

# Massive low-income housing loss threatens Chicago

*Part 1 of a 2-part series*

*by Anne Conley*

While Rehab Network member groups are out banging their organizational heads against the walls trying to develop maybe 1000 units of low/moderate income housing each year, a giant catastrophe is on the horizon which could erase more than 20,000 low-income units from the city of Chicago over the next ten years.

The 160 unit building at 533 West Barry was the first one to go—meaning that the building's owners exercised their option to prepay their 3% HUD-subsidized mortgage and raise the rents

230%, displacing many elderly people. Many say this is just the beginning of what will become a major, nationwide housing crisis, which will have an impact rivaling the federal housing program cutbacks of the Reagan administration.

Why is this going to happen? The

developed under the 221(d)3 Below-Market Interest Rate (BMIR) and Section 236 FHA-subsidized Multifamily Housing programs (others include the 221(d)4, 202 Elderly and Handicapped Housing, and 223(f) programs).

All the investors had to do to qualify

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"We were such a congenial group—like a family. Most of us had lived there the full 20 years and we really hated to move but we just couldn't go up to \$750 a month with \$70 for parking."

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4550 N. Clarendon: 1991

source of the problem can be traced to two major federal housing initiatives of the sixties. The first is a combination of mortgage insurance and interest rate subsidy programs. The second is the Section 8 subsidy program. Both face upcoming expiration dates that could throw thousands of low-income units into the private market over the next ten years. In this article we explore the mortgage programs; our next issue will feature an in-depth look at the Section 8 buildings.

## Mortgage Subsidy Programs

In an effort to provide affordable housing without making huge investments in construction, operation, or rental subsidies, the federal government offered private investors 40-year mortgages at 1 to 3 percent interest. A variety of programs fall under this category; properties examined in this article were

for these mortgages was to agree to rent the housing to low- and moderate-income tenants for 20 years. At the end of 20 years the owners would then have the option to continue the arrangement, or to prepay the remaining mortgage, allowing them to do whatever they would like with their property.

## Story of One Building

At the Barry building this meant huge rent increases to tenants who could not afford to pay. "It was a real hardship to all of us," said tenant leader Pearl Rebbe. "We organized and fought because even though we knew (it) was going to happen eventually—I mean the law *is* the law—we wanted to help other people who were going to have this happen to them. We especially wanted to help our own tenants who needed to get

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# SHAC convention launches statewide housing drive

by Larry Pusateri

Little did people attending the second annual SHAC convention in mid-March realize that the warm, calm welcome they heard from Otto McMath would stand in stark contrast to the raucous nature of later convention sessions.

More than 275 people from over 90 housing groups and associations statewide came together for a two-day conference in Chicago to celebrate the Statewide Housing Action Coalition's first birthday. And a rowdy party it turned out to be.

Things started calmly enough on Friday, March 13, as participants broke into workshops on the housing issues of their interest. In all, seven workshops were held during the two days. The issues covered were: developing a state housing trust fund, acquisition strategies for tax delinquent and abandoned properties, fighting home foreclosure, tenant empowerment in public housing, low-income housing finance & development, tenants' rights and fighting homelessness.

Participants in the workshops heard from guest panel members and then discussed ways to address the needs in question, concluding by developing an action plank for SHAC's 1987 housing agenda.

Participants got a good first-hand view of official obstinacy and insensitivity to low-income housing issues in a plenary session where representatives from the Governor's office, the Illinois Housing Development Authority, the state's Dept. of Commerce and Community Affairs and HUD responded to issues presented by workshop spokespersons.

The crowd became irritated enough by the consistent refusal of representatives from the state to commit to any low-income housing programs, but a lecture from the HUD representative on equal rights and the value of making mortgage payments on time brought frequent eruptions of hisses.

IHDA representative Peter Lennon



Photos by Mike O'Connor



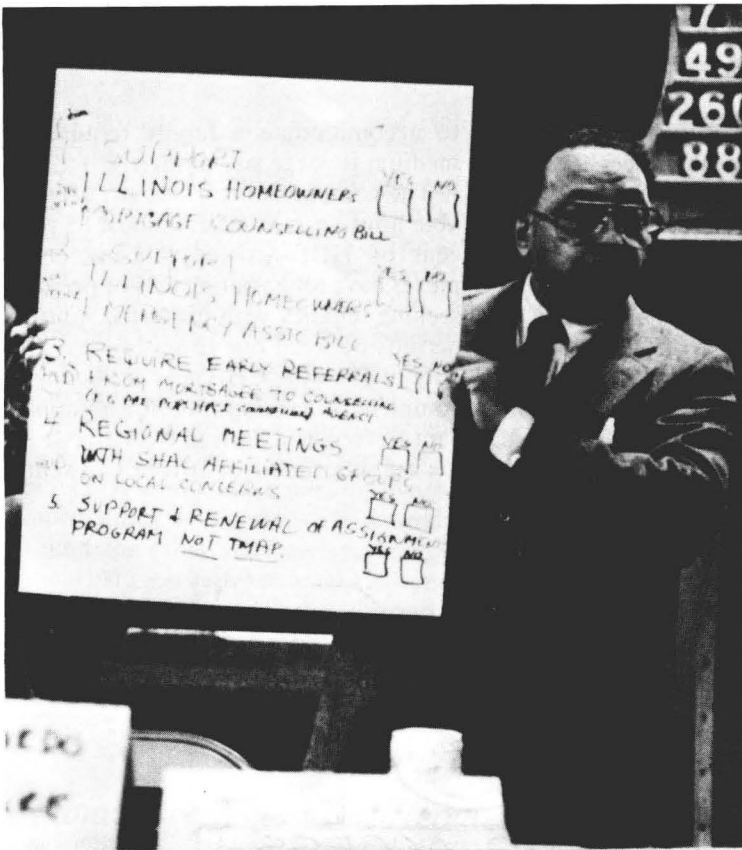
drew a strong response from the crowd when he refused to commit IHDA funds to single room occupancy hotels without individual unit baths and kitchens because no other state had done this yet. Members of the crowd started chanting "Illinois First!" However, Mr. Lennon did support the concept of an Illinois Housing Trust Fund, and said that although IHDA would not initiate such a fund, it would participate if a fund were set up.

State Representative Arthur Turner,

newly appointed chair of the Joint Legislative Committee on Housing, remarked from the floor that the "Governor's chair at the state housing negotiating table has been empty," and invited SHAC member groups to participate in upcoming housing hearings.

The session was ably chaired by Bobbie Bennett from the Southern Counties Action Movement and Tim Thomas from the Community Emergency Shelter Organization.

