Loss of Section 8 intensifies housing crisis

Part 2 of a 2-part series

by Debbie Weiner and Anne Conley

"The biggest housing crisis the nation has ever seen... the scope of the problem nationally is staggering... a silent time bomb... the alarmists are right..."

These are phrases from recent articles in newspapers around the country. However, they do not refer to the current crisis in affordable housing. Instead, they concern an additional, grave threat to the nation's low-income housing stock: the potential loss of thousands of privately-owned, federally assisted low-income apartments over the coming decades.

According to the U.S. General Accounting Office, "By the year 2000 the existing inventory of low-income housing could be reduced by more than 50 percent." The crisis looms, in Chicago and around the nation, as a result of pending expirations of two kinds of federal programs developed in the sixties: mortgage subsidy programs and the Section 8 subsidy program.

In our last issue, we explored in-depth the mortgage subsidy problem: the ability of project owners to pay off their remaining mortgages, releasing them from the obligation to keep their rents affordable. This prepayment option for Chicago owners could result in the loss of 5000 units of affordable housing over the next thirteen years.

In part two of this series, we focus on the Section 8 subsidy program, where statistics are even bleaker: unless both the federal government and the Section 8 building owners renew their commitment to subsidized housing, Chicago stands to lose more than 9000 additional units of affordable housing by the year 2000, and many thousands more after that date.

The Section 8 Dilemma

Chicago has more than 300 privately-owned buildings which have project-based Section 8 subsidy contracts, totaling around 25,000 units of housing. Eligible tenants in these buildings pay 30 percent of their incomes for rent. The remainder of the rent is paid to the building owner by HUD. If a tenant moves away, the Section 8 subsidy stays with the unit, rather than going with the tenant. This differs from HUD's tenant-based Section 8 Certificate Program, where individual families are given Section 8 certificates which they can use to find eligible apartments anywhere they choose.

The project-based Section 8 subsidies, which began in the 1970s, have contract terms ranging from five to 40 years, depending upon the type of contract. Starting in 1988, contract expiration dates will be reached, allowing either the owner or the government to discontinue the arrangement. Over the next 13 years, contracts for at least 8485 units of Section 8 housing will expire.

In addition, many of the contracts... (continued on page 10)
Tax reform spells trouble for housing

Editor's Note: The implications of the Tax Reform Act are just starting to become known. Roberta Warshaw, Rehab Network financial specialist, has analyzed the Act's probable impact on housing.

by Roberta Warshaw

The Tax Reform Act of 1986 makes fundamental changes in our income tax system that could result in rent increases, decreased property values and defaults.

With the exception of the Low Income Housing Tax Credit, the tax reform changes make real estate investment less attractive. The Act reduces and limits previous real estate tax benefits which could result in diminished interest in the ownership of apartment buildings. Potential new investors may instead choose other types of investment (stocks, bonds, etc.) and those who already own property may, wherever possible, raise rents in order to retain the same rate of return on their investment.

In general, the Act creates a market where investors will look to current income rather than tax shelter benefits. If rents cannot be raised and a lowered return results, there may be an accompanying decrease in the sale price of property. This decrease is exacerbated when there are fewer interested investors. There may be some long term benefits to lower property costs, but in the short term we could experience a surge of defaults if property cannot be sold for its indebtedness.

Areas of major change include: reduction of maximum tax rates; elimination of capital gains, accelerated depreciation and income averaging; limitations on passive loss, tax exempt bond financing and rehabilitation tax credits; and requiring that real estate investments become subject to the at-risk rule.

The Tax Act reduces maximum tax rates from 50 percent to 28 percent for individuals and 34 percent for corporations. With a tax bracket maximum of 28 percent, a $100,000 investment loss in housing creates a $280 shelter, rather than the $500 shelter at the old 50 percent bracket. High income investors, earning over $100,000 annually, and passive investors are discouraged from investment with a tax rate maximum of 28 percent.

Additionally, personal exemptions and standard deductions have been increased. Even single family homeowners will find the benefits from ownership are substantially reduced and the after tax cost of housing will be higher.

In the past, investors counted on tax benefits from accelerated depreciation, the rapid depreciation of an appreciating asset. Depreciation helped generate paper losses. These losses could shelter any other income, whether it was actively or passively generated. The losses had the effect of turning ordinary income that could be taxed at a rate up to 50 percent into capital gains income taxed only up to 20 percent.

Capital gains have been eliminated. Accelerated depreciation is gone. Straight line depreciation over a greater time line will decrease yield and therefore the value of the property.

Passive losses are restricted: using real estate losses to shelter other income is now limited to an "active" investment. Active participants in real estate management and operation with incomes under $100,000 are limited to $25,000 of loss to offset other income. Individuals with "passive" investments can only shelter "passive" income.

This severely diminishes benefits from limited partnership investment. No longer can an upper income investor use operating and depreciation losses to shelter "active" income from a salary. Individual investors will now look for economic return, not tax shelter. However, some provisions are structured to be more beneficial to corporations than to individuals. This will allow funding sources such as the Chicago Equity Fund to continue to promote corporate syndication investments.

Some transitional relief has been provided for investors to continue their present shelters. If the investor has no other current tax shelter income the loss can be carried forward until sale. Then it can offset taxable gain. Some reduction of shelter losses are being phased in over a five year period.

Income averaging ended in 1986. It had afforded another opportunity, when combined with capital gains, to diminish the taxable income impact of a substantial gain when depreciated property was sold. The high income year can no longer be averaged with several significantly lower income years to reduce tax liability.

Additionally, the at-risk rule now limits real estate loss write-offs to investment and borrowed funds for which the investor is personally liable. (There is an exception for some third party non-recourse financing.) This may eliminate some investors who will not assume liability.

Changes have also been made in qualifying for tax-exempt bond financing. In the past, many housing developments benefited from such financing, which could lower mortgage interest rates (although this did not necessarily translate into greatly decreased rents). Bonds which are considered "private use" and not "public use" are no longer tax exempt.

