

*Some ideas for Illinois . . .*

## ***States grapple with housing crisis***

*Part 2 of a 2-part series*

*by Sara A. Daines*

The crisis in affordable housing is growing. Federal cutbacks in housing programs, the increasing cost of housing production, and rising interest rates have all but crippled our efforts to provide affordable housing to this nation's low-

income population.

Tax-exempt housing bonds coupled with deep federal subsidies were once the answer. Unfortunately federal housing subsidies have been slashed and tax-exempt bonds alone cannot solve the problem.

As a result, many states are making efforts to fill the gap left by the federal

cutbacks. A variety of programs has surfaced, as legislatures grapple with the problem of how to encourage or provide low-cost housing.

In some states, these programs include expanding the role of the state housing finance authority (HFA), which traditionally operated only as a bonding authority. In other states, programs have been created outside the HFA to provide loans and grants from a separate pool of money.

In Illinois, IHDA has made some efforts to respond to the problems posed by federal cutbacks (see accompanying article). However, Illinois lags behind other states in committing resources to housing. The following is a sampling of what other states are doing to meet the low-income housing crisis.

\* \* \*

**SURPLUS RESERVE FUNDS:** HFAs often build up substantial reserves from investment income, developers' fees, and interest.

In 1983, the Wisconsin Housing and Economic Development Authority (WHEDA) established a subsidiary, the WHEDA Foundation, to receive and manage grant funds. The source of the grant monies is the authority's surplus reserve funds. Four grant programs totaling \$1.35 million have been developed by WHEDA this year in an effort to finance a variety of housing rehabilitation and neighborhood revitalization projects. The grants are awarded to community groups and municipalities. While housing activists have complained that this amounts to only a small fraction of \$25 million in available reserve funds, they see it as a good program.

A similar example may be found in Delaware. Here the state housing authority subsidized mortgage interest rates in

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## ***Coalition for homeless makes housing the issue***

*by Hans Hintzen*

"We're talking about shelter here, not housing. There's a big difference," came the Department's reply to Les Brown's question about state funding for shelter

for the homeless.

"It's not the Department's responsibility to provide permanent housing for these people."

And, while the departments change,  
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(Photo courtesy Community Emergency Shelter Organization.)

## WORKING PAPERS

### *Where have all the organizers gone?*

by Jean Butzen

I got my first organizing job back in 1979, straight out of college, as green as you could be, for a salary of \$8,500 a year plus some health benefits. I was hired by the Lake View Citizens' Council to be the tenant organizer, at the end of a long, unsuccessful fight to get some condo legislation here in Chicago.

My director put me out on the street and said, "It's all there kid, go organize it." Almost two years later, with the funding for my job gone, I left LVCC thankful I didn't have to bang my head against a wall any more. I would have stayed out of community organizing, too, if a series of events didn't draw me back into it a year later. But my point here is that I think my first organizing experi-

ence is a common one in the field. In fact, it's the exception, rather than the rule, that someone receives a formal, systematic introduction to the world of organizing. Problems like this have led to what some are calling a shortage of community organizers here in Chicago.

Lately, the problem has gotten increased attention. This past year, both the Community Renewal Society and

### *CWED promotes neighborhoods*

### *Development as if communities mattered*

by Tom Carlson

Economic development has become one of the hottest topics in Chicago.

It seems just about everyone is making plans to restore Chicago's "ailing" economy. Corporate, government, labor, small business, industrial, and commercial actors are all telling us ways that Chicago can regain the economic prominence it once enjoyed as an industrial giant. The Commercial Club, resuscitated to be a voice for corporate planning, is saying, "Make No Little Plans." Planners of the erstwhile 1992 World's Fair tried to sell the fair not so much as a cultural event as a "development vehicle."

Even civic, public interest, planning, and research institutions have jumped into the act. Everyone is either searching, or thinks they have found a way to do something commonly called "getting Chicago on its feet again" or "turning things around."

There is no doubt that bold steps must be taken to improve Chicago's economy. But redevelopment should be undertaken in a way that enables Chicago residents to build communities where they can live and work. This is what the Chicago Workshop on Economic Development (CWED) is all about.

CWED is a coalition of 30 community-based organizations (CBOs) organized to promote community-based economic development—development initiated by and benefiting residents and workers of Chicago communities.

CWED emerged in the summer of 1982 in response to pending legislation authorizing Illinois Enterprise Zones.

Shared opposition to enterprise zones indicated a need for a new coalition. Current economic development policy and practice needs to be evaluated in terms of its impact on residents and workers of low-income communities. Alternative practice and policy—which offers communities a stake and a voice in determining their own future—needs to be developed.

In a little more than three years, CWED has made significant strides. Membership has tripled. CWED's 30 member groups now include all kinds of community-based organizations and enterprises—from youth-operated ventures to nonprofit housing groups now doing economic development. In fact, several CWED founders are also Chicago Rehab Network members.

CWED's accomplishments include:

- Changes in the City of Chicago's development policy to increase and improve support for community-based development.

- A public purchasing project which helped 25 locally owned businesses obtain city contracts. (The city's purchasing agent recently agreed to enact several recommendations developed by this project.)

- Workshops on producer cooperatives and community enterprises.

- Collaboration in creating the Community Economic Development Law Project. This project assists CBOs with legal issues ranging from incorporation to structuring joint ventures.

Currently, CWED is active on several

fronts:

*Building the capacity of CBOs to launch ventures.* The Community Ventures Working Group is a "venture roundtable" where representatives of CBOs meet monthly to review and learn from each other's venture plans.

Additionally, CWED is serving as local consultant to a National Economic Development and Law Center demonstration project on venture development by and for low-income women.

*Developing ways to influence public policy and private sector development.* Our October 1985 conference, "Locating State Resources for Community Economic Development," drew 125 people from community development groups. The conference produced a set of new directions for Illinois's development policies. And we are currently working with several other citywide organizations to win a workable linked development policy that balances investment between downtown and the neighborhoods.

*Expanding the constituency for community economic development.* This means devising ways for low-income residents to directly participate in making development decisions that affect their lives. In this vein, CWED is working to elicit the support of local religious congregations who share our vision of economic development from the bottom up.

For more information about CWED membership or activities, please call Wanda White, 559-8995.

*Tom Carlson is Director of CWED.*

Catholic Charities conducted extensive surveys of community organization directors concerning the state of community organizing in Chicago. In both surveys, directors overwhelmingly stated that one of their greatest problems is the inability to find staff capable of supporting organizing efforts, particularly minority staff. Both also mentioned a critical lack of experienced staff.

To understand why there is a lack of staff, we need to ask two questions: What are we doing to *keep* people in the profession? What are we doing to *recruit* people into the profession?

In a very unscientific poll, I counted up 21 ex-community organizers who I know had left the profession during the last six years (the list would have been far bigger if I could name the countless faces who appeared a time or two at a few meetings and then disappeared).

Of those 21 people the average stay in organizing was between two to three years, usually spent at more than one organization. I could pinpoint three basic reasons why people left the organizing field entirely:

- the pay and benefits were too low
- they were burned out from long hours
- they didn't feel like they knew what they were doing.

Many of those people had a firm commitment to social justice, which is a necessary motivation for an organizer. But it's not enough, in itself, to keep people in community organizing. Thirteen of the 21 people are still in some related nonprofit field. Now granted, a lot of those people probably shouldn't have been in organizing to begin with, but there were certainly some who would have stayed in organizing if the conditions had been better.

