portion of North Kenwood was designated as a "Blighted and Vacant" area. The designation came out of the Brenda Gaines effort, but as a development tool, it would not have given the community a lot of say in the redevelopment of their neighborhood.

Responding to an invitation from KOCO in July 1988, former Mayor Eugene Sawyer came to the community and appointed a Neighborhood Planning Committee (NPC) to work with the city in developing a neighborhood development plan.

The NPC was comprised of residents, merchants, and representatives of local community organizations of NK-O. There were over two-hundred people that participated in the planning process, and it is estimated that seventy-five people attended at least three to four of the meetings.

There were thirty NPC meetings — general and sub-committee — between August of 1988 and March of 1989. As a result, all

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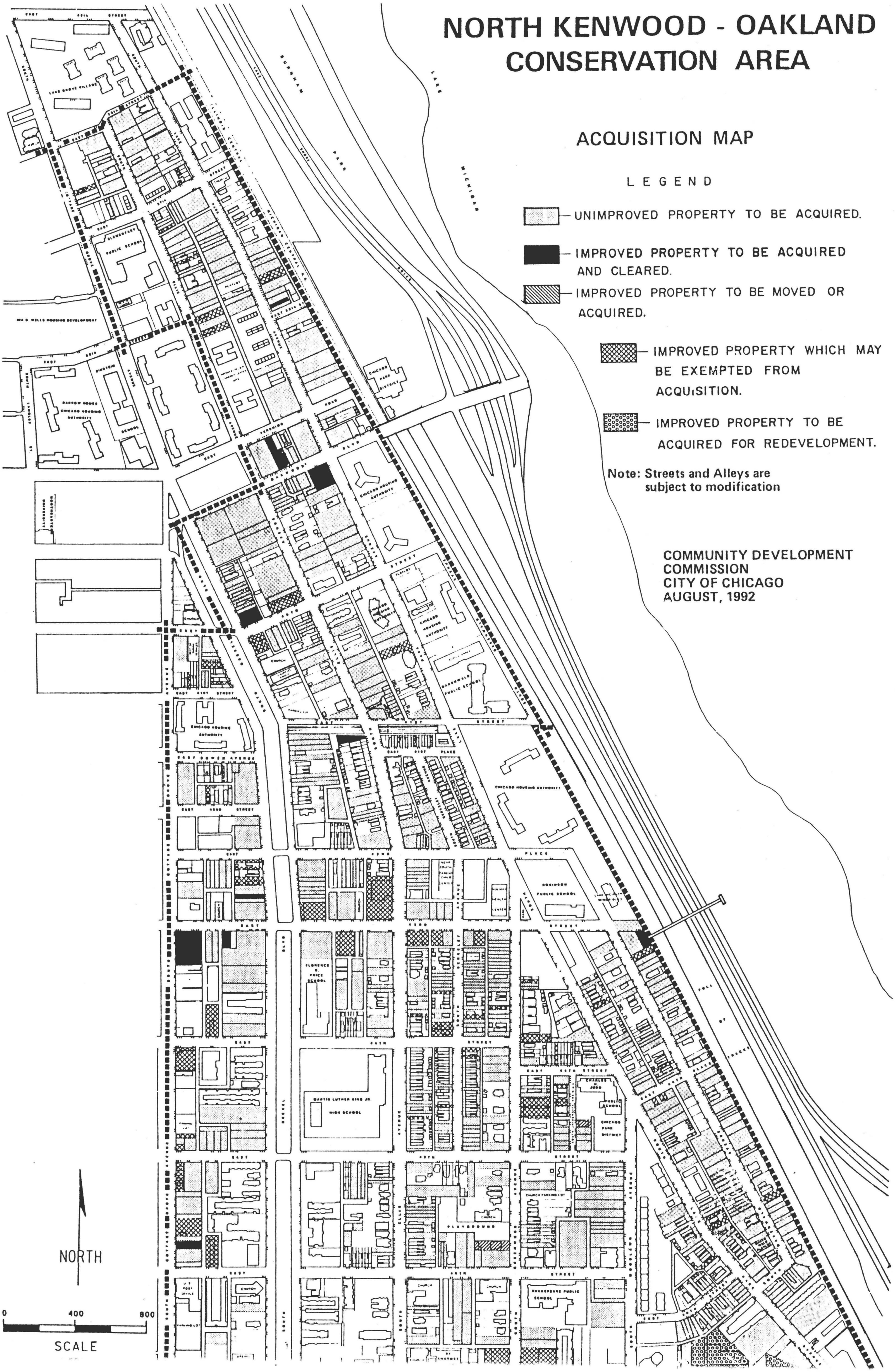
NORTH KENWOOD - OAKLAND
CONSERVATION AREA
ACQUISITION MAP
LEGEND
UNIMPROVED PROPERTY TO BE ACQUIRED.
IMPROVED PROPERTY TO BE ACQUIRED AND CLEARED.
IMPROVED PROPERTY TO BE MOVED OR ACQUIRED.
IMPROVED PROPERTY WHICH MAY BE EXEMPTED FROM ACQUISITION.
IMPROVED PROPERTY TO BE ACQUIRED FOR REDEVELOPMENT.
Note: Streets and Alleys are subject to modification
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community input was fully heard and discussed, and embodied in the Neighborhood Planning Committee Report.

Toward the conclusion of the neighborhood planning process in September ,1989, the NPC selected the Conservation Area designation as preferable to the "Blighted and Vacant Area" designation for the redevelopment of the community because it establishes community control. When a community is designated as a Conservation Area, the mayor appoints community residents to serve on a Community Conservation Council (CCC) to develop and amend a Conservation Plan and to review development proposals in the area.

At the insistence of KOCO, in January 1990, the Department of Urban Renewal designated 368 acres of North Kenwood-Oakland as a Conservation Area. It is bounded on the south by 47th Street, the north by 36th Street, the west by Cottage Grove Avenue, and the east by the Illinois Central Railroad right-of-way.

At the request of KOCO, the mayor appointed the CCC in February of 1991. Under the leadership of Department of Urban Renewal staff, the community and the CCC began meeting to create a Conservation Plan for the area. In January of 1992, the Department of Urban Renewal staff was replaced by the Department of Planning and Economic Development staff. The Conservation Plan was approved by the community, KOCO, and the CCC in July 1992, and by the city council in October 1992.

