THE NETWORK BUILDER

The Chicago Rehab Network Newsletter

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August/September 1987

Pension funds make the difference

Boston unions build affordable housing

by Sherrie Hannan

The "union label" has taken on new meaning in Boston with the completion of eighteen units of affordable housing.

The housing was developed in South Boston by the Bricklayers and Laborers Nonprofit Housing Company, a housing corporation organized by the Bricklayers and Masons Union and the Laborers International Union. In conjunction with the city of Boston, the Nonprofit Housing Company is creating new homeownership opportunities for moderate income families in rapidly gentrifying Boston. In the next few months, the company plans to develop almost 300 more affordable units in the predominantly white, working class Charlestown neighborhood and the racially mixed neighborhoods of Mission Hill and Jamaica Plain.

The innovative efforts of these two unions demonstrate the potential for social investment of pension funds, and they stand in stark contrast to the commitment of most pension funds to the development of low and moderate income housing. The activities of the Nonprofit Housing Company show one way that this vast source of investment capital can be directed into the production of housing for low and moderate income families.

Boston has one of the hottest real estate markets in the country. As John Ballard, director of the Bunker Hill Tenant Task Force, observes, "there is hardly a neighborhood untouched by gentrification." Home prices have climbed in recent years to an average of $160,000, according to Bricklayers Union Vice President Thomas McIntyre,

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Townhouses built by the Nonprofit Housing Company.

Shiller introduces housing ordinance

Uptown Ald. Helen Shiller recently introduced into City Council a resolution and two ordinances concerning low income housing. The legislative package was referred to Housing Committee.

The legislation creates "affordable housing zones" where special incentives would be provided to develop and maintain low income housing. It calls for two different kinds of zones: general zones, which suffer from disinvestment and abandonment; and revitalizing zones, which lose large amounts of affordable housing through gentrification.

The legislation also creates an Affordable Housing Zone Commission to administer activities in the zones. It calls for the establishment of local public development corporations (LPDC), selected by the commission and publicly accountable.

Incentives include substitution of the BOCA building code for the Chicago building code; transfer of city owned properties and liens on properties; grants from a specially created Chicago Affordable Housing Trust Fund; a 10-year tax assessment freeze; and a double low income tax credit to offer investors.

The LPDCs would own, develop, operate and enter into partnerships with for-profit and nonprofit developers to develop housing which would be at least 50 percent low income. The commission would approve one LPDC per zone. LPDCs must be incorporated 501(c)3 organizations with boards that are at least half made up of community residents.

The commission would consist of nine members appointed by the Mayor, in-

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Tax reactivation gets back on track

by Barb Grau

The Tax Reactivation Program (TRP) is alive and the loose ends are being tied up. As this issue goes to press, many problems have yet to be resolved—but they will have to be resolved: the Scavenger Sale is to begin on August 31, 1987!

For those of you who have been following the Tax Reactivation drama since the 1983 pilot program, you know that we have been awaiting the Illinois Supreme Court ruling on the notice requirement for the Scavenger Sale. After a long court battle, finally, at the end of June 1987, the Supreme Court ruled that notice by publication is sufficient. Cook County is able to continue its practice of giving notice to property owners and the public of the Scavenger Sale by printing the listing of properties in the newspapers.

To the county this means no additional cost for sending owners registered letters notifying them of the sale. To the nonprofit developers, the ruling means that Cook County will finally hold a Scavenger Sale of an inventory of more than 40,000 delinquent parcels. The sale will run from August 31 through December 21.

When County Treasurer Edward Rosewell announced the August 31 Scavenger Sale within hours of the court ruling, our immediate reaction was, "not so fast!" Although we had wanted the county to hold the sale sooner, and asked, lobbied and implored the county to hold the sale before the court ruled, we found Treasurer Rosewell's announcement to be alarming, because County Board President George Dunne had recently announced that the county would no longer run the program. There was no TRP in place and there was no time to put a smoothly operating program together.

For those of you new to the issue, here's a bit of background. The TRP is a highly successful program that had one chance to prove itself—back in 1983 as a pilot program. The Scavenger Sale is an opportunity for the public to purchase properties that are at least five years tax delinquent. These are generally the most run down buildings in the neighborhood, owned by irresponsible landlords. The highest bidder wins the property—often a fellow slumlord.

The TRP allows responsible developers to acquire tax delinquent properties at the Scavenger Sale through a "non-cash" bid made by the county. Theoretically, the building is purchased at no cost, although practically, financial resources are needed for rehab costs, legal fees and assorted other expenses.

In 1983, the Chicago Rehab Network acted as screening agent for the program, working directly with the County Treasurer's office. TRP created 512 rehabbed units of low income housing. The county collected $329,803 in taxes from the 14 newly-rehabbed buildings as well as $268,000 in penalties and back taxes from delinquent owners who redeemed their properties. Given the revenue brought in under the TRP, it is clear that the program not only pays for itself but brings in additional tax money.

However, since most of this money accrues to the city of Chicago, Commissioner Dunne decided that the city, not the county, should take responsibility for the program—and, not coincidently, take the heat for any political pressure created by the opportunity to acquire "free buildings." Dunne suggested that people contact their aldermen to obtain property. Many people objected to this idea. Meanwhile, different organizations expressed interest in becoming the screening agent for the program. Rather than choose among them, the city decided that its own Dept. of Housing (DOH) would be the TRP screener and administrator.

The result is that the county will transfer title of tax reactivation properties to the city, who in turn will transfer title to local groups approved by DOH. This new arrangement forced DOH to scramble to create an application and program in less than two weeks. Fortunately, city officials have been very eager to learn from the experience of the Rehab Network during the pilot phase of the program.

The application process has begun and still an intergovernmental agreement does not exist clearly identifying roles and procedures for the TRP. Several issues are critical for the developers, who need to determine their anticipated costs. The Rehab Network held a seminar in early August for all groups interested in understanding the process. More than 90 people attended, representing more than 60 different organizations.

The sale starts with South Side properties. Community groups on the North and West sides can still apply to participate in TRP because properties in those areas will come up for sale later in the fall. The deadline for North Side applications is September 1; the West Side application deadline is October 15. Contact DOH, 922-7922, for more information.

Housing ordinance introduced

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cluding the commissioner of the Dept. of Housing, the director of the Dept. of Inspectional Services, an employee of the Dept. of Law, a member of the Urban Renewal Board and five residents. The commission would develop criteria for the zones, recommend zone designation, recommend sources of funding for the trust fund, review grant applications to the fund and recommend grantees. Zones would be created through City Council ordinance, and the mayor would have final grant approval.

The legislation contains several measures designed to protect residents in "revitalizing" zones from displacement. Landlords would have to give 120 days written notice of large rent increases or termination of lease for no cause, and pay $2000 in relocation payments to tenants who are displaced by large rent increases.

The legislation also calls for public hearings to take place when an application to establish an affordable housing zone is made. These applications could be made by aldermen, or by petition of residents.

Some of the initiatives require action on the part of the state legislature and County Board. The resolution calls on those bodies to pass legislation which would enable these initiatives to occur.