After a sumptuous corned beef dinner



in honor of St. Patrick's Day, conventioners broke off to attend the Second City comedy review and the Chicago Bulls game where SHAC's attendance was acknowledged on the stadium's electronic scoreboard. Unfortunately, the Bulls lost by one point at the buzzer.

On Saturday the convocation reviewed a set of by-laws for the organization. The group also discussed and ratified the seven "planks" of SHAC's 1987 housing agenda, led by session moderator Everett Quigley of the Kankakee Economic Program. The action topics were then inscribed on actual wooden planks.

At a caucusing lunch, a slate of candidates for SHAC's executive board was developed. It was decided to leave one of the two co-chair positions open to be filled by a downstate representative at a later date.

When the participants assembled again after lunch, both the by-laws and slate of officers were unanimously adopted. Debra O'Connor from the In-

terfaith Organizing Project was elected Secretary, Maureen Gallagher of the Chicago Coalition for the Homeless was elected Treasurer and George Lawson of the South Austin Coalition Community Council was elected Co-chair. All three addressed the assembly.

While Mr. Lawson spoke, volunteers assembled the wooden action planks into a frame house. Then volunteers from the floor began taking all the taxes that arise from our homes into the frame house as Mr. Lawson pointed out that none of the taxes were being returned to housing in Illinois. Noting that Gov. Thompson had declined to attend the convention, Lawson put it to the group: since Thompson wouldn't come to us, would they like to visit the Governor at home? The answer was a resounding yes! And the group streamed into two buses and assorted cars.

The group presented the SHAC action house to Thompson's security personnel in front of the Governor's house before television and newspaper reporters,

while carrying posters with slogans such as "House Illinois" and "We Want Thompson." Little Samantha Thompson watched the conventioners from behind a second story curtain.

After Mr. Lawson promised that SHAC "will be back" the action house was disassembled and distributed among member groups for reassembling at a later date.

Since the convention SHAC has been meeting to pursue follow-up legislation on an Illinois Housing Trust Fund and develop various internal issue committees. The group will also be organizing regional caucuses throughout the state and is planning large scale appearances at Joint Legislative Housing Committee hearings in Chicago and Springfield. The group will also continue to pursue a meeting with the Governor. For more information contact SHAC at (312) 427-0712.

*Larry Pusateri is statewide coordinator of SHAC.*

# Disabled people face triple housing burden

by James Oden

Buy and sell, buy and sell: this phrase has been around the stock market arena for many years, but the mid-1980s have seen the phrase brought into the real estate game in a fantastic manner—fantastic that is, for those individuals fortunate enough to be able to take advantage of record low mortgage rates and an abundance of other real estate purchasing incentives.

It is evident that much of middle and upper income America is doing quite well in these times of real estate-plenty, but there is a segment of our population which as a whole has not been able to reap the fruits of the real estate harvest—the disabled, and the lower income physically disabled in particular.

Access Living serves the disabled community in Chicago. As the person on staff primarily responsible for locating new housing units for our clients, one way or another I usually end up with the desperate caller on the line who begins his or her conversation with “I’m disabled and I need a low income apartment right away.” Upon hearing these all too familiar words (about 600 times a year to be precise), I instantly realize that I have another potential member for the Triple A Housing Club.

“A” stands for accessibility. Typically the disabled person who contacts my office has some form of mobility impairment which limits his or her physical access to most of the public facilities and housing units in the Chicago area. The second floor apartment in the delightfully artistic brownstone on the Near North Side might as well be located on the top of Mount Everest to a person confined to a wheelchair or afflicted with severe arthritis or any one of a million other mobility-limiting conditions.

I must point out, however, that accessibility does not only constitute ability to get up a flight of stairs or through a narrow doorway. Barriers such as extreme slopes and unusual wall angles may very well make a structure inaccessible to a person with a visual impairment. An apartment without adequate means to alert a non-hearing person to a

knock on the door or the ringing of the fire alarm may also be inaccessible.

Once a person’s special accessibility needs are identified, it is on to the second “A.”

“A” is for affordability, which is probably the largest of the three A’s. Twelve to 14 percent of the nation’s population have some form of physical disability. Although many, if not most, disabled people are gainfully employed and productive members of society, far

to accommodate a family requires a medium to large size miracle.)

The competition for decent, affordable housing is intense. Almost 85 percent of HUD-assisted housing complexes have long waiting lists of persons seeking tenancy with protected waiting periods between one to seven years. In July of 1986 the CHA was predicting a complete processing time for an applicant to receive a Section 8 certificate in the neighborhood of fifteen to twenty



too many are on fixed incomes such as social security disability, which are set at or below the poverty line.

For example, the current typical supplemental social security benefit (SSI) is right around \$340 per month. Compare that to the average cost of a one bedroom apartment in the Chicago area—more than \$350 per month—and you have a deadly combination.

The extremely low incomes held by many of Chicagoland’s disabled necessitate increases in federal, local and private housing subsidy programs. Unfortunately, increases are not in the forecast, rather decreases are on the upswing because of federal budgetary cutbacks.

Granted, some of the very lucky are sometimes able to locate and secure dwelling units which have subsidies allowing them to pay up to 30% of their income for housing, but the need for low income housing is so great and the availability so low that locating this type of unit requires a small miracle. (Locating this type of unit large enough

years (some rough neighborhood).

There is available affordable housing in Chicago, but it is almost always substandard, in older buildings, in high crime districts and usually in walk-up buildings. These factors may be undesirable to most of the population, but are totally unacceptable for the elderly and disabled. We have now met the second Big A.

The final “A” of the Triple A Club stands for aggravation, and is a result of the search by the disabled for accessibility and affordability in housing. Combining the accessibility issues encountered by a disabled person with the often second disability of poverty tends to reduce the amount of available housing to a minute amount indeed. This bleak situation often leads the disabled person to a feeling of intense aggravation, hopelessness and desperation. (Studies have found that psychological troubles among the disabled are disproportionately higher among those individuals who have become disabled because of accident or illness in their

most monetarily productive and child bearing years.)

The Triple A Housing Club currently has a membership drive on with unlimited memberships available. The Access Living housing team attempts to reduce membership in the club by carefully taking current and potential members through a step by step evaluation and assistance process.

When a disabled client comes into Access Living for housing services the person is evaluated regarding his/her independent living skills. If a need is found for other services, such as personal care assistance or legal assistance, the person is referred to the appropriate department within Access Living or to an outside agency.

If the person's only service need is for

housing placement, the client is evaluated for his/her housing requirements (accessibility needs, rental range, area preference, number of bedrooms, etc.). These clients are then counseled as to how to assist Access Living in the housing search and their names are placed on a housing waiting list, until possible apartment referrals are found.

