

# Report on Chartered Institute of Housing Study Visit to Chicago

25 February 2006 - 2 March 2006



By Jonathan Cavanagh BSc (Hons)

## Contents

### Page number

Abbreviations	1
Figures	2
1.0 Executive Summary	3
2.0 Introduction	4
3.0 Background	5
4.0 General Housing Trends in Chicago	6-7
5.0 Resources	8-9
6.0 Role of Delegate Agencies	10
7.0 Public/Private Partnerships	11
8.0 Employer Assisted Housing	12
9.0 Housing Type Specific Programmes	13-14
10.0 Conclusion	15

References

Appendix - (Scrap book)

## Abbreviations

CDBG	-	Community Development Block Grant
CHA	-	Chicago Housing Authority
CIH	-	Chartered Institute of Housing
DOH	-	(Chicago) Department of Housing
HCBA	-	Historic Chicago Bungalow Association
HUD	-	(US Department of) Housing and Urban Development
LISC	-	Local Initiatives Support Corporation
MITR	-	Mortgage Interest Tax Relief
NEF	-	National Equity Fund
NHS	-	Neighbourhood Housing Services
SRO	-	Single Room Occupancy
TIF	-	Tax Increment Funding

## Figures

Page

Figure 1	Demolition of CHA Public Housing to make Way for new mixed income developments	4
Figure 2	Close-up view of John Hancock Centre from Skydeck of Sears Tower (103 <sup>rd</sup> floor)	5
Figure 3	New mixed income developments around Cabrini Green (former public housing development)	7
Figure 4	Chicago Bungalow being renovated	13

## 1.0 Executive Summary

- 1.1 English cities are in many respects more constrained than American cities like Chicago as many of the levers for increased competitiveness are not held by city leaders but by national departments. American cities have fiscal tools which give local leaders greater leverage in promoting economic development.
- 1.2 Chicago is a good example of how a bottom-up approach encourages more entrepreneurial and innovative urban leadership. This seems to be more effective than the UK's top-down approach in regenerating communities at the neighbourhood level.
- 1.3 A successful policy for cities needs to address not just the bricks and mortar (good architecture and design), but also deprived neighbourhoods and wealth creation. Chicago uses intermediary and delegate organisations and public/private partnerships effectively to deliver policies at the urban level.
- 1.4 The emphasis in America is on home-ownership and wealth building. The sacred cow of Mortgage Interest Tax deduction is the single biggest influence on housing in the USA and is the main reason why home ownership is so important.
- 1.5 Dilapidated Public Housing high-rise ghettos are being demolished and replaced with new mixed income communities, in which public housing residents live in the same neighbourhoods as those with higher income levels. With only a small proportion of public housing units (up to 30%) being replaced in the new mixed income developments, not all residents are able to afford to remain in the community. Gentrification of neighbourhoods can put pressure on communities and potentially tear them apart.
- 1.6 The UK could learn from rehabilitation schemes such as the Historic Chicago Bungalow Initiative in terms of preserving and improving historic housing types in the private rented and owner occupier sector where there is an increasing problem of disrepair.

## 2.0 Introduction

- 2.1 This report is based on the study visit undertaken by the Chartered Institute of Housing (South East Branch) to Chicago which took place from 25 February to 2 March 2006.
- 2.2 The visit was organised by the International Housing Group of the CIH and its primary purpose was to examine the use of architecture and landmark buildings to regenerate cities. A secondary purpose was to see how the city has successfully turned around the economy and housing of its districts.
- 2.3 This report will examine various aspects of housing and urban policy in Chicago and America and compare and contrast this with the UK in order to learn any lessons as to how best regenerate our neighbourhoods.



**Fig. 1:** Public High-Rise Housing being demolished to make way for new mixed income housing.

## 3.0 Background

- 3.1 Historically, public housing in the United States has formed an insignificant tenure when compared with the UK and other European countries, housing only the poorest and most socially excluded parts of the population. It makes up as little as 1% of the total housing stock in America, with owner-occupation forming the largest tenure type.
- 3.2 Cities in America are very modern when compared with European cities. Chicago was only incorporated as a town in 1833 when its population was just 350. The great fire of 1871 was a factor in its regeneration and Chicago invented the skyscraper in 1885.
- 3.3 Chicago has used great architecture and landmark buildings to help regenerate itself and create a place where people want to live and work. Its impressive and inspirational skyline (the magnificent mile) and its location on the shores of Lake Michigan makes Chicago an attractive location to live and work.