Lakefront SRO Corp. emerges in Uptown

by Jean Butzen

People who work for nonprofits sometimes wonder if their hard work will ever amount to anything. Once in a while, the pay-off from that hard work is sweet.

After two years of effort by several organizations and individuals, this spring the Lakefront Single-Room Occupancy Corporation purchased the Moreland Hotel, a 70-unit single room occupancy (SRO) hotel located at Argyle and Sheridan in Uptown.

The Moreland saga began in 1985, when residents fighting eviction contacted the Legal Assistance Foundation. LAF called upon the Organization of the Northeast (ONE) to see if ONE would intervene in housing court to prevent the entire building from being vacated.

ONE helped get the ball rolling by pulling in the next round of players: Voice of the People and the Lakefront SRO Corp. Voice agreed to manage the building for the court-appointed receiver until a more permanent solution could be arranged. Lakefront SRO began to seek financing to purchase and restore the Moreland, and in May 1987, Lakefront SRO finally claimed title to the building.

The Moreland Hotel was headed for extinction before the community intervened. Other SROs in Chicago and around the country have not been as fortunate. But many cities, such as Los

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Photo by Debbie Weiner

Lakefront SRO director Jean Butzen and desk clerks Dorothy Soukup and Theresa Whitelaw.

Groups gear up for HUD-assisted housing fight

by Sherrie Hannan and Debbie Weiner

In Chicago and around the country, housing activists are beginning to develop strategies to confront the potential loss of thousands of units of federally-assisted low and moderate income housing.

The impending crisis, detailed in the previous two issues of the Network *Builder*, involves privately-owned housing developments which receive federal assistance in the form of mortgage subsidy or rental subsidy. Over the next several years, contracts will expire or reach option deadlines, allowing owners to increase their rent levels to market rate by opting out of Section 8 contracts or prepaying HUD mortgages. Even owners who wish to keep subsidies in their buildings have received no guarantee from HUD that their contracts will be renewed. (For a full explanation of the crisis, see Network *Builder* issues 12 and 13.)

Nationally, groups such as the National Low Income Housing Coalition (NLIHC) and the Association of Community Organizations for Reform Now (ACORN) have begun to act on the issue. Locally, groups in Chicago, California, Dallas and Boston have started organizing to halt this threat to affordable housing in their communities.

Even Congress is getting into the act. HR 4, the housing authorization bill, contains preliminary measures which would require owners to give advance notice of intent to prepay, and creates a loan fund which would assist owners to stay in the programs. According to the NLIHC, these measures are welcome, but a fairly weak response to the problem. The bill is now in conference committee.

More intriguing is a resolution introduced in August by Sen. Alfonse D'Amato (R-NY), Senate Joint Resolution 183, which imposes an 18-month moratorium on prepayment of all 221(d)(3), 221(d)(5) and 236 subsidized mortgages to give Congress time to develop a coherent policy on the issue. A moratorium which applies to rural housing already exists through 1987 on prepayment of FmHA mortgages which fall under the same programs.

The following is a summary of local activity occurring in Chicago and elsewhere:

Groups on Chicago's North Side are collecting data on HUD-assisted buildings in their area and have also started organizing in individual buildings. Felecia Bute, of the Organization of the Northeast (ONE), points out that "you can't wait until this issue hits to organize."

ONE has started to build tenant associations in targeted buildings, by informing tenants of the potential problem but also by organizing around existing management issues. ONE's strategy is to

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A MESSAGE FROM THE PRESIDENT

Where have all the subsidies gone?

by Juan Rivera

It's a commonly-accepted fact that the Reagan administration has cut all federal subsidies—but it's not true.

Subsidies still exist, the question is, where are they going? As I have written, they are first allocated to the military apparatus through enormous contracts to the Pentagon and military industry. Secondly, subsidies go to middle and upper income households in the form of tax breaks.

The total federal tax subsidies for homeowners in 1986 amounted to $42.4 billion, which includes deductions for home mortgages, property taxes, capital gains exclusions and deferrals. Also, statistics reveal that the total federal expenditures during 1986 for housing assistance to low income households, including both urban and rural programs, was only $14.3 billion. The median percentage of household income spent for rent, including heating payment, by the lowest income group went from 35 percent in 1974 to 46 percent in 1983.

This means that low income people received only one quarter of the subsidies that higher income households received while they spent close to half of their income on rent.

This disproportion in subsidies has caused the average wait for government-subsidized housing in 25 cities during 1986 to be more than 18 months.

We all know that it is very expensive to operate an apartment building. Our estimate is that to operate a two-bedroom apartment efficiently you need approximately $3000 per year. The rule of thumb used by bankers is that only 25 percent of income can be applied to the housing cost or rent; without any doubt spending more than this would create a lot of problems for a family. If we apply this formula to the $3000 per year cost of operation, we will come to the conclusion that without operating subsidies of some kind, it is only possible to provide housing to families of annual gross incomes of $14,400 or more.

Our question now is where can we get the resources to operate apartment buildings affordable to families that make less than the $14,400 per year? Where can we get subsidies to operate apartments at low rents? But we confront the fact that subsidies have been shifted from the lowest income to the higher income sectors of our economy. We see clearer and clearer that poor people are sustaining the economy of higher income housing.

The conservative fallacies that subsidies are for the poor and that subsidized housing is an anathema fall by their own weight.

The state government through IHDA and following the leadership of its political bosses in Washington, D.C., concentrates most of its resources on subsidizing higher income housing and mortgages. Its position is not new: it is a reflection of the order it represents. An order that mobilizes resources from the poor to the rich.

A Call To Action

While peace advocates struggle against increasing militarism and housing activists fight for more dollars for low income housing, it is clear that the two groups are fighting for the same thing: a movement away from military support toward a more humane distribution of our nation's resources. Without a fair budget, resources will continue being wasted in the name of democracy. Funds should be shifted from the military to domestic programs; the tax laws must be changed from an overwhelming emphasis on middle and upper income housing to provide avenues for the creation of low income housing.

We need to advocate for a peace budget by joining forces with those who advocate for disarmament and peace. And by joining forces, the need for low income housing will reach higher visibility among people who struggle for justice and peace.

Without this movement the federal and the state governments will continue their inequity. Let us direct our energies to this type of advocacy so that the community control/low income housing movement can have a long and brilliant future. With an organized, practical and concrete unity with the peace movement, we will be able to stop the housing crisis.

The future is in our hands. Peace and quality housing for the residents of low income communities are two wings of the same bird. Justice, peace and equality are only rhetoric without this kind of organizing and unity.

The *Network Builder* is published bimonthly and is available to individuals and organizations concerned with the continuing supply of decent housing opportunities for low- and moderate-income residents of Chicago. Inquiries should be addressed to: The Chicago Rehab Network, 53 W. Jackson, Suite 815, Chicago, IL 60604; (312) 663-3936.