Directors are always struggling to recruit new staff, especially minority staff. An organization starts out the employment search with high expectations, only to find that it's necessary to decrease expectations in order to meet the bare minimum requirements. Jobs remain open for months as directors search for applicants who are at least *capable* of being trained as organizers; it is a rare exception when a job advertisement turns up an experienced applicant.

I have to ask myself, why are the majority of organizers single and white? Is it impossible to be a parent and stay in organizing? How can we compete with government and the private sector for minority applicants for community orga-



nizing positions?

What can we do to recruit people into the profession of community organizing, and what can we do to keep people in the profession? Here are some proposals:

- We need to get more people interested in making organizing a career. Be they leaders, college students, seminary students or whoever, we need to actively recruit people in a systematic, effective manner. To do this, we must have something to recruit people to. We need to provide an introductory training session hosted by Chicago organizations to give people a structured opening to community organizing. Trainees then should be assigned to organizations to get everyday experience from professional organizers. We need a method for teaching people simply what organizing is, and then give them an opportunity to try the work.

- An explicit recruiting relationship needs to be set up with universities, seminaries and wherever there is a potential to recruit new staff. We need faculty and those in touch with constituencies from these sources to be looking for potential candidates for a training program, or to recruit into staff positions.

- Community organizers must be challenged to develop community leaders into organizers. If we are doing our job correctly, we should be developing not only new leaders but new organizers. If we're not thinking in these terms, then we're only manipulators.

- Organizing is currently a profession without a future. We can no longer afford to pay people wages that encourage them to leave the work. If we want to keep experienced organizers we have to start paying higher salaries. We have to come up with salaries that allow a parent to have the option to consider a job in community organizing. I suggest we need to increase starting salaries from \$12-14,000 per year to \$18-\$20,000, as well as provide health benefits.

And don't tell me the money isn't out there—because it is. Organizers have just gotten hung up on being selfless to the point of ignoring their own needs. As a result, they burn out fast. While burn-out results from a variety of factors, paying people more money will surely encourage them to stay in the work longer.

I know because it happened in my own case. I was ready to move on from LSNA

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# Performance bonds: the pros and cons

by R.M. Santucci  
Rehab Work Group

The prevailing idea is that if a contractor defaults on a job, a performance bond assures the immediate reimbursement of all costs necessary to complete the job on time and within budget.

The prevailing idea is wrong.

The default of a contractor may still involve time overruns, cost overruns, rebidding the job, immediate cash-flow problems, and at least a three-fold increase in administrative time, with or without a bond.

With the bond, you may get some of your money back, maybe this year, maybe within five years. It depends on the number of lawsuits and counter claims.

So, it is important to remember that although requiring your contractors to have performance bonds may make you feel secure, they are not an absolute protection if a contractor does not finish the work.

The fact that a contractor qualified to get a bond provides a large measure of insurance that he will not default. A surety—a company that underwrites performance bonds—will not bond a contractor who does not meet stiff qualifications.

That fact eliminates many, if not most, small contractors from the bonding process. Although they could do your job with less cost than a larger company, they don't have the cash or the experience to satisfy a surety.

The general recommendation is that you should not feel compelled to require performance bonds from contractors on most smaller jobs. There are other ways to protect yourself as much as possible against defaults.

However, many lenders and government agencies that finance housing projects require performance bonds of contractors, no matter what. If you are in a situation where a bond is demanded, or if you are embarking on an expensive project, say, in the millions of dollars, here are some things you should know about performance bonds.

## The cost

Performance bond costs average 1 to 1½ percent of the contract amount—a pittance compared to almost any form of insurance or loan interest rate. A well-established, highly capitalized contractor only pays between .06 percent and 1.2 percent of the contract face amount for a bond. A highly qualified but inexperienced or small contractor will pay between 2 percent and 6 percent.

The cost of the bond is passed on to the customer, and experience shows that bonded jobs end up costing more than non-bonded jobs.

A study of gut rehab costs from 1978 to 1981 in the Philadelphia area compared 480 bonded jobs to 211 unbonded jobs. It found the average cost for three-bedroom rehabs was 32 percent higher on bonded jobs. On larger units, six bedrooms, the cost for a bonded job was 52 percent higher.

The default rate for both bonded and non-bonded jobs were essentially the same. That probably can be attributed to an effective pre-qualification of all contractors by the sponsoring agency—the cheapest and best form of default protection.

## The standards

Few businesses can meet the high bonding standards. Rehabilitation contracting has the second highest rate of failure of all businesses, and only 20 percent of companies of any sort survive five years or more.

Bonding in any open competitive bidding situation is used to screen out "unqualified" contractors. If no one will promise to loan the contractor enough money to finish the job if he gets in trouble, then the owner doesn't want him on the job at all.

Issuance of a bond amounts to an endorsement that a contractor has met relatively high standards in such areas as:

- Capacity to perform the work.
- Financial strength.
- Business integrity and ability.
- And willingness and ability to personally pay any loss on a project.

However, performance bonding has a built-in catch. Contractors who can get bonds are the least likely to need them. On the other hand, those who need them, can't get them.

The minimum underwriting requirements for traditional sources of construction bonds—insurance companies—effectively eliminate small and less-established contractors. But these are the very contractors and subcontractors who can offer an owner significant savings from reduced overhead, competitive spirit and willingness to work with sweat-equity groups.

## When default occurs . . .

In private work, the bond document and the contract govern when and by whom a claim against a bond may be made. The surety only guarantees what the contractor agreed to do. If a questionable default is forced on a contractor, the contractor can stop any action by the surety until the matter has been judged in court.

Owners are often judged responsible because of unclear plans and specifications, non-timely payment, and site conditions different from those set forth in the construction documents.

No matter who is finally judged at fault, the first step the surety takes is to investigate the facts. This can take from two weeks to six months or more. Then, if, and only if, the contractor asks the surety's assistance will the surety act. No surety will act on its own because it may become responsible for the job and lose its ability to collect any loss from the contractor.

To cure a default, the surety has three options:

- Finance the contractor until the job is done.
- Re-bid the project to another contractor.
- Let the owner finish and reimburse any loss.

Most often, the surety teams up with the contractor to protect itself from further loss.

This formidable team can be very aggressive at pursuing claims, extras, disputes and litigation against the owner.

### *Disqualifying factors*

Here are some typical reasons a contractor will be denied a bond:

- In business less than two to four years.
- Less than \$25,000-\$50,000 in liquid assets.
- Lack of a CPA-prepared financial statement.
- Lost money in last five years.
- Had a bond claim in the past.

Insuring yourself against default is a good, low-cost way to work with small contractors who don't qualify for a performance bond.

One method is to require the contractors and subcontractors to obtain irrevocable letters of credit at 10 to 15 percent of the face value of the contract.

Another way is to do your own research, thoroughly investigating your contractors and subcontractors before you sign a contract. Good research may take some time, but not much money, and can tell you a lot about whether a company can complete your job on time and budget.

Still another way is to make sure the contract provides enough financial back-up to complete the job should there be a default.

### *Letters of credit*

On most jobs—large or small—these are far more efficient default protection mechanisms than bonds.

They cost 1 to 1.5 percent per year, they can be made liquid immediately, they eliminate the interests of the bonding company to reduce losses, and they are more readily available to small contractors from banks and savings and loans.

