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Rafael Leon: Solving affordable housing means preserving what we have, not just building more

Encuentro Square apartments in Logan Square is a city-supported affordable housing project, March 20, 2025. (Audrey Richardson/Chicago Tribune)

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Chicago faces a shortage of 120,000 affordable homes. Gov. JB Pritzker's abundance housing package rightly targets the need for more housing construction. As the Tribune Editorial Board points out in its Feb. 26 piece, the legislation "will go a long way to foster more housing supply, which is how we'll eventually lower those costs."

In the meantime, too much of the public discourse on this issue continues to be focused on building new subsidized affordable housing.

This discussion misses some devastating math. The Institute for Housing Studies at DePaul University found that Chicago's affordable rental housing declined from 45% of all rentals in 2012 to 37% in 2023 — a loss of roughly 5,000 affordable units per year. During the same period, the City of Chicago Department of Housing produced an average of 1,100 affordable units annually through new construction and rehabilitation. Chicago is losing affordable housing nearly five times faster than it's replacing it.

Recent city-supported affordable housing projects cost between $644,679 per unit (Thrive Englewood) and $766,350 per unit (Encuentro Square). That's roughly 50% more than downtown luxury apartments. Chicago's subsidized affordable housing somehow costs more to build than luxury development.

Meanwhile, the city is hemorrhaging the affordable housing it already has. More than two-thirds of Chicago's affordable housing isn't government-built; it's nonsubsidized affordable housing, which some people refer to as naturally occurring affordable housing: older walkups, small- and medium-size courtyard buildings, and two- and three-flats that rent below market rates. Developers are buying these buildings for upscale conversions. Owners are walking away as costs exceed rental income. Once lost, replacement is astronomical.

My organization acquires and rehabs existing buildings on the open market at a cost of $150,000 to $200,000 per unit — about one-third the cost of new, low-income housing tax credit construction. Mission-driven organizations like mine have been preserving affordable housing using this model for decades to deliver financially sustainable affordable housing that generates reasonable returns while serving working families. It may not be the 15% to 20% returns that most new construction provides, but it's sufficient to meet our obligations and meet our mission without public subsidies.

The preservation advantage isn't just cost. It's also time. New construction can take three to five years from concept to occupancy. Many preservation projects can be finished in as little as 12 months. Speed matters. According to the Chicago Housing Authority, there are more than 30,000 families on Chicago's Section 8 wait list — which has been closed since 2014.

Most critically, preservation prevents displacement. Families stay in their homes and communities. New construction, however necessary, doesn't prevent the loss of existing affordable housing or the displacement that follows.

Federal policy compounds the problem. The low-income housing tax credit program favors new construction over preservation in allocation formulas. Despite recent improvements, the system still steers capital toward expensive new buildings while existing affordable housing converts to market rate.

Furthermore, often government programs are for the benefit of individuals at 60% of median income, leaving the middle class with no options to find affordable housing. Who is looking after those who make too much money for a publicly funded project but make too little to afford market rents?

The preservation opportunity is time-sensitive. Neighborhoods that were solidly working-class five years ago now attract developers seeking upscale conversions. Every month of delay means more buildings lost.

Recent trends make this worse. Operating costs have surged. Insurance premiums are doubling in some markets, property taxes are rising with assessed values, and utilities and maintenance costs are far outpacing inflation. For owners operating on thin margins, these pressures trigger either deferred maintenance or sale to developers who can reposition buildings at market rates. Rather than fighting market forces, we should facilitate preserving buildings as affordable by making private funding easier to access for mission-driven organizations.

Portland, Oregon, provides acquisition financing for nonprofits to purchase naturally occurring affordable housing before it’s lost. Minneapolis fast-tracks approvals for preservation projects. Boston created a preservation fund that partners with mission-driven developers. These aren’t radical innovations — they’re pragmatic responses to the same economic realities Chicago faces.

The city can rebalance by doing the following:

• Scale up acquisition financing immediately. Create a dedicated fund that allows experienced nonprofits to move quickly when buildings come to market. Speed is essential — once a building sells to a market-rate developer, the preservation opportunity is gone as equity funds are scarce.

• Streamline approvals for preservation projects. These buildings are already built and occupied. They don’t require the same extended review process as new construction. Create an expedited approval track.

• Redirect capital from the most expensive strategies. Every dollar spent on a $750,000 new construction project is a dollar not spent preserving

• Provide property tax incentives in exchange for long-term affordability commitments and, most importantly, market them to private owners. Owners who commit to keeping rents affordable for 15-plus years should receive meaningful tax relief.

• Treat preservation as urgent infrastructure investment, not charity. The city protects existing water mains and bridges because replacement costs are prohibitive. The same logic applies to affordable housing.

Let's recognize that state and local governments can't do this alone. Preservation requires private capital and equity investment — from foundations, corporations committed to Chicago's future, socially-minded investors and banks willing to take equity stakes in nonprofit deals. The model works: Preservation generates reasonable returns and delivers housing years faster than new construction.

Preservation and new construction aren't competing strategies — they're complementary. We must prioritize approaches that deliver the most housing per dollar invested.

Our shortage of affordable housing requires Chicago's civic, business and nonprofit sectors to work together on solutions that scale. Meeting this moment means protecting existing affordable housing with the same urgency we bring to new construction.

When you're in a hole, the first thing to do is stop digging.

Rafael Leon is CEO of Chicago Metropolitan Housing Development Corp.

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