

Chicago's Housing Strategy: Our Shared Challenge

RPI
Qualitative

A Companion Document to
"Housing Opportunities Into The New Century"

AFFORDABLE HOUSING PLAN 1999-2003

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CITY OF CHICAGO
Richard M. Daley, Mayor

CHICAGO DEPARTMENT OF HOUSING
Julia M. Stasch, Commissioner

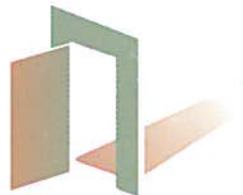


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The Department of Housing and the Advisory Group that was appointed on behalf of Mayor Richard M. Daley to shape the city's new Five Year Affordable Housing Plan convened expert and community consultations that were an integral part of the process leading to the preparation of the plan.

At the beginning of these consultations Housing Commissioner Julia Stasch stated that the process was intended "to give us a new baseline for understanding the landscape today" for affordable housing.

Throughout the following pages boxed quotations such as this one contain unattributed comments drawn from transcripts of comments made by members of the Advisory Group or other participants in the various consultations.

INTRODUCTION

The City of Chicago's Five Year Affordable Housing Plan for 1999-2003, *Housing Opportunities into the New Century*, spoke to all Chicago's housing policy stakeholders in affirming that:

A forward agenda for the city's housing policy does not belong to the Department of Housing alone. It belongs to all of us in the public and private sectors who must build Chicago's success in affordable housing as a common enterprise....

With the City Council's unanimous adoption of the new plan in July 1998, the Department's strategic charter and mandate are now clear. Our collective agenda as stakeholders, however, is less clear—not because committed stakeholders are lacking, and not because urgent needs are unrecognized, but because a fully collaborative framework for strategy and resource-allocation has yet to be fashioned.

Filling this void is imperative. The Department's own success depends on an effective city-wide housing action agenda. Moreover, as confirmed during the Department's extensive consultations on its plan in early 1998, there is a large appetite for integrated approaches to housing solutions at this time, when Chicago faces both urgent needs and substantial opportunities. It will not be enough simply to do more of what we're already doing, only better. We need to step back, reflect on how we can improve the way we do our business, and then work to implement new modes of collaboration.

As a step toward that process of reflection, we offer this report, a companion document to our Five Year Plan.

AN INVITATION

This report is an invitation to address collectively the housing challenges that over the long term will be met most effectively by collaboration.

"Affordable housing is not just the Department of Housing's challenge; it is the city's challenge."

There is no ready-made list of challenges meeting this criterion, certainly not in a city whose housing needs are so varied. Choosing such challenges is a matter of judgment. Some challenges demand attention because of housing or demographic trends. Others take on new urgency because of changes in public policy or funding expectations, a widening of their scale and scope or new momentum behind a search for solutions. For others there is new opportunity for partnerships and deeper working relationships. Still others are ripe for collaboration because they promise to leverage dollars and innovation.

Such considerations underlie the choice of five challenges in this report. Our purpose is to identify collaborative opportunities that are fresh and compelling and to articulate a broad rationale for finding new ways to address them. These challenges are *not* substitutes for, nor do they diminish in any way, the priorities identified in the Department's own Five Year Plan. They are *not* the basis for resource-allocations under the plan; and they are *not* expansions of goals in the plan. The Department of Housing is already working to shape its programs to support the goals and priorities of the new plan. Fair and equitable implementation of the plan is imperative for our department—irrespective of additional progress that must be made by the wider constellation of stakeholders in developing a new common agenda around broad strategic challenges.

Our ability to achieve qualitatively higher levels of collaboration will require combining long-range, strategic purposes with short-term, smart actions that build success stories, improve an understanding about how to mobilize energies and resources, and widen confidence that collaborative action creates a whole greater than the sum of its parts.

A BACKWARD GLANCE

At the beginning of the 1990s, the Chicago Assembly brought together affordable housing leaders, experts, and advocates to examine the metropolitan area's housing challenges and to identify strategies for dealing with them.¹ Re-reading the Assembly's report reminds us how different the housing environment and policy landscape were during the extraordinary transition period of the late 1980s and early 1990s.

Most of those who were convened in late 1991 by the Assembly were part of an industry in transition, to which many of them would make important contributions. The Chicago Housing Partnership was barely a half-decade

"There are certainly many paradoxes....When I came to Chicago in the 1970s ..., the dominant buzz word...was the 'D' word: disinvestment: disinvestment of the people by businesses, government, banks; the sort of thing that brought us the Community Reinvestment Act. Now we have a substantial amount of reinvestment, and the consequences of that seem to be threatening"

old. Intermediaries like the Chicago Equity Fund and the National Equity Fund were in their infancy. The National Affordable Housing Act had just been adopted. After a decade as a loose confederation of CDCs, The Chicago Rehab Network reinvented itself as a viable organization that advocated and organized on behalf of its constituent community organizations. Their hallmark contribution of this period was the Affordable Housing Fact Book. A soon-to-be-reorganized Department of Housing was a new focus of attention. And new programs were being initiated: the Chicago Low Income Housing Trust Fund; the federal HOME and HOPE programs; New Homes for Chicago; and property acquisition instruments such as the Tax Reactivation Program and the Chicago Abandoned Property Program.

This changing industry faced an environment bereft of optimism. A recessionary regional and national economy left cities spiraling further into decline and decay.

- Languishing home ownership rates, that had reached record highs in the early 1980s fell for the first time since the 1940s;
- a home finance system shattered by the savings and loan debacle;
- a fall-off in construction of multi-family rental housing deeper than any in three decades;
- a worsening and widely recognized affordability crisis in both the home ownership and rental markets, aggravated by continuing declines in real income;
- a rapid regionalization and suburbanization of housing and housing-related issues;
- the recent entry of homelessness into the lexicon of housing policy worst case needs;
- local and State authorities scrambling to adjust to ever-clearer de-federalization of funding and policy leadership;
- community-based non-profit organizations thrust into the forefront of housing development but with woefully inadequate resources; and

¹ Lawrence B. Joseph (ed.), *Affordable Housing and Public Policy: Strategies for Metropolitan Chicago*, A Chicago Assembly Book, Center for Urban Research and Policy Studies, The University of Chicago, 1993.

- a dawning pre-payment crisis resulting from private developers' opting out and converting HUD-assisted units. All this in the wake of headline-grabbing HUD scandals.

The Assembly's worldview would be both confirmed and confounded only a few years later. Confirmed, because some adverse trends worsened as the decade matured—homelessness and the worst-case rental housing needs, for example. Confounded, because the scope and character of some housing issues were radically transformed, perhaps most dramatically for public housing in Chicago. Further confounded by other trends that took a markedly more favorable turn—notably a home ownership boom stimulated in large part by minority, first-time home buyers, a comeback for cities across the nation, the emergence of broad new public-private partnerships behind housing and community development, and the influence of major players like Fannie Mae and Freddie Mac.

This glance backward ought to give us a mixture of confidence, humility, and healthy skepticism.

The confidence stems from a sense that as a relatively young industry, we can regard this past decade as a platform for larger and sharper ambitions scaled to our more seasoned experience. We now have an opportunity to do some collective and fundamental stocktaking about how, as a more mature industry, we should proceed to develop new strategic foundations for collaborative action, the ingredients of which were barely foreseeable a decade ago. The humility ought to reflect an awareness that now, as at the beginning of the decade, our strategies inevitably will be rooted in time—and in circumstances more likely to change than to persist. We will be challenged to be flexible and innovative and responsive to shifts in circumstance and opportunity.

The healthy skepticism should tell us to strengthen our capacity to make knowledge-based judgments but not to trust those judgments too easily. Prudence, and the experience of this past decade dictates that we revisit and revalidate those judgments regularly.

A conspicuous lament from the Assembly was that Chicago's lack of aggressive, innovative leadership on behalf of housing solutions hampered policy formation and city-wide coordination; it also distanced Chicago from national leadership in housing matters. Our city's public and private sectors have by now demonstrated the capacity for that leadership spurred on by strong and effective community development corporations at the local level. We have had many successful years in revitalizing neighborhoods and sustaining the educational and community progress needed for the long-term. We are energized by the promise of the moment. As a recently completed survey of life in six major cities put it, Chicago has "strength at the core, and vitality beyond."²

AMBITIOUS CHALLENGES, FOCUSED PROVING GROUNDS

We face a familiar social policy dilemma: How do we think globally while acting locally? How do we combine large visions with small beginnings? How, in short, do we mount ambitious challenges and then meet them on proving grounds where results can be tested, tailored, and replicated?

The Department of Housing answered the question this way in its new Five Year Plan: "Housing policy must be responsive to authentic local realities and perspectives in communities at different stages of change and development. No one-size-fits-all solutions will meet their varied needs. Local demographic and economic

² *Life in the City: Status Report on the Revival of Urban Communities in America*, A Report by the Urban Neighborhoods Task Force, Co-sponsored by the Center for National Policy and the Local Initiatives Support Corporation (1998), p. 21

conditions, local leadership and community organizational profiles, and the preferences and concerns of residents--all have to be understood in their own terms.”³

“Traditionally we always thought the federal government was the one who was supposed to come up with the ideas. They were the idea generators as well as the money providers. ... That’s not the case today. ... There is an idea gap in Washington as well as a resource gap, which puts again a greater burden on all of you.”