Were it not for KOCO and KODC, there would be no Conservation Designation and no Conservatio Plan to redevelop NK-O. KOCO also insisted that the new Conservation Plan include the vital "Community Goals and Objectives" from the earlier NPC report. These specify the Plan's commitment to achieve a community whose stability is compatable with its economic and racial diversity, to give priority to existing residents in all phases of community development, and to assist all residents (especially low income) to take advantage of the new community development opportunities — through education and training.

Theoretically, the Conservation Plan could be wielded by the CCC to prevent development patterns that threaten to displace the people who live in the Conservation Area. The plan makes provisions for land use, density and so forth, and also organizes the city's acquisition of vacant land to complement the vacant land it already holds. Land packaged by the city can then be offered for sale with guidelines for its redevelopment — guidelines that the CCC could help determine. Finally, when developers submit their proposals for the city land, the CCC has the opportunity to review and comment on them. Developers are often invited to appear before the CCC to present their drawings and proposals, and to receive input from the CCC and the community on their proposals.

However, to date, the CCC has not used their powers of review and approval to promote a balance in new housing development between that targeted towards low-, middle- and upper-income groups.

KODC's Goals

Since the Conservation Plan had been a statute, the community has only had one opportunity to become involved in the development.

After KOCO complained bitterly about the lack of moderate-income housing, and after KOCO marched on the alderman's office, had press conferences and descended on the CCC on April 7th with more than 250 people, we were told that the CCC would entertain a proposal from KODC to build twenty-five homes from the "New Homes for Chicago Program." The Kenwood-Oakland Development Corporation (KODC) invited Community Homes Builders into North Kenwood-Oakland to build these homes, and at the April 7, 1994 meeting, KODC and Community Home Builders presented the proposal to the CCC.

At the end of the presentation, the CCC told us that the KODC-Community Home Builders proposal would be on the May 5th agenda under "Old Business." In preparing the agenda for the May 5th meeting, the chairperson usurped the authority of the CCC by tabling the KODC-Community Home Builders proposal with the CCC's approval.

Also at that meeting, the city suddenly changed the rules of the game. In no other neighborhood in the city where the "New Homes for Chicago" program had been utilized had prospective builders been required to compete for city-owned parcels. That prompted the community ask why, now that the community is supporting the KODC-Community Home Builders proposal, the rules are being changed.

A majority of the community residents, and KOCO, are demanding that all of the laborer's jobs be given to the residents of Kenwood-Oakland and the surrounding communities. Moreover, for the shopping center that is going to be built, we are demanding that one of the five "outshops" be set aside for neighborhood business, and the other four be set aside for African-American businesses.

The order to insure that low- and moderate-income residents are not displaced, there must be the same number of units rehabbed, or homes built, for low- and moderate-income people as there are for middle- and upper-income people. **WE WILL NOT BE SQUEEZED OUT, PUSHED OUT, BOUGHT OUT!** ❍

Displacing the Displaced:

The Plight of Chicago's SRO Housing Stock

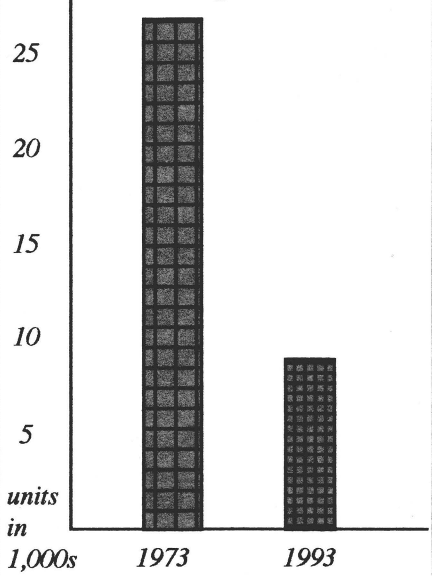
Brian Heeger wrote this article for the Community and Government Affairs office at Lakefront SRO. He is currently a Masters student in Urban Affairs at Columbia University.

Past public policies that encouraged the destruction of affordable single room occupancy (SRO) housing in the guise of development need to be changed or SROs will virtually disappear within twenty years, and thousands of people will be forced into homelessness.

Between 1973 and 1994, Chicago lost over 75 percent of its affordable SRO housing stock, leading to a dramatic increase in homelessness. Now, luxury housing and office buildings cannot mask the effects of displacement of SRO residents. SROs are often the only housing available to very poor single adults (over sixty percent of the homeless are single adults) and significant numbers of SRO residents are seniors and people with physical, mental health and substance abuse problems. Over ten thousand people make their homes in SROs. When their homes are torn down or converted to more expensive housing, SRO residents have no place else to go.

Citywide, there is a loss of seven hundred affordable SRO units per year. While SRO residents throughout the city are in danger of homelessness, those in the South and West Loop are the most likely to lose their homes to redevelopment in the next five years unless immediate action is taken to change past policies of subsidizing the destruction of SRO housing.

Look Quick!



Chicago's Incredible Vanishing SROs

SRO housing in the West Loop has been virtually wiped out. Nearly 70 percent of the SRO units that existed in the area in 1985 have been demolished. Although a small portion of the area's SROs were converted into luxury housing, most of the SROs have become abandoned wrecks or vacant lots as landlords and developers wait for their neighborhoods to be targeted for redevelopment and for land values to increase.

The pattern of redevelopment and displacement that has existed in Chicago for decades can be broken before it engulfs the South Loop. The proposed Tax Increment Financing (TIF) Redevelopment Project for the South Loop provides a unique opportunity to create a true mixed income community. The city, non-profit and for-profit developers must join together to prevent repeating the misguided development policies of the past.

Demolishing housing affordable to very low income single adults without taking into account the effects of displacement is short sighted and far from cost-effective. The demolition of SROs in the West Loop has done little to lure the middle class back into the area. What the displacement of SRO residents has accomplished has been to create more homeless people; and increased homelessness makes redevelopment with displacement an expensive proposition in both economic and human terms.