If default protection is demanded by other parties to the contract, such as governments and lenders, ask them to substitute irrevocable letters of credit for performance bonds.

### *Personal research*

You can check out the record and resources of contractors and subcontractors to determine their ability and performance.

What you find out should be a big help in deciding whether a company stands a chance of defaulting.

At a minimum, your research should include:

- Tax returns for two years.
- Supplier recommendations and accounts for the previous two to four years.
- All work in progress.
- A schedule of job completion with the person responsible identified.
- Three to eight subcontractor recommendations.

### *Contract provisions*

Draw up a contract that provides for at least 10 percent withholding of earned construction costs after approval of the proposed schedule of values.

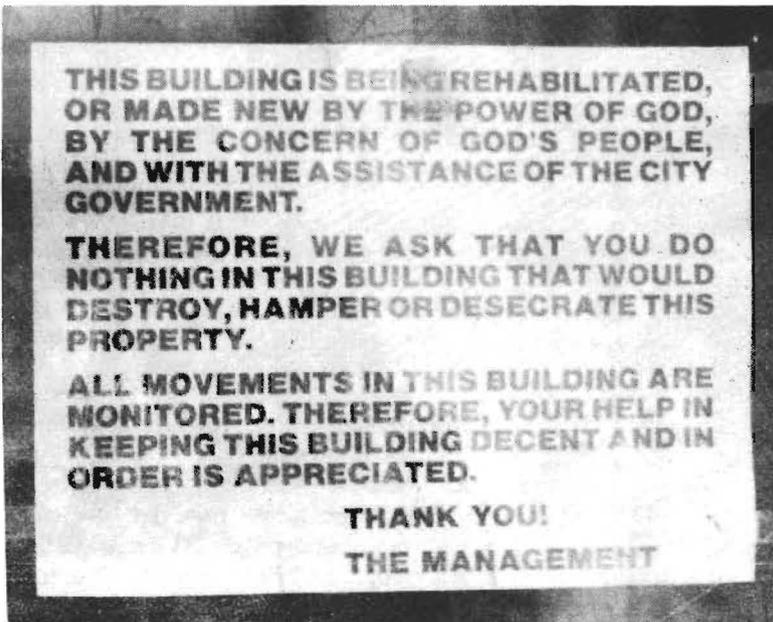
Be aware that smart contractors will submit a schedule of values where front-end jobs such as demolition and rough carpentry, are greatly overvalued and finish work is undervalued. This allows them to over-bill and bank your cash when you think you're withholding funds.

*Reprinted by permission from Cost Cuts, the newsletter of the Rehab Work Group, published by the Enterprise Foundation.*

## *Lending program: signs of progress*

*The Neighborhood Lending Program, administered by the Chicago Rehab Network and involving three downtown banks, is starting to make its impact felt in these two South Side communities.*

(Photos by Sara A. Daines)



## Coalition fights homelessness

(continued from page 1)

the questions remain the same. How do people become homeless, and how can we house them? Where does shelter for the homeless leave off and permanent housing begin?

The Chicago Coalition for the Homeless was founded by Brown and a group of fellow activists in 1980 to look for answers to these questions. Since then, the Coalition has grown from a loose-knit group of service agencies and individuals into a 140-member organization with three full-time staff.

But the number of people who need shelter has grown, too. Today, there are an estimated 25,000 homeless people in Chicago, with 1660 shelter beds available. They are single adults, families, and kids out on their own. The majority of them are not alcoholics, though as in the rest of society, substance abuse is common. Nearly all racial and ethnic minorities are represented among the homeless, with the majority being lifelong Chicagoans.

In this city of neighborhoods, more than 70 percent of homeless people stay in the neighborhoods rather than the Loop; sometimes in SROs (single room occupancy hotels), more often in shelters, alleyways, and abandoned vehicles.

Ninety percent are under age 55. A significant number (30 to 40 percent) have suffered from mental illness, but only 20 to 25 percent have been hospitalized.

The most striking thing about the homeless as a group is that they are not a distinct population whose situation can be easily explained. Like thousands of Americans, many were managing to get by on a meager income, until some unexpected event left them on the street.

"Most homeless people are out there because they experienced some kind of personal catastrophe that they were not able to recover from quickly," says Doug Dobmeyer, former director of REST shelter in Uptown, and president of the Coalition. Common among these causes are loss of employment, discontinuation of public aid benefits, domestic violence, or loss of income related to ill health.

The first priority of the Coalition has been to advocate for more emergency shelter to meet the need that is already there. "Pushing for more shelter is not a popular political position," observes Dobmeyer. "But as long as one person gets turned out when it's zero degrees and all the shelters are full, we will be pushing for more shelter."

So far, the Coalition has been successful in obtaining increased public funds for shelter. The state Dept. of Public Aid's fund for emergency shelter went from \$800,000 in 1985 to \$1.55 million in 1986. The City of Chicago has increased its funding from \$1.2 million in 1985 to \$2.5 million in 1986.

The City has adopted two ideas which originated with the Coalition: a winter emergency plan to expand emergency bed capacity during the coldest months, and a four percent amusement tax on health and exercise spas, revenues of which will be earmarked for emergency food and shelter. The tax is expected to raise from \$800,000 to \$1.5 million in 1986.

"We're generally happy with the [city] budget. There is still a need for better services, but the City has shown a willingness to work with us," says Harvey Saver, director of the Coalition.

While advocating for increased shelter capacity is a major objective, the Coalition has also begun to explore long-term solutions to the problem of homelessness. "We know that shelter by itself is not the answer," says Saver. "More and more shelter providers are looking for ways to get people out of shelters and into stable living arrangements."

Last spring, the Illinois legislature passed two Coalition-backed bills aimed at preventing homelessness. Senate Bill 1014 requires the Dept. of Public Aid to expedite the processing of applications of people due to be released from state correctional and mental health institutions. It is hoped that this measure will prevent the "dumping" of releasees with no money and no place to go onto the streets of a few Chicago neighborhoods. Senate Bill 1019 requires the Illinois Housing Development Authority (IHDA) to set aside \$4 million in bonding authority for the preservation and rehabilitation of SROs.

Alan Goldberg of the Jewish Council on Urban Affairs helped draft the SRO bill. He sees it as "an important step toward connecting the problem of homelessness with the solution of more affordable housing on a statewide level."

Dobmeyer agrees that the SRO bill was an important step. "I wouldn't call it a revolution," he comments, "but it is



(Photo courtesy Community Emergency Shelter Organization.)

## Organizing

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a start. I think most people are intelligent enough to see that homelessness is just the most visible manifestation of a failed national housing policy. Now we've got to convince them that there are alternatives to making people suffer and die in the street, and that those alternatives are within our grasp."

Part of this process involves working with the media to make people aware of the problem, its causes, and possible solutions. The Coalition has spent a lot of time trying to get its message out to the public through the media. Saver notes that there is a fine line between publicity that heightens people's awareness and publicity that upholds false stereotypes and desensitizes people. "The Coalition and other groups nationwide have been successful in pushing this issue into the open. Now we've got to go beyond that and focus on the underlying economic and political forces that continue to put people on the street."

Meanwhile, on the local level, the connection between shelter and housing has never been more critical. "It is very hard to find housing for families who are ready to leave the shelter," says Sister Maureen Gallagher of St. Martin de Porres House of Hope, a shelter for 75 homeless women and children in Woodlawn. "Most of the families here can't afford to rent an apartment in the private market, and there are no subsidized units available."