If neighborhoods are the ultimate proving grounds for housing solutions, then strategic challenges must meet several tests. They must be designed to work in-place while also able to be adapted and made portable. They must deal with a range of problems and neighborhood profiles that, when considered as a whole, enable us to learn how to tailor solutions to different environments. They must tap the promise of new or stronger partnerships, innovation, and aggressive resource development. They must demonstrate that in this era of federal devolution, home-grown solutions will replace once-dominant ideas and funding from Washington. They must allow for pinpointing at the neighborhood level the goals and accountability for performance that will permit measurement of accomplishment over time. They must not amount to a “Mission Impossible”, but push us toward “stretch goals” and into new arenas of collaboration.

FIVE CHALLENGES: TIPPING THE BALANCE

Listen to today’s thoughtful assessments of the state of cities, and you hear contradictory messages, all true. Cities are coming back; cities are languishing. People are returning; the flight from cities continues. Economies are booming; poverty pockets are deepening. Neighborhoods are revitalizing; neighborhoods left behind are stagnating. Cities are beneficiaries of national prosperity; cities will take the hardest hits in an economic downturn. For some communities and residents, it is the best of times; for others, it remains the worst.

“Cities are halfway there,” a prominent urban commentator remarked. “The story of the decade is some of these cities are beginning to find the ways to slow the hemorrhaging and economic loss. This indicates possibilities. This doesn’t indicate they’re back yet.” Echoing this view, another observer refers to the “half-turn” that has been taken by cities, “a turn away from failure, but not a full success.”⁴

If we set our sights on housing challenges in Chicago and meet them forthrightly, what factors will tip the balance further in favorable directions and turn us as a city significantly toward a model of successful community development? Specifically, models of community development that build both human and institutional capacity to address these challenges. Our ability to deal with these challenges will help define our status as an exemplar among American cities—not just by doing well, as we must, on our core housing agenda, but by excelling in our efforts to deal with these pivotal challenges. Whether because of their scale, their special importance for Chicago, their potential multiplier effects as engines of community revitalization, or their ability to teach us what we must learn—these are certainly challenges that will test our mettle.

1. **Providing home ownership education to Chicago’s immigrant population** anticipates one of the most far-reaching demographic changes in the city, which is the largest non-coastal gateway, the fifth largest

³ *Housing Opportunities into the New Century*, Affordable Housing Plan: 1999-2003, City of Chicago Department of Housing (1998), p. 4.

⁴ “Great to Visit, So Why Don’t More People Live There?”, *Kansas City Star*, December 28, 1997, quoting, respectively, Neil Pierce and Fred Siegel.

receiving city for Hispanic and Asian immigrants in the country, and home to large numbers of Polish and other eastern European immigrants.

2. **Meeting Latino housing needs** remains a conspicuous unfinished item on a city affordable housing agenda that has historically not served both native born and immigrant Latinos equitably, and that has yet to respond adequately to large families and other specific needs of the city's growing Latino population.
3. **Rehabilitating Chicago's small building stock** takes on special urgency as the city's viable housing stock ages in smaller multifamily buildings (2-6 units) that provide approximately forty percent of the rental housing units in the City. Smaller buildings are an invaluable asset for affordable housing, one long neglected by traditional affordable housing policy and financing and clearly critical to neighborhood vitality to be given lesser priority.
4. **Succeeding in our public housing transformation** stands as the city's most daunting challenge. Just emerging is a genuine "sense of possibility" that Chicago's transformation, arguably the most difficult in the nation, can succeed. Political leadership, public education, and operational success are demanded. At stake are the well-being and dignity of public housing residents and the strength and stable largely African-American communities where public housing has generally been located. What lies ahead is the opportunity to create a new institutional and policy framework for providing assisted housing to low-income families throughout the region.
5. **Building an information capacity to support affordable housing strategies** in the public and private sectors is indispensable if our more mature housing industry is to have tools that it needs, to make informed policy decisions, and to understand neighborhood needs, complex markets, consumer trends, and community impacts.

Putting these five challenges "on the table" is a first step toward our addressing them collaboratively. The pages that follow identify some larger contours and major elements of each challenge. Sharpening the focus and shaping effective programs will entail broad engagement among stakeholders in the months and years ahead. (See attached chart for points of engagement) Bringing program innovation and fresh energy together with new financial resources that combine public funds with private and corporate philanthropic participation will be critical. Neither ideas nor dollars alone will carry the day for challenges of this scale; together they hold out the promise of enduring impact. As indicated at the end of this document, the Department of Housing is prepared to convene community development stakeholders through a new *Chicago Forum on Housing Solutions* that we hope will advance our shared need to respond to these challenges with smart strategies and practical action.

PROVIDING HOME OWNERSHIP EDUCATION TO CHICAGO'S IMMIGRANT POPULATION

"The immigration wave is changing the nation, and our industry will change with it."

Jim Johnson
Fannie Mae Chairman and CEO

Illinois is one of the nation's six leading "gateway" states for immigrant populations, and the concentration in the Chicago metropolitan region represents one of the most powerful demographic trends shaping the city's housing landscape into the early decades of the 21st century. By any measure, the growth of immigrant populations in gateway locations is recognized as a mega-trend that is remaking the social, political, and economic landscape—so rapidly, it might be added, that those who gathered under the aegis of the Assembly at the beginning of this decade paid little attention to it.

The new Five Year Plan for affordable housing, and the process that generated the plan, make clear the city's determination to enlarge housing options for all racial and ethnic and economic groups, including through elimination of impediments to fair housing. That determination supports one of the plan's core strategic priorities:

Expanding home ownership options will build on the strengths of powerful home ownership trends in Chicago during the past five years, which mirror and in some dimensions outpace national trends. Home ownership has come newly within reach of larger numbers of minorities and single home buyers. ... The City's vision of vital and strengthened neighborhoods embraces home ownership completely as a centerpiece of community development strategy.⁵

Within the context of a continuing and undiluted commitment to meet the home ownership needs of non-immigrant Chicagoans and would be city-dwellers, the scale and momentum of demographic growth among immigrants call for a targeted response. It must be commensurate with anticipated demographic changes and be focused in particular on removing those barriers to home ownership among immigrants that rank high among obstacles to achieving the city's home ownership goals for all potential home buyers.

"I think, conservatively, by the year 2000, one out of every four residents of this city will be an immigrant...."

Today's teenagers will mature in a society where no one ethnic group, European white descendants included, will constitute a majority in the country. In all matters racial and ethnic we are moving toward something in between old-fashioned, pure assimilation and self-consciously separate ethnic niches. America, it has been said, will look increasingly like Los Angeles in new patterns of ethnic and racial interaction, in effects on education, culture, and much else that influences the lives of cities. When Ernst and Young published a study in 1998 sounding a "wake up call" for its clients in the housing industry, arguing that expected growth of immigration projections are too powerful and pervasive to be ignored, they were in effect sounding a call that is being heard with increasing clarity by all public and private stakeholders in the affordable housing community as well.⁶

The home ownership boom in the 1990s owes its strength importantly to immigrant buyers. Household growth among immigrants is expected to account for one-fifth of the nation's total into the next century, and will account for the bulk of demand for new home construction. Patterns of immigrant housing consumption among populations arriving in the United States over the past 20 years are now better understood for their substantial impact on both rental and ownership markets.

⁵*Housing Opportunities into the New Century*, Affordable Housing Plan: 1999-2003, City of Chicago Department of Housing (1998), p. 6.

⁶*The New Immigration Wave: Opportunities for the Real Estate Industry*, A Study by the E & Y Kenneth Leventhal Real Estate Group, 1998.