For example, homelessness causes otherwise avoidable health care costs. Approximately 40 percent of the homeless have been found to have serious and chronic health problems, most of which are caused or exacerbated by being homeless, and the homeless receive emergency room care at nearly twenty times the rate of the general population.

In addition, between 20 and 30 percent of the homeless require multiple hospitalization for mental health and substance abuse problems—hospitalizations that could be avoided if homeless people in need of help had stable living situations which are the key to successful treatment and recovery. These costs quickly add up. Hospitalization, after-care and emergency shelter costs between $22,000 and $32,000 per person per year.

On top of demands homelessness makes on the health care system, there are police and legal costs that come with arresting and imprisoning high numbers of the homeless. Research has found that between 39 percent and 65 percent of the homeless have been arrested, at a cost of about $100 per person per day, and 14 percent to 30 percent have been imprisoned, at a cost of $16,000 per person per year, largely for activity related to

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Displacing the Vulnerable:

MTO Keeps an Eye Out for Chicago's Tenants

by Tim Carpenter

Tim Carpenter is the Executive Director of the Metropolitan Tenants Organization. (312)292-4980

"Displacement can only intensify as long as housing is maintained and produced as a commodity, as an investment first, and not as our basic human right." from "Toward a Housing Platform for the People of Boston." All City Housing Organization, Boston, MA.

Displacement — the forced relocation of low income tenants — will be with us as long as we continue to participate in a real estate system that values property and profit over people. There is no escaping the fact that any form of development, for-profit and not-for-profit, that does not include a firm commitment to returning tenants to their homes and subsidizing the cost of the higher rents causes displacement. Displacement is an impersonal word — in and of itself, it will never be able to describe the horrifying experience of being forced to move against one's will. It will never tell us how the individuals, families, and especially the children feel to be moved from one neighborhood to another because someone else — someone with more money — wanted their home.

Our perspective at the Metropolitan Tenants Organization (MTO) is rather unique in Chicago. We answer over one thousand calls a month to our tenants rights hotline, we organize tenants in prepayment buildings, assist community organizations with their tenants rights, and advocate for the rights of tenants, especially low income tenants. Therefore, we see the effects of displacement every day. Through housing abandonment and development (both not-for-profit and for-profit) thousands of tenants are displaced every year. Each neighborhood tells its own story of displacement; each community faces a different twist in the dynamics of the steamroller real estate system.

The landmark book, *Displacement: and How to Fight it*, by Chester Hartman, Dennis Keating, Richard LeGates, and Steven Turner documents the myriad dynamics that cause displacement. *Displacement* sums up the dynamics here:

> Displacement has its open and ugly side, when occupied lower-rent units are destroyed for profit or converted to higher rent use, and their residents evicted. It also has a less obvious side, in which vacant housing gets the same treatment: no one is being directly displaced, but displacement is definitely underway. People who did live there were displaced when the units went off the market. And every one of those units that is permanently removed from the lower-rent housing stock increases the squeeze of rent inflation and other displacement pressures on the growing low and moderate income population, which must compete for a shrinking supply of housing. And since neither the private sector nor the government is adding much to this supply these days, the squeeze gets ever tighter. Whatever the cause of displacement, lower income displacees are shoved out — almost always without assistance or compensation — into a housing market which is shifting its dwindling resources increasingly toward meeting the needs and desires of the wealthier segments of society.

DISPLACEMENT: Disinvestment

Substandard housing leads to displacement. Landlords who deliberately milk their properties for profit, letting buildings run down, withdrawing services (utilities and maintenance), and finally abandoning the buildings are the focal point in this destructive dynamic.

Housing abandonment occurs through a landlord's disuse of a property. Often times Housing Court judges are forced to vacate the buildings due to the dangerous and hazardous building code violations. The tenants are forced to move, and their low-rent units are taken off the market. Understand that we do not advocate for tenants to continue to live in a substandard apartment just because it is fairly affordable — but these units once taken off the market are almost never returned to low-income tenants. We encourage tenants in substandard housing to take action — making repairs with their rent money, forming cooperatives, or finding a more responsible owner to fix up the property without displacement. We see tenants facing retaliatory eviction cases when they exercise their right to make repairs or withhold rent, and in these cases we work with the tenants to prevent displacement.

One example of disinvestment with strong displacement potential is a building MTO is working with in Woodlawn. Located on 61st Street, a stone's throw from the University of Chi-

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cago, this twenty-four unit building is owned by a suburban landlord who has milked it for years. While many problems exist in the building, it is relatively safe and affordable and conveniently located near schools, a social service center, and public transportation. The building was fully occupied last October, but a winter of insufficient heat and worsening conditions in the past year has brought occupancy down to eighteen occupied units. The landlord has refused to put money back into the building. When tenants began using their rent withholding rights, his response was to attempt to evict them (unsuccessfully, I might add). The building is currently in housing court and we will continue to work vigorously with Woodlawn East Community And Neighbors (WECAN) to ensure the landlord makes the required repairs. But herein lies the dilemma. The landlord has previously received offers from the University of Chicago to purchase the building. Will the landlord now be more inclined to accept their offer rather than put money back into this building? What will happen to the tenants if it is sold to the University? Where will they go? Who will replace these units within the community?

DISPLACEMENT: Development

Housing rehabilitation is a relatively innocuous term. We all agree that tenants should live in housing that is safe, decent and up to code. Development can range from a gut rehab of an abandoned building to minor cosmetic repairs. Development can be undertaken by homeowners, landlords through regular maintenance, speculators, government and not-for-profit agencies.

What is key is whether or not the residents in a building or a neighborhood experiencing development can remain when the development is finished. All too often, it is a community's lower income housing, typically the older housing stock, that development targets. If the rehab itself does not force out residents often the higher rents do.

Market driven development is almost never geared toward low-income tenants. Gentrification is the process by which low-income communities are uprooted, their housing stock converted to moderate and upper income rental units, through speculation and housing-as-investment-property. The racism that pervades this process forces low income communities, often communities of color, to be uprooted for economic and political reasons. Gentrification is a real estate dynamic that can be stimulated by the not-for-profit development of a community.