St. Martin's is looking into the possibility of purchasing a multi-unit building in the neighborhood for use as "second-stage" housing for families at the end of their 120-day stay at the shelter. Sister Gallagher comments, "When there are no alternatives, you've got to make your own, right?"

*Hans Hintzen is Program Associate for the Coalition for the Homeless.*



a year ago, but because of a recent salary increase I reconsidered my decision to leave.

- We need staff supervisors who are capable of training new staff and who can create step-by-step training programs to bring along new staff. We can't just push people out on the street and expect them to learn. Also, experienced staff need the opportunity to improve their skills each year with training aimed at a higher level of experience.

- We need to consciously address the problem of burn-out through vacation benefits, or compensatory time over a certain number of work hours. Where I work, a staff person is offered one day off per month for overtime, in addition to two weeks of vacation, a week at Christmas and assorted vacation days which all add up to one month vacation per year.

Some organizations are interested in the debate over how to keep experienced staff in organizing. There are other groups who think nothing of changing staff every year. Admittedly, the majority of those who enter organizing will not stay with it no matter what changes we

incorporate.

But let's think for a moment about what we have to gain by having more minority community organizers, more people with families organizing, more staff who can realistically make a long-term commitment to a neighborhood. We can gain more stable neighborhood organizations, and have more diversified staffs capable of better relating with leadership in a more equal partnership.

For many, though, the question is not whether to address such problems, but how to begin. One framework to bring organizations together to discuss answers to these concerns is the Community Organizing Training Co-op, currently housed by Catholic Charities. The co-op was created by organizers who recognized the inability of organizations to answer all training needs individually. Those who are working through these questions are encouraged to share experiences and ideas with me and other members of the community organizing community.

*Jean Butzen is Lead Organizer at Logan Square Neighborhood Assn. For more information on the Training Co-op, contact Steve Combs at Catholic Charities, 266-6100, ext. 226.*

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*Network President:* Bob Lucas  
*Network Director:* Bill Foster  
*Staff:* Joyce Arrington, Syed Azeem, Sara Daines, Juanita Ferguson, Cris Isaza, Lenwood Robinson, Ann Shapiro, Roberta Warshaw, Debbie Weiner

*Newsletter Editor:* Debbie Weiner  
*Contributors:* Jean Butzen, Sara Daines, Tom Carlson, Donna Smithey, Hans Hintzen, Bill Foster  
*Cartoonist:* Steven A. Williams, KOCO  
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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 Development Center

## SPOTLIGHT

# Woodlawn tenants work toward ownership

by Donna Smithey

*(Ed. Note:) This month, instead of featuring a Network group, we report on a project that a Network group is intimately involved in.*

*Covenant Development Corporation is helping a group of tenants in Woodlawn to take control of their HUD-owned building and develop it into a co-op. The leadership and initiative come from the tenants in the building, and Covenant is providing them with technical assistance in acquiring and rehabbing the property.*

"It's taken many years, but finally we've done it!" says Aslean Bradd, president of the recently-formed Tenants Association and Cooperative on Kimbark (TACK).

Bradd lives in a 12-unit building located at 64th and Kimbark in the Woodlawn neighborhood. TACK is negotiating with HUD to purchase its building after the previous owners, The Woodlawn Organization (TWO), experienced difficulty in managing the property.

The struggle of the tenants to exercise a measure of control over the destiny of the building stretches back to the early 1970s. HUD owned the building at that time. Management problems and tenant complaints, including eight months without hot water, resulted in HUD replacing the management firm. Two years later, in 1979, TWO began negotiating with HUD to purchase the building and two others in the neighborhood.

The tenants, wary of what might happen to their building, asked a long-time community resident to help them organize. "We held a meeting to decide what to do," says Regina Curry, "and the tenants decided to send a letter to HUD requesting information and a meeting. They never even got the courtesy of a response."

"We never knew what was going on, just that one day we got a note telling us where to send our rent checks," reports Bradd. She added, "After TWO bought the building, things were kept up for a year or so, but eventually we ended up not even having a janitor or being able to get any maintenance done. We found that we had to rely upon ourselves and one another to get things done."

Last year, HUD foreclosed on the three buildings and regained ownership of the properties. Last spring, tenants in the other two buildings received vacate orders from HUD and tenants in the Kimbark building felt certain that the axe would fall their way next.

"The name of the co-op should be 'ATTACK,'" commented Mattie Butler (director of Woodlawn East Community and Neighbors) in a recent meeting, "because that is what we had to do to save this building." The tenants were prepared to fight and not let control of the building slip through their fingers again. This time, the stakes were higher: HUD had tentative plans to demolish the building.

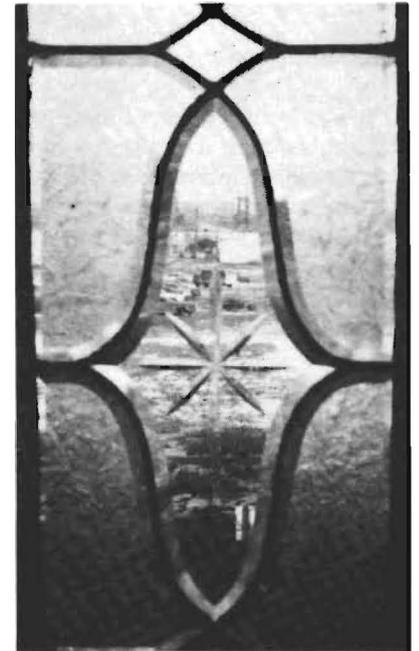
The WECAN/Covenant Housing Abandonment Prevention Project agreed to help, as did lawyers from the Legal Assistance Foundation (LAF). "When you're fighting a system you need resources to win," states Regina Curry, "and this time the difference is in having a team of committed people with the necessary resources."

The team grew to include tenants, lawyers, an architect, a developer and organizers from HAPP, and consultants



Florence Bradd, Aslean Bradd, and Susie Travis.

(Photos by Sara A. Daines)



from the Rehab Network. "The key has been our partnership in getting the job done. All the team members have brought special skills and interests which, combined together, have enabled us to present HUD with a proposal which we believe they will find difficult to refuse," states LAF lawyer Rob Grossinger.

In December, a full proposal was submitted to HUD for the acquisition of the property by TACK, including the establishment of an escrow account of almost \$5,000 which was required by HUD.

"It's tough to come up with this kind of money, especially before Christmas," commented one tenant, "but if they [HUD] think we've struggled this long to give up now, they are in for a surprise."

The tenants have been meeting weekly for several months to discuss different problems and issues that have arisen, and to make decisions on how to set up the co-op. Attendance has been excellent, with 80 to 100 percent of the apartments represented at each meeting. Bradd sees this as an indication of the level of determination and commitment.

"We'll make this work," she says. "We're learning how to work together and people like Cecil Lawrence from Genesis I [a co-op in South Shore] are helping us to learn what a co-op is all about. After all these years, you get tired of fighting to keep decent housing. But now we know we have a chance to win and that motivates us to keep going."

The tenants are now anxiously waiting for HUD to reply to their proposal for purchase.

*Donna Smithey is a member of Covenant Development Corp.*

## State housing programs explored

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a recent mortgage bond issue with a \$400,000 contribution from agency funds.