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Homesharing: new name for a proven housing option

by Ruth Sherman

Years ago, when someone's relative was coming over from the "old country" it was not unusual to hear the following conversations:

"Morris, my sister's second cousin's brother Yosel is arriving by Ellis Island next month. I know you've got an extra bed in back. Could Yosel stay by you till he gets on his feet?" or,

"So will ya do me a favor, Malachy? John's boy Patrick is comin' here from Killarney, he's gonna be workin' at Paddy's place—an' that's real close to ya—do ya have a spot he can lie down in till he gets his own?"—and so on.

In those days it was called "taking a boarder," or being a "roomer" in someone's place. Here we are again, doing the same thing for different reasons, and calling it another name—homesharing!

The reason we're doing this now is because there are a lot of people and not too many places for them to live in. There have been cutbacks on subsidized housing and the existing housing stock is filled or needs rehab. Therefore, we have to look at other housing options and homesharing has many advantages.

Council for Jewish Elderly has been involved in homesharing for several years and is seeing the impact of housing needs on the homesharing program. The people who contact us seeking a homesharing situation are usually interested in living or remaining on the north side of Chicago.

Often they are widowed women in their 60's, 70's or 80's, living in their own homes and not wanting to be alone. We also receive inquiries from men who have been left with their own home or larger apartment and miss having someone to talk to or to eat with. Many of the people who choose homesharing want to stay in an independent living situation, but find it physically difficult to perform certain day-to-day tasks. By sharing their home with another person, they have someone who can help them if they need it, without having to stretch limited incomes on outside services.

There is a broad range of people seeking affordable housing, including senior citizens, students, young or middle-aged working adults and single parents. Around 20 percent of the people who get involved in our program do so for economic reasons.

The task of our agency is to match people with other people. You may ask, "Why not just put an ad in the newspaper or answer an existing ad?" The answer to that is that you're taking a risk and our homesharing program tries to eliminate those risks.

Council for Jewish Elderly, because it is a nonprofit social service agency, offers a free screening service for people interested in homesharing. A nurse and a social worker meet with those over the age of 60 who want to investigate the possibility of a shared living arrangement. People under the age of 60 meet with a social worker. There is extensive interviewing and references are checked. The service is confidential and no one's

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LeClaire residents move forward

Despite the ongoing crisis at the Chicago Housing Authority (CHA), residents of LeClaire Courts continue to make strides toward their goal of resident management of their 615-unit public housing development.

On July 28 the CHA Board passed a resolution authorizing interim director Brenda Gaines to negotiate a contract with LeClaire's Resident Management Corporation (RMC). This clears the way for final contract approval, which is expected to occur at CHA's August board meeting.

"We are at a very good point in the negotiations," says RMC President Irene Johnson. Although CHA and HUD are still fighting over control of Chicago's public housing as of this writing, Johnson expects that "the contract will be honored by either authority."

Johnson acknowledges that the problems at CHA "have slowed things down" for LeClaire residents, but not to the point of jeopardizing their endeavor. Management training and community organizing have gone full speed ahead. Last month the RMC Board completed a year-long training course in board development and community organizing given by the National Center for Neighborhood Enterprise.

The next step once the contract is signed will be "dual management training." The RMC Board will hire people to fill management and maintenance positions. These people will work alongside local authority staff for a period of on-the-job training that is expected to last nine to twelve months. The process will be monitored by the authority, and dual management will give way to resident management once a series of standards has been met. Staff will then report solely to the RMC Board, which will set policies and oversee the maintenance of LeClaire.

IHDA makes its case

Partnerships needed to confront housing crisis

Editor's Note: The Illinois Housing Development Authority (IHDA) has taken a lot of heat over the past several years, and particularly in these pages. In this essay, Peter Lennon, assistant to the director of IHDA, responds to some of the criticism and presents his viewpoint on the function IHDA serves in the development of low-income housing in Illinois.

We hope that this essay will provoke some useful discussion on the roles that advocacy groups, nonprofit development groups, state government and other vital actors can play to solve the housing crisis that everyone acknowledges exists. Your feedback is welcome, and will be printed in our next issue.

by Peter Lennon

It's no secret by now that housing for low and moderate income people has become a major issue in nearly every city and state in the country.

It's also no secret that the subject has generated a good deal of wrangling and frustration among and between housing advocacy groups, builders, groups that rehabilitate housing, and state and local agencies and elected officials that these groups have turned to for assistance. The federal government has, for the most part, been written off by these advocacy groups as unwilling or unable to help, at least in the immediate future. I can't remember, at least in the last six or seven years, any elected federal official taking part in discussions about low income housing in any form other than sympathy letters.

There's no need to go into the major causes of the housing crisis again. It's all been said before. In short, the federal government no longer provides housing subsidies that will make feasible the construction or rehabilitation of housing for low income Americans by either the public or private sector. In addition, the 1986 Tax Code revisions have made this situation even worse. Few programs remain in place and, what should be a natural and healthy tension between government bodies that administer housing programs, and some advocate groups has become, unfortunately, a "we" versus "they" system of rhetoric. Although I'll give some good examples of how progress, in my view, can be achieved, a little background is necessary to begin with.

Advocacy groups such as SHAC traditionally utilize escalated, often excessively negative, rhetoric and virtually always make "demands" beyond potential fulfillment—perhaps as bargaining devices. On the other hand better research and concomitantly more realistic goals and targets might better serve groups and their constituencies by not raising false hopes.

Efforts to increase awareness and continue advocacy for low income housing are taking place with elected officials and housing agencies, like IHDA, around the country. I do not want to suggest that these efforts should stop. Despite the narrow mindedness of a few, and they are known to most everyone, these efforts must continue if there is to be any progress made. What I'm suggesting, however, is that some portion of this effort be directed to a larger picture and to more realistic, research-based objectives.

In the case of Illinois, the General Assembly has refused to vote upon a tax increase proposed by Gov. Thompson, or by anyone else. Cuts are being made in virtually every agency budget in order not to spend money that doesn't exist. The possibility of securing state general revenue funds for any housing programs cannot even be considered until higher taxes are voted upon.

The great majority of states in this country are in the same condition. Massachusetts, which is and has regularly been shown to us as a model for state-supported housing programs, had a huge budget surplus last year in the range of $400 million. Massachusetts has, however, a 10 percent state income tax. Illinois has a 2.5 percent income tax.

My point is that without new revenue in Illinois, the possibility of dollars for housing programs is not, to say the least, very good. Cities are in the same fix. Virtually every city in Illinois is dependent upon dwindling federal funds for housing, including Chicago, which puts no local tax dollars into housing assistance programs.

Having said this, there are numerous good examples of how IHDA has been able to put together, or enter into, partnerships with community-based nonprofit groups, financial institutions and cities to meet a portion of the low and moderate income housing needs that were previously provided only by federal subsidies. These actions are by no means designed to meet the need that exists in today's climate. They are, however, and have been for nearly four years now, programs that have made a contribution, given the limited resources that are currently available from all sources including IHDA, city CDBG funds, limited federal funds, foundations, financial institutions, state agencies, etc.