Chicago's Bucktown and Wicker Park neighborhoods are currently experiencing a dramatic gentrification process that can be traced back to the Neighborhood Housing Services office which helped to turn around many of the dilapidated buildings in the community. Their development of the neighborhood was viewed as a good thing. They strived to prevent displacement in their developments. But they marked a turning point in the community, and as speculative investors and moderate and upper income renters and buyers began to swarm into the community, the NHS office was closed, its work apparently done. It sparked the revitalization of the community — which unfortunately lit a forest fire of gentrification.

The massive waves of displacement occurring in Bucktown and Wicker Park are a testament to the delicate nature of not-for-profit development. Controlled development, with an eye toward the long-term effects of the development is necessary to prevent further accidents.

Attacking Displacement

Struggling against displacement means taking a stand for tenants rights. It means rallying around a tenants right to remain in their home before and after the development of their neighborhood or apartment. It also means fighting tooth and nail for one-to-one replacement of lower-rent units.

There are many displacement "safety nets" that can be implemented to stabilize a community experiencing displacement.

Tenant Rights: Understanding and using Chicago's tenants rights laws gives tenants tools to improve their housing, reduce their rents and organize tenants unions without fear of retaliation. Landlords would be less able to evict tenants solely for profit or to "upgrade" a building if Chicago's Residential Landlord-Tenant Ordinance included a "just cause" nonrenewal clause. This would require landlords to specify why they choose not to renew a tenant's oral or written lease — providing tenants with greater security about keeping their apartment for as long as they can uphold the lease agreement. Landlords which are not renewing leases because of rehab plans should have to pay substantial penalties.

Relocation assistance: Relocation plans should be required and monitored for subsidized projects, with stiff penalties for not providing displaced tenants with the resources needed to relocate within their community.

Ownership: Removing barriers to ownership transfer for a building's tenants would also provide a stabilizing force for a community, as tenants would become "homeowners" through cooperative owner-

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ship.

Community Organizing: The participation of the entire community in development decisions will give residents the ability to control development for the short and long terms.

In all, displacement can be fought successfully. Our neighborhoods are worth the time and effort it takes to prevent displacement. Not-for-profit housing developers must continue to place a high priority on averting displacement — in their development projects and in the neighborhood. ❍

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untreated mental health and substance abuse problems.

Most of these public expenditures would be avoided by taking advantage of the opportunity SRO housing offers instead of displacing SRO residents. SROs are the most economical way to end homelessness for single adults, especially when residents are given access to supportive social services. Our research has found that two, three, even four times the cost of providing new, affordable SRO housing and social services is spent by taxpayers just to keep most homeless moving through a revolving door of shelters, hospital treatment programs and jail cells.

Redevelopment plans must reflect the concerns of low-income people not only to prevent viable communities from being torn apart, but to prevent costly problems such as homelessness from derailing development plans before they begin. After protests by South Loop SRO residents, an amendment, introduced by Alderman Haithcock (2nd Ward), that seeks to preserve existing SRO units and calls for new development of affordable housing was added to the South Loop TIF proposal. This is a beginning. The next step is for residents, the city and non-profit developers to work together to make the South Loop a model for development without displacement. ❍

Four For Profits Picture Development Without Displacement for Chicago

by Kristin Ostberg

Residents and community groups who struggle to revitalize their neighborhoods from the inside often suspect they are at odds with the for profit sector. They suspect the profit motive excites realtors and developers to drive up property values as high as they are able. They are concerned that the profit driven investor does not share their interest in the health of the community itself, and that if he did, he would define the health of that community by how thoroughly upper income it had become.

Are these suspicions justified?

They are certainly aggravated by a tendency to reduce the complex issue of displacement to one of its manifestations — gentrification. If the developer's sweetest desire is to gentrify, and the resident's most urgent hope is to stay put, the prospects do not look good for collaboration in the big job of rebuilding our neighborhoods.

We interviewed four representatives from the for-profit sector to ask if they think it's got to be so.

The Characters:

Louis Prus is the founder and owner of Easy Life Real Estate, which has been active on the West Side since the '70s. Currently busy in neighborhoods like Lawndale and Logan Square, Easy Life got its start, and its reputation, in Wicker Park, where it battled regulations designed to stifle panic peddling in a crusade to make Wicker Park a really profitable place to practice real estate.

Charles Shaw has developed projects of all kinds across the city of Chicago. He is currently developing an ambitious project in North Lawndale called Homan Square. Homan Square will combine light industrial space (i.e. jobs) with housing units targeted toward families with incomes of less than $16,000 (with the help of Department of Housing subsidies over $60,000 per unit).

As President of the Urban Land Institute, Mr. Shaw presents himself as the man who cries "regionalism" as the development world and his suburban neighbors try to cover their ears and wall off their cities — which means he remains very conscious of the reservations that audience has about investing in Chicago.

Peter Holsten, of Holsten Management, has worked in cooperation with non profits for years. He was the founding Board President of Property Management Resource Center, whose mission is to help non-profits improve their property management skills. He is very sensitive to displacement as a serious issue, and remarks "I pride myself that we don't displace anyone."

Frank Williams, whose career has included a term as the first African American President of the Chicago Board of Realtors, currently operates F.H. Williams Realty on the south west side of Chicago. Mr. Williams sees his role as actively encouraging African American families to realize their potential as players in the real estate market. His work has brought him heat from the Leadership Council for Metropolitan Open Communities for working in racially changing neighborhoods.

What do they say about Displacement?

Louis Prus: For Mr. Prus, displacement is gentrification and, for the most part, it is not happening anywhere.

"We were talking about this, over the weekend. We were talking about neighborhoods. We were talking about 'will it improve on the West Side.' And the opinion was no. It's too far gone. I don't care what you put in there, you're still going to have that social element."

For Mr. Prus, concerns about displacement are misdirected. The real problem faced by Chicago is the fact its population is running for the hills. The real causes of Chicago's suffering, then, are gangs and crime. "Think about it, Chicago lost 300,000 people from 1980-1990, and our murder rate is matching the record in 1974 — with 300,0000 less people — the problem with the whole city getting Yuppified is not going to happen.

Although Mr. Prus does turn over housing aimed toward lower and moderate income people, one gets the definite sense that his bewilderment at talk of displacement is closely related to this weekend chat about neighborhoods and their capacity for "getting better." What does getting better mean? And who does it get better for?