For Chicago's immigrant community, this has been a decade of explosive growth. This growth has contributed significantly to the city's ability to maintain a strong population base—which adjusted census figures show grew by 40,000 people between 1990 and 1996.⁷

Between 1980 and 1990, the immigrant population had grown only 7 %, however, between 1990 and 1995 the population grew by 28 % to reach an estimated total of 654,000⁸. Polish immigrants account for the largest portion of immigrant growth in Chicago between 1990 and 1995, with Mexicans the next highest, followed by Indians, Filipinos, and Russians and others from the former USSR.⁹ More than two dozen of the city's communities in the North, Northwest, and Western sections contain foreign-born populations above 20%—a phenomenon certain to expand and be confirmed by the year 2000 census.¹⁰ For the years 1995 to 2010, projections are that the substantial growth of immigrant households will include a higher net growth among home owners compared to renters, a trend expected to mirror national patterns.¹¹

Home ownership education and credit for immigrants lies at a critical intersection of Chicago's housing strategy and the unfolding demographics of the city. "The city's vision of vital and strengthened neighborhoods embraces home ownership completely as a centerpiece of community development strategy," states the affordable housing plan for 1999-2003.¹² This vision, in a city so profoundly impacted by immigrants, cannot be realized without priority attention to a strategy to keep pace with expected demographic change. In Chicago, as in other gateway cities, the trajectory is clear. A recent report on immigrant home ownership in Los Angeles had one informed observer likening immigrant potential buyers to "a sleeping giant that's waking up," with anticipated impact on the home buying market similar in scale to returning GIs after World War II and baby boomer home buyers in the 1970s, and with such impact expected even as the home buying market cools in the decade ahead.¹³

An important first step has been taken by one of the country's most experienced providers of home ownership education, the Fannie Mae Corporation, which announced in 1998 that it would complement the city's new affordable housing plan with an enlargement of the Corporation's partnership with Chicago, the largest of its kind in the United States.¹⁴

"We need to think about whether or not we're approaching dealing with these communities in a linguistically and culturally sensitive, accessible manner."

While the desire to own a home may be higher among immigrants, they face certain educational or information barriers to satisfying that desire. Immigrant groups, in all their diversity, are differently affected by different barriers. Homebuying procedures and financial practices may have no counterpart in their native country. Unfamiliarity with concepts of creditworthiness and down-payment may be accentuated by mistrust or misunderstanding of institutions encountered in the homebuying cycle and by concerns for privacy. Language barriers may combine with intercultural obstacles to negotiation and communications involved in the home

⁷ U.S. Census Bureau 1996 Estimate of Population.

⁸ Sylvia Puente, *Presentation to the Advisory Group*, Chicago Department of Housing, Environmental Scan, March 26, 1998, p. 2.

⁹ Patrick T. Reardon and Abdon M. Pallasch, "Poles Leading Immigration Tide," *Chicago Tribune*, September 3, 1998, p. 1.

¹⁰ Chicago and regional data and maps based on the 1990 census can be found in *A Profile of Metro Chicago's Immigrant Community*, Latino Institute (1995), pp. 41-42.

¹¹ John Pitkin, *Immigration and Housing in Chicago*, Chicago Department of Housing, Environmental Scan, March 26, 1998, p. 3.

¹² *Housing Opportunities into the New Century*, Affordable Housing Plan, 1999-2003, City of Chicago Department of Housing (1998), p.6.

¹³ Don Lee, "Housing Crunch: Asians, Latinos Create a New Market Model," *Los Angeles Times*, Sunday, August 30, 1998, p. D-1.

¹⁴ News Release, "City of Chicago and Fannie Mae Announce Expanded \$12 Billion House Chicago Investment Plan to Complement City's Affordable Housing Plan Through 2003," Fannie Mae, June 9, 1998.

buying process. While financial issues such as underwriting standards deserve major attention by housing and financial services providers, removal and reduction of non-financial barriers will be essential.

Best practices in home ownership education for immigrants, still developing across the nation, suggest strongly that effective education must reach beyond better translations and wider distribution of written program materials, and beyond bilingual services. The broader goal must be to develop sophisticated, culturally-sensitive approaches tailored to the customer needs of discrete immigrant groups.¹⁵ Given current and expected potential for much greater immigrant participation in home ownership that builds family as well as neighborhood assets, a priority for Chicago is an accelerated program that incorporates cutting-edge education and counseling systems for immigrant populations.

KNOWING THE CUSTOMERS

A better understanding of the dynamics of immigrant home ownership will permit both the City of Chicago and the housing community to tailor education, counseling programs and credit strategies to a customer base that is highly differentiated. Thanks to innovative research now being undertaken under the sponsorship of the Fannie Mae Foundation, we soon will have for the first time a more sophisticated appreciation of how broad immigration trends are likely to affect future housing consumption among immigrants.¹⁶ This work will tell us, for national, state, and selected metropolitan areas, much more about how the housing consumption patterns of different immigrant groups and sub-groups are influenced by nativity, time of arrival in this country, duration of stay, age, and economic and employment patterns. The study's housing demand projections to the year 2010 will help identify effective approaches for home ownership education, counseling and credit for immigrants moving up the housing ladder.

In collaboration with the City of Chicago's Department of Housing, Fannie Mae will participate in a working group to identify trends in immigrant homeownership and credit. What will be necessary beyond that work is to put in place in Chicago a data-gathering and analysis capacity that deepens our appreciation of homebuying practices and potential of immigrants in the city. Two initiatives, which specialists familiar with best practices nationally have discussed, are important.¹⁷ First, there are a variety of existing housing surveys—notably the American Housing Survey and the annual Survey of Recent Home Buyers by the Chicago Title and Trust Co. and other real estate industry assessments—that should work together to assure the fullest possible incorporation of immigrant data in their public studies. Second, there are immigration surveys regularly undertaken that could be important contributions to housing information, if housing-related components could be introduced into these surveys as well, particularly at community levels in the city. In general, the goal should be to have as textured and refined a set of data as possible to complement information that will be derived from the next census.

¹⁵ See Stephen J. Johnston, William J. Milczarski, and Morsina Katimin, "Owning a Home in a New Country: An Immigrant's Eye View of Home Ownership," in *When a House is More than Home*, Neighborhood Reinvestment Corporation (1997), pp. 25-36.

¹⁶ See John R. Pitkin, et al, *Immigration and Housing in the United States: Trends and Prospects*, Fannie Mae Foundation (1997); John R. Pitkin and Patrick A. Simmons, "America's Growing and Changing Foreign-Born Population", *Housing Research News*, Vol. 4., No. 2 (May, 1996); and Nancy McArdle and Kelly S. Mikelson, *The New Immigrants: Demographic and Housing Characteristics*, Joint Center for Housing Studies (April, 1994).

¹⁷ From June 1998 Fannie Mae Foundation workshop "Financial Institutions and Immigrant Homeownership: Roundtable on Best Practices," June 1998.

the interests of financial service providers or of qualified immigrants.

An early assessment in Chicago should be made of how the capacity of the Greater Chicago Housing Counseling Collaborative, or perhaps a specially mandated and structured subsidiary of the Collaborative, can be enhanced and focused to provide home ownership education for the city's major immigrant populations. The Collaborative represents a cross-section of relevant providers and community organizations, but its mission is broader than counseling for immigrants and its structure would need to be tailored accordingly.

Also necessary would be the enlistment of the relevant policy and service groups concerned with State of Illinois policy, which have traditionally reviewed a variety of social and economic policy issues for the state, but have not addressed housing and home ownership matters.¹⁸

Accessibility will require identifying the most appropriate intermediary institutions and situational or transactional locations for delivery of services, as well as development of marketing and information campaigns that maximize participation. Experience around the country suggests that combinations of group and one-on-one techniques are essential for comprehensive coverage. Advanced and culturally responsive educational tools will require tailored curricula, video and printed materials, peer and community leadership participation, and "how-to" guides that take specific account of obstacles facing discrete immigrant communities and subgroups.

The City of Chicago's Department of Housing will be prepared to work actively with the Collaborative to bring "train-the-trainers" skills to providers and to develop measures of performance and success that can be established as delivery systems are put in place with the benefit of the customer information base that would be developed to support these efforts on a city-wide scale. The Department will also engage other relevant City and State agencies and departments whose resources or facilities might support this effort.

REHABILITATING CHICAGO'S SMALL BUILDING STOCK

"I'm struck by the need to prioritize preservation with a small 'p'."

Advisory Group Members
Department of Housing Five Year Plan

Preservation of viable small building stock is a stepchild of affordable housing policy in Chicago. Various guidelines for federal funding traditionally have made it difficult for affordable housing providers to use funds to rehab these properties. Yet they represent a vast proportion of available housing throughout the city. According to the 1990 census, 33% of all housing units within the City of Chicago were in buildings with two to four units, and 11% of all units were in buildings with five to nine units. For low and moderate income units, the largest number were in 1-4 unit buildings, the next largest in 10-plus units, and the third largest in 5-9 unit properties. Small private rehabbers are deterred by the absence of adequate financing tools, particularly for the smaller multi-unit buildings. There has been new emphasis in recent years on funding for acquisition and rehab of older buildings, but success has been modest at best, and federal funding regulations, as well as city procedures, are too burdensome to effectively support this type of rehab.

¹⁸ See, for example, *Illinois & Immigrant Policy: A Briefing for State and Local Policy Makers*, Illinois Immigrant Policy Project (November, 1995).

Other challenges abound. It is an aging housing stock. In 1997, some 44% of the city's units were built more than 57 years ago (about evenly divided between owner- and renter-occupied); 14% were built 48-57 years ago (again, about evenly divided); and 17% were built 38-47 years ago (mostly owner-occupied). By one industry estimate, over 800,000 units among those older than 37 years are in need of rehab. Abandonment is evident in neighborhoods throughout the city. Newer units among low-income housing stock created mainly with moderate rehab during the past 20 years are in projects financed with incentives scheduled to expire in the coming years, insufficiently capitalized with inadequate operating reserves, and now in need of rehab again. And it is a stock plagued not just by absence of resources but by the

"In the '80s and 90s, the medical industry went through a transition, and they discovered something they call preventive maintenance care. And so I think that same principle can be applied to the housing issues."

accumulated effects of poor management and landlord practices, and general community and neighborhood deterioration.