The California housing finance agency is also attempting to utilize its reserves. It has developed a way to capitalize upon the interest revenues generated by its surplus funds, and apply the extra revenue to low-income housing.

**CREATIVE USE OF BONDS:** The Massachusetts Housing Finance Authority recently issued a \$115 million mortgage revenue bond which included an interesting new twist—the “flip” bond.

Unlike more conventional bonds, the

flip bond (or convertible option, as it is sometimes called) has a low initial interest rate and investors are required to tender the bonds within a short period of time. The bonds are structured so the HFA or bonding authority may redeem them at that time or keep them outstanding by converting them to a longer term. If extended, the interest rate would be adjusted to coincide with prevailing market conditions. The obligations are then remarketed by the underwriter.

The flip bond is felt to be especially beneficial in financing multi-family housing projects. According to Paul Sachs of Goldman Sachs and Company,

the lead underwriters for Massachusetts's recent bond, by establishing a series of flip bonds and setting the mortgage rates to coincide with construction dates, a bonding authority could greatly reduce the risks associated with delayed projects. The bonds could also be structured so that a portion of the mortgage prepayments would be recycled in an effort to provide additional mortgage loans.

In Indiana, \$2 million in bonding authority mortgage revenues will be provided to mobile home buyers in the form of federal tax credits under a complicated scheme called mortgage credit certification. The tax credits may be applied to a

### Housing finance agencies examined

## A look at IHDA's history

Government involvement in the finance and production of low-cost housing dates to the New Deal and the federal initiatives that created local public housing agencies, such as the Chicago Housing Authority, in 1937.

State housing finance agencies are a more recent phenomenon, as they did not become involved in low-income housing development until 1960. The first statewide housing finance authority (HFA) was created that year in New York. The “second generation” of HFAs—Massachusetts, New Jersey, Michigan and Illinois—were legislated six years later. From 1968 on, state housing finance agencies were established at a steady pace.

While the specific legislation creating the HFAs has varied, their main function has been to encourage the production of low- and moderate-income housing. Until recently this has been accomplished through the use of federal housing subsidies together with the low-cost funding that has been available through the issuance of tax-exempt bonds. The HFAs lend money to homebuyers and private developers at favorable interest rates, and the developers in turn reserve a portion of their projects' units for federal subsidy.

The HFA model of housing production is attractive to states for reasons beyond the exemption of their bonds from federal tax. Because their operations are generally financed by loan payments and fees, they require no state appropriations and rarely impact upon a state's operating budget. As the HFAs have

their own debt limits, their borrowing does not affect the ability of the state to issue debt. As there is no general obligation of public revenues involved, a public referendum is not required.

But while HFAs enjoy many advantages, there are problems inherent in their structure which often keep them from responding to the needs of their low-income constituents. Because of their autonomous nature, and their concern with protecting their bond ratings, they tend to over-emphasize financial returns and often adopt a conservative attitude

on new construction, particularly of mixed-income housing developments in the suburbs. There was also a strong commitment “to seek and assist community groups who want[ed] to build low- and moderate-income housing in their neighborhoods,” according to IHDA's annual report in 1968.

During this period, IHDA acquired a reputation for professionalism and prudence. The agency boasted that it had never had to foreclose on a mortgage and had never been late on a payment to bondholders. In 1975, when New York's

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*IHDA's self-proclaimed conservatism contrasts with the wider social agenda it attempted to serve in its early years.*

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toward financing that is common within the banking and business community.

The Illinois Housing Development Authority (IHDA) was created in 1967 as an autonomous corporation to address the housing needs of low- and moderate-income families. The state legislature created IHDA as part of the Illinois Housing Development Act of 1967, which was based on the findings and recommendations of the Commission on Low-Income Housing. Granted \$100 million in bonding authority, its limit was increased to \$500 million in 1970-71. Subsequent legislative authorizations have raised IHDA's debt limit to more than \$1.5 billion.

In its early years, IHDA's focus was

Urban Development Corporation defaulted on a bond payment, IHDA was the only HFA to retain the highest overall bond rating. To this day, IHDA has one of the highest bond ratings of any state housing finance agency in the country.

However, during the past decade IHDA has become increasingly conservative, partly to protect this bond rating. For example, the Authority tends to favor large, for-profit developers over community-based nonprofits and it frequently focuses on the easier-to-serve “moderate-income” renter rather than the very low-income household.

A 1980 report of the State Auditor General concluded that IHDA “has pri-

portion of their annual mortgage interest. The credit will be made available in February, and is limited to mobile home buyers since they do not qualify for financing under the state's existing mortgage revenue bond program.

**COMBINATION GRANT AND LOAN PROGRAMS:** The North Carolina HFA has developed a pilot rental subsidy program in which low-income projects get monthly subsidy payments to defray tenants' rents.

Under New Jersey's Fair Housing Act, passed last summer, the New Jersey HFA will offer tax-exempt financing, grants, loans, and other aid, while the state Dept. of Community Affairs will furnish millions of dollars for loans and grants. The new initiatives are the result of a New Jersey Supreme Court ruling

mandating that low- and moderate-income persons be offered a "fair share" of housing opportunities.

The legislature appropriated \$15 million to the HFA and ordered it to use

HFA has also created a subsidiary development corporation.

**HOUSING TRUST FUNDS:** Introduced into the United States from Canada roughly three years ago, the concept

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*Despite major lobbying efforts of the banking community, the concept of the housing trust fund has caught on.*

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25 percent of its annual single family mortgage bond authority—\$110 million per year—to help localities fulfill the court order. Grants and loans will be offered to municipalities to help them develop low-income housing, and the

of the Housing Trust Fund (HTF) has spread across the country.

A housing trust fund is a pool of money set aside by the state legislature for

*(continued on page 13)*

marily chosen to implement those provisions of its mandate which will result in a high degree of financial viability for individual projects and which will aid it in marketing its bonds." The report goes on to say that "it is possible to argue that IHDA's rigorous financial viability standards may direct its programmatic efforts contrary to some of the expressed purposes of the 1967 Act."

Historically, the Authority has defended rather than denied its conservatism. In 1977, IHDA Chairman Bruce Sagan was quoted as saying that IHDA's success lay in "picking and choosing from the applications it has received, knowing there are only so many social purposes we would be able to fulfill at one time." He went on to explain that other social goals, such as providing work for minority contractors, might not be considered because they could "overburden the development."

In 1981, IHDA Director Donald Hoaglund argued that bond financing was responsible for many of the Authority's policies. "If IHDA handed out tax money, it could afford to take risks on small projects and chancy groups; but the authority has a responsibility not to default and seek a state bailout." Hoaglund went on to say that "the reason we're conservative is because of the bonds. To be able to sell the bonds and to get a good rating, we need a good reputation."

IHDA's self-proclaimed conservatism in the late 1970s and the 1980s contrasts with the wider social agenda it attempted to serve in its early years. This is best

illustrated by IHDA's growing financial position and its diminishing commitment to community-based housing development. IHDA's fund balance or net worth has climbed dramatically since 1975, to more than \$60 million in 1984. During this same time, IHDA's grants and loans to nonprofit housing corporations have dwindled to nothing. (However, in 1985 IHDA started working with six nonprofit groups in its mod rehab program.)