Available housing units are located through contacts with apartment complex managers, developers, realtors and local federal housing authorities, along with networking with other housing organizations. When a potential opening is located which closely meets the needs of a particular client, the person is contacted and a referral to the unit is made. After the referral, Access Living staff members are available to assist

with any questions the client may encounter during the application and moving process until the transition to the new residence is completed.

Access Living conducts quarterly classes which cover topics such as how to locate an apartment, your rights as a tenant, housing subsidies, understanding leases, security deposits and eviction procedures. We also work on housing legislation and general advocacy on disability issues. Other Access Living services include technical assistance in the area of physical accessibility, personal care assistance, and general counseling, education, information and referral.

*Jim Oden is Housing Coordinator for Access Living of Metropolitan Chicago. For more information call Access Living at 226-5900.*

*Training course to be offered*

## ***Interest grows in community receiverships***

*by Joel Birman*

The concept of "ownership transfer" is being touted by community development organizations throughout Chicago.

Everyone involved with the effort recognizes that community-based receivers must be nurtured if the ownership transfer strategy is to be successful. As a result of recent discussions between community groups and city officials, a receivership training course has been developed which should help to produce qualified, community-based receivers.

Chicago was once a hotbed of receiver activity. In the late sixties, the Chicago Dwellings Association was appointed receiver for more than 4000 dwelling units. In the seventies, a receivership program called the "Mayor's Home Rehabilitation Program" reportedly was responsible for rehabilitating several hundred HUD-foreclosed abandoned properties.

Whatever success these programs may have had they are only memories now. What is real right now is the frustration that community residents feel when they see their neighborhoods being decimated by the wrecking ball and decaying on a

daily basis.

Several months ago, a group of Chicago Reinvestment Alliance (CRA) members decided to start a dialogue with the city's Corporation Counsel in order to foster a better climate for "ownership transfer." Groups involved in the ongoing discussions include Bethel New Life, PRIDE, The Neighborhood Institute, Neighborhood Housing Services, SACCC, ONE, GREAT and the National Training and Information Center.

Among other things the discussions have focused on the state of receiverships today. A consensus emerged that there are not enough concerned and qualified receivers in Housing Court, and that a formalized training program for receivers could help stem the tide of abandonment. It was also agreed that participation of community-based groups in receiverships will be critical in stabilizing problem buildings.

The discussions led to the development of a training course in receiverships which will be offered for the first time in mid-summer. Successful completion of the course will be necessary for anyone wishing to be appointed by the city to be a receiver. The Corpora-

tion Counsel has drafted a receivership application form which will be mailed out in early April.

A committee has been formed to put together the training component of the program and a dry run of the course will be held in early May. In addition to community groups and the Corporation Counsel office, active receivers including Jean Goodwin, Willie Hayes, Robert Whitlow and Mary Harrell will be involved in the training.

Housing activists agree that a formal training program is a necessity in today's housing environment. Once the ownership transfer strategy begins to take hold there will be an increased demand for qualified receivers. There are still many legal and economic issues that must be resolved before receivership lives up to its potential as an ownership transfer mechanism. The creation of a pool of qualified receivers is the first step in making the theory behind receivership into a reality.

*Joel Birman is on the staff of the National Training and Information Center. For more information on training for receivers, contact him at 954 W. Washington, Chicago, 60607 (312) 243-3035.*

## Spread the word—prevent shut-offs

On April 1 the winter moratorium on heat shut-offs ended, putting thousands of Chicago-area residents in danger of having their gas and electricity shut-off. In past years people behind in their payments often were forced to choose between signing up for impossible payment arrangements, using dangerous heating devices, or having their families live in the cold.

This year low-income people have a new choice—they can sign up for the Illinois Residential Affordable Budget Plan (IRAPP), more commonly called the 12% Affordable Budget Plan. During the winter months, people pay only 12% of their family's monthly income towards their gas and electric bills to avoid disconnection. (See the last issue of the *Network Builder* for a complete report on IRAPP.)

The Illinois Department of Energy and Natural Resources (ENR) along

with community organizations throughout Illinois are trying to get the word out about the 12% Plan in order to avert a spring shut-off crisis. Right now they are concerned about two major issues: one, the lack of people signing up; and two, the lack of people recertifying this year who applied last year. Only about 61,000 households are on the IRAPP 12% Plan statewide and there must be thousands more who qualify and risk disconnection this spring. There are also thousands of people who are currently on IRAPP and do not know they must recertify or reapply every year. During the winter months (December 1-April 30), IRAPP customers must reapply in person at their local IHEAP office.

In Chicago, people can find their closest office by calling the Dept. of Human Services at 744-6717. Outside Chicago, people can call DCCA toll-

free at 1-800-252-8643.

Every spring community agencies spend several frustrating and stressful hours trying to get people's utility service reconnected. This year there is a way to stop this strain. If you know anyone who owes money on their utility bills, tell them about IRAPP. If you know anyone who was smart enough to get on IRAPP last year, tell them about recertification. If you're holding a community meeting this month, spend five minutes at the beginning to tell folks about IRAPP. If you want more information, ENR will provide fact sheets, posters, brochures and video tapes which describe IRAPP.

For more information, contact Mindy Linetzky at the Illinois Department of Energy and Natural Resources at 917-3471 or the Coalition for the Affordable Budget Plan at 243-5850.

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## THE PLUMB LINE

We have been lax at The Plumb Line. We apologize and herewith submit a garbled compendium of old and new news. . .

**Donna Smithey**, formerly of Covenant Development Corporation, has made the huge leap from the south side to the north side. As of April Fools Day she is director of Peoples Housing. . . and what about **Barbara Shaw** you ask? . . . she is now working at the Center for Neighborhood Technology as a consultant for the legislative initiative on ownership transfer—whew! (Job opportunities seem to be abounding at CNT these days—for more info we suggest contacting **Mike Freedberg**.)

A lot of moving and shaking has also been going on over at LISC and the other high roller organizations of the nonprofit housing development world. Local LISC director **Andy Ditton** left his position to head a new national LISC effort, which will be based in Chicago. Following him was **Pat Johnson** of the Chicago Equity Fund, who was replaced by **Bill Higginson**. DOH's **Darius Grayson** is also now

over at national LISC, and has been replaced by **Jack Hart**. **Marvin Cohen**, formerly of the Chicago Community Trust, has taken over Andy's job at LISC. Hopefully all these folks have figured out what's going on; we're a little confused. . .

On a more grassroots level, **Kim McReynolds** is heading into her sixth month as director of NCO and has things firmly under control. . . **Peter Gunn** has moved down the street from Circle Christian Development Corp. to SACCC, where he's organizing tenants (what else?) and doing a great job. . . Peter replaced **Felecia Mitchell-Bute**, who has gone over to ONE, and we'll refrain from comment. . .