The only replacement incentive in the new tax act is the Low Income Housing Tax Credit. This credit is targeted to benefit low income people, but will in no way make up for loss of federal dollars for housing programs. The $9 billion allocation will be distributed to states based on a per capita formula. (See accompanying article for allocation of Illinois's tax credits.) The credits are given on a per unit basis.

To qualify, the housing must continue (continued on page 7)
Tenants trounce realtors

Springfield lobby blitz proves effective

More than 150 activists descended upon Springfield on June 9 to apply some grassroots pressure on a myriad of housing issues.

The effort resulted in major victories on tenants' rights, positive movement on home foreclosure, emergency shelter and housing acquisition, and a narrow defeat on a state housing trust fund. The Lobby Day, organized by the Statewide Housing Action Coalition (SHAC) in conjunction with many of its member groups, featured a rally and press conference as well as some intense lobbying.

The most significant victory was the defeat of a realtor-sponsored bill which would have overruled tenant rights ordinances in towns throughout the state. The bill took away the power of local municipalities to legislate tenant/landlord law, giving the authority to state government instead. It contained further provisions restricting the rights of tenants.

The bill narrowly passed in the House, but then lost 10-7 in the Senate Executive Committee, which effectively kills the legislation for this session. Voting against it were Senate President Rock, Chicago senators Savickas, D'Arco, Lechowicz and Netsch, and downstate senators Geo-Karis, Weaver, DeMuzio, Hall and Luft.

Grassroots lobbying provided the margin of victory, as the opposition made special efforts to get the bill passed. "The place was swarming with realtors," remarked Tim Carpenter, director of the Metropolitan Tenants Organization (MTO). SHAC members argued with realtors in the halls of the Capitol, and camped out with them at the doors of various legislators, jostling for the chance to make their case.

The group was also successful in defeating a bill that would require tenants to post bond in order to get a jury trial in eviction cases. This bill passed the House as well, but got only one vote in the Senate Judiciary Committee. There is a slight chance that both bills could be called to the Senate floor by a seldom-used maneuver, but Springfield insiders doubt either bill has the momentum to be reconsidered on the floor.

City feels SRO heat, ponders action

by Danny Kadden

Pressure is building for the City of Chicago to enact comprehensive preservation policies for single-room occupancy (SRO) housing as a citizen-based effort working on behalf of endangered SRO housing continues to push for action. Only 11,000 or so SRO hotel units remain in the city, a loss of more than 60 percent in the last fifteen years.

The "Ad Hoc SRO Group," formed two years ago, has advocated that the city take a leadership role on the issue. Members of the group include community organizations, housing groups, social service agencies, private SRO operators and others who are monitoring SRO hotels and rooming houses in their local areas as well as working together to develop strategies on a citywide level.

Efforts at working in partnership with the city reached a low point last summer when a Citizens Advisory Committee on SROs to the Dept. of Housing resigned in protest after its proposals for action were bluntly rejected by officials. The advisory group, made up of Ad-Hoc members, had proposed the creation of an office which would act as a service center, providing assistance to SROs and community groups. In addition, the Office of SROs would monitor conditions at SROs throughout the city and intervene in Housing Court when necessary to save buildings from abandonment. Most important, it would help coordinate efforts to form financial and technical assistance packages that would boost both privately-owned and nonprofit SROs.

Over the past several months, however, there have been positive developments. At a public forum in early May, sponsored by the Ad-Hoc Group, citizens spoke out on the problem of homelessness and the need for decent, affordable SRO housing. A panel that included officials from the departments of Housing and Planning, as well as 46th Ward Alderman Helen Shiller, heard testimony and questions from an audience gathered at the Near North Lawson YMCA, itself one of the largest
Displacement pressures increase

Uptown residents fight back

by Michael Loftin

Uptown is undergoing the most severe wave of real estate speculation it has ever confronted.

Spurred by the historic designation of much of the neighborhood, developers are buying up buildings at an alarming rate, evicting current residents and raising rents. In the last two years, dozens of buildings have changed hands and hundreds of people have been forced to look for new homes.

According to Rev. Jerry Riemer of the Chicago Uptown Ministry, "the biggest problem is for the very poor who are already paying 70 percent of their income on rent. Being displaced makes it almost impossible to find new housing and contributes to homelessness increasingly among families with children."

To Father James Colleran of Our Lady of Lourdes Church, displacement is a moral issue. "I feel an attitude in the neighborhood that every building is going to be worth a fortune," said Colleran. "That attitude is a severe problem—a moral problem. Because a neighborhood is about more than the worth of the housing stock. It's about the people who live here, including the poor. If they are displaced, our neighborhood will no longer be a reflection of the real world, a world made up of the poor and the better off."

"I see a lot of buildings sitting empty now that people were living in," observes Rev. Dennis Cadieux of Jesus People, USA. "And the buildings stay empty because most people can't afford $475 a month for a single bedroom apartment. I think it's a blight on the poor and the neighborhood to have people put out on the street to fix up a building that stays empty and the people can't afford to move back in."

Fortunately, a coalition of community groups, agencies and churches has come together to fight against displacement and for affordable housing in Uptown.

-called the Task Force on Displacement and Housing Development, the coalition was formed after a fight to get relocation benefits for the tenants of 4716 N. Beacon (see the Network Builder, issue 9).

The building was sold to Randall Langer of the Community Property Organization and Sheridan Park Associates. Langer evicted the tenants to make way for a renovation job that would allow him to double the rents. With the help of Task Force members like the Lao Association, Chicago Uptown Ministry, Jesus People USA, the Indo-Chinese Catholic Center and Voice of the People, the tenants in the building fought back.

After several meetings and a 200-person demonstration at Langer's office, Langer agreed to pay relocation benefits, grant two months' free rent and return security deposits. The victory moved the president of the Lao Association, Tom Pharthong, to proudly proclaim, "We stood up for justice."