First of all, IHDA is currently operating the largest Section 8 Moderate Rehabilitation Program of any housing finance agency in the country. Since 1984, 1300 units have been targeted ex-

Advocacy groups such as SHAC traditionally utilize escalated, often excessively negative, rhetoric and virtually always make "demands" beyond potential fulfillment—perhaps as bargaining devices.

clusively to Chicago inner city neighborhoods through community-based groups including, to name a few, Voice of the People in Uptown, PRIDE, Peoples Housing, Bethel Housing, Bickerdike Redevelopment, City Lands Corp., The Neighborhood Institute, Hispanic Housing Corp., etc. In many cases, IHDA has combined its resources with the Chicago Equity Fund and the City of Chicago in order to make these projects feasible. These relationships did not exist before 1984. They are good relationships, and they will continue.

Secondly, IHDA was one of the first agencies in the country to put into place a new federal tax credit program exclusively for low income housing. In the last three months, 15 projects have been approved using these tax credits, creating more than 250 new and rehabilitated low income housing units around the state. Many of these projects are being done in downstate Illinois, often in cooperation with the Farmer's Home Administration, another new relationship not previously established.

IHDA has been regularly utilizing its reserve funds since 1984 in partnerships with numerous community organizations and cities to provide loan funds at little or no interest for low and moderate income housing. These projects have included a $2.1 million no interest loan to the Chicago Neighborhood Lending Services (a consortium of Neighborhood Housing Services and several local community groups) which is offering low interest loans for 1-12 unit rehabilitation projects in every Chicago neighborhood. These loan funds are being combined with $23 million in loan and grant funds from Continental Bank and the City of Chicago. Approximately 2500 loans will be made through this effort.

Without new revenue in Illinois, the possibility of dollars for housing programs is not, to say the least, very good.

In Kankakee, IHDA has recently approved a $200,000 no interest loan to the local Neighborhood Housing Services in partnership with the City of Kankakee, City National Bank of Kankakee and the Illinois Department of Commerce and Community Affairs. Eight boarded-up homes will be rehabilitated for lower income Kankakee families. Similar rehabilitation partnership programs are currently under review for Aurora, Elgin, Peoria and Rockford. The Chicago Local Initiatives Support Corporation recently received a $1 million reserve fund loan to assist in gap financing for community organizations who are rehabilitating low income housing projects in Chicago and, in partnership with the City of Chicago, a $500,000 loan will soon be made available for the rehabilitation of a 70 unit single room occupancy building, which will remain that way, on Chicago's north side.

Other partnerships have included a $2.9 million reserve fund loan to the Kenwood Oakland Community Organization, in cooperation with the City of Chicago, for the construction of 70 new townhomes in that neighborhood, the first new construction there in decades. Reserve funds are also being used as construction loans for new single family homes in East St. Louis, the first new construction in that city in many years.

As these loans are repaid, these reserve funds will be re-loaned for more partnership-type projects. The IHDA Board recently authorized $11 million in reserve funds, a figure which includes loans currently being repaid, to be made permanently available as revolving loans for projects that involve these types of partnerships.

The IHDA Board recently authorized $11 million in reserve funds, a figure which includes loans currently being repaid, to be made permanently available as revolving loans for projects which involve partnerships.

By expending these reserve funds as loans and in partnerships the Board has insured that there will continue to be a coordinated and cooperative approach to housing projects around the state, and that these funds will eventually be returned so that they can be used again. With the exception of one Chicago community organization which requested grant funds to pay staff salaries and overhead costs of its own operation, virtually every request that the IHDA Board has reviewed for loan funds in partnership with city, state and local groups, has been approved. In every case, loan funds are being used to build and rehabilitate housing as opposed to one-time grants which, in many cases, are not used for rehabilitating housing and, more importantly, are not recoverable.

This record during the past three or more years is significantly at odds with most of the rhetoric—much of it negative and abusive—aimed at the agency. The record was compiled largely in spite of, not because of, such abuse which, charitably, may have been the fault of inadequate or insufficient research—to say nothing of misunderstanding.

Whatever eventually happens in the General Assembly, in my view, certain things are becoming quite clear. More work and more creative energy and ideas are going to be needed by everyone involved to put together and maintain relationships to bring housing to those most in need. The days of housing grants are over, and low and moderate income housing programs will, in the future, more than ever, require that positive and constructive partnerships be put together in order to make housing programs for low and moderate income families a reality.

SPOTLIGHT

Woodlawn tenants reach their goal

Usually in this spot we feature one of the Rehab Network member groups. One of those groups, Covenant Development Corp., has been working closely with the Tenants Association and Cooperative on Kimbark (TACK). After two long years of work, TACK was able to purchase its building from HUD. The project is being financed by the city's Dept. of Housing and First National Bank.

We first reported on the residents' efforts last year. Now that they have achieved their goal, we are happy to reprint an article which appeared in the August 6 Chicago Tribune *describing the tenants' victory. Congratulations to TACK, Covenant, WECAN and everyone who worked so hard to accomplish this achievement!*

by Barbara Brotman

Aslean Bradd walked up the back stairs, waving her hands left and right, conjuring the $239,000 renovation.

"The laundry will be on this side. And we'll put the office there," she said.

There will be a new wrought iron fence, new carpeting and new kitchen cabinets and appliances. The brick will be tuck-pointed, the back porch repaired.

Bradd, who has lived here 18 years, was proud. It is her building—hers and 11 other residents'. They own it, as of July 16, the closing date of an extraordinary real estate transaction.

The tenants, all recipients of federal housing assistance, formed a cooperative and bought the 12-unit graystone on the 6300 block of South Kimbark Avenue from the U.S. Department of Housing and Urban Development (HUD).

It is believed to be the state's first Section 8 cooperative sponsored by tenants rather than developers. Its creation took 2½ years of mind-numbing negotiations.

"It was a nightmare," said Anne Conley, tenant-training specialist with the Chicago Rehab Network, which helped arrange financing. "HUD had never done this before here. No one knew the process."

Bradd, a mail clerk for a food service company, is the cooperative's president. She never understood escrow accounts or cooperative subscription agreements. She does now.

In January, 1984, tenants learned that residents of a six-flat around the corner were being evicted and told the building would be condemned. That building was owned by The Woodlawn Organization (TWO). So was theirs.

Fearing they might be next, they contacted the Legal Assistance Foundation. Lawyers there learned that HUD was about to foreclose on the Kimbark Avenue building because TWO owed $58,270 on the mortgage, and that an architect had recommended demolition.

TWO, which bought the building from HUD, gave it back just before the foreclosure. Carol Millison, real estate vice president for TWO, said structural problems kept utility bills so high that TWO could not pay the mortgage or utility bills, or make repairs.

HUD told tenants that they had the right to form a cooperative and try to buy it themselves. The agency must, by law, say this.

In Illinois, no tenants have ever taken HUD up on that kind of offer. "Once they realize what is involved. . . people lose interest sometimes," said Ruby Holley, a HUD realty specialist and the chief shepherd of the co-op through HUD.

But these tenants, some of whom had lived there more than 30 years, wanted to stay. Buying was their only alternative.