Despite the mild winter, the folks organizing SHAC found themselves snowed under with work. So, in February they shovelled together the funds to hire **Larry Pusateri** as their statewide coordinator. He helped make the second annual convention a rousing success.

Totally Unrelated to Anything Dept.: **Ann Shapiro** is making plans to attend a fascinating conference in

Milwaukee entitled "Concrete Problems, Concrete Solutions," dealing with, er. . . concrete. Sounds like a wild time, and Barry isn't even going with her.

Only Piece of Real Gossip Dept.: **Cris Isaza** refuses to explain the phone calls she has received lately from Washington, from a mysterious man identified only as "Mark." The guess here is that he's really Oliver North in disguise. . .

Some of these babies are probably crawling by now or at least chewing on their toys:

**Barb Grau**, formerly of the Lawyer's Committee, had a baby girl eight months ago. . . **Robin Coffey** of Harris Bank had her baby girl before Christmas. . . **Susan Stall's** (and **Charlie Hoch's**) baby was born in February. . . **Judy Hertz** had a baby boy earlier this month. . . and **Bill Foster**, our eminent director, now has three children under five tearing up the house with the addition of a baby boy to the family in March. . . Congratulations to all.

## *To build a national housing movement*

by Juan Rivera, President  
Chicago Rehab Network

The Chicago Rehab Network facilitated the production of almost 1000 housing units during 1986. Unfortunately, this number is only a scratch on the surface of the tremendous problem of housing abandonment that this city confronts.

Our local housing problems need to be analyzed within a context of the federal government's priority to develop war in Central America and other parts of the world rather than develop housing in Chicago and other cities in this country. As part of this distorted concept of growth and development, the Reagan administration has cut substantially most programs used to revitalize the neighborhoods. This lack of resources has made acute the housing crisis in the low-income neighborhoods.

Because of the crisis afflicting millions in the United States, fewer young people are able to set up their own households than previously. In 1984 and 1985, new households were established at a rate of 1.6 million per year. However, new household formation has plummeted to under one million. New housing unit starts peaked at an annual rate of two million in early 1986, fell to 1.65 million by October, and are now expected to fall further and faster in 1987.

Within this environment of crisis where resources are wasted in the name of "democracy," Chicago Rehab Network member groups have demonstrated the capacity of low income communities to develop decent, affordable housing. In issue after issue of this newsletter you have been able to read how a rainbow of community organizations has developed a variety of approaches to effectively provide high quality housing at affordable rents in areas that private for-profit developers would not even consider driving through.

The quality of housing produced by our members has not solved the problem of housing lost, but without any doubt, it has developed a higher sense of confidence and pride among the

residents of the communities where we work. I congratulate our members for this work of excellence.

We still have a lot to accomplish. Most important, we need to continue advocating for federal and state policies that respond to the need of the poor for

The National Low-Income Housing Coalition has been fighting a lonely battle for the past several years as the only consistent voice for low-income housing in Washington. Its achievements have been remarkable, considering the Reagan agenda. It needs a lot more sup-

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Our local housing problems need to be analyzed within a context of the federal government's priority to develop war in Central America and other parts of the world rather than develop housing in Chicago and other cities in this country.

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decent living conditions.

I want to exhort our readers, including the members of the Rehab Network, to join the advocacy efforts taking place on the local, state and federal levels. Two groups featured in this and future issues of the Network *Builder* exemplify the work that needs to be done to bring about needed changes.

port as it moves to take a more active role in developing housing policy.

The Statewide Housing Action Coalition is a new group that has generated a lot of excitement among people who see the need for the state to respond to the housing crisis. As Illinois has one of the worst records of any state in allocating

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### *Women and public housing conference*

A conference on "Women and Public Housing: Hidden Strength, Unclaimed Power" will be held at the University of Illinois at Chicago on May 29-30, 1987.

The necessity for this conference was first proposed at the closing session of the "Women and Safe Shelter" conference last April by public housing residents and advocates when there was concern expressed about the highly negative media portrayals of public housing residents and their communities. This conference will prove that there is much that is taking place within public housing which is positive, inspires hope, and needs to be given center stage.

Conference workshops will highlight innovative programs that currently exist in public housing sites in such areas as child and youth development, literacy and education, gang intervention, day-care, and employment training and development. In addition, the workshops will examine models of tenant management and economic development, draw-

ing on examples both here and in other cities.

In order to develop a political strategy for future actions, sessions will also examine tenants' rights, and legislation and policies which might be beneficial to residents. Out-of-state speakers will include Winifred Brown, Special Projects Director with the Women's Economic Development Corporation (WEDCO), St. Paul, Minnesota, who is currently working in a multi-faceted self-employment program designed for women on welfare; and Mildred Haley, resident and Executive Director of the Resident Management Corporation at the Bromley-Heath public housing development in Boston.

"Women and Public Housing" is co-sponsored by Women United for a Better Chicago, the Henry Horner Mother's Guild, Nathalie P. Voorhees Center, UIC, and other UIC programs. For further information contact the Women's Studies Program, UIC, at 996-2441.

# Group strives to maintain Rogers Park housing and diversity

by David Hunt

The Rogers Park Housing Services Center (HSC) is dedicated to serving the housing needs of Rogers Park's low-income residents.

HSC is a program of the Howard Area Community Center, located and serving the farthest northeast corner of the city, the 49th and 50th wards. The goal of HSC is to help maintain a multi-ethnic, economically diverse community through the preservation of an adequate amount of decent, moderately-priced housing.

To aid in achieving the goal and implementing this strategy, HSC has developed a number of housing programs that will affect 200 buildings and reach 2000 residents annually. HSC works in partnership with owners and tenants of member buildings, providing services, resources and assistance that will keep building costs down and the quality of management high.

The Property Owners Membership Program offers a variety of services. Maintenance workshops provide practical information on security systems, heating systems and roach control. Hands-on workshops on plastering, carpentry and other handyman skills are also given. Rehab consultation offers an analysis of rehab plans and maintenance budgeting to help the owner set priorities and prepare timetables. Periodic newsletters inform owners and managers of new maintenance techniques, available products and management issues relating to Rogers Park buildings.

The discount buying/comparative shopping program provides substantial discounts on building materials and appliances to HSC members through contracts negotiated with suppliers. Lists have also been compiled of stores having the best prices on hardware and lumber supplies. A contractor referral directory contains listings of reasonably-priced, reliable contractors.

Financial workshops are held on issues of interest to property owners. Experts in areas such as property tax assess-

ment and the appeal process, insurance, contract buying and preparation of federal income tax Schedule E aid understanding of these complex subjects. Counseling is provided on property tax appeals, available insurance plans and record-keeping. HSC also helps with loan package preparation, while support and advocacy is provided in negotiations with financial sources.