In the late '80s, Mr. Prus sent a letter to Mayor Washington, suggesting the city use its powers of eminent domain to jump start a desperate neighborhood. "You have to do something dramatic. That was the problem in Wicker Park. That's why it took so long — you have one (gentrified building) there, one there, and one there, and it just took years. If you could take 1/2 square mile and just give it a shot, the ripple effect would be like setting a bomb off. But it has to be by the city; it cannot be a private individual because the process would be too long."

Charles Shaw acknowledges displacement is a serious concern for lower income people — "The lower you go on the economic ladder, the more your neighborhood is important to you — that's all you've got."

Although he acknowledges displacement is a problem, it would be more accurate to say that Mr. Shaw is *for* stability than that he is *against* displacement. Because of his vision of what civic stability entails, Mr. Shaw recognizes that displacement will and should continue to happen to make way for a really good project.

The new Comiskey Park was an example of such a project. Of course, there were a few people who wanted to hold the project up — there always are. "That's life, you got to deal with them, they're there. But they should not be able to hold up something like White Sox Park — that's too important to Chicago."

Mr. Shaw describes his own project in Homan Square as a civic service that will increase the stability of Chicago as a whole by creating decent affordable housing more than he touts it as a social service to lower income people. "What we are doing in Homan Square is creating what I hope will be a viable neighborhood ten years from now."

He is frustrated by agitators, who come to him in Homan Square asking questions that suggest he ought to be providing more of a social service. ("What are you doing for the homeless?") These questions strike him as being beside the point.

"We've had the rabble rousers...but we also have more people who gladly come up to us" like the elderly black woman who approached him in North Lawndale "and say, 'I live around the corner. You're not going to let any poor people come in here, are you? We've got to get this neighborhood back together."

Mr. Shaw believes the issue of displacement in North Lawndale is another one of those questions that is beside the point, particularly since he is creating new housing in a neighborhood with ample vacant land.

"Deep down, people want stability, hope — hope means upward mobility, not downward mobility."

Peter Holsten sees widespread displacement as an alarming reality for communities that surround the restless wealth of established areas like Lincoln Park. The scene is different, however, in neighborhoods that do not share a border with a neighborhood that has already been converted.

"...On the fringes of the nice areas, Lincoln Park expanding into Wicker Park, expanding into Bucktown — okay — that's genuine displacement. But I don't see it going on in Uptown, I don't see it going on in Edgewater, I don't see it in Rogers Park, I don't see it in Kenwood...South Shore..."

While these latter neighborhoods may begin to see new development, Mr. Holsten believes people tend to underestimate the power of the market to hold rents down to a level affordable to the people who already live there.

"You go into Albany Park, Edgewater, Uptown — and you charge what people are charging in that area — but not above that. There's no way I could charge more than that because the people who live in those neighborhoods are not willing to pay more than that, and people of higher means are not willing to live in those neighborhoods."

Mr. Holsten cites the example of a prominent developer who went into Uptown in the late 1980s with plans for redeveloping large portions of the neighborhood all at once. He bought an entire block of buildings and redeveloped them for upper income tenants. While he managed to draw tenants initially — with a very aggressive marketing campaign — he could not keep them there: they were uncomfortable in the neighborhood. As the tenants drained from his buildings, "his rents went down, he wasn't able to pay his mortgages anymore, and he lost a bunch of his buildings to the banks. It sort of corrected itself."

Frank Williams' analysis of displacement is taken with a wide angle lens. The problem is larger than the wealthy overtaking the modest in a few isolated neighbohoods, like Wicker Park. Besides the activities of housing developers and their clients, displacement is often a result of civic projects, like expressways — and it always begins long before the residents actually begin to move out.

It would be a mistake then, to address private sector development independently of city planning. "We can't separate one from the other. When we put in an expressway, there's a reason. I guess it's to move automobiles, but it's to move automobiles to a point certain. Even when our planners decide where the expressway is going to be cut...(the decision) still runs back to land value."

Guided by the cooperation of city, developer, and client, the state of a neighborhood can be tracked across four stages of development:

"...the development stage, that's when Chicago is being built, brand new. The second stage is when that area has been built up, sort of stabilizes and there's very little new construction, values continue to appreciate because of the economic base in the community. As long as funds are pumping it, then there's a continuation of that appreciation in value.

"I think that every community that may not be receiving funds right now... there is a plan on the drawing board now for that to be the next move."

"Then, there's a third stage, when it declines. What creates the decline? The disinvestment, the removal of capital...fewer services...the boom declines all the way to where it cannot decline any more.

"Then at some point, planners, developers come together to say, well...the cheaper I can buy land, the greater the profit." Redevelopment begins again.

Unlike those who fear Chicago's great problem is that every one is leaving, Mr. Williams sees new development happening across Chicago. "I think that every community that may not be receiving funds right now, the investors, the administrators, there is a plan on the drawing board now for that to be the next move." This is because so many of its neighborhoods are poised at the low point of the development cycle — which makes them mouth watering temptations for real estate developers.

While many people recognize displacement only at its height, the point at which redevelopment is replacing large numbers of lower income people with large numbers of wealthy ones, Mr. Williams is concerned with addressing the problem at a point before the neighborhood is pushed over into a downswing.

Non-profit/For-Profit: Can Work Together to Rebuild Chicago's Neighborhoods?

Louis Prus: Mr Prus does not understand why for profit and non profit developers should not be able to work together just fine ("I don't see where there is a conflict. Where do you see a conflict?") , although he is a little suspicious of non profits himself.

When he did run into a conflict with a non profit in Wicker Park, he attributed their antagonism not to concern that their members were being displaced, but to a more self interested concern that their base of support was dissipating. "All they were concerned about was their numbers. If all the new people who moved into the area had joined (their organization) they would have been just as happy."

In spite of his reputation, Mr. Prus believes he is just as proven as the non profit at turning out quality, affordable housing — even though "It is not a level playing field — HUD gives them buildings." He believes the for profit and the non profit should be essentially equal competitors in the production of affordable housing, and that if they are not, it is because non profits have a tendency to dissipate their energies in non housing related activities, like social services.

His sentiments find a more moderate echo with Charles Shaw.