For the next two and a half years, they met almost every two weeks with Rob Grossinger, a lawyer for the Legal Assistance Foundation. They got advice from Woodlawn East Community and Neighbors (WECAN), a local group.

The meetings were exhaustive and exhausting. It took two months to write bylaws. There were arguments over rules forbidding loud music or dogs.

"I came home some nights and cried," said Bradd. Grossinger spent so much time with the tenants that he was

Photos by Debbie Weiner

Cream Shaw, Aslean Bradd, Earlie Nisby, Maple Hill and Shirley Payne

with them when his wife went into labor with their first child.

Four tenants were evicted. HUD required the eight remaining to come up with $600 for an escrow account. They had five months' notice. The money was due Dec. 23, 1985, just before Christmas.

"And they did it," said Grossinger. "All of them. For some, it was more than one month's income. One who was on public assistance came up with half, and the next half the next month."

"I understand many of them sold off possessions, borrowed money from relatives and pretty much hocked their souls," said Cynthia Jared, one of two lawyers from Sachnoff Weaver & Rubenstein who donated their time.

Some still did not believe they could own the building.

"The night before the closing, they still didn't believe me," said Grossinger. "They just stared at me. They never thought of themselves as owning something. I said, 'You have to know that if this goes through, you will own this building at noon tomorrow.'"

One year after the tenants submitted their proposal, HUD sold them the building for $17,200. The agency threw in the building around the corner for $1, which the tenants turned over to WECAN. Most of the $263,000 loan, provided by First National Bank of Chicago, will go toward rehabilitation.

At the closing, there were last-minute hitches and negotiations. Bradd shook with fear. Grossinger wasn't doing so well himself. It took two hours, and cost Bradd, who used up her lunch hour, one hour's docked pay.

To Grossinger, the co-op represents a triumph of determination. "All these people who do not normally do this—I really think they felt, 'We cannot screw this up,'" he said.

Soon Conley will begin a training program on how to run a cooperative.

"They'll have policy decisions to make, financial decisions to make," she said. "They own the building. The buck stops with them."

"I always wanted something," Bradd said. "When the opportunity came, and the tenants were willing to file, I said, 'Let's go for it. If we lose, it won't be because we didn't try.'

"But we won," she said. She looked up at her home, with the flourish on top displaying its 1898 construction year in proud script, and laughed.

(Reprinted courtesy of the Chicago Tribune.*)*

Pension funds used for housing

(continued from page 1)

who organized and manages the non-profit housing development corporation.

The South Boston project's single-family, brick rowhouses were built by union workers earning union wages; proving, as Peter Dreier of the Boston Redevelopment Authority points out, "that you can build affordable housing at Davis-Bacon wages." The homes, priced at around $70,000, sold for 50 percent below the market price of comparable units. They were distributed by lottery to buyers whose incomes could not exceed $47,000 (adjusted for family size). Lottery winners had average incomes of $27,000 and received 9.9 percent mortgages from the Massachusetts Housing Finance Agency.

The project was built on the site of a vacant public school in South Boston purchased from the city for $1. Other savings came from the elimination of development fees. McIntyre reports that the company "has zero overhead and no employees," significantly reducing the costs of development.

Financing costs were kept low by leveraging union pension funds into a $1.2 million construction loan. Pension funds equal to the amount of the loan were invested in certificates of deposit at a Boston bank. In return for a four percent reduction on the cost of construction financing, the unions accepted a reduced interest rate of about seven percent on their CDs.

The unions' pension funds played a key role in structuring the deal, but they were not invested as equity in the project and were never at any risk. "To the bank," explains McIntyre, "the equity was the land (provided by the city of Boston) coupled with its interest in maintaining a strong relationship with a good client."

By taking full advantage of this special relationship, the Nonprofit Housing Company accomplishes important neighborhood, city and union objectives, says McIntyre. Since, as he claims, "you can't buy what we're selling for $72,000 in Boston in a million years," the project is providing moderate income residents with an alternative to high rents and displacement. The city collects new tax revenues on properties that were vacant and unused, and the neighborhood gains new housing that is guaranteed to remain affordable through deed restrictions. But the unions are probably the biggest winners, demonstrating a commitment to neighborhoods that enhances their public image.

The purpose of the Nonprofit Housing Company, according to McIntyre, is to show "that unions are a force for good in the community." But the venture has also had its drawbacks.

According to several sources, the racial tension in primarily white South Boston, scene of highly publicized battles over school desegregation, created opposition to the project and led to demands for greater community control over who moved into the eighteen units. A compromise was reached when the neighborhood agreed to a marketing strategy that gave preference to South Boston residents in 70 percent of the units. Neighborhood groups also raised concerns about density, design, parking and unit size.

Housing activists in Mission Hill and Jamaica Plain argue that the city has favored working with the unions, allowing the Nonprofit Housing Company to co-opt the role of existing community development corporations and cutting them out of the development process.

"The administration," explains Steve Fahrer of City Life in Jamaica Plain, "rushed these projects along without enough input from the community. This has served to undermine the union and has created a lot of antagonism. It might have taken longer, but, given enough time, the unions could have developed a process that includes the community and takes in the needs and concerns of the community in building affordable housing."

But by developing affordable housing, the Bricklayers and Laborers unions have shown that it is possible to achieve social goals by tapping the huge supply of capital in pension funds. Their project is an anomaly, however, representing a move that few pension fund managers would be willing to make.

The unions' pension funds played a key role in structuring the deal, but they were not invested as equity in the project and were never at any risk.

Pension funds, currently holding almost $2 trillion in assets, are a primary source of retirement income for many people. "They are money set aside for human reasons," explains Dan Swinney of the Midwest Center for Labor Research, "and there are good reasons to protect these funds." Fund managers are responsible for providing these protections, but their efforts often translate into overcaution and an emphasis on maximizing financial return.

In his book *New Directions in the Investment and Control of Pension Funds,* Hillel Gray argues that federal law discourages fund managers from making investments based on nonfinancial considerations. The Employee Retirement Income Security Act of 1974 (ERISA), he points out, establishes standards of conduct for fund managers that emphasize loyalty to plan participants, prudence in making investment decisions and diversification of fund assets. The standards in the ERISA prevent fund managers from making investment decisions based on social returns that will not accrue directly to the fund.

Because of the risk involved, union, corporate and public pension funds have not made a strong commitment to housing. Direct investment of pension funds in real estate equities, including commercial equities, is extremely limited, averaging around four percent of assets among the top 1000 pension funds. Pension funds also invest five percent of their assets in mortgage-related instruments, primarily in mortgage-backed securities issued on the secondary market. These securities are insured and payment is guaranteed by the federal government, substantially reducing risk and making them an extremely safe and attractive investment for pension funds.

Through these investments, pension fund monies are channeled into housing capital markets where they are eventually used to finance new mortgages and construction. But the money channeled through these markets has traditionally been used to extend homeownership to the middle class, and little of it has been directed into the development of low and moderate income housing. Greater investment in mortgage-backed securities will not resolve this problem, but altering the criteria on which investment decisions are based might help.