HSC also offers owners small matching repair grants ranging from \$250 to \$700.

The Tenant Services Program address the second element in the landlord-tenant relationship.

The housing placement program assists low- and moderate-income applicants in locating housing on the North Side, with Rogers Park as a base. This service is aided by cooperation with the members of the HSC owner/membership program who attract tenants by keeping their buildings in

good repair and their rents in an affordable range.

Tenants are screened for their ability and intention to carry out fully their side of the bargain. This includes ability to pay rent on time, willingness to keep their apartment clean, intention to fulfill responsibilities of a tenant and willingness to become part of the community. If a tenant has a problem concerning a lease, an eviction, utilities, housing discrimination, Section 8, building services or some other housing-related issue, HSC provides the necessary counseling.

From time to time free workshops for tenants are given on topics designed to improve the landlord-tenant relationship. Topics have included: the tenants' bill of rights, discrimination, Section 8 procedures, leases, weatherproofing, simple repairs and how to find a decent apartment. The workshops are offered in English and Spanish.







The HSC property owners program works with buildings such as these.



HSC staff.

The Housing Services Center also administers three programs funded by the Dept. of Housing: Housing Abandonment Prevention, Senior Home Repair and Weatherization. Through these programs HSC will reach more than 200 units and 600 residents this year. HSC also takes between 300 to 400 IHEAP and IRAPP applications each year, to help residents afford ever-increasing utility costs. HSC is the initial Rogers Park contact group for the Utility Shut Off Early Warning Program and has a Lead Paint Testing, Screening and Abatement Program.

HSC has served Rogers Park for the past six years and is constantly searching out new ways to create, maintain and improve housing for low-income residents.

*David Hunt is director of HSC. He can be reached at 262-6622; or drop by the office at 7642 N. Paulina.*



# HUD-subsidized housing stock in jeopardy

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into other subsidized buildings or to get their own Section 8 certificates." (Some of the tenants already had Section 8 certificates.)

While the organizing effort succeeded in easing the relocation process, it was small consolation for the tenants. "Nearly everyone had to move," says Rebbe. "Most of us had lived there the full 20 years and we really hated to move but we just couldn't go up to \$750 a month with \$70 for parking. We were such a congenial group—like a family. People took care of each other and helped each other out. The building I live in now—I think people's faces would crack off if they smiled at you." Most of the residents were elderly, and the upheaval was particularly hard on them.

Gloria Telander, one of the building's six owners and president of the management company, notes that 20 percent of

cerbated by gentrification. Many of the assisted units . . . were built in areas that rich people formerly did not want to live in. So, as happens in America, if rich people do not want to live somewhere, poor people get to live there. And then things change. A whole variety of changes happen. Soon, gentrification comes . . . and what this means is, many areas where low- and moderate-income housing was built, wealthier people now find desirable."

In Chicago, approximately half of the 236 and 221(d)3 buildings are in neighborhoods where gentrification has either already occurred, or where strong gentrification pressure currently exists. Near North Side neighborhoods provide 450 units of low income housing which will certainly be converted to market rate once the prepayment option becomes available. Lake View contains 950 units. The South Side neighborhoods of Hyde Park, Prairie

ing near Wilson and Sheridan will be eligible for prepayment in 1990. As the neighborhood exists right now, she says, "I couldn't project that we would want to convert it." However, she continues, "Neighborhoods change so rapidly, and Uptown has a lot of advantages," such as proximity to transportation and the lake, and the quality of much of the housing stock. "If there is any area that is relatively strong for conversion, it would seem that Uptown will be—in a few years."

While it's a pretty safe bet that the Lake View and Near North Side building owners will want to prepay, the situation is obviously not so clear for Uptown, as well as the other neighborhoods mentioned above. In order to determine whether a building will become unaffordable to low- and moderate-income people, each building must be examined individually to determine whether it is desirable enough to sustain large rent increases, or whether the benefits of selling or converting the building would outweigh the current benefits of ownership.

If the building is located in a neighborhood not undergoing gentrification, there is probably no incentive to the owner to prepay the mortgage because there is no one willing or able to pay market rate rents and no one to sell the building to at a huge profit. Unfortunately this does *not* mean the building will continue to provide affordable housing.

## Section 8 Contracts to Expire

Many of the mortgage subsidy buildings also have Section 8 contracts attached to them which will expire during the next decade. Currently HUD has no plans to renew Section 8 contracts, either for these buildings or the dozens of other Section 8 buildings throughout the city. This potential loss will have the greatest impact on the South and West sides, where there is a good chance that buildings stripped of Section 8 will become economically impossible to maintain.

(Although the looming Section 8 expirations pose an even greater problem than the mortgage prepayment option, HUD has not compiled statistics on how many units will be affected, or

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The neighborhood that stands to be most devastated is Uptown.

Nine buildings containing more than 2200 units will come due for the prepayment option by 1994. But will the owners exercise their option to prepay?

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the original tenants remained after the conversion. "We kept all the Section 8 tenants who were interested in staying. . . we felt very good about that."

The Barry building was the second in the country to be built under the 221(d)3 program. Its prepayment option came up in 1986. Over the next 13 years, 52 buildings containing more than 10,000 units will become eligible for prepayment in Chicago under Section 236 and 221(d)3. What will happen to these buildings?

## The Gentrification Factor

Well, that depends on the neighborhood, it seems. At a recent federal hearing before the House Subcommittee on Housing and Community Development, Rep. Barney Frank (D-MA) noted that "This (problem) is being exa-

Shores and South Shore have 1157 units, and there is one 270-unit building in the gentrifying Near West Side.

The neighborhood that stands to be most devastated is Uptown, which has the largest concentration of prepayment buildings. Nine buildings with more than 2200 units will come due for the prepayment option by 1994. But will the owners exercise their option to prepay?

"Uptown is gentrifying. There's no question about it," says Mike Loftin, organizer for Voice of the People in Uptown. He sees Uptown as an area at risk. "It would be awful if we lost 2200 units of affordable housing," he said.