One reason for IHDA's change is that the grant and loan programs funded in the early years were set up with state appropriations that have not been repeated. The recent decline in federal involvement in state housing activities has also affected the agency. In its 1984 annual report, IHDA calls 1984 the "most pivotal year" in its history. Virtually all remaining federal subsidies for new multi-family housing development have been exhausted.

IHDA's response to the withdrawal of federal multi-family housing subsidies has been to pursue "new programmatic directions," states the annual report. In 1984, the Illinois Housing Development Act was amended to allow the Authority to provide mortgage financing for housing-related commercial facilities and to invest funds in financial investments to "maximize the return on its investment portfolio and thereby to uphold its fiduciary responsibilities to its bondholders and to the state."

The amendments were designed to give IHDA the flexibility to finance projects with "internal subsidies," using revenue from one group of tenants, such

as commercial or upper-income, to lower the rents of the moderate-income tenants occupying at least 20% of the apartments. A "linked development" program has also been established in which \$500,000 in loan fees from a Lincoln Park high rise will be used to write down the cost of a 120-unit housing development on the West Side.

However, in a recent *Tribune* "Point of View" column Jim Kiley, director of IHDA, stated that "such innovations barely scratch the surface of need." Kiley argues that the need for low-cost housing "can only be met with a resumption of federal subsidies."

But many of the city's housing activists think that IHDA should be looking closer to home for additional funding sources. IHDA has not approached the legislature for subsidies to complement its loan money. Also, the wealth that IHDA has accumulated the past several years has not been tapped. There are substantial reserve funds, and interest derived from these unallocated funds, which IHDA could make better use of.

These are sources of income that other states are pursuing (see other article). While it is vitally important that the federal government make a renewed commitment to housing, IHDA has a responsibility to vigorously pursue other options until federal subsidies resume.

"Nontraditional methods of financing must be explored," says Chicago Rehab Network President Bob Lucas. "IHDA can no longer rely upon a federal government which appears to have turned its back on the raging housing crisis."

## LETTER TO THE EDITOR

### *Kiley responds to IHDA criticism*

To the Editor:

Mike O'Connor's article "IHDA controversy builds" (November/December) displays a flagrant disregard for many essential facts relating to this agency and its numerous efforts on behalf of low-income families and the elderly.

To begin, the myth that IHDA finances a disproportionate number of lakefront developments is just that: out of 179 developments throughout the state, a dozen might qualify as "lakefront high rise." Of those that do, eight are elderly developments bearing 100 percent Section 8 subsidies. Another dozen developments in lakefront communities are low-rise rehabilitation projects.

Worse, and even more irresponsible, is the statement that "the vast majority of its projects" do not promote low-income housing. A simple examination of the facts would show that out of the 31,374 units financed by this agency, approximately 80 percent carry subsidies for low-income families and the elderly under either the Section 8 or Section 236 programs. Even considering presently unoccupied units currently under construction and units that are eligible for subsidies but currently occupied by persons paying market rents, we are still talking about well more than 23,000 units serving people from well below the poverty line to modest levels barely reaching 80 percent of the median income.

Mr. O'Connor's ignorance on this matter is appalling—and the fact that *The Network Builder* publishes such matter without verification does not exactly speak to any journalistic standard. Granted that Mr. O'Connor is a lawyer and not a journalist, he would be hard pressed to practice his profession with briefs as riddled with error as is his journalism.

Let me cite some of his more obvious errors and misstatements—just to set the record straight.

He calls the recently controversial high rise in Lincoln Park "this typical IHDA project." In fact, it is one of only three developments of its kind, financed under the 80-20 program since the Section 8 program was terminated. (Since it is not yet closed, it is not included among the 179 others we have financed.)

Even in discussing this development he fails to note that IHDA on its own initiative first forced the developer to adjust

for family size and reduce the rents from a federally acceptable \$680 to approximately \$435. Second, he ignores the fact that another IHDA initiative—our own linked-development program—will take approximately \$500,000 in fees and use them to write down the costs of a not-for-profit low-income rehab program on Chicago's West Side, involving more than 100 units that could not possibly be done without this funding linkage. (So much for his assertions elsewhere that we do not engage in "creative" initiatives to serve lower income families.)

I might also point out that while he notes we were sued over the Lincoln Park development (Eugenie Terrace), the court issued a summary judgment that (a) there was no "misuse" of tax-exempt funding in this instance and that (b) there was no violation of due process. A good lawyer might keep abreast of such developments in his field.

Also, while he criticizes the price ceilings on homes sold under the single-family program he ignores the fact that these are federal standards and guidelines to which we must adhere, rather than numbers we made up.

More significantly, he misses the fact that we initiated a special program (published well before the newsletter's publication) that is targeted toward homebuyers earning \$25,000 or less; this also happens to be our largest single-family program ever.

He reiterates complaints about "ineligible" tenants living in subsidized units without pointing out that they do not receive subsidies but pay market rent—and ignores the fact that we have been working to solve this problem for several years and have made great headway. Similarly, though he cites complaints about weatherization issues, he ignores the fact that we are developing energy standards aimed at solving many of these problems.

When he charges that IHDA has been "inaccessible" to nonprofit developers in the past, he conveniently omits the many cases in which we worked with such groups, including members of the Rehab Network. What he may mean is certain groups *he* favors may not have had IHDA loans.

He also ignores the essential fact that it has been economically impossible to involve ourselves with rehabs of a certain

small size until very recently. It was only the advent of the federal moderate-rehab program that made possible such projects with small, community-based rehabbers—and we moved vigorously to do so when it became feasible. (He snidely and erroneously attributes this to "pressure," thus managing to editorialize against us even when he basically approves of what we are doing.)

Finally, without cause, he casts a cloud over another of our legislative initiatives, in which we can finance certain commercial development associated with a residential development in order to write down rents. This is true linkage of a kind being promoted by the newsletter elsewhere in its pages. The fact is, he can cite no instance in our "track record" that would suggest the program would be abused—and the combination of federal and state restrictions would make abuse impossible.

In his opening comments he calls IHDA the "agency everyone loves to hate." It is certainly clear that Mr. O'Connor hates us—and apparently wants to promote more hatred by spewing a pack of lies and half-truths designed to serve his own purposes. He is certainly not interested in serving any standards of truth, accuracy or fair play.

Sincerely,  
James W. Kiley  
Director, IHDA

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#### *Mike O'Connor replies:*

To borrow a line from Hamlet, me thinks he dost protest too much. Moreover, Mr. Kiley's personal attack represents, at best, poor advocacy; the tenor of his response is so vehement as to suggest that the criticisms reported in my article struck the nerve of truth in his agency.

Beyond the dubious tone of his letter, the facts presented by Mr. Kiley fail to redeem IHDA's record. On the issue of whether IHDA really serves low-income housing needs he proudly, but disingenuously, points to more than 23,000 subsidized units serving low- *and* moderate-income people. Eligibility levels for both the Section 8 and Section 236 programs exceed \$25,000 per year; low income is generally identified in reference to the federal poverty level, presently \$10,650 for a family of four.

Mr. Kiley also conveniently ignores the fact that the Section 236 program does not result in rents that are affordable by low-income persons without additional

rent subsidies. In 39 projects there are 6,083 subsidized units, but only 1,279 units (21%) carry additional subsidies under the Rent Supplement or Rental Assistance Payment (RAP) programs.