The Department of Housing intends, as an important early objective, to build its own capacity to facilitate and broker programs that will encourage small building preservation in Chicago over the coming years with programs that recognize that effective preservation serves the interests of homebuyers as well as renters, both of which will be major beneficiaries. In its new Five Year Plan, the Department formulated the rationale for this focus in the following terms: "Preservation programs aimed at

"We have done this kind of work now for I don't know how many years. We've provided housing for a constituency as opposed to trying to provide housing within a community."

retaining housing stock that is viable are time-sensitive. Deferred maintenance on these properties takes a worsening toll each year, burdening residents with progressive deterioration, adding further blight to distressed neighborhoods, and raising the costs of eventual rehabilitation. For landlords, homeowners and renters alike, growing housing burdens mean fewer options for making the improvements and enhancements that, often for relatively modest amounts of money, help save Chicago's housing stock for the future."

TARGETED INVENTORYING

Small building preservation strategies can be shaped by widely different goals. But what's the primary purpose? To reverse decay and gradually restore integrity to blighted neighborhoods? To implement over time a broad, ambitious city-wide preservation strategy? To supplement other policies that enlarge affordable rental housing options in selected gentrifying neighborhoods? To be one tool in an arsenal of tools for revitalization in strategically critical neighborhoods?

At a time when the City of Chicago, the Department of Housing, and HUD all are placing greater emphasis on demonstrating that dollars spent and energies expended are producing discernible results, a corresponding focusing of preservation strategies has a strong rationale. Accordingly, the Department will identify a small number of neighborhoods where thorough inventories can be undertaken of viable housing stock whose preservation would demonstrably contribute to revitalization goals to which other resources are also being devoted. These inventories would be conducted through consulting contracts or delegate agencies. Candidate neighborhoods might be Empowerment Zone areas where housing preservation has strong support from community participants, or neighborhoods at early stages of revitalization where interventions aimed at preservation of housing stock would build confidence and cost-effective outcomes for small building owners and property managers.

It will be essential to design this inventorying system with survey methods, data standards, and supporting technology that would permit expansion and replication. With that end in mind we will work with the Department of Planning and Development and the Department of Buildings to develop a system capable of maintaining such inventories and of incorporating inventory results into formats available to other city users. Neighborhood and community organizations that have themselves accumulated ad hoc experience with comparable survey techniques will also be consulted as valuable contributors to the system-design process.

INNOVATIVE FINANCING

Ultimately, these preservation goals require far more intense neighborhood and community collaboration. It will entail more effective interaction among neighborhood planners, housing providers, property owners and managers, and tenant groups. But without better and more usable financial tools, local collaboration will not itself be sufficient. It will be absolutely indispensable to create financing options that are attractive to lenders, marketable to target customers, and structured to take maximum advantage of leveraged resources in specific community markets.

The Department of Housing will bring together a cross-section of potential partners to assess available financing tools and develop recommendations for improving, adding, and re-combining them to meet the needs of neighborhood-specific strategies for the next five years, to include:

- more effective use of federal and city funds, perhaps in new mixes. For example, Community Development Block Grant (CDBG) funds, largely underutilized for this purpose, provide some flexibility for rehabilitation of buildings with 8 or fewer units, though still entailing substantial administrative and reporting requirements;
- more effective use of locally available and innovative intermediary funding, such as that provided by the Community Investment Corporation. Funding options from intermediary financial institutions and major lenders offer options that are much more attractive if they can be highly targeted geographically and leveraged with revolving loans and technical assistance programs, as well as capacity-building of small rehab entrepreneurs and contractors; and,
- more effective use of experimental products, among them, Fannie Mae's loan products for the acquisition, rehabilitation, and refinancing of 5 to 15 unit rental properties, for which tax credits and traditional financing sources are less feasible.

"We have to know ... how you ... not just piggyback on the market, but veer it, steer it, to make it ... kinder and gentler or really to fill a gap that the private market won't reach."

Finally, review and recommendations will need to address the steps that can be taken by city agencies and funders to streamline processes and procedures that place obstacles in the way of effective strategies. Cost-effectiveness and efficiency improvements can have disproportionate positive impact, particularly if combined with supplemental programs for targeted infrastructure and amenities improvements.

MEETING LATINO HOUSING NEEDS

“As more and more residents of Chicago are Latino, the future of our city becomes more tightly intertwined with the progress of the Latino community. Latino housing conditions should thus be a concern to all who care about Chicago.”

The Latino Institute¹⁹

Chicago’s estimated 660,000 Hispanics, nearly 80% of Mexican origin, represent the third-largest metropolitan concentration of Hispanics in the country, after New York and Los Angeles, and are expected to constitute a fourth of the city’s population by the year 2000. One estimate places the aggregate income of Hispanics in Chicago at more than \$12.5 billion and has the Hispanic corridor on 26th Street generating more sales tax revenues for the city than any location except Michigan Avenue.²⁰ This demographic growth reflects larger Cook County changes that show, in recent census updates, a 25% increase in the county’s Hispanic population between 1990 and 1997.²¹ Between 1990 and 2020, the county will witness an anticipated doubling of the percentage and total number of Hispanics, compared to a continued 15% growth for both Whites and African-Americans.²² While some 40% of Latinos in Chicago are immigrants, the issues surrounding Latino housing and community development in the city are, for the majority of Latinos, issues on their own—apart from immigration trends—and are rooted in the longer history of Latinos as a vital and growing segment of the Chicago ethnic mosaic. Not surprisingly a Latino community of the size and diversity of Chicago’s will speak with multiple voices, shaped variously by nativity, class, economics, neighborhood identification, and ideological perspectives. Two examples are illustrative, even if not fully representative. One, presented to the public Community Scan conducted by the Advisory Group

“That’s a segregated term when you say ‘Latino community, African-American community.’ It’s just perpetuating segregation. So I think those terms ought to be eliminated when we’re discussing housing in the City of Chicago. If we want a true melting pot, then we have to start eliminating those racial terms.”

“Logan Square is 66 percent Latino, 23 percent is Anglo, and we have a growing community of African-Americans. For me to stand here and not talk about Latinos, I would be a hypocrite. Look at me. I’m Latino.”

to the Department of Housing during its consultative process for its new five year plan, argues that displacement and discrimination are among the problems that place Chicago’s Latinos “in the depths of a housing crisis that is getting progressively worse. This crisis is characterized by high rent burdens, overcrowding, the lowest homeownership rate of any racial group in the city, instability due to economically changing neighborhoods, and attempts by city governments in the suburbs to force Latinos out in a wholesale manner.” The other, contained in information materials for the press released by a new Latino public interest coalition, argues that the key for Latinos “is to empower residents to capitalize on the entrepreneurial spirit of the community,” and declared its mission to be: “to ensure that public policy and public opinion reflect the true sentiments of minority community

¹⁹ *Keys to Improved Latino Housing: An Agenda for Change*, A Report of the Latino Institute, September, 1994, p. 3.

²⁰ Melissa Wahl, “Banking on a Community,” *Chicago Tribune*, August 8, 1998, Section 2, p. 1-2.

²¹ Frank James, “Census: Cook County’s White Population Falling,” *Chicago Tribune*, September 5, 1998, p. 1, 19.

²² Projections are drawn from data provided by Illinois State University, Census and Data Users Services (CADUS), Economic Development and Planning Database, pp.1, 8-14.

residents, and not to perpetuate a view which defines minorities as permanently disadvantaged and isolated.”²³

Each of these perspectives deserves attention as the city and its Latino community define a fresh common ground for a responsive housing agenda. Doing so will be a complex challenge because that common ground needs to be strong and broad enough to encompass sometimes clashing objectives. Remedying a legacy in which Latinos have been historically under-served by housing providers in the public and private sector is important for the sake of restoring trust and good faith tarnished by that legacy. Crafting housing solutions that reflect the economic and political reach of Latinos in Chicago is important for the sake of building future strategies that take trust and good faith for granted. Confronting the dilemma of inter-racial and inter-ethnic issues that focus on personal choice is key, as pure models of full assimilation or single-minded separation will not survive the demographic trends now reshaping American society.²⁴

Latinos in Chicago face a wide variety of challenges, neighborhood by neighborhood, in communities where they are concentrated. The pace of change in neighborhoods varies with levels of economic development. Latino mobility in and out of neighborhoods is a result of many factors, including pressures of affordability. The mix of housing stock, physical conditions and affordability is varied. There is, accordingly, a high premium on fitting strategy to circumstance. According to 1995 estimates by the City of Chicago’s Department of Planning and Development, 17 of the city’s 77 community areas have Latino populations of 30% or more, 7 of those with Latino populations of more than 50%. Recent neighborhood analyses locate community areas on a spectrum of changes in racial and ethnic composition, including changes toward or away from Latino concentrations.²⁵ Neighborhood dynamics have been uneven, prompting a series of questions that need to be answered to craft neighborhood-specific strategies.