Gloria Telander agrees that Uptown could become a prime target for prepayment and corresponding rent increases in the coming years. Her build-

Buildings and Units with Use Restrictions Running Out by Year 221(d)3 and 236 Programs			Buildings At Risk		
Year Use Restrictions Run Out	Total # Units/# Buildings Eligible	# Units/# Buildings Seriously At Risk*	Location of Building by Neighborhood	Year of Prepayment Option	
1988	508/2	508/2	<b>Near North Side</b>		
1989	1641/9	1072/5	525 W. Eugenie	44 units	1990
1990	1900/10	550/3	1715 N. Larabee	69	1993
1991	1449/7	797/3	1665 N. Orchard	165	1999
1992	327/2	78/1	1900-2000 N. Larabee	172	1994
1993	922/6	651/3	<b>Lake View</b>		
1994	1849/7	932/4	510 Belmont	276	1990
1995	1161/5	272/1	707 W. Waveland	220	1994
1996	0	0	812-28 Belle Plaine	270	1993
1997	170/1	0	3639-45 N. Pine Grove	125	1989
1998	100/1	0	<b>Uptown</b>		
1999	165/1	165/1	5209 N. Kenmore	323	1994
2000	324/2	0	5020 N. Marine Dr.	299	1988
TOTAL	10,431/52	5025/23	4550 N. Clarendon	499	1991
			840 Sunnyside	123	1989
			4640 N. Sheridan Rd.	230	1990
			908 W. Argyle	78	1992
			831 W. Buena	209	1988
			4811-27 N. Sheridan	186	1989
			912-40 Lakeside Pl.	308	1989
			<b>South Side</b>		
			47th & Woodlawn	121	1991
			6930 South Shore Dr.	177	1991
			2600 S. Prairie	312	1993
			26th & Michigan	330	1989
			4700 S. Lake Park	217	1994
			<b>Near West Side</b>		
			1354 S. Morgan	272	1995
			Total Units	5,025	

\*Units classified as "seriously at risk" were determined by identifying buildings in gentrified or gentrifying neighborhoods.

where these units are. The Chicago Rehab Network has filed a Freedom of Information Act Request, and will report on the Section 8 buildings in our next issue.)

**"Expert" Opinions Differ**

Unfortunately for tenant associations and community groups interested in trying to understand and respond to the mortgage prepayment problem, experts disagree strongly on just how serious the problem is. "Our expectation is that a great majority of owners will keep their projects as low- and moderate-income properties under the terms of the original mortgage," stated HUD official R. Hunter Cushing in testimony before the House Subcommittee. "It is important to remember that until project mortgages are actually prepaid, their use restrictions remain. The fact that projects enter a time period during which there exists an option to prepay does not mean that the option will be exercised."

On the other end of the spectrum is Florence Roisman of the National Housing Law Project. In testimony at the same public hearing she stated, "The enormous magnitude of this problem—the potential loss of hun-

dreds of thousands of existing units of housing for around a million lower-income tenants—demands extraordinary action." The National Association of Home Builders testified that "At current average development costs of roughly \$40,000 per rental housing unit, the assisted rental stock, *excluding Section 8 Existing and Voucher Units*, would cost in excess of \$130 billion to replace." (Italics added.)

**Housing Groups Respond**

A number of low income housing groups are starting to work on the issue. Their responses fall into several categories: legislative, financial, and administrative (meaning a change within HUD which would not require legislation). Additional strategies must

be developed to involve tenants in determining the fate of these units.

**Financial Strategies**

The notion here is that in order to preserve the use of the properties for low and moderate income tenants over the long term, ownership must be transferred to parties willing to agree to such use restrictions. And, further, if those interested parties are to be able to afford to acquire these properties, capital must be available to them.

Sara Johnson of Telesis, a Washington-based group which promotes low-income housing investment, reports that an effort is underway to start a National Housing Trust, whose sole pur-

*(continued on next page)*

# Mortgage prepayment means housing loss

(continued from page 11)

pose would be to preserve these endangered projects. The Trust would purchase projects and turn them over to local nonprofits or limited partnerships which would operate under long-term use restrictions. The fund would also make capital available to nonprofits interested in acquiring the projects.

Dan Pearlman, an attorney with the National Housing Law Project in Berkeley, is working to establish a California Housing Partnership which would assist local nonprofits in raising equity capital to acquire low income housing projects in that state.

## Legislative strategies

Telesis attorney Johnson is also working with the National Low Income Housing Coalition, a Washington-based lobbying group, on two fronts which would require legislative action. The first, which Johnson describes as a "carrot kind of approach," would forgive sellers from capital gains taxes if the building is sold to a nonprofit, tenant cooperative or government agency. The second is an amendment to HR 4, the housing authorization bill sponsored by Rep. Henry Gonzales (D-TX). The amendment requires owners, on intent to prepay, to notify tenants and offer nonprofits and government agencies first right of refusal to purchase at market value.

Projects in rural areas with prepayment restrictions have received a short term reprieve from sale or conversion through legislation again sponsored by Gonzales which places a one-year moratorium on prepayments of Farmers Home Administration (FmHA) Section 515 projects. The National Housing Law Project is also working with California housing activists to secure a state Senate resolution supporting a continuation of the FmHA moratorium beyond one year.

Other strategies being discussed include enacting legislation to provide financial incentives which would encourage owners to forego the prepayment option and continue to abide by use restrictions. Incentives could be in the form of capital improvement loans and grants, or special tax status.

## Administrative Strategies

There is much discussion about the fact that the existing 20 year term for use restrictions was enacted by HUD administratively, not by Congressional act. This means that theoretically HUD could just change its mind and enact a different set of administrative guidelines which would, in effect, wipe out the 20 year prepayment option and extend the use restriction to the full 40 year term of the mortgage.

This suggestion has caused a furor within the Administration and there are serious questions about the legality of such a move. It would surely be challenged in court by project owners. However, according to Roisman, there are several

converted," O'Connor remarks. "I can't see why they won't just automatically let us know."

The topic is too important for the current state of inactivity to last long. For both the mortgage subsidy programs and the Section 8 contract expirations, strategies must be devised to keep Chicago from losing a large and invaluable portion of its affordable housing stock.

There are still a great deal of unknowns in both areas: with the mortgage prepayments, it is unclear how many owners will choose the option. With the Section 8 contracts, HUD's intentions regarding renewal are not fully known (although given HUD's track record under the Reagan administration,

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For both the mortgage subsidy programs and the Section 8 contract expirations, strategies must be devised to keep Chicago from losing a large and invaluable portion of its affordable housing stock.

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situations where HUD regulation changes have significantly affected the rights of project owners. And Congress already set an interesting precedent in 1979 by enacting legislation which extended the use restrictions. However, the legislation was repealed under political pressure one year later.

Lacking such an aggressive move by HUD which would preserve all the units involved in mortgage subsidy programs, some have suggested that HUD at least require use restrictions on all projects receiving any other kind of federal subsidy, including rental assistance, operating subsidy, or financial considerations of any kind.

Right now there is very little being done on the local front. Mike O'Connor, director of the Illinois State Support Center (a statewide legal services support program), is working to get HUD to notify tenants and legal aid offices of landlords' intent to prepay these mortgages. "The way things are going now, I'll have to file a Freedom of Information Act request once a week just to know which buildings are going to be

housing activists have a pretty good guess). Gloria Telander has sounded out local HUD officials regarding the Section 8 contracts in her buildings, but has received no clear signal from them. As an owner, she foresees the major displacement problem that will arise if the contracts are not renewed. "The Section 8 renters have to remain someplace," she remarks.

