



CHICAGO ENTERPRISE BUSINESS COMMENTARY

Details get nailed down for 2 affordable housing deals on South Side

The projects in West Englewood and Pilsen are designed for families, helping fill what experts call an unmet need.

By David Roeder | Aug 14, 2023, 5:00am CDT

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A rendering of the housing redevelopment planned at the former Charles Warrington Earle School, 6121 S. Hermitage Ave. | Gorman & Co./Beehyve

Affordable housing in Chicago is a knotty problem with a simple imperative: the city and region need more of it.

For renters, demand in the best areas and rising costs embolden landlords to push prices higher. For buyers, higher valuations and a run-up in mortgage interest rates to levels not seen in years has put more homes out of reach. Higher property taxes take a toll all around.

DePaul University's Institute for Housing Studies showed that the supply of affordable units in the city fell in 2021, the latest year for which data were available. It identified a steep decline of apartments in two- to four-unit buildings, which it said are traditionally "the backbone of Chicago's unsubsidized affordable housing supply."

DePaul pegs the shortfall in affordable rental units within Chicago at 119,000 units, up around 20% since 2019.

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On Thursday, if all goes well, the Chicago Plan Commission will advance two anticipated projects to help with the housing backlog. These South Side projects are slated to be 100% affordable buildings under the rules of a city ordinance.

Both have been in the discussion and neighborhood vetting stages since 2017. If fortune allows, they should welcome renters by late 2025 or early 2026, which gives you an idea of the long time frames that apply to affordable development.

The plan commission is a mayoral-appointed agency that advises the City Council about major projects. The Council could take up the South Side deals when it meets Sept. 13.

Homes for families

One project is in West Englewood, the conversion of the former Charles Warrington Earle School at 6121 S. Hermitage Ave. It was one of 50 schools shuttered in former Mayor Rahm Emanuel's property purge a decade ago. Neighbors were worried about what would happen to a former community anchor.

Gorman & Co. plans to preserve it as 50 one- and two-bedroom rental units called Earle Family Residences. Ron Clewer, Illinois market president for Gorman, said it's roughly a \$30 million project that relies on tax credits and other help to hold down rents for a target market that includes "small families at risk of homelessness."

Clewer said monthly rents will be priced to be affordable, a standard defined by the federal government, for families earning 15% to 70% of the area's median income. Currently, the Chicago area's AMI for a family of four is \$110,300 a year. According to the city's published limits, a one-bedroom apartment in the 15% AMI program can rent for as little as \$310 per month if the landlord covers utilities.

The project also has a second phase on the southern part of the school site. Clewer said plans call for 25 newly built townhomes. The company also intends to acquire vacant sites on adjoining blocks for infill housing, perhaps another 15 units. They'll be rented but tenants will have the option to build equity, buying the property in a few years by

paying off remaining debt.

Clewer said it's technically not a rent-to-own setup but operates much the same way.

Gorman, based near Madison, Wisconsin, has built affordable and workforce housing in 12 states and has a roughly \$2 billion portfolio.

"Every development we do is unique for the neighborhood it's in," Clewer said. "We never do the same development twice."

Gorman separately has won approval for another Englewood project, the conversion of the former Woods Elementary School, 6206 S. Racine Ave., into what it calls the Regenerator, 48 affordable units with a health center and community space. The two projects will be Gorman's first Chicago ventures.

Also before the plan commission is a deal by the nonprofit Resurrection Project for a vacant acre on the edge of Pilsen at 2134 S. Ashland Ave. It's an estimated \$60 million project for 98 units on what was the site of a custom welding business.

Guacolda Reyes, the group's chief real estate development officer, said the mix of one- to three-bedroom units will have rents computed for those at 15% to 70% of the AMI, with an average for the building of less than 60%.

She said rents for what will be marketed as Casa Yucatan should range from about \$528 per month for one bedroom to \$1,300 for three bedrooms, below market rates in the area. Like the Gorman project, it will have no studio apartments.

“This is for families. We want to serve those families that are being priced out of Pilsen by gentrification,” Reyes said.

Reyes has run the gauntlet of tax credit approvals and secured \$15 million from a tax-increment financing district covering Pilsen. It’s a subsidy from property taxes paid within the district.

The project couldn’t move forward without the help, but Reyes said the city needs to streamline approvals from city agencies to prioritize affordable housing. She said developers of market-rate units don’t face as many costly bureaucratic hoops.





A rendering of the Resurrection Project's housing development proposed for 2134 S. Ashland Ave. | Resurrection Project/DesignBridge



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