The major obstacle to increasing direct pension fund investment in affordable housing is the hesitancy of pension fund managers to consider social benefits when weighing their investment choices. Pension funds must be invested wisely and produce a return sufficient to pay members the retirement benefits to which they are entitled. But a wide variety of investments will meet this need—some with social benefits and many without. The key, explains Jean Pogge of the Woodstock Institute, is convincing fund managers that "they can get where they want to be financially while providing social returns."

Pogge believes that unions could play a role in developing low income housing as well as the moderate income housing pioneered in Boston. While union pension fund resources could not provide the deep subsidies that would be necessary, "it is appropriate to look to pension funds for long term financing of low income housing," she says.

The affinity between unions and neighborhood groups provides an opportunity to access pension funds as a source of capital for low and moderate income housing development. But the unions are not likely to move in this direction at their own initiative. Donald McIntyre, secretary/treasurer of the Bricklayers and Masons Union Local 21 based in Chicago, concedes that "I don't see it happening here. We don't have the financial resources, and I don't see anyone on the local scene that could put these deals together."

Nonprofit developers could play a major role in filling the leadership void that McIntyre observes, creating the kind of partnership that is producing affordable housing in Boston. This may not be an easy task since it involves changing the ideological and philosophical rules that guide pension fund investments. But despite its flaws, the Boston project has shown that these partnerships can work with little risk to pension fund viability.

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THE PLUMB LINE

Wow, when TPL starts spreading vicious rumors it's amazing how word gets around! No, it is *not* true that *Network Builder* editor **Debbie Weiner** has jumped ship for the National Enquirer. She's still slaving away at the Rehab Network, so don't believe all you read in the papers...

WELCOME to several new property managers of nonprofit development groups—**Aaron Bailey** at Peoples Housing, **Herman Enderle** at Voice of the People, **Lynne Cooper** at Lakefront SRO Corp., **Brenda Rios** at LUCHA (where she previously worked on the home repair crew). Good luck to all! There's been a couple new additions to the Rehab Network staff as well—intern **Sherrie Hannan**, who is working on HUD-assisted housing, and **Barb Grau**, who is working part-time on tax reactivation.

SO LONG and good luck to **Clarence Watkins**, who is moving on from the Circle Christian Development Corp. and also resigning as Rehab Network board member. The Network appreciates the job he did as an active and supportive Board secretary. Good luck also to **Thom Clark**, who is leaving the *Neighborhood Works* after five years of crusading journalism. Thanks to Thom for his help and advice to this publication (which he founded). And best wishes to **Marguerite Malloy**, who left TNI to work in the private sector...

CONGRATULATIONS to CNT's **Kathy Tholin** and **Steven Starr**, who were married last month. And also to SHAC Coordinator **Larry Pusateri**, who got married in July to graphic designer **Anita Muncie**. The pair was seen shortly thereafter at SACCC's fundraiser at Sportsman's Park, where, according to reliable sources, they dropped a bundle (of cash...)

Sportsman's was *the* place to be that evening: also spotted were **Anne Conley** and her son **Daniel**, **Tom Shraw** of NTIC, former Urban League-r **Don Crumbley** and, of course, the whole SACCC gang. Great job, **Mrs. Drummond!**

TREND-SETTER award of the month goes to SACCC's **Peter Gunn**, who has started a new craze: tripping waitresses. But he didn't mean to do it...

HMMMM: Why is **Len Robinson** now wearing a diamond ring around his neck? And is it just a coincidence that Lawyers Committee staffer **Audrey Lyon**, LAF attorney **Dan Burke** and Legal Aid lawyer **Hank Rose** all took their vacations the same week in August? Or were they all alone together on some island, sipping pina coladas and discussing "briefs"???

SPEAKING of exotic vacations, PRIDE's **Duane Ehresman** recently returned from a trip to Costa Rica, where he was visiting his brother... **Bill Foster** spent a couple of weeks in exotic New London, Connecticut...

Well, that's about it, gossip fans...anyone who wants to submit an item to The Plumb Line is welcome to call us at 663-3936...please give us a call, after all we're the first to admit we don't know everything—and as you can see we're not particularly choosy about what we print...

Lakefront SRO group makes strides

(continued from page 3)

Angeles, Denver, San Francisco, New York and Portland, Oregon have recognized the special role SROs play in providing low income housing for single people and have taken steps to ensure the preservation of residential hotels and rooming houses.

Nonprofit housing groups in these cities have persuaded local governments to provide funds to purchase and renovate hotels. For instance, the city government of Los Angeles has pumped $18 million into SRO development projects. Some municipalities have established special city offices to concentrate government efforts to preserve SROs.

Lakefront SRO is the first housing organization in Chicago whose main objective is to protect SROs as a means of providing housing for the homeless and near-homeless. It grew out of an attempt by Uptown organizations, spearheaded by the Residents for Emergency Shelter (REST), to address the growing problem of homelessness in Uptown.

"We started as an ad hoc committee which eventually developed into a cooperative community effort to create permanent housing for those who face homelessness," says Doug Dobmeyer, former REST director and current Lakefront SRO board president. Several neighborhood residents and agencies took part in the early discussions to create Lakefront SRO, including Uptown Center Hull House, EZRA Multi-Service Center, the Salvation Army Tom Seay Service Center, the North Side Community Federal Credit Union, the Center for Street People and Voice of the People.

Lakefront SRO's target area includes Lake View, Uptown and Edgewater, where there are a large concentration of hotels. One of its chief priorities will be to develop opportunities to purchase, lease or manage SROs which might be in danger of conversion or abandonment. As money is available, Lakefront SRO

Homesharing links young and old

(continued from page 5)

name is given out unless both parties agree to meet.

When two people do agree to a match visit there is no obligation. If they want to meet again that is up to them and if they want to get to know each other better, we suggest a trial visit of a weekend or several days together. At the end of that time, if both parties are willing, we draw up a match agreement and they move in together. The agency does not bow out then and the social worker monitors what is taking place and is available to work on issues that may arise as they would in any roommate situation.

Because we are an agency that is mandated to work with the aged, one of the two people matched must be over 60. The other person can be any age. Many homesharing situations are intergenerational.

Let me share with you examples of our matches:

Mrs. S., a 92-year old West Rogers Park resident, lives with Miss C., a 25-year old social worker. Miss C. pays very minimal rent for her own bedroom and sunparlor in exchange for shopping once a week for Mrs. S. and for sleeping at home five nights a week.

Miss G., a 23-year old graduate student, lives with Mrs. K., a 75-year old retired school teacher. There is reduced rent to Miss G. for walking Mrs. K.'s dog and having dinner with her occasionally.

Mr. R. moved in with Mr. M. for reduced rent. Mr. R. cooks dinner for himself and Mr. M.

There are many more situations but we can't capture on paper some of the heartwarming and delightful changes that have taken place in the lives of our homesharers.

Not everyone lives on the north side of Chicago, nor do they want to, and there are similar programs for the North Shore, Northwest suburbs as well as others. At least six agencies in the Chicago area have homesharing programs. At CJE, the homesharing program is part of our Housing Resource Center, which provides a variety of housing services to the elderly.