Charles Shaw: "You get community organizations... and they're doing a wonderful job — God bless them — I'd say anybody doing anything is positive. But they're not a business."

"I believe the development business is a business. ..I basically don't think we're going to be successful if we look at society and say we're going to get not for profits (to develop our housing) — it would be like getting not for profits to build automobiles."

If building affordable housing is, like building affordable cars, a business, then the business man is the man to do it. It is with this conviction that Charles Shaw will argue that to really replenish our affordable housing stock, we must eliminate the barriers that make building in the city bad business.

Although Mr. Shaw has little faith in the capacity of the non-profit sector, he acknowledges that there are limits to the reach of the for-profit developer. That is, he cannot necessarily afford to develop housing for the man of extremely low, or non existent income.

"I (am) coming down the ladder. You're starting with zero, I'm not. I want to come down from middle income, to moderate, working toward low income, with homeownership. If you want to push it down to the $13,000 a year family, I can't reach that."

The limit that marks the poorest family Mr. Shaw can afford to house has about a fifteen thousand dollar annual income — which is pretty low, but it is a limit. Who, then, will house the people Mr. Shaw cannot afford to house? "I don't know."

Peter Holsten is familiar with the frustration many non profits feel toward for profits who develop in their communities. "I sympathize with the frustration and anger on the part of a lot of the non profits — because, rightly so, they see themselves as the mainstay, as the people who were first into it, as the people who are going to be into it for the long term...and they're getting screwed, they're getting pushed out of the funding circles. They're having trouble with some of their projects and they're getting criticism for that, when in fact, they're the ones who stuck their neck out and were the pioneers."

Mr. Holsten does not identify this frustration with concerns over "gentrifying" effects of for profit developments per se. Rather, he traces the tension back to the late '80s, when a change in financing models actually put non profits and for profits in competition for the building of affordable housing.

As taxes and operating costs made it too expensive to develop on a first mortgage, for profit developers have found themselves tempted to work on projects that would make their developments eligible for city affordable housing dollars."I must get a call a month from someone who wants to get into it."

But Mr. Holsten believes that eventually the situation will correct itself. "I think probably, just as there was a correction in Uptown...there's also going to be a correction in terms of the funding. The government sources, rather than being first come, first serve, I think they are going to rate deals as to merit."

Even before this happens, we may be able to count on the current crowd gathered around DOH's door straggling off in frustration when those funds are not forthcoming. "I think there's going to be a shake out, I think there's going to be a lot of people discouraged by what went on this year. The city ran out of tax credits, and they are going to use up their HOME money. The IHDA Trust Fund is tight. I think a lot of people in the private sector are just going to be fed up and drop out."

Mr. Williams is more demure about the relative roles of the non profit and for profit sector in neighborhood development. "For profit is definitely not a bad thing, for profit is good. Non profit is okay too." But Mr. Williams would prefer to discuss the means for helping African Americans tap into the real value of the real estate they own and the real estate that is available to them. He believes *this* is the key to stability in many south side communities.

What , if anything, should be done to stop displacement?

Louis Prus does not think controls that would harness the real estate market and discourage displacement are feasible, or, for that matter, necessary. That there is a real estate market at all in some neighborhoods is a marvel to be appreciated.

"I am amazed at the places we can sell buildings."

Furthermore, what market there is is a delicate one, already made vulnerable by heavy property taxes and rental loss ("Who would want to operate an apartment building in this city?"), and is deserving of our protection — that is, if we can protect it. Because the real estate market is, in the end, an organic thing. To illustrate this, Louis Prus to what he believes was a similarly organic phenomenon — the expansion of the black belt.

"Racism is not the cause of segregated housing...During the trial (in which EasyLife challenged a city ordinance designed to limit panic peddling) the city brought in their expert testimony — they showed the black belt, and how it grew. And the guy said 'It's a natural progression. The circle will just keep getting bigger.' There is no segregated housing. It's a circle, and really, if you look, it just happens. It's natural."

Charles Shaw is just as skeptical of attempts to limit displacement that would proceed by trying to impose restrictions. "I've seen too many people screw things up."

Mr. Shaw suggests we ought to work instead for measures that would make Chicago attractive for developers, many of whom already need to hear good reasons to venture into the city at all. First among the barriers to development that ought to come down should be our over-cautious ecological restrictions.

" One of the problems has been the environmentalist movement, which has had a dramatic effect on land in cities. The EPA rules will almost forever dictate that there be thousands of acres of land in cities that will never be developed," which is "probably the most dramatic problem this country faces."

Second, he argues, we must divorce our educational system from our property taxes. The campaign Mr. Shaw would really like to see would be a campaign for a statewide tax that would cover education — breaking our distended property taxes from the pumps that inflate them.

Finally, Mr. Shaw agrees with both Mr. Prus and Mr. Williams when he says the success of our efforts to build stability back into Chicago must revolve around homeownership. This conviction may, in fact, dictate his interest in more moderate income groups over even poorer ones."The state of Illinois came out with a plan to put $300 million at 3 percent interest into affordable housing. Everybody says Yeah! But if you look into it, it's all for rent. Why don't we make $300 million available at 3 percent for people to get a mortgage and to be able to buy a home, and to have income criteria so that it works?I want individuals to end up owning the property, not me, not you, but the individuals."

Peter Holsten does not object to controls on development in principle, but he believes they should be applied with a sensitivity to the different situations of different neighborhoods. "In solving the problem in Wicker Park, I don't want to be limited elsewhere in the city."

On the other hand, it is just such locality specific regulations that would be extremely difficult to get implemented. "The people who live there have a lot of money and political resources. It would be like David and Goliath. But who knows," he adds thoughtfully, a lot of strange things happen in Chicago. "This is a fascinating city for that reason."

Frank Williams takes a little jog from the usual conversations about maintaining affordable property in the face of rapid inflation. His logic is determined by his interest in an earlier stage of the development cycle. Consequently, many of his suggestions are directed toward *raising* property values.

Why are property values in Chatham lower than they are in Beverly and the nearby south west suburbs? The fact that they *are* lower not only cheats the family of the real value of their home — it contributes to the slow downward spiral of a community that eventually leaves it open and easy prey to the speculators and investors who make their profits off the flight of long time residents.

