HOUSING IN THE CHICAGO REGION

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EXECUTIVE SUMMARY

Over the past few years, Chicago area policymakers, activists, religious leaders, developers, and elected officials have been trying to address the problems created by the increasing gap between housing costs and income. On the housing side of the equation, the Regional Rental Market Analysis (RRMA), which was completed by the University of Illinois at Chicago in 1999, helped to launch a region-wide dialogue on strategies that might mitigate this problem.[1] The RRMA came at a pivotal time, as plans were being made to "transform" public housing into mixed-income communities, and knowing where residents being relocated could move to was considered critical in making those plans succeed. The RRMA confirmed what many suspected: rental vacancy rates were low, especially in high-demand areas where rents were high, while historically softer markets had higher vacancy rates and lower rents along with lower quality housing. The RRMA also confirmed that there was a mismatch between the location of affordable housing and employment opportunities. Most of the lower cost rental housing in the region is located in the south side of Chicago and south suburban Cook County, while most of the growth in entry-level jobs is taking place in northern and northwestern Cook County as well as other northern and western collar county locations.[2]

While the RRMA presented a fairly cohesive view of the uneven development in the region at the time, it could not provide in-depth analysis of trends and patterns that can now be examined with the release of the 2000 U.S. Census, including the for-sale housing market and the inter-relationship between both forms of tenure in shaping future housing options for families in the region. This report examines current conditions and changes that have occurred in the housing market since 1990 using data from the 2000 Census and other sources. Three areas of concern are investigated: distribution, availability, and affordability. On this last point, attention is given to affordable subsidized rental housing, to clarify what role it plays in meeting demand for low-cost affordable housing throughout the region. This includes the Low Income Housing Tax Credit (LIHTC) program, the Section 8 program (both project and tenant-based assistance), and public housing. A key reason for looking more closely at these programs is that the supply of privately owned rental housing is decreasing and there is limited opportunity and resources for developers — for-profit or not-for-profit — to build new affordable units. And while the "cross-over market" of first-time homebuyers has recently helped to soften the rental market, especially in Chicago, the units available are often still out of reach for low- and moderate-income renters. Under these circumstances, there is good reason to monitor what is happening to rental housing and the various programs that can make and keep it affordable. At the same time, we also need to pay close attention to what is happening in the for-sale market. While more families have been able to become homeowners, rapidly rising housing

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[1] See *For Rent: Housing Options in the Chicago Region (*Great Cities Institute, University of Illinois at Chicago) and other technical reports from the RRMA <www.metroplanning.org>.

[2] See Janet L. Smith and Barbara Sherry, *Estimating Demand for Affordable Rental Housing in the Chicago Region* <www.metroplanning.org>.

values in many communities over the past few years make it difficult even for middle-income families to enter the market. Furthermore, many lower-income families that have bought their first home in the past few years are vulnerable to foreclosure, given rising taxes, the downturn in the economy, and predatory lending. The following summary of key findings illustrates these concerns.

Key Findings

Overall

• Since 1990, the total population in the six-county Chicago region increased by 11 percent; however, more importantly, the number of *households* also increased by about 11 percent.

• More households in the region own (65%) rather than rent homes; however, more households still rent rather than own in the City of Chicago.

• While the region gained nearly 300,000 new ownership units between 1990 and 2000, it lost about 31,000 units of rental housing, most of which were in Cook County.

• During the 1990s, all counties saw an increase in for-sale housing, with Will County experiencing the largest relative gain in total housing (42.9%) and ownership units (54%).

• Despite the downturn in the economy since 2000, the Chicago area continues to be in the top five most active metropolitan housing markets, with approximately 41,000 permits issued for new construction housing in 2003.[3]

• The for-sale housing market continues to appreciate at a fast rate, with median area sales prices around $230,000 in 2003.[4]

For-sale housing

• About 60 percent of *all* the for-sale housing in the region is located in Cook County.

• Between 76 and 83 percent of housing in each of the collar counties is owned rather than rented, while Cook County has only 58 percent owned.

• In the region, about 80 percent of all owners in the region are White/Caucasian.

• Looking at ownership rates within racial and ethnic groups, about 73 percent of Whites, 56 percent of Asians, 46 percent of Latinos and 42 percent of Blacks own their homes.

• In 2000, one in four homeowners was "housing cost burdened" (paying more than 30% of income for monthly mortgage, insurance, utilities and taxes), with the large majority of these owners being low-income (below $35,000) and paying more than 35 percent of income for these costs.

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[3] U.S. Department of Housing and Urban Development, *U.S. Housing Market Analysis*, February 2004.

[4] *Chicago Tribune*, Price Pulse, 2003

• About 75 percent of homeowners do not own their home outright (i.e., they have a mortgage) and close to one in five have either a second loan or home equity loan.

• Only about 20 percent of the households in Chicago can afford the current median home price.

• The city of Chicago appears to still have affordable single-family homes for moderate- income families; however, it is often in areas and of a quality that may not compete with what families can buy in developments found in "ex-urban" (rural) portions of collar counties for the same price.[5]

• Development trends in suburban locations suggest that jurisdictions are more likely to favor housing that will have little to no impact on schools. While this is favorable for people 55 and older (a growing portion of those in need of affordable housing), it can mean less new housing for families with young children.[6]

Rental housing

• Most renters live in the City of Chicago and suburban Cook County (about 80%) in non-subsidized units and do not receive any form of public subsidy (about 88%).

• Nearly 40 percent of renters pay more than 30 percent of their income for rent (i.e., they are rent-burdened), with most having income less than $20,000.

• Median rents for most jurisdictions are out of reach for households earning less than $25,000 a year (assuming they pay no more than 30% of income).

• The region-wide rental vacancy rate dropped from 9.0 percent in 1990 to 5.6 percent in 2000.

• About three-quarters of the rental units in the region have two bedrooms or less, which means the majority of rental housing is suitable for childless couples, small families with young children, and individuals either living alone or with a roommate.

• A large portion of private rental housing in the collar counties is in single-family homes (attached or detached).

• Of the existing affordable rental housing units, only a very small number are likely to be accessible to people with mobility limitations.

• Even with subsidies, the cost of new construction makes it extremely difficult, if not prohibitive, for private sector and non-profit developers to produce low-cost housing that is affordable to extremely low-income households (i.e., less than $20,000).[7]

• In addition to the anticipated net loss of 13,000 permanent units of public housing in Chicago by 2005, there is the potential to lose thousands of subsidized rental units in the next few years as

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[5] Anecdotal evidence from advertisements in Sunday *Chicago Tribune*, Real Estate Section.

[6] "Housing Doors Close on Parents," *USA Today*, May 6, 2004. Note specific reference to Naperville.

[7] Based on a cost of $150,000 per unit, which is about average for new construction of a two-bedroom unit.

Section 8 project-based subsidies expire and property owners decide to "opt out" of the program. Similar concerns are arising now, as early LIHTC projects reach the end of their tax credit period for investors.[8]

8 See IHARP. *Low Income Housing Tax Credit Report*, May 2002 <www.uic.edu/cuppa/voorheesctr> and Chicago Rehab Network, *Section 8 Preservation Initiative* <www.chicagorehab.org>.