That's one point on which housing activists would agree with her. "No one can afford to be passive," says Mike Loftin. "We need to figure out what to do." And soon.

.....

The *Network Builder* will continue to report on this impending threat to our low-income housing stock. Our intent is to promote further discussion and research which will lead to the formulation of strategies and to action. Individuals or organizations interested in participating in future discussions, or in receiving more information, should call the Chicago Rehab Network at (312) 663-3936.

## Congress moves on housing bills

Chances for passage of meaningful housing legislation are better this year than in the past few years.

The Senate started the ball rolling by passing SB 825, which authorizes existing housing and community development programs for two years at current funding levels. This is the Senate's first comprehensive housing and community authorization bill since 1980.

A House authorization bill, HR 4, is currently in committee. The bill is almost identical to HR 1, which died last year. It calls for increased funding for several housing programs.

HR 4 would provide a total of 105,500 new units of assisted housing, including Section 8 certificates, mod rehab units and public housing development and rehab. It renews the CDBG, HODAG and UDAG programs, and proposes new initiatives which were also included in HR 1. It contains no funds at all for additional housing vouchers (see accompanying article).

The House recently passed HR 558, a new, \$500 million homeless relief bill. The bill provides funding for homeless shelters, transitional housing and other assistance. However, a Senate version of the bill has not, as of this writing, made an appearance.

In addition, Rep. Mickey Leland and others have reintroduced the "Homeless Persons Survival Act" to provide a

comprehensive approach to solving the crises of hunger and homelessness.

Democratic leaders seem to be following through with their promise to put housing back on the legislative agenda. "This country cannot go without a national housing policy—as we've tried to do for the past six years," said Sen. Alan Cranston at a February hearing. "Affordable housing must be moved back up to its rightful place on the

national agenda."

The recently-acquired Democratic majority in the Senate and increasing concern about the country's growing homeless population seem to be the motivating factors in the recent upsurge of housing activity. However, the Gramm-Rudman deficit reduction constraints which Congress placed on itself last year will continue to hamper efforts to fund major housing initiatives.

## Vouchers: HUD's answer to housing crisis

While Democratic legislators in the House and Senate are busy marking up housing bills which include new Section 8 certificates and public housing units, HUD, in the meantime, is forging ahead with its voucher program.

The fiscal year 1988 budget proposed by HUD Secretary Sam Pierce calls for authorizing funds for 79,000 vouchers in each of the next five years, which would make vouchers the nation's primary form of rental housing assistance. No new funds are requested for the Section 8 certificate program.

HUD contends the vouchers will help cut federal housing costs while giving low income families more freedom to find suitable apartments. "It allows tenants a greater degree of choice," says HUD spokesman Jack Flynn, who adds that vouchers inspire "a shopping incentive" among recipients. But housing experts criticize the voucher program, claiming the Section 8 certificates are far superior.

Frank DeStefano, staff member of the House Subcommittee on Housing and Community Development, contends HUD is playing with the numbers. Each voucher issued will be funded for five years as opposed to the 15 year funding for a certificate. He also argues that the only additional freedom vouchers give tenants over certificates is the freedom to pay more than 30 percent of their incomes for rent. "It's just a mirror game to get out of the housing business," says DeStefano.

New York City is one of the places in which HUD has been testing the

voucher program. Harold Sole, director of the Leased Housing Department of the city's public housing authority, says the certificate program is \$41 per month cheaper for HUD "even though in all the literature the government says the voucher program is cheaper."

Sole says there are many other problems with vouchers. Families rent an apartment at whatever rate the landlord asks and the voucher covers a portion. The family pays the remainder, regardless of income level or rent "reasonableness." Each voucher also covers only two rent increases in the course of its five-year life. Says Sole, "Over 50 percent of the tenants will pay more than 30 percent of their incomes" for rent under the voucher program.

The 1988 HUD budget also calls for more reductions in housing construction programs. Pierce says the number of vacant low income units is at its highest level in years, making affordability, not availability, the key issue. But the National Low Income Housing Information Service disagrees. Their figures indicate a "housing gap" for low income families of four million units nationwide.

Vouchers will not create new affordable units. While the House's HR 4 contains additional certificates and housing creation, but no vouchers, HUD is requesting new funds for the voucher program only. Clearly, the battle lines have been drawn.

(Reprinted by permission from *City Limits*.)

## Housing advocacy needed

(continued from page 7)

resources to housing, SHAC will need participation from a broad spectrum of groups if it is to have an impact.

While it is important to keep up the day-to-day work that develops housing and builds communities, I urge everyone to look beyond their neighborhood to get involved in these two organizations fighting for change. Only by contributing to the building of a successful national housing movement will our work have far-reaching and lasting impact in Chicago's neighborhoods.



## STATE & LOCAL TRENDS

### *New group to monitor state housing action*

A newly-created National Support Center for Low-Income Housing will provide a national clearinghouse for information on innovative initiatives at the state and local level to support the development and preservation of low-income housing.

The Support Center is a joint project of the Low Income Housing Information Service and the National Housing Law Project.

The new center's goals include: establishment of a national clearinghouse for information which will be collected and distributed to a network of housing advocates; promotion of networking; and coordination among na-

tional housing advocacy groups. The center will also provide advice to local groups on the development of housing policy proposals, and will track national legislative developments in housing.

The Support Center will operate through a network of local "reporters" in each state. It is about to launch a major survey of all 50 states to gather information on how each state is allocating the new low-income housing tax credit.

For more information contact Andrea Hill at LIHIS, (202) 662-1530; or Dan Pearlman at NHLP, (415) 548-9400.

(From the *Low-Income Housing Round-Up*.)

### *New Jersey*

The New Jersey Housing and Mortgage Finance Agency has approved the awarding of \$3.7 million in state-funded construction subsidies to 11 municipalities, to aid them in building court-mandated low- and moderate-income housing.

The housing units are required by the New Jersey Supreme Court's 1983 "Mount Laurel II" decision, which said New Jersey municipalities must construct their fair share of affordable housing units. New Jersey legislators responded by passing the Fair Housing Act of 1985, which created the state Council on Affordable Housing to spur compliance with the ruling.

The act also appropriated \$15 million to NJHMFA to give to municipalities to reduce housing construction costs, and empowered the agency to commit more than \$100 million in tax-exempt financing specifically for home buyers and developers of affordable housing. The Council has determined that New Jersey municipalities must create a total of 145,707 units of affordable housing.

Also in New Jersey, a rent control ordinance prohibiting the withholding of rental units from the market for more than 30 days has been upheld by the U.S. District Court.