The response to criticism of the family mortgage program refers to the federal regulations to which IHDA must conform. There are no regulations which prohibit provision of counseling or loans for repairs. However, IHDA does not offer such programs. The Pennsylvania Housing Finance Agency has adopted such policies, and the median income of its participants is at 80% of the state's median income, compared to the Illinois rate of 100%—the latter is truly a middle-class program.

The innovation announced in November for the family mortgage program which limits participation to \$25,000 family income is a step in the right direction, and I wish the agency success. However, without adopting additional policies such as those in Pennsylvania the

participation rate for low- and moderate-income families is not likely to increase.

Mr. Kiley has a difficult job, and, as I tried to suggest in the November article, some of the problems are not the fault of the agency he serves. The real challenge for such a public official should not lie in making personal attacks on a messenger reciting generally acknowledged criticism, but rather in viewing—and using—such criticism as a resource to help develop public policy that would move Illinois toward the goal we both share: affordable housing for all.

*(Ed. note):* Mr. Kiley points out that we failed to mention a special new program targeted toward homeowners earning \$25,000 or less. Actually, the newsletter had already gone to press at the time the program was announced, or we surely would have commented on it.

This program which he refers to as IHDA's "largest single-family program ever" is indeed, at \$275 million, the largest loan program in Illinois history.

## State housing programs

*(continued from page 11)*

low-income housing. The money is usually earmarked from a special source. An HTF typically involves an assessment on real estate escrow accounts: earnest money deposits, real estate tax or insurance escrows, and security deposits on rental properties.

Should a trust fund be established, interest earned on these monies would be placed in a central fund for housing. An appropriate fee for administrative costs incurred by the depositories would be deducted. An extremely flexible tool, the HTF could be used in whatever fashion that best meets the needs and resources of the state. It is not intended to replace but to enhance existing housing funds and methods of financing.

Despite major lobbying efforts of the banking community, the concept has caught on. Thus far the most successful attempts to develop an HTF have been in California, Maine, Iowa, and New York.

A sum of \$420 million from surplus tideland oil revenues was dedicated by the state legislature for a California housing trust fund. The monies, dedicated annually for a period of three years, are to be used for farmworker housing camps and to fund other state homeownership and rental housing loan and grant programs.

Maine's HTF was created to subsidize a single-family mortgage program for

moderate-income families. A new real estate transfer tax, charged to buyers of all types of real estate, will be used to finance the fund. The tax is expected to raise \$2.2 million per year.

A Title Indemnity Fund was created in Iowa. The interest earned on escrow deposits will be the basis of its HTF.

A state appropriation of \$25 million was set aside for the New York HTF. The monies are to be awarded as grants or loans and are to be used for new construction or rehab of low-income rental housing.

Several state legislatures are studying the possibility of implementing a housing trust fund in their state: Delaware, Oregon, North Carolina, Michigan . . . and Illinois.

Illinois's involvement in the issue is the result of a resolution offered by Sen. Earlean Collins and adopted by the legislature last summer. The resolution asks that IHDA consider the development of a state HTF. IHDA was mandated to assess the feasibility of a trust fund, develop a plan for its administration and fund disbursement, and hold public hearings. However, the advisory committee charged with this responsibility did not meet until November. It is to report its findings to the Senate by mid-February.

Members of the nonprofit community are concerned that a state HTF will die with IHDA. The advisory committee is

However, it was targeted to households making \$25,000 or less for a mere three weeks, from November 13 (the day the program was announced) to December 5.

In that time period, roughly \$30 million of the \$275 million bond issue was set aside for *possible* loans, pending a review of the applicants. Under current program guidelines, households earning up to \$55,300 are eligible. The program only finances home acquisitions, not rehab. Nor does it finance purchase of mobile homes. These restrictions will make it hard for city dwellers or rural low-income people to take advantage of it.

Although IHDA may serve 23,000 subsidized families, many may not be low income. A single person making around \$20,000 is certainly not low income, but does qualify for a subsidy. These levels (and the single-family program levels) are in full conformity with federal standards. That doesn't mean they meet the needs of low-income people in Illinois.

small, and composed mostly of bankers and representatives of the real estate community. Ironically, both these groups have the most to lose because they are the parties that gain interest from the types of deposits that could be used for HTFs. The only committee member with no financial interest is the Woodstock Institute.

A preliminary feasibility study of an Illinois HTF has already been completed by Woodstock. According to the study, roughly \$5.8 million in earnest money escrows, \$50.6 million in mortgage-linked tax and insurance escrows, and \$27.5 million from security deposits are available statewide. These estimates are conservative, according to Woodstock.

The future of an Illinois trust fund lies with IHDA. Unfortunately, according to David Rosen of the Housing Trust Fund National Demonstration Project, of the states currently studying the feasibility of HTFs, "Illinois is the least well organized, with the least intensive effort."

\* \* \*

If the housing needs of the state of Illinois are to be met, options such as the housing trust fund and other programs mentioned here should be explored. Above all, the state legislature needs to make a commitment to housing. Other states appear to be taking some progressive steps. The opportunity exists for Illinois to do the same.

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## THE PLUMB LINE

**BABY BOOMERS' NEWS:** Congratulations to *Joyce Arrington* on the birth of her new son, Dominique, who weighed in at six lbs., six oz., on Christmas Day. Joyce is taking a few months' leave from her position as office manager of the Network, and we'll all miss her. . . . Further accolades to *Jean Pogge* of the Woodstock Institute on the birth of Alexander.

**COMINGS AND GOINGS:** KOCO welcomes *Jewell M. Ross* as its new director of housing and economic development. Jewell was formerly the director of the mayor's office of housing conservation in Gary. . . . Peoples Housing recently hired *Ann Rainey* to be its new property manager. Ann is returning to the non-profit world after a stint as a property management consultant for a large real estate company. Ann at one time was director of the Housing Services Center in Rogers Park. . . . Speaking of HSC, *David Hunt* was named permanent director of the organization in early

December. . . .

The Network said goodbye to controller *John Kantanka* after four years of service. John has taken a position with the State of Illinois, and enjoys his new position in the heart of the bureaucracy. Filling his shoes is *Syed Azeem*, who joined the Network in December. Syed comes to us from Olympia, WA, where he worked for the State of Washington for 13 years. . . .

*Marie Franchett* has also become bureaucratized, leaving the 18th St. Development Corp. and the Rehab Network board for the Dept. of Housing. We hope she comes to visit us every once in awhile.

**NEW DEVELOPMENTS:** As of the end of December, all but two of the Phase I tax reactivation buildings closed. Currently undergoing construction are projects developed by Bethel, TNI, Peoples, and NHS. Also closing in December and currently under construction are 30 units of housing developed by KOCO.

**THE CELEBRITY SCOOP:** *Gale Cincotta* was featured in *Ms.* magazine's year-end issue as one of the twelve "Women of the Year" for 1985. Also honored was some comedian named *Lily Tomlin*, or something like that.

**HELP WANTED DEPT.:** PRIDE has job openings for a bookkeeper and for a secretary/receptionist. Call Mike Rohrbeck at 379-4412 for more info. . . . Bickerdike is looking for a community organizer. Contact Jane Zamora at 278-5669. . . . Voice of the People will be hiring an economic development project manager to coordinate local employment efforts and plan new venture development. For more info, contact Tom Lenz at 769-2442.