“There’s not one housing market in Chicago. The housing market is segmented in the city. ... Strategies that work in one part of the city do not necessarily work in other parts of the city.”

A few examples:

- In which neighborhoods has the strength of Latino homebuying between 1990 and 1995 accelerated the most, producing a city-wide 23% increase during these five years? This change puts 1995 Latino rates (39%) essentially on par with African-Americans (40%) buying homes across the city, numbers likely to have increased by 1998, when national homeownership rates were 46% for African-Americans and 44.4% for Hispanics.²⁶
- What is the geographic distribution of those 46% of Latinos who, according to 1995 data, pay more than 35% of their income for housing, and those 21% who are paying more than 50%?²⁷
- Where have increased rents placed the highest burdens on Latino renters, and where are the supply-demand gaps most serious, for Latino families characteristically needing larger numbers of bedrooms?
- Where in the city do tax burdens or rent increases represent the most serious pressures on Latinos?

²³ Press Release, The Center for New Community Policy, June 17, 1998, p. 2; and Susy Schultz, “Latino Groups to Form New Power Base,” *Chicago Sun-Times*, June 17, 1998.

²⁴ A recent exploration of these issues can be found in a series of special reports entitled “The Myth of the Melting Pot,” *Washington Post*, February 22, 1998, April 7, 1998, and May 25, 1998.

²⁵ *Final Report on Section 1 of 1998 Scope of Services to the Department of Housing, City of Chicago*, National Training and Information Center, July 15, 1998.

²⁶ *The State of the Cities*, U.S. Department of Housing and Urban Development, p. 14, 1998.

²⁷ [Data drawn MCIC 1998 Annual Survey; and from Pat Wright presentation to Environmental Scan, pp. 369, 369.] Latino housing advocates who cite significantly lagging Latino home ownership rates are relying on 1990 census data.

AFFORDABLE HOUSING IN GENTRIFYING NEIGHBORHOODS

No serious discussion of Latino housing issues in Chicago can avoid the controversy surrounding gentrification. It is a phenomenon that specialists admit is poorly understood, and hard to interpret. Gentrifying effects are not easily linked to single causes. Gentrification is difficult to measure quantitatively. It is easy for communities to welcome the improvements it promises and to reject the hardships that it produces. It is a phenomenon prone to conflictual and emotional arguments in the political arena, as struggles over development of Latino neighborhoods such as Pilsen have shown so sharply.

An affordable housing strategy cannot be predicated on being for or against gentrification as a matter of principle. The case that development must not occur is untenable. The case that its impact might be tempered by an effort to counter its worst social effects has merit. The premise that housing strategy based on creating choices for residents in gentrifying communities will pay dividends is the starting point for the following evaluation in the city's new Five Year Affordable Housing plan:

Economic strength that encourages redevelopment plans for area revitalization offers opportunity to provide affordable housing as part of these plans. Yet the rises in property values, rents, and taxes that accompany development and gentrification put at-risk residents who cannot afford to remain in their neighborhoods and near their children's schools and community support services. The harsher impact of the market can be tempered and its momentum harnessed in the service of affordable housing goals, which requires housing providers not only to maintain a sure and continuing grasp of market dynamics and fundamentals, but also to fashion strategies that address the needs of at-risk residents in areas undergoing redevelopment.²⁸

"Those who are forced to leave the place they have long called home are cut out from their community's ethnic and cultural fabric, schools, existing social service networks, and other support systems and social ties. Those that remain are becoming more marginalized as they are maligned and under-represented in community dialogues about the nature of a viable community."

Without reasonably confident knowledge of specific entry points for policies and housing tools that lessen hardships created by the market in developing neighborhoods, strategies for at-risk residents will not be effectively targeted.

Without that targeting, a vicious cycle sets in—one that a community representative who offered public written testimony during a Department of Housing consultation on its new Five Year Plan described this way:

In the lack of a strategy to create stability and harmony, some newcomers often have hostile attitudes about those from different socioeconomic and racial/ethnic backgrounds, accepting the negative image of these people as the tarnishers of their quality of life and associating them in general with any social ills in the community, such as gangs and drugs. They fail to see them as their neighbors who, just like themselves, are concerned about community improvement. This has resulted in some individuals actively joining efforts, sometimes unwittingly, to eradicate all poor and/or minority people from the community by promoting only more high priced development in the name of further community improvement and in the name of protecting their new real estate investment.

²⁸ *Housing Opportunities into the New Century*, Affordable Housing Plan, 1999-2003, City of Chicago Department of Housing (1998), p.4.

Recognizing this challenge as important for affordable housing stakeholders concerned with Latino housing, the Department intends to convene a series of working meetings to develop a needs and opportunity assessment that

"No data are collected on gentrification. We can use indicators from the census to determine trends. However, trends are reflected in census figures basically at very advanced stages of gentrification; therefore you cannot really rely on any of them."

"I believe gentrification will continue acting to exclude lower income groups or affordable housing, and therefore, our dream of mixed income communities will go by the wayside. We are forming communities to organize against gentrification, and, therefore, the process is becoming increasingly conflictive."

will identify constructive points of leverage likely to alleviate hardships accompanying redevelopment in communities with substantial Latino populations over the next five years. Representatives of Latino housing and community organizations, for-profit and not-for-profit developers, chambers of commerce and other business or professional organizations, housing policy specialists, and relevant foundations and financial institutions all will be consulted. Practical and actionable goals for priority neighborhoods will have enduring value across a range of Latino neighborhoods if they focus initially on a small number of neighborhoods that encompass prototype situations facing Latino residents. From these neighborhoods lessons can be drawn, progress measured,

and program results tested for replication in other Latino areas over time.

The selection of prototypes needs to be strategic. The choices must help answer questions about what do neighborhoods with relatively stable Latino demographics need that is different from those where Latino

"I've lived in eight different apartments in eight different neighborhoods because of gentrification. ... My kids have to attend different schools about every other year."

populations are increasing or decreasing; about what needs are different in areas of moderate rather than over-heated redevelopment activity; about areas of varying levels of demand for different types of affordable housing; about areas with different socio-economic profiles among the Latino population; about areas where there is differential capacity to use such tools as making city lots available at low cost to developers or emphasizing alternative home ownership opportunities through condos or co-ops. There is not one set of Latino housing needs across gentrifying areas and not one set of strategies to meet them. A plan of action that helps stakeholders learn what is needed most,

and where it is needed, will substantially advance the goals of Latinos and the effectiveness of housing providers serving the Latino community.

BUILDING CAPACITY

Chicago's community development organizations, including individual for-profit and not-for-profit community housing developers serving Latino neighborhoods, have performed widely recognized roles in delivering affordable housing and have received national praise for their contributions.

Despite these successes, there is clearly a demand for substantial enhancements in capacity among Latino community development organizations with housing-related missions. For a community experiencing such explosive growth during recent years, it could hardly have been otherwise. Nurturing community institutions in this field is time-consuming and costly. Community development organizations generally have struggled with a serious mis-match between capacity and needs, the effects of which are likely to have been magnified in areas

where Latinos have not had long experience with institutional development of this kind.²⁹

Focusing our institutions on this challenge ought to be a top priority for Chicago's affordable housing stakeholders. A multi-year capacity-building strategy for community organizations and housing developers needs to be formulated collaboratively by foundations, including those banking and other corporate funders that have established track records for funding Latino organizations, by members of Chicago Latinos in Philanthropy and by Latino organizations broadly representing a cross-section of neighborhoods, housing needs, and economic development interests.

"The face of the city, and we can see it, is increasingly immigrant and Latino."

The time is ripe. Latinos across the country are bringing a strong and vibrant presence to community-building, to business development, and to a spectrum of community issues that include education, health, and housing. The Department of Housing will explore with potential funders and Latino leaders a framework for coming together to articulate long-term funding, technical assistance, and institutional goals for strengthening relevant community organizations and housing development capacity among Latinos. There exists a good foundation for such an initiative in Chicago, and as it is expanded, Chicago will be adding its own momentum to national trends—including the Hispanic Association on Corporate Responsibility focusing on the subject of building strong communities through Hispanic philanthropy, and the National Association of Hispanic Leaders placing housing among its top concerns.

Those competing Latino perspectives, mentioned earlier, embrace on one hand, a focus on needs of the under-served Latino community and, on the other, enhancing the entrepreneurial capacity of empowered Latinos. Within this framework, there is much common ground in the twin challenges of developing workable housing strategies for revitalizing neighborhoods and supporting institution-building for Latino communities generally.