Repairing current aberrations in the real estate system involves *education* — to teach the community resident the value of his real estate. The educated homeowner who knows the value of his property is less likely to throw it away to a smooth talking speculator.

"Our history plays a big part in who wins and who loses in the (real estate game) . Let us say the Ostberg family had not been denied the opportunity to buy real estate at the turn of the century." Over the generations, they have accumulated property and know its real value.

"So when someone comes knocking at our door, saying, well, I'll give you $5,000 for your property at 23rd and Vincennes, the Ostberg family knows 'we can do better than that.' But say the Williams family, who do not have that same sophistication, because they have not had those real estate opportunities and have not learned about the land economics, are not mentally in the same position to negotiate."

Mr. Williams' recommendations include repairing the balance of the real estate market by working directly with appraisal methods to remedy artificially deflated property values."

Finally, the correction of our lopsided real estate markets may entail "the nasty question of reparations" — the assistance to those who have been cut out of the real estate game in the past — the step they need to buy their way into it.

Conclusions: What do they make of community concerns about displacement?

There is no single answer to this – the for-profit developers we spoke to came to their interviews with experiences as varied as those described by members of the non-profit sector. It will be helpful, however, to look back at some of their reactions to the issue of displacement:

1. Gentrification is not Chicago's most pressing problem.
2. Gentrification is not even happening in Chicago.
3. Displacement isn't an issue on vacant land.
4. Some communities have so few people, no one will ever be displaced.
5. We're wasting time and money with all these rental projects. The real way to build stability in Chicago is through homeownership.
6. If our emphasis on homeownership may mean we will have to start from the higher rather than the lowest income brackets, and work down through lower and lower income levels to see how far we go, it is still the best use of our resources.
7. Bringing upper income people into poor communities brings the stability that comes with a population with sound values.
8. Government can't do everything – we have to depend on the profit motive to make the big changes.
9. Why don't you fight to help me do my job better, rather than make it even more difficult for me to rebuild neighborhoods than it already is?

Tools For Displacement

Causes of Displacement	Chicago's Displacement Index
Abandonment	**Abandoned residential buildings in 1993: 3,260**
Accidental fire	
Airport construction or expansion	The Calumet Airport Proposal threatens to displace of thousands of homes
Arson	
Code enforcement (including overcrowding)	**Overcrowded Rental Units in 1990: 66,054** **Housing Court Cases in 1989: 8,564**
Conversion of rental apartments to condominiums	**Housing Court Cases in 1993: 15,175**
Demolition to make way for new housing	**Total housing units in 1980: 1,175,738** **Total housing units in 1990: 1,137,019**
Demolition for safety or health reasons	**Demolition Cases in 1993: 3,303**
Foreclosure	
Institutional expansion (universities, hospitals, etc.)	UIC expands into Pilsen, UofC expands into Woodlawn
Natural disaster (flood, hurricane, tornado, earthquake, etc.)	
Planning and zoning decisions (including decisions still in process that "leak" to real estate industry)	South Loop TIF District abets the destruction of hundreds of units of SRO housing
Public building construction	
Rising market prices and rents	**% of Chicago renters paying >35% of their income in rent: 34.5%**
Military base expansion	
Historic area designation	Total properties in 1991: 593,276
Rising assessments and tax rates	**2-year tax delinquent properties: 28,164**
Redlining	**% of total properties that were 2-year tax delinquent: 4.7%**
Renovation of public housing	
Rehabilitation (private market)	Vacant lots: 66,435
Rehabilitation (publicly aided)	**% of total properties that were vacant: 11.2%**
Partition sales	
School construction	
Urban renewal	
Withdrawal of private services from neighborhood or structure	**% of Chicago's planned capital budget spending (1993-97) set aside for the expanded Loop: 57%**
Highway or transit construction or expansion	

The causes of displacement list was compiled by Washington consultants George and Eunice Grier in a 1978 study conducted for HUD.

The Displacement Index was taken from the ***Chicago Affordable Housing Fact Book***, 1993 edition, published by the Chicago Rehab Network.

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with deeper pockets. Even the most benevolent of re-developers are pressured to jack up rents to recover from an expensive rehab.

Meanwhile, real estate speculators go door to door, encouraging people to sell their homes for big profits — only to turn around and resell the properties for far bigger profits. This not only unsettles current homeowners, it also helps to inflate property values further, sending home-ownership up and out of the realm of possibility for other Logan Square residents.

While there are properties in Logan Square that are still affordable, the expensive housing stock along the boulevards raises overall property values, placing the census tract out of range for government home-buyer assistance programs. This combination of rising market prices and the unavailability of government grants makes it nearly impossible for non-profit developers to make the numbers work — and so Logan Square is unattractive to them.

In the face of all that has threatened to sever the residents of Logan Square from their neighborhood, the Logan Square Neighborhood Association (LSNA) has held, and expanded, its ground. Founded in 1962, LSNA strives to build and maintain the community stability that will provide the foundation for the success of any other efforts to improve Logan Square.

LSNA has brought Logan Square residents — homeowners and renters alike — to the table with their developers and their landlords, their aldermen and government officials. From here, they work to shape the way Logan Square is rebuilt, and to ensure that it is rebuilt with a place for themselves.

To this end, LSNA organizes residents to remind their landlords to fulfill their responsibilities — reinforcing the bonds that tie both ways: A landlord's responsibilities to his tenants mean that residents and landlord have a mutual investment in one another, and a mutual investment in Logan Square. The most striking example of this has been LSNA's involvement in the Barresi building. Located at 3213-23 West Diversey, the Barresi Building is so called after former owner Giovanni Barresi, whose refusal to maintain his building, despite pressure from tenants and court orders, earned him an unprecedented $27,000 in building court fines.

LSNA labored for six years before Barresi finally sold the buildings to Rezmar Corporation in 1992. Since then, LSNA and Rezmar have worked closely to see a speedy rehab of the building — and to ensure that the spruced up building is made accessible to community residents.