**MORE HELP WANTED DEPT.:** If you have any items you would like to submit to the Plumb Line, we would like to hear from you! Call Bill Foster or Debbie Weiner at 663-3936.

## More bad news for housing

(continued from page 16)

real possibility that Congress will simply terminate programs it has been able to protect before.

It is unclear what kind of havoc Gramm-Rudman will wreak on domestic programs over the next five years. What is clear is that all urban programs will be affected. We'll know soon what Gramm-Rudman will mean for 1986, because if Congress is unable to agree on \$12 billion in reductions over the next couple of months, the "across-the-board" cuts will go forward in March.

However, "across-the-board" means something different to the folks in Washington than it means to us ordinary people, since the President and Congress managed to exempt a majority of the federal budget (including a hefty chunk of the defense budget) from Gramm-

Rudman. As a result, only 27 percent of spending programs will bear the brunt of the automatic cuts—13 percent of the whole budget if you include tax expenditures. The smaller the percentage of the budget to be cut, of course, the deeper the cuts will have to be in each program that has not had the good fortune to be exempted. Housing programs, needless to say, are not exempt.

Last but not least, on Dec. 17 the House passed the Ways and Means Committee's tax reform package, due to some last-minute arm-twisting of recalcitrant Republicans on the part of President Reagan. The bill weakens current tax incentives for investing in low-income housing.

Although the bill sets up a three-tier depreciation system in which low-income housing receives more favorable treatment than other types of real estate,

depreciation is still much slower than under current timetables. The bill does retain the "at-risk" exemption for low-income housing and all real estate with third party financing. Nevertheless, both the National Low-Income Housing Coalition and the National Association of Housing and Redevelopment Officials have vowed to lobby to strengthen low-income housing provisions when the bill comes up in the Senate.

So where are the bright spots? Well, for one, there are elections coming up this year and control of the Senate could be up for grabs. We have the chance to work to elect candidates who are sympathetic to low-income housing, and the opportunity to lobby incumbents who need our votes. It's going to take a great deal of involvement on the part of housing advocates to stave off the greatest challenge yet to low-income housing.

## COMMUNITY FORUM

### *City's mortgage program underway*

Loan applications for the City of Chicago's latest mortgage loan program are now being taken, according to a Dept. of Housing spokesperson.

The Chicago Affordable Mortgage Program (CHAMP II) will offer the lowest interest rate available for a 30-year fixed rate mortgage: 9.68 percent.

The loans are available to first-time

homebuyers who plan to live in the properties they buy. (A first-time homebuyer is defined as someone who has not owned a home in the last three years. In certain target areas, the "first-time" requirement may be waived.) Annual family income may not exceed \$50,000. Properties must be one to four units.

Money is available for both purchase

and rehabilitation. Closing fees are 1.5 percent in target areas, and 4.5 percent in other areas.

Applications are being taken at twelve participating neighborhood banks. For general information, call DOH at 435-6214 or 922-8275. More than 1500 homeowners received loans last year under CHAMP I.

### *Utility plan provides relief*

The 12 percent affordable budget plan for low-income utility customers took effect on December 1 on an interim basis.

The Illinois Commerce Commission implemented the plan through a 150-day emergency rule. In coming months the ICC will hold hearings to work out details of a final plan, which must be in place by May 1.

Customers who participate in the 12 percent plan will not be disconnected from utility service if they pay monthly a total of 12 percent of their income for

energy between December 1 and April 30. To be eligible for the 12 percent plan, applicants must be eligible for the Illinois Home Energy Assistance Program (IHEAP). To sign up for the plan, applicants must go to the local agency that administers IHEAP in their area.

The affordable budget plan was signed into law by Governor Thompson last year after an intensive organizing campaign by a coalition of community groups from all across the state. (*From the Support Report*)

### *Crossroads announces grant deadline*

The Crossroads Fund will be accepting applications for 1986 grants on Monday, Feb. 3, and Friday, August 1.

Crossroads makes grants for both general operating support and for special projects. Grants are generally in the \$1000 to \$3000 range, although grants up to \$5000 will be considered. In general, grants are awarded to groups with budgets of under \$100,000.

For more information, contact the Crossroads Foundation, 343 S. Dearborn, Suite 1813, Chicago, 60604; 987-0941.

### *United Way offers workshops*

The United Way of Chicago will hold a series of winter workshops for non-profit groups. The topics are:

Board/Staff Relations, Feb. 6; Preparing for Consultation, Feb. 11; Performance Appraisal in Human Service

Organizations, March 18 and 25; Financial Management, March 19.

For more information, contact Pamela Bax, United Way training coordinator, at 580-2813.

### *Access an architect*

The Access Center recently announced that it will provide architectural assistance to community organizations. Groups which have building, architectural, construction, structural, and code related needs for their facilities are eligible for assistance, as well as organizations involved in housing rehab or new construction.

For further information or to make an appointment, contact the Access Center at 638-8700.

### *Organizer training sessions planned*

The National Training and Information Center (NTIC) will hold a training session for community organizers and leaders from March 17 to 21, at its office at 954 W. Washington, Chicago. Each session will last all day.

Workshops will include such topics as leadership development, coalition building, negotiation, fundraising, and strategy and tactics. For more information, call NTIC at 243-3035.

### *Foundation for women formed*

A group of women in the Chicago nonprofit and philanthropic community have recently established a foundation to fund organizations and projects that address women's needs.

The Chicago Foundation for Women (CFW) is one of more than 20 foundations formed across the country expressly to serve the needs of women. The Foundation will particularly focus on helping to address the concerns of low-income women.

For more information, please contact the Donors Forum at 726-4877.



# HOUSING SUFFERS MORE FEDERAL BLOWS

The news from Washington, D.C., is not good.

Housing programs received a triple whammy in December, as Congress passed the Gramm-Rudman balanced budget amendment, the House passed a tax reform bill that greatly weakens incentives to invest in low-income housing, and details of President Reagan's fiscal year 1987 budget began to be leaked to the press.

In no particular order, here are the gory details:

President Reagan's FY 1987 budget, which he must present to Congress in February, calls for a rescission of \$6.6 billion of the \$9.9 billion allocated to HUD for FY 1986. An additional \$2.1 billion would be deferred until 1987, leaving HUD with only \$1.2 billion for FY86. A rescission is the permanent cancellation of already-approved budget authority, and requires the approval of Congress. A deferral can be announced by the President and stands unless specifically overturned by Congress. If Reagan gets his way, HUD will be left with very little this year.

The budget also calls for termination of the Rental Rehab, HODAG, and Section 312 programs; a 5 percent cut in CDBG, and a deferral of \$500 million of FY '86 CDBG funds to FY '87.

This gutting of HUD is similar to what the President tried to do last year. As you may recall, Congress responded by virtually ignoring the President, and funding

most programs at previous-year levels. However, this time the story may be different, because of the recent enactment of the Gramm-Rudman amendment.

As reported in our last issue, Gramm-Rudman is a scheme for balancing the budget which requires the President to implement "across-the-board" spending reductions if certain target goals aren't met toward reducing the deficit every year between 1986 and 1991. This means that as soon as Congress returns in late January, it will have to begin reconsidering all the funding decisions it has already made for this fiscal year.

Congress must cut \$12 billion from the FY '86 budget in order to avoid triggering Gramm-Rudman's automatic cutting mechanism. The scope of the reductions is so great that for the first time since 1981, there is a very

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