SUCCEEDING IN PUBLIC HOUSING TRANSFORMATION

Chicago's prominence as a national symbol of public housing's ills has been deeply etched in the public mind. Journalists like Nicholas Lehmann (*The Promised Land*) and Alex Kotlowitz (*There Are No Children Here*) have chronicled families and children trapped in the desolate pathology of life at Robert Taylor and Henry Horner Homes. Robert Taylor, 24 high rise structures flanking the State Street corridor on a bleak 4-mile stretch on the south side, is the largest high-rise public housing project in the country, its notoriety as great as its scale. Nearly a fifth of all public housing units slated for demolition across the country in the next 15 years are located in Chicago, where perhaps as many as 19,000 units could come down. Substantial demolition is to be completed in the next several years, much of it bringing down vacant buildings.

"Public housing redevelopment represents the single biggest community development challenge this city, this region, faces, period."

"In Chicago you have probably the largest public housing revitalization program in the country, and certainly the largest urban revitalization effort ever attempted...."

Pouring enormous amounts of federal spending through specialized public housing authorities, and requiring them to function primarily as housing for the very poor, has contributed to the isolation of public housing residents across the nation. It has also forced the creation of

²⁹ *Life in the City: A Status Report on the Revival of Urban Communities in America*, A Report by The Urban Neighborhoods Task Force, Co-Sponsored by the Center for National Policy and the Local Initiatives Support Corporation, 1998.

multifamily housing portfolios that no private or public company would find manageable. A fixture on HUD's list of troubled housing authorities since 1979, the Chicago Housing Authority (CHA) was plagued by mismanagement and scandal in the early 1990s, and was finally taken over by HUD in 1995. CHA's performance improved under determined leadership, removing it from the troubled list. With the return to local control of the housing authority, the city is now challenged to provide public housing residents with a place in neighborhoods that are strong and supportive for all residents.

Public resources will never be sufficient to meet the entire task. Very low income people face multiple pressures from welfare reform, the scarcity of low-skill jobs and education resources for skilled positions, and the difficulties of access to places of work in a large metropolitan area. Public resources -- federal, state, and local -- need to be leveraged strategically with private resources, expertise and implementation capacity. There is an opportunity to engage the best thinking from Chicago and across the country behind the challenge of reducing concentrations of very poor people while providing adequate housing opportunities, and providing an array of support services that enable economic self-sufficiency. Investment criteria for public sector funds must maintain a steady focus on achieving these outcomes over the long term.

What these outcomes promise are healthier neighborhoods and fewer people dependent upon public assistance. This will mean a richer quality of life, a stronger local tax base, and higher values over time for private investments made in the city. Evolution of federal policy has created new tools that make it easier for the CHA, the City, and the private sector to work together, and the planned transfer of CHA back to local control creates a window for integrated strategic planning and execution of the public housing transformation.

At no time in recent Chicago history has the likelihood been greater that public housing will be pushed increasingly to the forefront of the city's community development strategies. The reason lies only partly in the scale of the anticipated demolition and in the political and public scrutiny that it will entail. More importantly, the once air-tight boundaries between public housing and the city's overall neighborhood revitalization strategies are fast disappearing as public policy—in Chicago and beyond—has come to focus more and more on ending rather than perpetuating the historic spatial, economic, and social isolation of public housing.

HOPE FORWARD

This evolution in public policy is seen in the federal government's HOPE VI program, initiated in 1992 to address housing rehabilitation and redevelopment needs, including supportive services for residents, at "severely distressed" public housing authorities. After several years the program has given increasing emphasis to mixed-finance, mixed-income strategies leading to economically integrated developments. Whatever the administrative and funding shortcomings of HOPE VI³⁰, the idea underlying the program is radical. It says that decades of bankrupt policy aimed overwhelmingly at modernizing and improving decaying public housing inventory in place is not the answer. It says that little could be resolved by the long-running arguments between conservatives who railed against pouring more taxpayer money into fixing up public housing and liberals who answered that to do less deserved condemnation as bad housing strategy and unjust social policy absent other alternatives for the poor. It says that public housing solutions can succeed to the extent that they are found *within* communities rather than *apart from* them.

³¹ Twenty-six states have received \$2.5 billion dollars, \$150 million of that in Chicago.

Impediments to success of this policy, however, remain high and pervasive.

- Demolition of public housing is being accelerated; the result is to widen the gap between supply and demand for housing suitable for transitioning residents.
- The federal government is expanding use of Section 8 vouchers for residents to subsidize their transition to private market rentals; however, vouchers may provide limited options in tight and frequently discriminatory private markets where public housing residents and Section 8 voucher holders are stigmatized.
- While funding levels in the 1999 HUD Budget show increases for public housing modernization and HOPE VI, the trend has been that funding for public housing has decreased, as has support for social and family services essential for families and individuals, including many seniors, who live in public housing. The result strains the capacities of regional and local governments to pick up the slack, especially when burdens are magnified by various welfare reforms that effect many public housing residents.

Mixed income strategies, while coherent in principle, are still relatively untested in practice, substantially underfunded, and difficult to implement even in favorable circumstances.³¹

- And there remains the unresolved question of how on-site mixed income strategies can best coexist with the various agreements and court orders associated with the Supreme Court's famous *Gautreaux* decision in 1966. The decision mandated that relocation of public housing residents be driven primarily by the goal of promoting desegregation, principally through relocation to suburbs or in scattered-site locations within less racially concentrated communities in the city.

"Look, they want me to participate in welfare-to-work and they want to pay me \$6.00 an hour, and that's fine. But where can I find decent \$6.00 an hour housing?"

"What is the purpose then of becoming a responsible member of society and then being told that you still can't afford basic human needs? I'm not only speaking about this issue as a professional, but as a single parent with six children who was formerly homeless six years ago."

Public housing thus faces what one thoughtful analysis characterizes as a "brave new world" of re-invention more fundamental than at any time since its beginning.³² The central dilemma is how to serve the neediest public

housing residents; to attract private market rate tenants to new mixed income, mixed financed communities; to end up with economically diverse redevelopment that does not simply re-concentrate transitioning public housing tenants; and to bring sufficient private capital to the mix to ensure sustainability.

DECISION AND CONSULTATION

To complement the transition to local leadership for the CHA, the city needs effective coordination and decisionmaking systems that reflect both the city's enhanced accountability for delivering services to public

³¹For a mid-decade assessment, see *An Historical and Baseline Assessment of HOPE VI: Volume I Cross-site Report*, An Historical and Baseline Assessment of HOPE VI, Prepared for: U.S. Department of Housing and Urban Development. Office of Policy Development and Research by Abt Associates Inc. (1996); see also, Paul C. Brophy and Rhonda N. Smith, "Mixed Income Housing: Factors for Success," *Cityscape*, Vol. 3, No.2 (1997).

³²Roberto G. Quercia and George C. Galster, "The Challenges Facing Public Housing Authorities in a Brave New World," *Housing Policy Debate*, Vol. 8., Issue #3 (1997).

housing and public housing's integration into a range of city redevelopment and revitalization efforts. This requires that city agencies, such as the Department of Planning and Development, the Department on Aging, the Department of Health, the Mayor's Office of Workforce Development, the Department of Housing and other departments, work together to foster collaboration and alignment of their programs with the transformation of public housing.

Throughout the summer of 1999, it is likely that concurrent planning processes will be undertaken to address fundamental issues at the Chicago Housing Authority. These include: a comprehensive business plan, a development by development assessment, and a plan for service delivery to tenants of public housing. It is vitally important that City of Chicago agencies participate in and add their resources and expertise to this planning effort. The goal should be to create a system of government services which treats residents of subsidized housing the same as and not different from other citizens in the City of Chicago. This requires an intra-governmental framework that will blend services to residents of public housing with services to "community" residents. Such an inclusive system will facilitate the necessary shift, from the paradigm of isolated housing and resources for the very poor to the paradigm of integrated housing and wrap-around services.

" There is not room anymore to think of public housing, either public housing programs, public housing authorities, units or residences, as something isolated and apart from the city, the city's communities, or the region as a whole."

In order to create buy-in and acceptance for this new system city-wide, a task force of city departments will implement a short term education campaign to familiarize city employees with the goals and objectives of public housing transformation. As city agencies align themselves and their services with the transformation of public housing, they will also need to anticipate the resource needs of subsidized housing that is still predominately project-based and supported by on-site community services. Broadening these on-site services to reach into the communities and community based agencies surrounding public housing, while targeting a larger array of city resources to address the needs of residents of public housing will help to suspend the false dichotomy between "public housing residents" and Chicago "community residents". The charge of this task force will be to eliminate the distinctions at the city level in order to demonstrate that public housing as we have known it can and will become a paradigm of the past.