When it looked like rents in the redeveloped building would have to be prohibitively expensive, Rezmar and LSNA collaborated to enlist the support of CHA and HUD to arrange for the use of project based Section 8 subsidies. Project based Section 8 subsidies are awarded by building; the tenant does not take the subsidy with him if he moves. Section 8 subsidies are most frequently distributed as certificates to the renter, who can then use them to subsidize his rent wherever he chooses. The project based subsidy was crucial to making the buildings accessible to Logan Square residents because because very few Logan Square's predominantly Latino residents are among the limited number of recipients of the Section 8 voucher program.

LSNA has also brought residents, government and members of the for-profit sector into successful partnership with home-ownership programs. LSNA has created programs in conjunction with Liberty Bank and Avondale Bank to make home-ownership a real possibility for Logan Square residents in the face of an expansive real estate climate. These programs augment the family's downpayments with subsidies from the Illinois Housing Development Authority, or the Federal Home Loan Bank. Through the LSNA-Liberty Bank for Savings Program, two or more households can join resources to purchase a two to four flat building.

Like many west side communities, Logan Square has seen an influx of scattered site public housing in recent years. The community currently has about 120 scattered-site units, with an additional 55 units on the drawing board. New scattered site housing raises its own issues of "displacement" in the communities in which it settles. LSNA has worked to use these new developments in their efforts to build stability into Logan Square with a rarely used lease to purchase program for public housing residents. LSNA's Housing Director, Rebecca Lopez, met with HUD Secretary Henry Cisneros and Regional Director Edwin Eisendrath to develop the plan, and LSNA representatives have been meeting with Congressman Luis Gutierrez to work out the details that will allow residents of twenty-four of the new scattered sites planned for Logan Square to purchase their homes over a term of two to five years. CHA Chairman Vince Lane approved the concept, and it will be implemented in Logan Square as a model project for Illinois.

LSNA points the direction for neighborhoods to confront the forces that threaten to undermine its community fabric and displace its current residents — by organizing themselves and organizing the institutions, officials and real estate players who co-populate

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their neighborhood. On the other hand, with over 80,000 residents, Logan Square is one of the most populous communities in Chicago. LSNA can not arrange homeownership and affordable rents for each of them individually. The ultimate success of their efforts may depend on their ability to enlist the cooperation of their partners in the development of Logan Square. As LSNA's Housing Chairman, Marilyn Sanabria has said "...we want to encourage developers interested in developing affordable rental buildings to consider our neighborhood. But, how do we do that? There aren't that many developers who are willing or are able to do that." ❍

Hunt, continued from page 3

What He Didn't See

What Steve didn't see was the young Latino family his father sold the house to. And that only two years would pass before the husband would be laid off from the steel mill and the house would be foreclosed on.

The house would sit vacant for two years as HUD, which had insured the loan, tried to find a buyer. Finally, a middle-aged black postal worker bought the house and converted the upstairs into a two-bedroom apartment and the downstairs into a three-bedroom apartment. The owner still lives upstairs today.

Two years after Steve's father sold his house, Ms. Gan Jimmy went to the now-closed bank where she had been saving money for more than thirty years and asked for a small loan to make repairs on her house. The bank refused, and told her to save her money, sell her house and move out of the community while she could still get a good price for her home. Ms. Gan Jimmy told the banker that she loved her community, her friends, park and church. She wanted to be close to her aging mother who was in the community nursing home, and near the cemetery where her husband of thirty-eight years was buried. The banker politely refused and asked would he see her at the church picnic on Saturday.

The Birdsongs had lived next to Steve's family at 3026. Mr. Birdsong died and his son Robert, who Steve grew up with and still knows, at first rented the house out to students and immigrants, then later to large families. Rarely did he make any repairs, and never paid property taxes. Soon the house began to deteriorate, and finally ended up in housing court. Mr. Birdsong's son just walked away. The city condemned the property and demolished it at a cost of $52,000. Now the city owns the vacant, trash-littered lot.

The families who live in the large red brick apartment buildings pay 60 to 80 percent of their income every month to their landlord for rent, and therefore cannot afford to shop at the local Woolworth's, or save at the bank, or even donate enough to keep the church and school open. In fact, 70 percent of the income in the community leaves the neighborhood in the form of rent payments.

The gas station where once Steve washed and fueled his father's car had closed and left as its toxic legacy four large, leaking fuel tanks. Once the bank closed, ten currency exchanges sprang up through the area. The community tried to save the church and school — the church were his mother volunteered four days a week, where he was an alter boy, and where he attended school from the first to eighth grade. Even though it was one of the most over-populated churches, the people were too poor to pay the huge expense of maintaining a large church and school. Finally, the Archdiocese decided to merge it with another church, twenty blocks away.

Urban Pioneers to the Rescue

Then the city politicians sold 100 lots to ten developers for $1 each, and gave each a $20,000 subsidy per new home built. They were great and a few community residents got short term jobs.

Each house sold for between $89,000 and $120,000 — a bargain compared to suburban homes. And these had all the urban amenities: they were only 20 blocks from downtown, close to the lake, and six blocks from the university's expanding hospital. The city even threw in $500,000 in new side walks and street repairs. The new neighbors moved into the community with their families, cars and jobs. But even after four years, none of them sent their kids to the local schools or playgrounds. Two did join the church. They traveled to the suburbs, downtown or their old neighborhoods to shop.

Naturally, alienation gave birth to mistrust, which fostered strife. Then all out hostility erupted. The local minister and alderman called for a community meeting. During the meeting, an old woman responded. "I don't hate you because of what you have that you earned. I hate that you got things that I earned. I have

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Corrections from the last issue:

- *Bob Brehm's cover story makes reference to 90 units of housing being replaced by the West Town Center shopping center (not 900).*
- *The map on page four falsely represents South Lawndale and the Lower West Side as communities whose largest racial group is black. The largest racial group in these communities is actually Latino.*

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lived here all my life, and no one gave me $20,000, or land for $1, or new streets and sidewalks. Aren't I entitled to my tax dollars? Don't I count?

My taxes went up 60 percent when you moved in. The building I owned for 30 years has needed repairs for ten years. Now city inspectors are visiting every day writing up violations. The bank won't give me a loan because I'm retired. But realtors call me each day offering to buy it so they can convert it into condos for the hospital staff. My dead husband got this building with his veteran's bill. He told me to keep it so I would always have some income. I don't want to sell it.

I worked hard all my life. Just as hard as you. But I don't count. Why is that?

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