**Fig 2:** Close-up view of John Hancock Centre from Skydeck of Sears Tower (103<sup>rd</sup> floor)

## **4.0 General Housing Trends In Chicago**

- 4.1 The City of Chicago has today approximately 3,000,000 inhabitants, the wider metropolitan area has approx. 8,000,000 inhabitants. Approximately 55% of the housing stock in Chicago are apartments which are rented, the remaining 45% are owner-occupied properties which also include condominiums (condos).
- 4.2 Until recently Chicago, like many cities, experienced a decline in population growth and outward migration of people and jobs to non-metropolitan areas brought about by a decline in traditional blue collar industries and economic decline. The population of Chicago decreased by 11 percent in the 1980s (Balchin et al, 2000).
- 4.3 This process of counter-urbanisation involved an increase in population growth to town and rural areas. Chicago has successfully reversed this trend by regenerating its economy and increasing the proportion of white collar, service sector jobs.
- 4.4 The main reason for the growth in Chicago is the increase in empty-nesters where children have left the family home, an increase in the number of elderly households and immigration from neighbouring states and other countries mainly for economic reasons.
- 4.5 The Chicago Housing Authority (CHA) has its Plan for Transformation in which it is totally rebuilding 25,000 units of CHA housing. A significant number are dilapidated high-rise ghettos, which are being demolished to make way for new mixed income communities of 20,000 units. Under the Plan for Transformation the housing, in most cases, will be split as follows; one third for public housing, one third for affordable housing (with subsidies for those whose income falls below 80% of the median) and one third market rate.
- 4.6 Housing is still largely segregated by neighbourhood and is unaffordable for the poor and working class, with long waiting lists for subsidies. But notorious housing projects like the Robert Taylor Homes and Cabrini-Green have been mostly torn down and replaced by townhouse-style public housing units, a third of them owned by the residents. ([www.lisc-chicago.org](http://www.lisc-chicago.org))
- 4.7 Chicago is revitalising and the city has different things going on in different neighbourhoods. In some neighbourhoods such as Cabrini Green, the issues are gentrification and displacement and trying to preserve affordable housing.

**Fig. 3: New Mixed Income Development around Cabrini Green Public Housing**



- 4.7.1 For the majority of the poor in the mainly Black and Hispanic community around Cabrini Green, they will have to double or triple up their income or move out, away from where their church, school, and friends and family are located. The process of gentrification can potentially tear apart the community which is their only support.
- 4.8 In other parts of the city the emphasis is on market rate investments and revitalising the economy. In the last few years both locally and nationally, preservation has become a big issue, preserving what there is in terms of affordable housing - not just Government assisted affordable housing but market rate affordable housing across the board as well.

## 5.0 Resources

- 5.1 The City of Chicago has been very committed to affordable housing and community development since Mayor Daley took office in 1989. It has used more than \$3.7 billion of resources to help win 125,000 units of housing in the city which is more than one in every 10 units in the city of Chicago. That includes homes for everybody from first time home buyers, to older people who need accessibility improvements to their homes, to senior housing and new SR0s and rehabs of buildings throughout the city.
- 5.2 Chicago's Department of Housing (DOH) has a five year Affordable housing plan which aims to increase the amount of affordable housing in new mixed income developments. In this plan another \$1.9 Billion will be used to build 48,000 units over five years.
- 5.3 The city has recently started a new scheme called the Downtown density bonus to take advantage of some of the downtown development and to promote affordable housing in the neighbourhoods. Developers are allowed to pay into what is called an Affordable Housing Opportunity Fund to increase the density of their development downtown. In its first year this fund has garnered \$12 million of contributions from downtown developers which will be used to promote affordable housing in the neighbourhood.
- 5.4 The DOH has also made aggressive use of Tax Increment Financing (TIF) - in the last ten years about \$150 Million worth of TIF funds. It uses this tax instrument to transfer wealth from economic activity to where it is needed most to benefit housing projects in need or housing areas in need.
- 5.5 Recently Chicago has entered the Illinois Statewide capital subsidy fund which was established last year. The legislature passed down a bill to implement a \$10 recording fee on all mortgage documents in the state of Illinois which should generate more than \$30 Million a year in Illinois, about \$10 Million of which will go to Chicago. This locally generated rental subsidy fund is expected to help more than 5,000 units per year for very low income renters - people under 30% of median income. This is modelled on Chicago's own low income Housing Trust fund which already provides rental subsidies for 2000 units a year, just out of City Corporate Funds.
- 5.6 Last year the City of Chicago received about \$108 Million in Community Development Block Grant (CDBG) which comes from the Federal Government in Washington and funds affordable housing projects. CDBG funding is used for housing and economic development related programmes as well as to fund housing delegate agencies.