The Task Force was formed because it was clear the Beacon building was not an isolated incident but a community-wide issue. According to Ngoan Le, director of the Vietnamese Community Service Center, the creation of the Task Force was important because "we had to become proactive and not just react to every little incident if we were really going to curb displacement and maintain our community's diversity." In order to become "proactive" the Task Force has

(continued on page 13)
Westtown activists go after state funds

by Carol Hegland

The 25-year old Northwest Community Organization (NCO) represents 140,000 residents of Chicago's Westtown/East Humboldt Park. This area is predominantly Hispanic, with almost 35 percent of the population living below the poverty level and over 40 percent of households headed by women.

Decent, affordable housing is crucial. 80 percent of all Westtown families are renters and most are large. In the last two decades, the area has lost 10,600 housing units as a result of freeway construction, arson, abandonment and even economic development.

Like other community-based groups, NCO turned to the State of Illinois when federal government priorities changed from housing the poor to building Pershing missiles. Confronting Governor Thompson with the critical need for housing, NCO was referred to the Illinois Housing Development Authority.

NCO's trip through the IHDA maze began over a year ago with an agreement from Governor Thompson at the annual Congress to create a special task force, one-half of which would be NCO-selected, to work in partnership with IHDA on specific new housing programs. The Governor also publicly agreed to direct IHDA to use its reserve pool for low income housing.

The Westtown area is rich in creative, community-based housing developers, such as Bickerdike Redevelopment Corporation, which has developed several hundred units—mixed between new construction on scattered vacant sites and rehab—and the Latin United Community Housing Association, which develops housing and assists neighborhood property owners obtain rehab loans along with numerous other programs. Additional housing resources in the community include the Spanish Coalition for Housing and NCO's Neighborhood Energy Conservation Office. Our expectation, given the proven community experience, was that IHDA would treat us with the same respect it gives private developers.

The "partnership" with IHDA began in April 1986; the community was represented by an NCO/Bickerdike/LUCHA delegation called the Westtown Campaign for Affordable Housing (WCAH). Ellen Craig represented the group also wants the establishment of a reinvestment advisory board, made up of bank and community representatives, to monitor the investment agreement.

If the group wins its demands, Austin will gain a community resource that has been, up to now, almost totally inaccessible. In 1984, of the $40 million in residential loans made in the Austin community, the Austin Bank lent $67,000, or .002 percent of the market. The Alliance charges that between 1983 and 1986, Austin Bank made only three residential loans in the nearby communities of West Garfield, North Lawndale and Humboldt Park.

Alliance leaders are confident that an agreement will be struck in the immediate future. They are looking forward to the day when the Austin Bank truly becomes a bank for Austin.

Austin groups seek local bank reinvestment

When community groups in Austin found out that the Austin Bank of Chicago was about to be sold to the Greater Chicago Financial Corporation, they didn't hesitate.

They filed a protest with the Federal Reserve, challenging the bank's record of investment in the community.

The groups charged that the bank had not conformed to the Community Reinvestment Act, which mandates lending institutions to put investment dollars in their local areas.

"Over the past four years, Austin Bank has failed miserably to provide financial services to the West Side," said Caliph Daley, vice president of the South Austin Economic Development Corp. (SAEDCORP). "Before any potential new owners come into this area, they should commit in writing their plans for reinvestment into the communities that support them."

The groups set about getting such a commitment. They formed the Austin Reinvestment Alliance, and initiated a series of meetings with the potential owners, the GCFC. The groups in the coalition include the Peoples Reinvestment and Development Effort (PRIDE), the South Austin Coalition (SACCC), the Northwest Austin Council and SAEDCORP.

At the first meeting, GCFC officials admitted that the previous owners had been harmful to the community. They promised to do better. However, as this issue goes to press, an agreement between GCFC and the Alliance has not yet been signed.

The Alliance is looking for a minimum dollar commitment from the new owners, based on a percentage of the bank's assets. The money should be invested, said the Alliance, in developing a multi-family line of credit, in purchase and rehab of single-family homes and in the community's credit union. The
A MESSAGE FROM THE PRESIDENT

We need a renewed commitment to housing

by Juan Rivera

The Chicago Rehab Network’s main goal is to help community based development organizations preserve, improve and expand the existing housing stock for low to moderate income people in their communities. Also, the Network is a tool to empower communities to stop housing deterioration and the displacement of residents of Chicago’s low income neighborhoods.

For our members, displacement is just a passive word for a frequent experience suffered by poor people who are losing their homes against their will. The term describes what happens when forces outside the household make living there impossible, hazardous or unaffordable. Moreover, it is the process by which they are engineered out of their traditional neighborhoods by profit-oriented interests. It also describes a rapid and silent phenomenon which affects the life of more than two and a half million Americans who are pushed out from neighborhoods that they helped develop.

The process of displacement is silent, but not passive. Community residents and their organizations have actively fought in every neighborhood. Community-based organizations and their constituencies have used different tactics to stop the deterioration of their housing stock and combat the forces pushing for housing for more “desirable” higher income occupants.

Nevertheless, the housing crisis and the displacement continue gaining momentum. In Chicago, approximately 15 percent of the housing units are in substandard condition, and as a direct consequence of the lack of decent and affordable housing units, there are more than 25,000 homeless in the city.

As I described in our last newsletter, the federal government has concentrated most of its resources on the military instead of developing housing for the American cities. It is investing less than one cent in housing per every dollar invested in building a huge military apparatus to continue harassing and exploiting poor and underdeveloped countries.

We have to continue monitoring the use of federal dollars. We need to be aggressively advocating for a more equitable distribution of federal dollars. Parallel to this advocacy effort, we need to develop alternative models to confront the local housing crisis. These models should provide for an efficient use of the available resources. The scarce city dollars, federal dollars, private financing dollars, and the work of volunteers must be combined to come out with achievable alternatives. Our members should explore alternative means of ownership (i.e., co-ops, tenant management, tax reactivation, partnerships, etc.) and financing which guarantee community control.

Within the context of this crisis, city officials have to take a look at the rehabilitation code and transform it to make housing development viable. Construction standards should be a product of a collective discussion between community developers and funders.