Remember homesharing when it comes time to look at alternative housing options. No matter *what* we call it, it's been around for a long time.

Ruth Sherman is coordinator of Homesharing and Housing Resource for the Council for Jewish Elderly. For more information contact her at 570-7018.

will continue to buy hotels to renovate and manage as low income housing.

As an alternative to purchasing property, Lakefront SRO may lease hotels. Nonprofit SRO groups such as one in Portland lease SROs and manage hundreds of units of low income housing. In the future, from its management experience, Lakefront SRO may develop an SRO management business which can be sold as a service to hotel owners.

A second priority for Lakefront SRO is to provide social services to SRO tenants. In late 1985, the city's Dept. of Human Services funded a pilot social services program for the Moreland, and has since expanded its funding. The Moreland Social Service Project is designed to help the residents remain in permanent housing. An on-site social worker helps people through the welfare maze, provides information on substance abuse programs, connects tenants with services at other agencies and lends a willing ear to hear individual problems.

A third priority is to advocate for government and private support to preserve remaining SROs in Chicago as a way to address the lack of affordable housing.

Renovation will begin in the Moreland this fall and continue for about one year. Lakefront SRO hopes that the Moreland can become a model SRO project which will prove that it is possible to save hotels in the city and make them financially feasible to operate even for the very poor, without federal rent subsidies.

Lakefront SRO is working on a variety of creative financing strategies, including the use of state and local resources and a sliding rental scale based on income. The Moreland also has nine commercial units, whose rent will help subsidize the residential portion of the building. When renovation is finished, the Moreland will continue to rent to people on a sliding rental scale, including those on General Assistance, Social Security and Disability.

Rarely can any one group claim total credit for the victories it achieves. Clearly the Moreland Hotel is an example of a victory which was brought about by the efforts of a lot of organizations and people. The Lakefront SRO Corp. extends many thanks to everyone who has contributed to this success story, particularly Voice of the People. Lakefront SRO hopes many more successes will follow.

Jean Butzen is director of the Lakefront SRO Corporation.

COMMUNITY FORUM

Fall conferences: tax credit, land trusts, rural housing, alternative lending

The National Low Income Housing Coalition will sponsor a conference in Chicago this fall entitled New Frontiers in Housing, concerning the use of the low income housing tax credit.

The conference will cover rules for using the tax credit, creative financing, reactions of lenders and detailed examinations of actual tax credit deals. It is aimed at nonprofit groups, lenders and local government officials.

The conference will be held October 22-23 at the Congress Hotel. Cost ranges from $50 to $200. It will also be held in Washington on October 13-14, and Berkeley on October 26-27.

For more information contact the NLIHC, 1012 14th St. NW, Washington, DC 20005; (202) 662-1530.

The National Rural Housing Conference will be held December 8-10, at the National 4H Center in Washington, DC.

Jim Hightower, Texas Commissioner of Agriculture, Sen. Alfonse D'Amato (R-NY) and Rep. Henry Gonzales (D-TX) are among the featured speakers. Workshop topics will deal with a variety of subjects, including federal housing programs, historic preservation and affordable rural housing, the low income housing tax credit, elderly housing, homelessness, Indian housing, mortgage prepayment and farmworker housing.

The conference is sponsored by the National Rural Housing Coalition, the Housing Assistance Council and many other organizations. Registrations must be received by November 2. For more information contact the HAC, 1025 Vermont Ave., NW, Washington, DC 20005; (202) 842-8600.

The Institute for Community Economics will hold its 1987 National Conference for Community Land Trusts in Atlanta, September 10-13.

Conference topics include the community land trust model, organizing for community control, legal issues in land trust development and linking housing to economic development strategies. It will feature a tour of the South Atlanta neighborhood.

For information, contact the Institute for Community Economics, 151 Montague City Road, Greenfield, MA 01301; (413) 774-7956.

The Midwest Conference on Creative Investments will be held October 25-27 at the Holiday Inn O'Hare in Rosemont.

The conference will focus on the question "where are churches and socially conscious individuals investing their money and how can these funds be used to support community development?" Workshop topics will include interfaith loan funds, socially responsible investment decision-making, creating banks responsive to community needs and direct vs. indirect investing.

For more information contact the 8th Day Center for Justice, 1020 S. Wabash #401, Chicago, 60605; 427-4351.

TRUST neighborhood awards

TRUST, Inc. is accepting nominations from community groups, coalitions, business and media for its Ninth Annual Neighborhood Awards.

Nominations must be for a recent specific accomplishment which helps Chicagoans improve or maintain the physical, social or economic conditions in a neighborhood. Winners will be honored at the TRUST Neighborhood Awards Dinner in December.

The deadline for submitting nominations is September 11. Forms are available from TRUST, Inc., 6 N. Michigan, Chicago, 60602. Call 782-3511 for more information.

Communities fight HUD housing loss

(continued from page 3)

build strong organizations so that when the time comes, the tenants are prepared to fight to save their building.

The Lakeview Tenants Organization (LTO) has begun to organize around the HUD issue in one building so far, and interest is high, reports LTO Director Ann Rich. More than 30 residents crammed into a small apartment for the first planning meeting. LTO plans to form a neighborhood task force to bring together tenant leaders from Lakeview's HUD buildings to coordinate strategy for Lakeview. ONE, LTO and other North Side groups such as Voice of the People have begun to meet together to discuss local efforts, and are considering having a public forum on the issue in the near future.

The California Association for Nonprofit Housing has started a Low Income Housing Preservation Project. Several working groups have been organized to look at possible local legislation, financial incentives and organizing strategies to stop mortgage prepayment. They have gotten HUD to turn over its subsidized housing database on diskette and are trying to set up an early warning system to identify buildings that are eligible for prepayment. They have come up with several possible demands to push for (see box).

Community groups in Boston are working to pass state legislation which establishes post-prepayment regulations that limit rent increases in prepaid projects. The bill also prevents conversion of subsidized projects to condominiums or cooperatives. The regulations can be waived for certain projects under procedures stipulated in the bill.

Common Ground CDC in Dallas will prepare a manual for tenants in subsidized projects after action is taken on HR 4. The group is in the process of organizing tenants in these buildings with the goal of developing options for tenant or nonprofit ownership.

On the national front:

The NLIHC has been testifying before Congressional committees and is calling for strong measures to prevent mortgage prepayment. It supports a moratorium on prepayments until Congress can come up with effective long-term solutions.

ACORN's legislative office in Washington recently sent out a memo containing suggestions for various demands to be directed at federal, state and local governments as well as project owners (see box). Local ACORN groups have begun campaigns to get owners to sign pledges of intent to keep their housing affordable.

As is evident from the plethora of strategies being discussed and pursued, national and local groups are determined to put the HUD-assisted housing issue on their agendas. It will remain a crucial issue for the next several years, and will demand a variety of creative responses. We will continue to report on this topic as it develops, and as housing activists meet the challenge of trying to save this valuable housing stock.

ACORN

FEDERAL: Require advance notice and public hearings.

Extend use restrictions whenever an owner requests favorable HUD or FmHA action.