This "anti-warehousing" legislation

was enacted last year to eliminate the loss of a substantial portion of the existing affordable rental housing stock. The city found that its housing problems were aggravated when owners of affordable rental units withheld them from the market in order to increase their value.

Under the ordinance, owners of apartment units with vacancies exceeding 30 days must notify the city's Rent Leveling Board. Any owner of a unit remaining vacant for more than 60 days may be punished by a fine of not more than \$500 per day.

(From the *Housing and Development Reporter*.)

### *State elderly housing programs explored*

A report on "State Initiatives in Elderly Housing: What's New, What's Tried and True," was recently released by the Council of State Housing Agencies and the National Association of State Units on Aging.

The report, based on a 57-state survey, cites the types of housing and support services that can be provided to older Americans and describes specific state programs now in operation.

Upon the report's release, a CSHA

### *Connecticut*

The Connecticut Housing Finance Authority has begun two pilot programs to finance nonprofit development of small rental housing projects and the creation of accessory apartments by elderly homeowners. The agency is using surplus funds to finance both programs.

CHFA has allocated \$17 million for the new "nonprofit small rental program," which will provide nonprofit groups with low-interest 30-year loans for the construction or rehab of rental housing projects containing five to 25 units. The program is intended to supplement the agency's existing multi-family loan program, which tends to finance larger-scale projects.

Also, CHFA is offering qualified elderly homeowners 30 year mortgages of up to \$80,000 to finance the conversion of part of their homes into accessory rental apartments.

The apartments must be self-contained units with separate facilities such as kitchens, bathrooms and bedrooms. The ability to build an accessory unit will depend on local zoning regulations.

The program is designed to make it possible for elderly homeowners to remain in their homes by providing them extra income from apartments that simultaneously help increase the rental housing stock. CHFA also operates a separate program that provides elderly homeowners with reverse annuity mortgages.

(From the *Housing and Development Reporter*.)

spokesperson said states are being challenged to provide leadership and resources for adequate housing and services for the elderly as a result of the growth in this age group and declining federal assistance.

Copies of the report are available for \$20 each from CSHA, 444 N. Capitol St. NW, Suite 118, Washington, DC 20001.

(From the *Housing and Development Reporter*.)

## Three governors announce housing plans

Connecticut Gov. William O'Neill has submitted a budget plan calling for major new funding to preserve or produce affordable housing.

O'Neill has proposed \$5.5 million for a new rental subsidy program, and \$93.5 million in bonding authority for the state's Dept. of Housing. The bonds would be used to support existing agency programs, which provide loans and grants to support the development of affordable ownership and rental housing.

The rental subsidy program would be modeled after an existing \$500,000 pilot program operating in three communities. The model program closely resembles the federal Section 8 program.

Maryland Gov. William Schaefer has announced creation of a new state program to provide low-interest working capital loans to nonprofit housing sponsors.

A total of \$250,000 is available to nonprofit organizations to finance capital expenditures for construction or rehab of qualifying projects. Eligible expenditures include payments for supplies and materials, subcontractors, the purchase or rental of tools and equipment, salaries and other expenses incurred in performing contracts. Loans are available for amounts up to \$50,000 and terms up to three years, with in-

terest rates ranging from zero to 8 percent depending on the borrower's ability to repay.

Massachusetts Gov. Michael Dukakis has proposed a massive housing program designating \$400 million in bonding authority and \$35 million in appropriations.

The program includes \$100 million to build scattered-site public housing for families. Other suggested programs include \$66 million to construct public housing for the elderly, \$40 million to develop public housing for people with special needs and \$95 million for modernization of existing state-assisted

public housing.

Dukakis has also proposed to offer \$25 million in grants to nonprofit groups for development of innovative housing, \$10 million for a new state rental development grant program to provide gap financing for mixed-income rental housing projects and \$15 million for the Homeownership Opportunity Program for mortgage interest rate subsidies for certain home buyers.

The legislation has been passed out of committee and is now under consideration by the legislature.

(From the *Housing and Development Reporter*.)

## New York

The New York State Housing Trust Fund recently awarded \$24 million to nonprofit groups in its second round of funding.

Almost one-third of the fund, \$7.3 million, will be used to support development of 39 limited equity cooperatives, creating more than 350 units of affordable co-op housing in New York City. Eight nonprofit sponsors will receive no-interest loans for development or design work on the co-ops.

The Trust Fund supports rehab work

on rentals, group homes, co-ops or condos, restricted to occupancy by low-income people for 25 years. If low-income use is extended to 30 years or more, as the co-op sponsors intend to do, the state loan is forgiven. The Fund allows for development awards of up to \$40,000 per unit.

For the past two years, the Trust Fund has been funded by annual legislative appropriations. The odds for continuation of the program look good, since Gov. Mario Cuomo has pledged support of a long-term appropriation extending the \$25 million per year program for the next five years, so that the fund would not need to rely on annual legislative action.

(From the *National Mutual Housing Network News*.)

## Michigan

The Michigan State Housing Development Authority has begun a \$1 million grant program to generate additional shelter for homeless persons.

The agency will award grants of up to \$100,000 to nonprofit groups to develop new shelters or expand existing shelters. The program is being funded by agency reserve funds and \$260,000 in federal funds.

(From the *Housing and Development Reporter*.)

The *Network Builder* is published bi-monthly 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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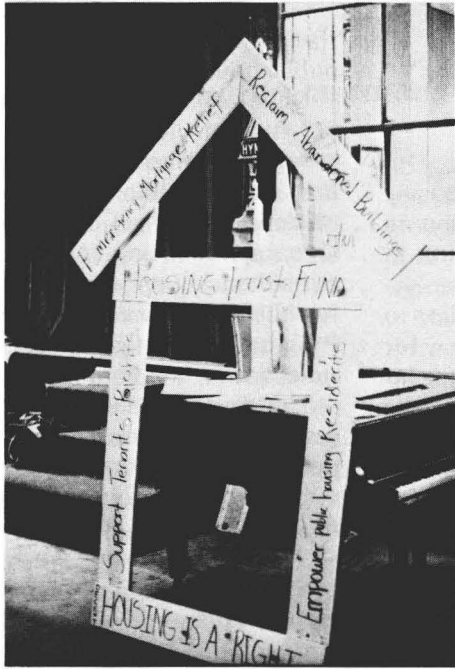
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*Associate Members:* Center for Neighborhood Technology, Center for New Horizons, Inc., Community Renewal Society, Jewish Council on Urban Affairs, Metropolitan Housing and Development Center



The 1987 SHAC convention was a rousing success, bringing together more than 250 people from around the state for two days of workshops, action and celebration. Story on page 2.

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