HUMAN DEVELOPMENT

Physically transforming public housing is the necessary but not sufficient condition for the success of the overall transformation. The bulk of funds from programs like HOPE VI will pay for building development and rehabilitation. Transforming opportunities for residents, however, will be the Achilles heel of the entire effort if they are not well-served by human development strategies. These strategies must give residents power over their own lives, often for the first time; provide job-readiness training and real jobs; provide family and individual social support systems, ranging from day care to substance abuse and other counseling programs; prepare them with basic education and life-skills; and give them both the confidence and habits needed to become full members of communities of their choice. Their choices are severely constrained by racial and income-based discrimination, by the stigma borne by former public housing residents and by Section 8 holders in the eyes of landlords or communities who want neither the relocated residents nor the vouchers and certificates.

Chicago's civic and philanthropic community has risen to many occasions over the years, putting Chicago out front among cities willing to put private money behind public causes. By placing long-term and comprehensive support for the human development priorities for the public housing transformation, Chicago's civic and

philanthropic partnership can send a powerful signal to the city, and indeed to the nation.

A supportive civic and philanthropic commitment should be in place before the City fashions new redevelopment plans, and should be an integral part of those plans. In particular, there is a need to bolster capacity within the non-profit sector by channeling multi-year operating support as well as program support. A recent report on capacity-building urges a focus among funders on enabling non-profits especially to respond to “government policy changes and challenges in the larger non-profit environment.”³³ Given the magnitude and duration of the challenge for human development services in the public housing transformation, and given the unique potential of high-performing not-for-profits to complement the work of the public sector, this is a focus crying out for fresh and ambitious responses from funders.

“Now, look at the Chicago metropolitan area, the resources that are in this community in terms of philanthropies and the private sector. Without a doubt you have more resources in Chicago than probably any other city in America other than New York to begin to deal with this...”

Creative philanthropic financing tools are available to extend tools beyond traditional grantmaking—as witnessed by metropolitan experiments, such as that in Indianapolis, where the feasibility of permanently endowed, professionally managed community funds have been explored to finance supportive services for public housing transformation. The daunting complexity of these needs demands no less than a civic and philanthropic determination to single out public housing as a collective priority for Chicago and to join with the city in a tandem effort through the proposed Council to turn this commitment into multi-year funding strategies that complement the city’s own more collaborative approach to making the public housing transformation work.

“My picture ... of where we could be in five years includes the following: some dramatic change in specific sites, sites that got HOPE VI dollars where there is the magnitude of resources and, at least currently, economic conditions in the market attractiveness that can actually transform places.... Five years from now we can see, I think, thousands of families properly mainstreamed in places with good economic opportunities.” “I think you’ve got a lot of families who are going to need more help, a lot more intensive help, and that might not even do it.... The first five years I think are easier ...but the next ten years it gets harder and harder and harder.”

Absent a clear momentum toward success, the scenario is predictable. The burgeoning human development needs associated with public housing become mired in ineffectual and inadequate delivery systems. Human interest stories of failed or contentious transitions push out success stories. Confirmation of those worst case fears becomes the norm rather than the exception in an increasingly divisive political battle over public housing. Public perceptions harden into beliefs that public housing’s transformation is on a failure track in human terms.

This scenario need not materialize if the city and the civic and philanthropic community stretch their ambitions and pocketbooks as changes in public housing

accelerate. Together, the combination of anticipatory public policy and well-aimed civic responsibility would lay a strong foundation for the public housing transformation that looms on the city’s horizon.

TARGETING RESOURCES, KNOWING MARKET CONDITIONS

The demolition of public housing burdens an already-burdened population that bears the brunt of the nation’s—and this city’s—affordable housing crisis, namely, the low and very low income renters for whom

³³ *Illinois Non-Profits: Building Capacity for the Next Century*, Joint Study of the Illinois Facilities Fund and The Donors Forum of Chicago, Preliminary Report, June, 1998, p.17.

the disparity between housing supply and demand continues to worsen.³⁴ As a forthcoming HUD study of rental housing markets in 41 cities across the nation from the late 1980s to the early 1990s makes clear, one-

"The vast majority of the units available ... are located in areas of high crime and poverty and minority concentration whose renters face similar safety and isolation problems that they do in the CHA developments that they now leave. And they would do so without the benefit of the social support networks which many families rely on. The effect, unless we do it differently, will be just a rearrangement of the region's affordable housing crisis rather than stepping towards a solution."

dimensional portrayals of the mismatch between supply and demand in these markets deserves close examination. Indeed, the study finds that on an aggregate basis across these markets the number of rental units has actually *increased*, with gains offsetting losses as a result of market dynamics that include property conversion, tenure changes, hard unit losses and gains, new construction, and rent category changes through "filtering". What stands out in a closer look at this trend, however, is the extent to which it has not applied to rental units affordable to families under 30% of median income not receiving

rental assistance (some households from public housing will have rental assistance that will enable them to afford market rate units). Indeed, in both relative and absolute terms, and against the background of national growth in the number of households needing this housing, the rental housing stock for this category of renter fell by one-third. This means that "the growing number of unassisted renters needing extremely-low-rent units are faced with both shortages of units and high probabilities that these most affordable units will experience sharp rent increases or drop out of the stock." Chicago's loss of units, according to this study, was 14%, with some 15 other metropolitan areas showing declines in ranges as high as 48%.

It's one thing to know that, in the end, policy must be based on this classic logic of supply and demand; it's another to have sufficiently detailed and rich market understanding to apply that logic. As Chicago looks to its transformation of public housing and the impact that the region's rental housing market will have on its evolution, our market understanding is deficient. Efforts are currently underway to begin filling the gap. Particularly important is an assessment of the metropolitan rental market scheduled for completion in mid-1999 by the Metropolitan Planning Council (MPC) on behalf of interested public and private sector parties and funders.³⁵

Chicago's stakeholders in the public housing transformation need a knowledge- and information-based strategy

"Public housing doesn't really exist in a vacuum. It exists with all these other various kinds of programs...fair housing...Section 8...FHA...assisted...privately owned...tax credits ...state and local funding...CDBG funds...market forces...new construction...rehabilitation... certificates and vouchers...operating subsidies..."

for targeting resources. Sustained and sophisticated market analysis must be a high priority for the proposed intra-governmental task force. Even more critical and difficult will be a continuing capacity to craft policies and make resource allocations that reflect this more sophisticated understanding of market dynamics and conditions. Chicago's and the region's sub-markets will require a calibrated mix of housing supply-oriented approaches and tenant

subsidy demand-oriented programs as mixed-income, scattered site, and rehabilitation solutions are put in place. This calibration will stretch scarce resources most effectively, while providing market-appropriate responses to

³⁴ See, *The State of the Nation's Housing, 1998*, Joint Center for Housing Studies of Harvard University (1998); *Rental Housing Assistance—The Crisis Continues* US Department of Housing and Urban Development (1998).

³⁵ MPC is currently reviewing proposals to begin the study.

the continuing challenge of integrating the public housing transformation with the city's neighborhood and community revitalization goals.

Those responsible for the transformation of public housing need to bring an amalgam of patience laced with ambition to their agenda. One seasoned observer of public housing transformations offered a recipe. "There are no quick fixes in communities where institutional abandonment and hopelessness have prevailed for years," she writes. We cannot afford to waste available resources "by thinking too small, by not encouraging resident self-sufficiency and economic advancement, or by not involving other private and public institutions."³⁶

BUILDING AN INFORMATION CAPACITY TO SUPPORT AFFORDABLE HOUSING STRATEGIES

"We've operated for a long time without a lot of really good information about the details of our marketplace."

Advisory Group Member
Department of Housing Five Year Plan

What is the actual inventory of affordable housing units in Chicago? How many vacant lots in that community are available for in-fill development? Where are holders of Section 8 certificates moving to? How has the racial or ethnic composition of neighborhoods changed over the last 10 years? What are the locations of HUD-assisted properties with expiring contracts in the next five years? What is the mix of owner-occupied and rental properties in gentrifying communities? Where are the SROs and assisted senior housing developments in each quadrant of the city? Have there been more foreclosures of FHA loans in a predominantly Hispanic neighborhood, or has the total been higher in an adjacent neighborhood with a predominantly African-American population? What is the comparative age of the housing stock in three adjacent community areas, and what is the number of home improvement loans that have closed in each over the past three years?

Information is the lifeblood of our industry. For many policy makers, housing providers and community organizations, however, the paradox is that information has become both more essential and more inaccessible.

It is more essential for a number of reasons. We need it to gauge correctly the needs for different segments of the community. We need it to develop consensus based on common appreciation of facts, reasonably construed to be accurate. We need it to monitor over time how we are succeeding in meeting goals. We need it to plan intelligently and contextually—all the more so as housing is enmeshed with broader community and economic development issues.

Yet it is more inaccessible as well. It is fragmented in too many places. It is housed in too many user-unfriendly databases that don't "talk" to each other and that are under the proprietary control of separate providers. It is out of date, non-standardized, expensive to access, or time-consuming to manipulate. It is lacking in the capacity to be integrated enough to reveal patterns and trends and relationships across the often specialized needs of users.

³⁶ Gayle Epp, "Emerging Strategies for Revitalizing Public Housing Communities," *Housing Policy Debate*, Vol. 7, Issue 3 (1996), pp. 584-585.

