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Why lending alone won't solve Chicago's affordable-housing problem

Ian Freimuth via Flickr

The lack of lending in Chicago's low- and moderate-income neighborhoods is a troubling trend for the region's affordable rental housing (see Crain's story: **"Study: Landlords on South, West sides can't get loans"**). As DePaul University's Institute for Housing Studies report shows, downtown and North Side neighborhoods have more than recovered from the recession. Meanwhile, low- and moderate-income communities on the South and West sides continue to struggle.

Multifamily loans in low- and moderate-income neighborhoods typically finance small, five- to 49-unit rental properties that are affordable and house our region's workforce. Most of Chicago's multifamily housing stock is more than 75 years old, and a lack of access to financing to rehabilitate and maintain these buildings will lead to their permanent loss. The longer these lending trends continue, the greater the threat to our region's affordable-housing stock.

We must preserve these buildings to keep up with increasing demand. In Cook County, more than

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r households earn less than $33,000 annually, and the **gap between the supply and**

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ble rental housing requires significant public subsidies, and those subsidies are shrinking. Preservation is the necessary and efficient approach.

nately, the challenges to preserving the stock go beyond the lack of credit described by DePaul. rents and property values threaten the subsidized affordable rental stock in strong markets. In the depths of the crash, very few government-assisted affordable rental properties opted out of their government contracts. Today, a booming real estate market in many areas again threatens to squeeze out these affordable units.

ng markets, government-assisted buildings are likely the only affordable rental in the area. Owners, ment agencies and community groups must work together to keep government subsidies in place or help to find viable new buyers who will preserve the building's affordability.

On the flip side, affordable rental buildings in struggling markets cannot survive if neighborhood deterioration depresses values and demand. Targeted efforts by government, nonprofit and for-profit players to focus resources and investment in concentrated areas will bolster neighborhood vitality and strengthen affordable rental buildings. Finally, building owners in all markets wrestle with high operating costs. Owners can lower energy costs with multifamily retrofits and cut property taxes by appealing their taxes.

Access to credit is a vital component of preservation, but it is not the whole answer. Only a multifaceted arsenal, with neighborhood-specific strategies, will ensure that affordable rental housing in strong, healthy neighborhoods is preserved for years to come.

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Robert Munson • 4 months ago

I agree with targeting certain neighborhoods, particularly since the City is insolvent and needs to maximize resources.

But we also must add quickly reforming City Ordinances that unnecessarily raise the cost of housing and, thus, make it unaffordable. In a study done by a former Deputy Commissioner, Chicago's building Code raised the cost of housing by 10 to 14% unnecessarily. (This was before the ridiculous code on porches.) Since these costs need to be financed, the unnecessary cost approaches 20%. If landlords had their costs reduced 20%, the supply of AH would increase fast. Any strategy that does not include reforming City Ordinances will not succeed.

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Anonymous By Nature • 4 months ago

A missing piece to this arsenal is the availability of jobs that pay a living wage or greater. Wages are an essential component of affordability. As wages decline, affordability declines, lowering the minimum an individual can pay for an apartment and raising the amount needed from owners, government agencies and community groups to cover the minimum operating costs of a property. These three groups are made up of taxpayers who are also feeling the squeeze of stagnant incomes or revenue sources. A broader economic solution is to expand what individuals and families can afford. Some will argue that will lead to inflation. Runaway inflation is never good for an economy, but we shouldn't be afraid of the word entirely, modest inflation means that the value of goods and services is growing. I think in many of these neighborhoods deflation has been going on for years and it is disastrous. Heat, electricity, new windows and paint cost the same in Englewood as it does in Lincoln Park, but the income earned in Englewood can't support the improvements, and there isn't and shouldn't be a social program big enough to fix it. It should be market driven, supported by wages. Struggling neighborhoods will then once again be affordable, and assistance programs can be tailored to those still in need.

Appealing property taxes will save some money sometimes, but changing tax rates and govt. budgets make that an unpredictable benefit. Retrofitting properties to be energy efficient is also good policy but requires cash upfront, meanwhile energy rates can and do still fluctuate putting

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