The state must make a firm commitment to deal with the housing crisis. Governor Thompson and Jim Kiley of IHDA must sit down with community groups, the Statewide Housing Action Coalition, and city officials to develop an aggressive housing plan that is open to community control models.

Without this kind of commitment, the housing crisis will gain an unstoppable momentum. It is in our hands to make it stop. The Chicago Rehab Network is ready to play its part.

We exhort state officials, lenders and city officials to join us in defining an alternative housing plan to confront this housing crisis.
Tax reform spells trouble for housing
(continued from page 2)

to benefit and be affordable to low-income persons for 15 years. Rent levels are restricted to 30 percent of occupant income. The developer must set aside 20 percent of a project’s units for residents earning 50 percent or less of median income, or 40 percent of the units for residents who have incomes which fall below 60 percent of median.

The tax credits are at two rates, 9 percent and 4 percent annually. Nine percent credits are generally limited to rehabilitation or new construction. The 4 percent credits are available for acquisition of existing property or projects funded through many federal sources such as subsidized below-market loans, Community Development Block Grants, Urban Development Action Grants, Housing Development Grants and Rental Rehabilitation Grants.

Section 8 rental subsidies do not appear to lower the credit to 4 percent, nor do federally funded loans with deferred interest which is not below market. State and local subsidies can be combined with the 9 percent credit as long as the funds are not from a federal source. Credits are provided over a ten year period, but the low income occupancy must be maintained for 15 years. The credits can be used to offset up to $25,000 of any type of income.

IHDA, DOH allocating tax credits

Both the Illinois Housing Development Authority (IHDA) and Chicago’s Dept. of Housing (DOH) are accepting applications for the tax credit program. IHDA is mandated to distribute the tax credit to communities throughout the state, including Chicago. It has about $5.5 million in tax credits to allocate. According to IHDA spokesperson Peter Lennon, nine projects have been approved so far, totaling about $210,000 in tax credits. Four projects are in Chicago and five are downstate.

To receive IHDA’s Tax Credit Application Guide, call IHDA at 1-800-942-8439.

For information on DOH’s application process, call Norma Carter at 922-7922, ext. 710.

There is uncertainty whether the new tax credit is sufficient to attract investors. The nonprofit developers may be best able to use the credits, since they are experienced in the financing of projects requiring multiple sources of funds from government and charitable sources. Ten percent of the credits are reserved for nonprofit housing organizations. Smaller scale projects are considered most likely to obtain the credits since the supply will be limited and there is difficulty anticipated in putting together adequate subsidies for larger projects. Since maximum rents are adjusted based on family size, developing apartments for large families may become more attractive.

The tax reform changes come at a bad time for low-income housing: the Administration has made drastic cutbacks in federal housing subsidies over the past several years in an attempt to phase out direct federal involvement in housing. In addition, mortgage and rental subsidy programs developed in the sixties have started to expire, which could drastically reduce the number of affordable housing units in this country. The lone Low Income Housing Tax Credit, while welcome, is no substitute for a federal housing policy which must be developed to stem the growing crisis in affordable housing.

Federal housing bill passes House

Federal housing legislation continues to successfully wend its way through Congress.

On June 11, the House voted to approve HR 4, a one-year housing authorization bill. The bill provides for new assisted housing units, and renews current housing programs as well as the CDBG, UDAG and HODAG programs. The bill also contains provisions relating to mortgage prepayment (see article on page 11).

The housing bill now goes to conference committee, in order to resolve differences with the Senate housing bill passed in April. While the Senate bill authorizes housing spending for two years instead of only one, its funding levels are lower than HR 4’s.

If agreement is reached and the House and Senate pass a final version, it will be the first housing authorization bill of the Reagan era to pass out of both houses of Congress.

The National Low-Income Housing Coalition termed the passage of HR 4 "a victory for housing." Now it’s on to the next hurdle.
by Maricela Romero

What took nearly five years to complete, three directors, a cast of dozens and a small fortune to create?

Is it some low-budget motion picture epic? No, it’s the Eighteenth Street Development Corporation (ESDC)’s current rehab/training project which is now entering into its fifth and alas, final year of construction.

What, you ask, could possibly have lengthened the project to five years? Well let me tell you...

Aside from the normal construction problems which plague any rehab project, the ESDC has weathered some storms uniquely its own. The ESDC is blessed (and cursed?) with a pre-apprenticeship construction training program which provides hands-on experience to the city’s disadvantaged youth. Unfortunately, the hands-on training which these youth get comes in the form of the ESDC’s current rehab projects, making construction a sometimes slow process. But the benefits provided to these young people more than make up for the delay.

Since its inception in 1976, the ESDC has trained over 300 carpenters, masons, plasterers and cabinetmakers. Upon graduation the pre-apprentices are aided in finding employment and are given the opportunity of joining their respective unions. Among the program’s success stories is that two of the ESDC’s past graduates have returned to contribute some of their learned talents. As the ESDC’s current Board President and Carpenter/Journeyman, these past graduates obviously feel that the program is valuable enough to merit their continued participation.

Other factors which have caused delays are the loss of key staff and the never ending government cutbacks. But despite this environment, the project has gone on. In fact, ESDC Executive Director Agustin Olvera projects a completion date of late this summer. When completed, the building will provide nine units of low income housing for the residents of Pilsen, as well as becoming the new offices of the ESDC.

Currently, the ESDC owns and manages three buildings which it rents out to low-income Pilsen residents. In addition, the ESDC is continuing its plans for development of eight new townhouses in the Pilsen area. The townhouses will be the first new construction in the Pilsen area in several years and the ESDC is hopeful that it will be the first among many such projects for both the ESDC and the Pilsen community.

In addition to the projects mentioned above, the ESDC also has an economic development program which works with area businesses and a senior citizen/disabled home maintenance and repair program. The organizing component of the ESDC continues to organize around such issues as neighborhood park improvement and expansion, blockclubbing and various local issues.