FOR THE COMMON GOOD

Some within Chicago's housing community, along with community-specific, business and economic development groups and planning agencies, have intermittently considered in recent years various approaches to developing an information strategy and associated applications that would serve the common good of numerous users within the city.

As a challenge for stakeholders, creating information systems for the common good stands apart from more programmatic priorities: information is merely an enabler, important as a means to an end. Systems for gathering it, aggregating it, placing it on the right technology platforms, facilitating integrated and shared access---all of these should be invisible to users who need answers to their questions day in, day out. Nevertheless, information systems for housing policy and practice deserve high priority for stakeholders seeking ways to collaborate more effectively. Leading best practices in regional or metropolitan areas around the U.S. have built strategies on well-conceived information systems that add value to all concerned in public and private sectors.

DEFINING USER NEEDS

Over the next five years, Chicago's stakeholders can move toward significant enhancement of an information infrastructure. The Department will assemble a mix of policy, operational, and technical specialists to prepare a multi-year plan for building an information capacity that supports the most critical priorities on the city's housing agenda, including those addressed in this report on strategic challenges. The focus of this planning effort should be on defining what users need, including the appropriate location to house and maintain data, not on what technologists can provide.

For each area of policy, planning and implementation the fundamental questions are: What information ought to have the most crucial impact on decision and action? Who needs that information, when, and in what form? Undisciplined data-collection typically results from lack of clarity about what users need and why. Therefore the most important work for the planning group will be to construct a strategically oriented profile of information needs across the city.

The basic system design and organization questions that need to be answered once this profile is clear are difficult, and have so far frustrated efforts to find a common approach in Chicago. Who will control and fund the system? How can the roles of public and private sector information providers and users be complementary and mutually reinforcing? How can proprietary and open data requirements be reconciled? What must be done to assure that systems, once put in place, can be sustained properly over time? How can the system combine global data with local, neighborhood-specific data that is reliable and timely? What mix of centralized and decentralized functions will best shape a system that is integrated and flexible enough to serve multiple user needs?

Finally, what needs to be done to make available information truly accessible and understandable for political leaders, operational decision-makers, and communities? Advanced mapping technologies have a power to explain and clarify that has not yet been fully exploited by local housing stakeholders. The Department has begun exploration with potential partners about how to advance capacity to link mapping technology with more enriched information systems for the city's needs. The pilot planning for this challenge will facilitate a broader evaluation of this capacity, and will enable stakeholders to experiment early with mapping and visualization techniques that today are well within our technological reach.

SMART DIALOGUE ABOUT CHICAGO HOUSING SOLUTIONS

By laying out these five challenges, we hope to begin a process of enriching the dialogue in the city about housing and, through that dialogue, push ourselves to make Chicago a leader in the industry for the 21st century. At the initiative of the Department a new *Chicago Forum on Housing Solutions* is being launched in 1999 with support from private foundations. The Forum will bring together regularly the leadership among a broad range of stakeholders for the purpose of deepening our shared commitment to act collaboratively on the most important issues facing us. We see the forum as an action-oriented framework that will help us learn from each other and combine the best of our talents. And we see it as a framework within which we frame issues for an Annual Housing Summit in Chicago, the first one to be convened early in the year 2000.

We hope that the forum will be a place to explore other issues in addition to the five challenges outlined in this document. Some of those issues would include:

- **Reinforcing Education Reform Strategies:** The Department will engage a consultant to map existing connections and important potential linkages in Chicago between community development activities and local public schools. An ongoing challenge faced by Chicago public schools is the rate of student mobility; the combination of in-migration and out-migration at high levels that make individual school and teacher accountability difficult to measure. The Chicago Panel on School Policy reported in a 1995 study³⁷ that most of this mobility was internal within the Chicago public school system, and that approximately 60% of the mobility in a study of 6th and 8th graders can be attributed to changes in residence, whether due to job relocation or housing affordability problems. School reform advocates, however, are at an early stage in understanding more precisely the exact dynamics of student mobility on a city-wide basis.³⁸
- **Co-location of Jobs and Housing:** The mismatch of entry-level jobs and affordable housing in this region has created major obstacles for people trying to attain self-sufficiency. Between 1980 and 1990, 56 percent of the region's new jobs were located in only 10 percent of the townships. In these townships, the median home price was 40% higher than the region's median home price. The areas of highest employment growth in this region are also the least affordable.³⁹

One of this country's most experienced housing policy professionals recently provided solid and forward looking advice about our business, notable not for its complexity but for its simplicity. It captures the essence of what we all must do now that housing affordability and the future of our cities have become so inextricably intertwined.

³⁷ *Pervasive Student Mobility: A Moving Target for School Improvement*, Chicago Panel on School Policy, Center for School Improvement (1995), pp. 14, 20.

³⁸ *Staying Put: A Mobility Awareness Action Plan for the Chicago Public Schools*, A Project of the Chicago Panel, 1998 [need permission to cite].

⁴⁰ Elmer Johnson, "Preparing Chicago For the 21st Century," The Commercial Club of Chicago, 1999, p. 40.

If the old strategy was to be controversial, the new is to be original. If the old was to attack the 'have's', the new is to enlarge the pie for everyone. If the old was to build housing, the new is to build communities. If the old was to build housing as an expenditure, the new is to view housing as an investment. If the old was to describe the problem, the new is to illustrate the solutions locally.⁴⁰

These prescriptions will carry us a long way toward meeting our common challenges.

⁴⁰ Helen Dunlap, "Point of View," From the National Low Income Housing Coalition's 1997 Conference Materials.

Initial Points of Engagement for Chicago Housing Stakeholders

	Providing Homeownership to Immigrants	Rehabilitating Chicago's Small Building Stock	Meeting Latino Housing Needs	Succeeding in Public Housing Transformation	Building an Information Infrastructure
Community Cultural Centers	Help lenders market programs. Help understand cultural nuances, etc.		Market programs	Work to make communities welcoming.	Provide data on community needs.
Community Development Corporations		Inventory small building stock. Privatize & rehabilitate for ownership & rental.	Impact assessments for neighborhoods to assess the success of their programs.	Leverage private resources & development expertise. Integrate jobs, education & transportation with housing strategies.	Identify racial & ethnic composition; identify owner-occupied & rental mix in gentrifying areas.
Developers	Market developments to new immigrants.		Positively resolve issues of redeveloping neighborhoods.	Integrate very poor into new & established mixed-income communities.	
Fair Housing	Educate immigrants on housing rights.		Educate about tenant rights & home-buyer rights.	Help people gain access to jobs, day care, grocery, education for children.	Provide data on trends.
Faith-based Community			Be a vehicle to communicate Department programs and initiatives.	Communicate the moral foundation and call to be welcoming communities through action.	
Fannie Mae/ Freddie Mac	Enlarge partnership w/DOH to expand capacity to address trends.	Loan products for acquisition, rehabilitation & refinancing.			Support an information infrastructure.
Government Agencies		Dept of Planning & Development, Dept of Buildings help to inventory & preserve small buildings.	Work through intermediaries & neighborhood institutions to deliver programs.	Shift paradigm for public housing. Align with transformation.	Communication between & within agencies to create user friendly GIS system.
Information Systems Technology		Develop systems to track housing stock.	Technical assistance.		Create system to maintain & link data.
Intermediaries	Design & delivery of home ownership education & credit system for immigrants.	Lending strategies that focus on preservation.		Lend to mixed-income developments.	
Lenders (includes DOH)	Tailor products to reach into multi-ethnic communities.	Expand lending for acquisition & rehabilitation. Identify & make available non-encumbered funds to make rehab more attractive.	Extend credit.	Adapt underwriting criteria for mixed-income developments.	Provide data on foreclosures, home improvement loans & lending to multi-ethnic communities.
Philanthropy	Support research on programs to reach immigrant communities.	Contribute to investment pools.	Chicago Latinos in Philanthropy identify funding priorities.	Support research evaluation & fund program gaps.	Support an information infrastructure.
Policy Advocates	Enhanced/focused education on immigration trends & impact on housing policy.			Advocate for policies that end spacial, economic & social isolation; support HOPE VI, Section 8 voucher expansion; public awareness campaigns that remove stigma of programs & racial- and income- based discrimination.	Strategically oriented profile of info needs across city. Facilitate communication between agency & users.
Social Services	Work through Community Cultural Centers to ensure programs have reach in immigrant communities.		Needs assessments.	Provide job-readiness training, family and individual social support: day care, drug rehabilitation, counseling, basic education & life skills.	Provide data on racial & ethnic composition for SRO & senior locations.
Universities/ Research Institutes	Evaluate American Housing Survey, Chicago Title & Trust Survey, immigration surveys to identify trends & barriers to home-ownership.	Help neighborhood organizations inventory the stock.	Evaluate ownership, rental & geographic trends.	Lend tools, support pilots & generate data, for example, Regional Rental Market Analysis.	Compile new data such as stock inventories, Section 8 voucher use & HUD property locations.