- 5.6.1 The President is proposing substantial cuts in CDBG (25%) and the DOH and Chicago are lobbying Washington to retain as much of this funding as possible. It has already suffered a 10% cut, and further cuts will have a severe impact on services.
- 5.7 The City of Chicago last year received about \$43 Million in HOME Funds. This is also a Block Grant Programme from the Federal Government, but it is focussed only on housing related activity. In general, the monies are to be used for persons at 80% of median income and below.
- 5.8 The DOH also receives general tax monies or Corporate Funds. The Department last year received about \$26 Million in Corporate Funds from the City of Chicago directly out of tax money. This money is very useful because it doesn't carry all of the strings and regulatory requirements that the Federal money does. Chicago, unlike a lot of cities in the USA, has a strong tax base and can utilise corporate dollars for affordable housing projects.
- 5.9 Chicago and New York are the only two cities in the country that have their own allocation of low income housing tax credits away from the State allocation - in all other States it is provided through a State Agency and those tax credits are then parcelled out to all of the jurisdictions in that particular State.
- 5.10 Another tool that is used a lot in Chicago is private activity tax exempt bonds. These bonds can be allocated to a project to generate up to 4% tax credits over and above the 9% credits that are parcelled out on a per capita basis by the IRS by formula and so this tool can be used to generate 4% credits above the normal allocation.
- 5.11 One reason why home-ownership is so important in America is that people can minimise their taxes by deducting the interest on their home loans. In the UK Mortgage Interest Tax Relief (MITR) was abolished in April 2000 and there is now only very limited, means-tested help with mortgage costs. (Harriott and Matthews, 2004)

## **6.0 Role of Delegate Agencies**

- 6.1 Last year the DOH funded about 105 different delegate agencies across the city - including Housing Counselling Agencies, Condo Training Agencies, City wide resource centres, the Historic Chicago Bungalow Association and many others. Funds go to organisations such as the Salvation Army, and to others who deliver a wide range of housing activities including helping the homeless.
- 6.2 The DOH works together as a group with the National Equity Fund (NEF) and the Local Initiative Support Corporation (LISC) to find funding solutions and other ways of making projects work, including gap financing. The idea is of leveraging, enabling, and Community Cohesion - trying to encourage other agencies such as Neighbourhood Housing Services (NHS), Historic Chicago Bungalow Association (HCBA), and Spanish Coalition for Housing to sell developments to specific populations within communities.
- 6.3 In 2005 delegate agencies received over \$6million in funding from the city authority. The funds provided a number of services to reduce potential homelessness. The money was used for property rehabilitation schemes, housing counselling and training programmes for self managing apartment blocks ensuring that the people involved could comply with laws and had access to insurance etc.

## **7.0 Public/Private Partnerships**

- 7.1 Much earlier than in the UK, since the 1970s urban authorities in the United States have been involved in joint private/public-sector development schemes. (Balchin et al, 2000)
- 7.2 For over twenty years, the non profit Local Initiative Support Corporation (LISC) has been the channel through which Chicago's private, public and civic sectors have all worked to effect positive change at the neighbourhood level. ([www.lisc-chicago.org](http://www.lisc-chicago.org))
- 7.3 Since 1980, LISC's Chicago affiliate has invested \$120 million - and leveraged an additional \$2.4 billion - in inner-city development, which has translated into 21,000 units of affordable housing and 4 million square feet of commercial space.
- 7.3 The Macarthur Foundation has a strong tie to Chicago. It has given grant funding to preserve affordable housing in Chicago in the North Lawndale redevelopment project ([www.cityofchicago.org](http://www.cityofchicago.org)).

## **8.0 Employer Assisted Housing**

- 8.1 With property prices increasing in the center of the city, employers began to experience increasing problems recruiting and retaining staff who did not have to commute long distances. The knock on effect was increased absenteeism, a reduction in outputs due to late or tired staff and lower morale.
- 8.2 Several employers started working with the housing department and the employer assisted housing was born. Tax breaks were given to the employers and the employers signed up to offering housing counseling services and providing subsistence for people to start on the housing ladder (with match funding being made available by the State). Developers also engage employers in the design and planning process for new housing.
- 8.3 Savings can be measured from all parties, including; access to home ownership for employees, reduction in staff turnover, greater employee loyalty, more stable housing communities and less traffic and air pollution as employees buy homes closer to work using the subsidies available. Employers/employees within the scheme are often able to preview new developments and have first choice of housing before sites are released to the general public.