At present, the ESDC is searching for its next rehab/training site as well as making plans for the upcoming Open House festivities. It is asking that all persons who may have contributed in any way to the project, contact the ESDC office prior to the ceremony, at 733-2287.

As the completion date draws near, the spirits and outlook of community people and staff are rising. The general feeling of all who have been involved in the project and all who have seen the building saved from certain demolition is that the project has been well worth the wait.

Maricela Romero is ESDC’s housing programs coordinator.
have five-year renewal clauses which allow the project owners to opt out of the contract at five-year intervals. The Rehab Network estimates that owners of nearly 1000 additional units might exercise this option. Some projects have already used their opt-out clauses to terminate the Section 8 in their buildings. For example, the Transportation Building in Chicago’s hot Dearborn Park neighborhood originally contained 59 Section 8 units. However, the owners opted out of the Section 8 contract last year when the contract reached its first five-year renewal date. The Section 8 tenants were forced to move.

In gentrifying neighborhoods such as Dearborn Park, owners may find that Section 8 is no longer needed, and is in fact hindering them from getting the rent levels that the neighborhood will sustain (HUD sets a cap on the rent levels of Section 8 units). Between 1987 and 2000, owners of around 2400 units located in desirable or “up-and-coming” neighborhoods will get the opportunity to convert to market rent levels—1000 by opting out, and an estimated 1400 when their contracts expire. They might increasingly choose to abandon the program.

The reverse problem exists in most Section 8 buildings, however, because they are located predominantly in low-income neighborhoods. The owners need the subsidy to achieve rent levels that allow them to maintain their buildings and make a profit. They are not likely to opt out of the contracts voluntarily. However, once their contracts expire they are at the mercy of the federal government, which as yet has made no commitment to renew the project-based Section 8 programs. Without Section 8 contract renewals, such buildings could face deferred maintenance, deterioration and default. At least 7000 units will face this dilemma by the year 2000. According to Betty Vance, whose company Urban Services Realty owns several Section 8 properties, many buildings could be expected to go under without the subsidy.

The Government’s Response

What is the federal government doing about this potential demise of Section 8 assisted housing?

So far, almost nothing. HUD has given no indication that it plans to renew project-based subsidies. During the Reagan years, HUD has moved away from subsidization of housing stock in favor of direct subsidies to tenants. Additional funding for housing stock programs has dropped to zero, while in replacement, HUD has provided the new tenant-based voucher program, which is funded at only a fraction of the previous programs, thus assisting far fewer families.

HUD Assistant Secretary Thomas Demery testified before Congress in March that “there is simply no justification for a national rental production program.” Demery indicated that HUD would replace the expired contract-based subsidies with vouchers for the eligible tenants in those buildings.

But low-income housing experts charge that housing vouchers are an in-

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<tr>
<td><strong>Near Northwest Side Total</strong></td>
<td><strong>10</strong></td>
<td><strong>390</strong></td>
</tr>
<tr>
<td><strong>Citywide Total</strong></td>
<td><strong>122</strong></td>
<td><strong>8485</strong></td>
</tr>
</tbody>
</table>

The figures presented in these charts are conservative estimates based on information received from HUD. For information on specific buildings, contact the Chicago Rehab Network.
adequate form of subsidy, because they do nothing to add to or maintain the low-income housing stock. "Vouchers don't work," says Christine Fahey of the National Low-Income Housing Coalition. "What we need is a project-based subsidy that will ensure the long-term use of the properties as affordable housing." Vance concurs. "I don't think (tenant-based subsidies) would be the answer to the problem. It would be quite a chaotic situation."

In low-income neighborhoods, there is no guarantee that vouchers issued to a building's tenants will provide sufficient funds to maintain the building. "Vouchers are nowhere near as deep a subsidy as Section 8," observes Roberta Youmans of the National Housing Law Project. They are issued only for five-year terms. In addition, if tenants with vouchers move away, the owner might not be able to find other subsidized tenants, or tenants able to pay rents at an amount which will ensure successful operation of the building.

Vouchers also don't necessarily limit the tenants' share of rental payment to 30 percent of income. In higher-income neighborhoods where rent levels shoot up as a result of Section 8 expiration, it is doubtful that tenants will be able to find comparable housing at prices they can afford, even with the voucher, unless they move out of the neighborhood.

A Community's Response

So far the focus of Congress and housing groups has been on the mortgage prepayment issue (see sidebar). Expiring

Section 8 contracts have not yet received much attention, although the number of units involved is much greater. One local group in Chicago, however, is taking steps to deal with both mortgage prepayment and Section 8 contract expirations.

The Lakeview Tenants' Organization (LTO) has begun gathering information on HUD-assisted buildings in Lake View with the goal of developing a strategy for saving its low-income housing stock. LTO plans to make the tenants in these buildings aware of the problem, and to organize meetings with landlords who might be thinking of prepaying or opting out of their Section 8 contracts.

"Affordability is a major problem in Lake View," says LTO Director Ann Rich. The potential loss of HUD-assisted housing "will make the housing situation that much worse—especially for seniors. The majority of the people who live in these buildings are seniors."

Maye Cal, a resident of one of the Lake View buildings, has distributed information on the problem to people in her building and the surrounding area. She believes that if her building is converted, most of the tenants will be forced out of the neighborhood. "We're all on limited incomes," she notes. "I don't know what we'd do if they turned this thing over... the rents are so high here."

She says that tenants should closely monitor the situation and act to prevent possible conversion. "I love the building. I'd really hate to be uprooted."

Great Society?

Faced with the potential demise of so much federally-assisted affordable housing, many people have questioned the wisdom of the Great Society officials who designed these programs. Why 20-year prepayment options? Why five-year Section 8 opt outs? Couldn't the policy makers see what would happen down the road?

Former HUD official Henry J. Schecter says that such provisions were included "as an inducement to developers." However, he has since become a dissenter from the policies he helped formulate. "The idea of depending on private enterprise to develop low-income housing turns out to be a fool's paradise in the end," he says. "As I look back after 40 years in the housing field, it was a mistake."