Allow existing Section 8 projects to continue receiving subsidies after their current contracts expire.

Recycle funds obtained from unavoidable prepayments for other low-income housing. (This applies to state HFAs as well.)

Assist nonprofit groups to buy HUD-assisted properties.

Give subsidies to tenants of buildings where use restrictions expire.

Offer incentives to owners to stay in the program.

STATE: Rent control that goes into effect when use restrictions expire, combined with potential waiver if the property is sold below market price to a nonprofit. (Similar to the Massachusetts legislation.)

Rescind waivers on zoning, building code, environmental regulations that may have been granted while the property was abiding by use restrictions.

Take over property by applying state housing receivership statutes if extensive code violations or financial difficulties exist.

Purchase housing or mortgages, using bonding authority or state funds.

LOCAL: New zoning laws to fill the void left when federal use restrictions are removed.

Requirements for hearings and regulatory review at each stage of the process (e.g., when the owner applies for a rent increase, refinancing, sale or condo conversion).

Anti-displacement laws that would apply to all of a city's housing stock, such as rent control, relocation requirements, requiring of replacement of units lost.

OWNERS: Sign letter to tenants, HUD, state and local agencies and elected officials stating intent to stay in the program.

Sign pledge to assist relocation of tenants when prepayment or contract expiration occurs.

California Association for Nonprofit Housing

Require social and economic impact statements to be filed prior to prepayment.

Forbid conversion of subsidized projects to condominiums.

Create a new zoning classification for low and moderate income multi-family land use and designate projects with this new zoning.

Charge owners a "change of use" fee when converting from low/moderate use to market rate.

Require owners to pay relocation benefits to tenants displaced by prepayment and conversion to market rate rents.

Property tax abatement or non-reassessment if maintained as low-income housing.

Property tax exemption for nonprofit-owned low income housing.

State capital gains breaks if project is sold to nonprofit.

STATE & LOCAL TRENDS

Two governors sign housing bills

Maryland Gov. William Donald Schaefer has signed legislation to create a separate state housing department.

He has also signed measures that increase funding for state housing programs and remove some state impediments to use of the federal low-income housing tax credit.

The legislation creates a new state Dept. of Housing and Community Development and a new Dept. of Economic and Employment Development to replace the Dept. of Economic and Community Development. The state housing finance agency will function as a division of the new housing department.

Schaefer also signed bills that together provide $37 million for the coming year for 13 housing programs operated by the housing finance agency. The total represents a "substantial" increase over prior support and is in the form of new appropriations and earnings from several existing revolving loan funds. The programs being funded include initiatives to finance the production and rehab of low income and elderly rental housing, home purchases, rent subsidies, energy conservation measures and the removal of lead-based paint from residences.

Massachusetts Gov. Michael Dukakis signed legislation for three new housing initiatives.

$30 million was allocated for the new housing innovations fund, $10 million for the rental housing development action loan program, and $1 million for a de-leading program.

The housing innovations fund will provide grants and loans to community development corporations, housing authorities and limited equity cooperatives for development of alternative housing, such as battered women's shelters, transitional housing, mutual housing, limited equity cooperatives and congregate housing for veterans.

(From the *Housing and Development Reporter*)

Linkage becomes accepted tool

Linked development has become a growing trend in the nation's cities, according to a recent article published by the National Association of Housing and Redevelopment Organizations (NAHRO).

The article cites several cities which have linked real estate development, particular in downtown areas, with a variety of urban social needs. Most linkage policies consist of "negotiated development," where city officials sit down with builders before their projects are undertaken and hammer out social concessions in exchange for building approval. Some cities require mandatory contributions by developers to city trust funds, and others offer incentives such as relaxed zoning laws or expedited permit approval.

Linkage has brought about "first source" hiring, development of affordable housing and financial contributions to fund day care, transit, housing and other programs. Cities which have linkage policies include Miami, Dallas, Boston, Philadelphia, San Francisco, Jersey City, Richmond, Shreveport, San Antonio, St. Louis, Hartford, Detroit, Pittsburgh, Santa Monica and Seattle.

"There's no evidence yet that builders are passing up opportunities for profits because of linkage," the article states. "Begrudgingly, most developers are accepting the practice as the cost of doing business in a city." Some cities have even expanded linkage policies to include banks and other businesses as well as developers.

(From the NAHRO *Journal of Housing*)

Alabama

The Auburn, Alabama housing authority is working with the city to develop a homeownership program for the community's low and moderate income residents.

Under the planned effort, eligible residents will rent newly constructed homes for a year, after which the rent payments they made will be used toward down payments on the properties.

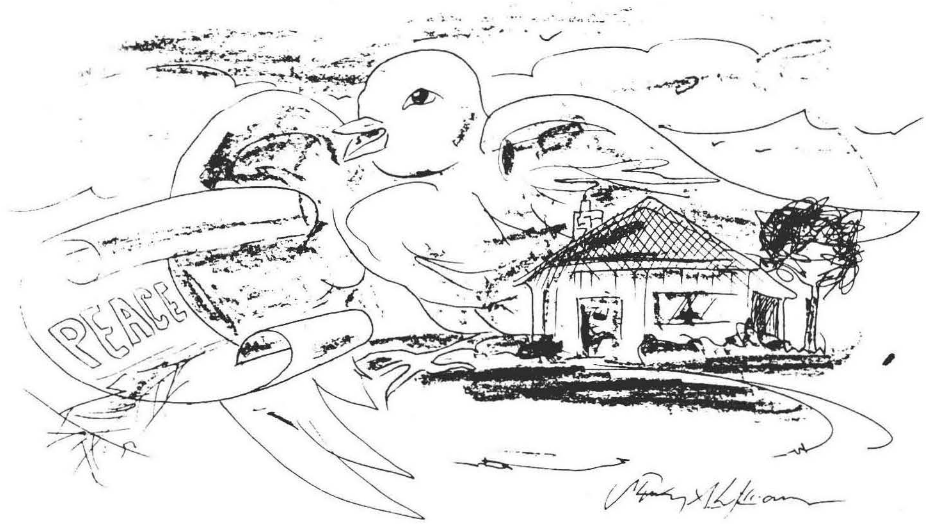
The city will donate land for the program, and low-interest mortgages will be provided by the housing authority and participating lenders. Estimated mortgage payments will be $325 to $350 per month. Families selected for the program will receive counseling on their responsibilities as homeowners.

(From the *Housing and Development Reporter*)

Austin wins reinvestment

In our last issue, we reported on Austin community groups who were in the middle of a community reinvestment challenge of Austin Bank.

The results are in and the news is good. The sale of the bank occurred, and the new owner, the Greater Chicago Financial Corporation, agreed to the reinvestment terms set by the groups. The agreement should bring some much-needed investment into Austin.



Peace and housing—article on page 4.

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Is anyone out there?

The Network *Builder* heartily encourages letters to the editor. Please send your typed, double-spaced letter to the Network *Builder,* Chicago Rehab Network, 53 W. Jackson, #815, Chicago, IL, 60604. We want to hear from you!

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