## 9.0 Housing Type Specific Programmes

- 9.1 One third of the existing family housing stock is made up of the Chicago Bungalow type - approximately 80,000 properties, which form a belt of single family homes around the centre of Chicago. The majority date back to the 1920s and were built during a building boom to meet a housing shortage following the First World War.
- 9.2 Bungalow neighbourhoods are widely seen as stable locations with schools and churches. The HCBA was formed to give people an incentive to buy this historic housing type and to offer incentives for a variety of incomes. In order to receive a grant you have to be a member of the association and follow the guidelines laid down.
- 9.3 An individual who buys a certified bungalow is given a \$500 appliance subsidy, which they can take to one of three companies that are located within the city and put it towards the purchase of any star rated appliances. For families buying a home for the first time this is obviously a real incentive.



**Fig 4:** Chicago Bungalow being restored

- 9.4 Grants are available for façade improvements and rehabilitation, for example, if a person does \$500 worth of work to a bungalow they also get a \$500 voucher, regardless of income. Members of the association can also access grants for energy efficiency - there is a \$1000 energy matching scheme for windows and doors and \$2000 for heating or solar power. If owners stay in the property for five years they do not have to pay it back. The grants give leverage to homeowners, encouraging them to invest more in their homes. In 2004-2005 \$1.2m of grant helped to leverage almost \$7.5m of work. Other income related grants are also available such as up to a \$3,000 grant for income levels between 50-80% of the median income and up to a \$5,000 grant for income levels lower than 50% median.
- 9.5 The Historic Chicago Bungalow Initiative is about community development, energy conservation and preservation of a historic housing type. There has been a repositioning of the bungalow's image to a desirable housing type.
- 9.6 There is now a proposal for a "Greystone" initiative redevelopment programme along these lines. Greystones are another type of housing found across the city which are clad in grey limestone from Indiana. Most are converted into 2 flats.
- 9.7 Whilst Improvement grants are available to owner-occupiers in the UK for essential repairs, these are means-tested and in practice many local authorities operate long waiting lists. (Harriott and Matthews, 2004). There are many different historic types of house in the UK which could benefit from such an innovative scheme as the Historic Chicago Bungalow Initiative.

## 10.0 Conclusion

- 10.1 Cities should have greater influence over the allocation and use of national resources that already come into their areas. At present in the UK too many agencies with separate budgets that impact upon urban areas do not have a sufficient urban focus. Even if the sums of national money going directly or indirectly to cities are not increased, local influence over the uses and priorities of existing national resources should be (ODPM, 2006).
- 10.2 The UK could learn from rehabilitation schemes such as the Historic Chicago Bungalow Initiative in terms of preserving and improving housing in the private sector, where there is an increasing problem of disrepair in the UK. The present system of improvement grants does not adequately meet the needs of residents in the private sector in terms of poor house condition, especially in light of the increase in numbers of low income owners (many poor or elderly) partly due to Government policies such as Right to Buy. (Harriott and Matthews, 2004).
- 10.3 A programme could be rolled out to help preserve the solid Victorian (and Edwardian) terraced housing which forms the backbone of housing stock in the UK - much of which is in danger of being demolished in favour of brand new inferior quality housing. These period properties may not have the same cachet as the Chicago Bungalow but they are an important and historical form of housing that needs to be preserved.
- 10.4 Subsidy for owner occupiers in the USA, mainly in the form of tax reliefs, helps to elevate owner occupation above all other forms of tenure, making it a part of the American Dream. However, it is clear that not all people in America are fortunate enough to partake in this, and many must dream about having a roof over their heads.

## References

- Balchin et al (2000) Urban Economics: A Global Perspective  
Palgrave, Basingstoke
- ODPM (2006) The State of the English Cities, ODPM
- Harriott and Matthews (2004) Introducing Social Housing, CIH, Coventry

[www.lisc-chicago.org](http://www.lisc-chicago.org)

[www.chicagobungalow.org](http://www.chicagobungalow.org)

[www.cityofchicago.org](http://www.cityofchicago.org)

[www.odpm.gov.uk](http://www.odpm.gov.uk)

## Appendix - Scrap book

# CHICAGO - AND ALL THAT JAZZ...



Aerial view of houses laid out on a grid pattern.