Another Great Society policy maker, Philip Brownstein, disagrees. He doubts the blame should be directed at the Johnson Administration. Many of the current housing problems, he points out, are caused by the Reagan Administration's refusal to build new rental housing for low- and moderate-income tenants.

"Nobody could envision an Administration willing to completely turn its back on poor people," he comments.

Fortunately, the Reagan Administration will no longer be around when the vast majority of Section 8 contracts and mortgage prepayments reach their decisive years. It is impossible to predict (continued on next page)


City feels SRO heat

(continued from page 3)

surviving SROs.

Deputy Housing Commissioner George Stone announced at the Forum that the city had agreed to include a new section covering SROs in the Building Code now under complete revision. In the past, the Code has failed to treat SROs as unique dwelling places. It has been applied in arbitrary and capricious ways, with no apparent health and safety benefit, but at great cost to SRO owners. Private SRO owners will be invited to offer their ideas in the drafting of the section, and violations under the current code will be treated by the city’s Law Department on a case by case basis to ensure that no costly repairs are incurred unless they are likely to be required under the new code.

In addition, city assistance on individual SRO redevelopment projects is helping to revive and re-establish viable SRO hotels in Uptown and Woodlawn. Several other projects are being explored by nonprofit community groups in other neighborhoods.

Negotiations are underway concerning the structure of the city’s new housing trust fund, which was created partly as a response to community protests over the expansion of Presidential Towers. City officials have indicated their intent to direct resources from the Fund to assist the SRO population. The protests also led to a commitment from Towers developer Daniel Levin to assist an SRO development project launched by Travelers & Immigrants Aid. (See the Network Builder, issues 10 and 11, for the complete story of the Presidential Towers fight.)

Despite this progress, SRO advocates still face an uphill battle. While other cities across the country have responded with significant preservation and public/private development projects, Chicago lags noticeably in efforts to save its SRO units.

A city policy on SROs mandated by court order is yet to be completed, one and one-half years after it was due. Urban renewal pressures threaten thousands of SRO units in the South Loop and along the North Lakefront. The proposed West Side Stadium would likely dislocate a significant number of SRO units along with family housing. Public and private lending programs are woefully underdeveloped. And there is still no entity, such as the proposed SRO Office, that monitors and assists SROs on a city-wide basis.

As the city slowly ponders what to do, community-based activists are fighting a losing battle to preserve their SROs. While there are some successes, up to a thousand units per year are lost. There is a clear grassroots recognition that when an SRO closes, the ranks of the homeless increase. For the tens of thousands of single low-income people, SROs remain the only affordable housing option.

Westtown activists go after state

(continued from page 5)

negotiations, pointing out that the actual development of a proposal for the Section 8 project “cannot be done with NCO committee members.”

WCAH began a long effort to put the Governor back in the center of the struggle; he didn’t attend a public meeting in October, so we demonstrated at his house; he failed to appear at the NCO Congress, so we joined the Statewide Housing Action Coalition for another trip to his lakeshore home. In January, the Governor wrote to NCO Housing Chairperson Anna Boone to explain that IHDA “directly and indirectly” was channelling $10 million in to Westtown and that the state agency “simply does not have reserve resources” for any more commitments. The “indirect” dollars are single-family home programs, for which less than 10 percent of Westtown’s residents could qualify.

In March, WCAH decided to submit the Section 8 application to IHDA and demand that Kiley agree to commit to the 100 other units. Kiley refused, this time stating that Bickerdike, as developer, had an insufficient “track record.” In another letter, however, IHDA allowed that a new commitment could be considered in six months. In September, we wonder, will IHDA decide to fund moderate income housing in Westtown? The struggle that began over a year ago, promises to go on.

Scrambling around for 100 or 200 units of housing has shown Westtown activists that IHDA is not an answer to the neighborhood’s housing crisis. It does serve as a smokescreen to hide the total absence of a state housing policy and agenda. WCAH believes that there must be a state housing policy, created through citizen input and endorsed by the Legislature and Governor, to meet the needs of urban and rural people, of families and single people. Only with a genuine policy and process to implement it can IHDA and state government serve the state residents whose housing options are the most severely limited.

Carol Hegland is NCO’s housing organizer.

HUD-assisted housing

(continued from page 11)

whether future administrations will commit to saving the buildings—and as Brownstein and Schecter would probably agree, it would not be wise to take anything for granted.

But it is clear that two things must occur to save the nation’s federally-assisted housing stock: the federal government must renew its commitment to project-based subsidies. And strategies must be developed aimed at keeping owners in these programs. These could include: various forms of incen-
Uptown tenants fight displacement

(continued from page 4)

initiated a "Campaign for Neighborhood Stability."

The Campaign has set three goals that are essential to creating community stability:

1. Make relocation of residents displaced by development more humane.
2. Set aside a portion of all new development for existing low-income residents.
3. Create new affordable, community-controlled housing.

To accomplish its goal of making relocation more humane, the Campaign is asking developers to guarantee they will give longer notice to tenants and to pay relocation benefits. The city and state will also be asked to pass legislation requiring these steps. The Campaign will also be asking developers to set aside a percentage of their apartments for low-income families and to contribute to a fund to be used to develop more affordable housing. Finally, the city and state will be called upon to finance at least 300 units of additional affordable housing in Uptown.

Already the Task Force has sponsored a community meeting with the city's Dept. of Housing. The department agreed to work with the Task Force to pass legislation regulating relocation, to not make loans to "gentrifying" developments and to help develop new affordable housing in Uptown.

The Task Force also sponsored a community meeting with the aldermanic candidates in the 46th and 48th wards. Candidates from both wards endorsed key planks of the "Platform for Neighborhood Stability" and the Northside Lerner Newspaper described the meeting as a pivotal point in the 46th race.

Recently, the Task Force has been pushing developer Langer to meet to discuss paying relocation benefits to people he is displacing. Because he refused to meet, about 80 Task Force members tracked him down at a reception he was hosting in one of his buildings. Appearing somewhat upset, he still would not agree to meet and then left his own reception. The following weekend members of the Task Force picketed a walking tour of buildings Langer is trying to rent out. Because the tour was part of Historic Preservation Week, the Task Force passed out flyers describing "The Real History of Uptown," including a description of the people Langer displaced from his buildings.

Despite all this activity, a lot of work remains to be done if the Campaign for Neighborhood Stability is to meet its goals. In the words of Ngoan Le, "We need to get more organized, pick up the pace, and do the work."

Mike Loftin is community organizer at Voice of the People. This article is reprinted by permission from The Voice Speaks.

THE PLUMB LINE

The Plumb Line, commonly (affectionately???) referred to as TPL by its many (three or four, by last count) readers, would like to disavow any connection with that wild and crazy couple down in North Carolina who transposed our acronym while building their religious empire (can we sue?).

CONGRATS: to Rehab Network secretary Juanita Ferguson, who got hitched in May to the debonair Charles Derbigny. The two went on a very romantic (we assume) honeymoon cruise to the Bahamas, but Juanita came to work the following Monday morning anyway, much to the joy of her co-workers, who were harrassed during the week she was gone by a constant stream of phone callers asking for free buildings (thanks, County Commissioner Mathewson).

ON THE MOVE: Voice of the People doubled its organizing staff by hiring Delia Gamez as tenant organizer. Delia joins Mike Loftin in Voice's efforts to empower Uptown tenants. the Jewish Council on Urban Affairs recently hired JCUA staffer Shana Roth Magidovitch as its new executive director... Jean Butzen came on board last month as the very first director of the Lakefront SRO Corporation... a belated welcome to Cecil Lawrence, who joined the staff of The Neighborhood Institute early in the year. Cecil is no stranger to TNI—he's president of his co-op, Genesis I, which was developed by TNI several years ago...

ON THE TOWN: Memo to both Shana and Jean: TPL spotted JCUA intern Christian Geuking at the ball park recently—on a work day! When queried, Christian admitted that he was accompanied by fellow JCUA staffer Alan Goldberg and several residents of the Moreland Hotel. (And what was TPL doing at the ballpark on a work day, you ask?) Why, investigative reporting, of course (the Cubs lost).

SEE-SEW: No sooner had we reported in our last column that Darius Grayson had moved from the Dept. of Housing to LISC than Darius moved back to DOH, promoted to Deputy Commissioner. Probably by the time you read this, the situation will have changed once again—that's OK, we'll just catch you up next time. Nothing like on-the-spot, up-to-date journalism...

OOPS WE GOOFED: TPL would like to sincerely apologize for an item in our last column that caused much consternation in certain circles: Ann Shapiro tells that, rumors to the contrary, she was accompanied by husband Barry "The Bear" Pendergrass on her last out-of-town junket, to a conference on concrete. "I am just as much into concrete as Ann," Barry claims, rather defensively. Ann plans to bring Barry along when she attends her next conference, on Solid Waste Transport and Recycling. Presumably Barry is also just as much into sewage as Ann (hard to believe)...

Finally, we're sad to report that Network Builder editor Debbie Weiner will soon be moving on. She's currently weighing offers from the National Enquirer and the Miami Herald. Both places "are more conducive to my style of journalism," Deb says, and there's plenty who would agree.
Dukakis calls for new federal housing program

Massachusetts Governor and Presidential candidate Michael Dukakis recently called for the creation of a new federal housing block grant program that can be used with the new low-income tax credit.

Dukakis, testifying before a House housing subcommittee hearing, stated that a federal block grant program is needed to supplement the resources states already are providing for housing through partnerships with municipalities, the private sector and nonprofit groups. He suggested it be authorized at $500 million.

A Massachusetts state official said such a federal grant program could provide the extra subsidy believed necessary to produce rental housing using the new tax credit. Many state officials testifying at the hearing noted that state assistance for housing has grown in recent years, but that states can’t fully offset cutbacks in federal spending for housing, nor fully meet the large and growing demand for decent affordable housing.

Dukakis and others testifying identified the key housing problems as the growing number of homeless persons, the declining affordability of housing and the potential loss of existing federally supported rental units due to mortgage prepayments or the expiration of federal subsidy contracts.

(From the Housing and Development Reporter.)

SHAC lobby day brings success

(continued from page 3)

tion bill passed out of the full House and out of Senate committee. The bill allocates $5 million toward the establishment of an emergency loan assistance fund for homeowners in immediate danger of foreclosure. It also provides for financial counseling.

Bills reforming property tax delinquency laws also passed out of the full House and out of Senate committee. These bills contain measures which crack down on slumlords who don’t pay their property taxes, and make it easier for community groups, tenant groups and others to acquire and rehab tax delinquent, deteriorated multi-family buildings. The bills were developed by the Campaign for Responsible Ownership, which grew out of the Ownership Transfer Working Group (see Network Builder issue #11).

The Coalition for the Homeless led a successful attempt to increase the emergency shelter appropriation in SB 347. The amount had been cut from $8 million to $3 million, but now stands at over $5 million due to lobbying efforts.

The cornerstone of SHAC’s agenda, the establishment of a state low-income housing trust fund, lost on the floor of the House by five votes the previous week. However, SHAC members had anticipated a long campaign to win a trust fund. The state has not traditionally been involved in funding for housing, so it was no surprise that legislators would be initially resistant to the idea.

“For an idea that was a legislative non-entity three months ago, to come up shy by only five votes is a real victory,” commented SHAC coordinator Larry Pusateri. He added that the discussion generated from this initial skirmish lays the basis for the long-term education of legislators on the need for direct state involvement in housing.

SHAC also made inroads concerning the trust fund and other platform items during a previous visit to Springfield, when a delegation met with Gov. Thompson’s chief of staff, Jeffrey Miller. Following the visit, state officials participated in a seminar on possible housing options, sponsored by Local Initiatives Support Corporation, which featured SHAC’s housing agenda. There is still a possibility that the governor’s office will initiate legislation allocating funds for housing before the end of the session.

However, SHAC has not yet received a promised response from Miller concerning SHAC’s proposals. SHAC has been pressing for a meeting with the Governor, and reiterated its request by “dropping by” the governor’s office during the Lobby Day.

A rally on the Capitol steps fired up the crowd for the day’s events. Speakers included SHAC Co-Chair Norma Martin from the Southern Counties Action Movement, MTO Vice President Joan Thomas, Coalition for the Homeless President Ron Vander Kooi and Urban League lobbyist Frank McNeil, who offered some practical information on how to lobby. Three legislators addressed the group as well: Sen. Arthur Berman, Rep. Woody Bowman and Sen. Dawn Clark Netsch.

After the rally and press conference, people split up to track down various legislators. SHAC members lobbied for the issues that their own local groups were most concerned about, and also supported each other’s agendas: tenants helping out on foreclosure, homeless advocates speaking out for a trust fund, and everyone pitching in to defeat the anti-tenant bills.

In addition to those already mentioned, many groups participated in the Lobby Day, including: Action Coalition of Englewood, South Austin Coalition, Champaign Tenants Union, Rogers Park Tenants Committee, Woodlawn East Community and Neighbors, Northwest Community Organization, Uptown Tenants Union, Lakeview Tenants Organization and the SHAC Southern Illinois Regional Caucus.
Rhode Island

Rhode Island Governor Edward DiPrete has announced a 14-point agenda to provide approximately $100 million for the creation of affordable ownership and rental housing.

The initiatives in the Affordable Housing Partnership Agenda will be implemented by the Rhode Island Housing and Mortgage Finance Corp. (RIHMFC) in conjunction with state departments, nonprofit groups and private sector entities. The program will be funded with bond proceeds, RIHMFC reserves, CDBG and private support.

The Agenda calls for several innovative programs in addition to a variety of loan programs for single- and multi-unit buildings. For example, Project Independence will draw on a $3 million trust fund the agency will establish to provide housing assistance payments to families on AFDC. The program is intended to help people become homeowners and participate in neighborhood-based co-ops.

An Elderly Home Equity Program will help elderly homeowners remain in their homes. A Housing Trust Fund will be set up as a permanent endowment for housing programs, to be capitalized with pledged reserves for the agency’s outstanding indebtedness. The agency will also contribute $1 million to the Rhode Island Housing Partnership, a $2 million fund that nonprofit groups can tap for equity financing and to cover initial housing development costs. The partnership will tap private sector money as well.

(From the Housing and Development Reporter.)

New booklet on state housing programs

The Council of State Housing Agencies has issued a new publication that describes 153 innovative housing programs being operated by 40 of its member state housing finance agencies or their states.

The 94-page book, “Housing Initiatives of State Housing Finance Agencies,” provides details about a variety of individual homeownership and rental housing programs, training and technical assistance initiatives, elderly programs, and less traditional ventures such as housing trust funds, boarding homes and rural homesteading.

CHSA President Lynn Luallen, director of the Kentucky Housing Corporation, said the report illustrates the innovative programs that states are enacting and can be an example for other entities, including local housing finance agencies and nonprofit groups. The initiatives are examples of some of the new directions states are taking to provide affordable housing as federal support for housing declines, according to a CHSA spokesperson.

(From the Housing and Development Reporter.)

Louisiana

A burgeoning tenants movement in Baton Rouge has won significant victories from the local public housing authority.

Public housing tenants started organizing last year, and their efforts led to the creation in March of the citywide Fannie Lou Hamer Tenants Union. Through their organizing efforts, tenants have blocked retaliatory evictions and won a reduction in rents, 30-day notice for utility increases, establishment of a grievance committee and a change in rent payment dates to correspond with receipt of monthly welfare checks.

“People have begun to wake up to what their rights are,” says Tenant Union Chairperson Anniece Jenkins. The group has gone beyond the public housing authority, registering 1500 voters and working on school and crime issues as well. “We’ve developed about two hundred leaders across the city,” said one organizer. “Baton Rouge will never be the same again.”

(From Shelterforce)

Colorado

The Colorado Housing Finance Authority (CHFA) plans to issue tax-exempt bonds to enable nonprofit groups to turn financially troubled properties into low-income housing.

The CFHA plans to provide below-market rate loans to nonprofit groups to help them buy and rehab properties owned by financed institutions which were acquired by mortgage default. According to Cheryl Waters, CHFA official, Colorado lenders now hold a large number of properties because of the state’s economic downturn.

In general, loan balances for such properties exceed their market value. As a result, there is an opportunity to buy existing apartment projects at relatively low prices. CHFA is currently soliciting proposals from lending institutions.

Because nonprofits will own the projects, CHFA’s bonds will qualify as so-called Section 501(c)3 bonds that are free from many of the restrictions imposed on tax exempt private activity under the new tax act. Waters said CHFA decided to use this approach because it is limited in its ability to develop and own rental housing—an approach being explored by several other state HFAs. CHFA’s charter prohibits it from owning property.

(From the Housing and Development Reporter.)

Midwest Academy bash

The 1987 Midwest Academy retreat will take place July 31-August 2 in Chicago. This annual national gathering of activists has become famous for its workshops, keynote speakers and parties.

The 13-year-old retreat is “one of the most exciting and significant gatherings of progressives in the country,” according to a spokesperson. This year’s workshops will cover such topics as health care, insurance, electoral skills, foreign policy, populism, national family agenda, minorities, peace issues, toxic hazards, farm, labor, housing policy, taxes, economics, education and more.

Registration fee is $70. For more information contact: Midwest Academy Retreat, 225 W. Ohio St., Suite 250, Chicago, IL, 60610; (312) 645-6010.
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IN THIS ISSUE

Artist Steve Williams is a KOCO staff member and a regular contributor of cartoons to the Network Builder. He recently was selected to paint this mural at the corner of State and Adams. It depicts the founder of Chicago, Jean Baptiste du Sable.