

The Daily Line's Aldercast: Diagnosing Chicago's affordable housing shortage

By A.D. Quig (<http://thedailyline.net/author/adquig/>) - March 29, 2019



Geoff Smith, the executive director of the of The Institute for Housing Studies at DePaul University, speaks to A.D. Quig of The Daily Line.

One of Chicago's experts on housing, gentrification and displacement lives at the heart of the debate — in Logan Square, about a block away from The 606 trail, which touched off a real estate boom after being transformed from a defunct railroad track.

“I’d like to say I was very prescient in my housing decision, but I wasn’t,” **Geoff Smith**, the executive director of The Institute for Housing Studies at DePaul University (<https://www.housingstudies.org/>) said on the latest episode of *The Daily Line's Aldercast* podcast.

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Smith went looking for “someplace affordable and interesting,” bought in 2006 and promptly faced the housing crash and found himself underwater on his mortgage.

The area is now one of the city’s hottest real estate markets, and prices are high along one of its main amenities, the 606, which is set to be extended as part of the Lincoln Yards development.

“Having had a front row seat to that whole process has been both professionally and personally interesting,” Smith said.

“Do I consider myself a gentrifier in Logan Square? I mean, some days maybe, some days not, because I’ve been there for a long time. I don’t know, it’s sort of a complicated question,” Smith said, adding that being a good, engaged neighbor can make a difference.

The institute’s 2016 analysis (<https://www.housingstudies.org/releases/measuring-impact-606/>) of the trail’s impact found buyers west of Western Avenue were “willing to pay a 22.3 percent price premium for properties within one-fifth of a mile of the trail, which translated to more than \$100,000 of the area’s average 2015 sales price.”

Several other neighborhoods are facing displacement pressure, the institute found. Not only do individuals face being priced out by buyers lured by new, expensive developments like Lincoln Yards and amenities like the 606, but homeowners are also fleeing Chicago because

of disinvestment in their neighborhoods.

It's a problem the new mayor and the City Council will have to grapple with in the years to come – here are five takeaways:

A grain of salt needed — A recent study and *Crain's* headline, “Gentrification not a big issue in Chicago,” (<https://www.chicagobusiness.com/residential-real-estate/gentrification-issue-here-sure-not-much-elsewhere>) was the talk of the housing world this past week, Smith said. “The study itself, I think, has some problems, especially as it relates to Chicago,” he said. The study’s social and economic data were gathered under the U.S. Census American Community Survey program, covering the period starting in 2000 and until 2009-2013, “The bottom of the market, essentially,” Smith says. It only captures the beginning of Chicago’s recovery after the recession. “It’s old data that doesn’t capture a lot of the key changes that are happening in the city.”

Displacement v. gentrification — “It’s a spectrum of sorts,” Smith said of the difference between the two oft-used terms. “Gentrification is the investment in a place that causes property values — it causes change in the neighborhood that’s derived from that increased investment in the neighborhood. Displacement is the actual push, the market forces that might push out folks who’ve lived there for a long time.” While some neighborhoods like Logan Square and Pilsen have seen residents pushed out by rising values, “in Chicago you’ve also got this almost other bigger effect of displacement that’s a product of disinvestment,” Smith said. That is occurring on Chicago’s West and South sides, which have seen population losses. The institute built a map (<https://www.housingstudies.org/releases/Analyzing-neighborhood-displacement-pressure-2018/>) to serve as a leading indicator to warn when displacement might occur in Chicago neighborhoods. “We’re trying to look at the market, look at the demographics of a neighborhood and say, ‘Here are a mix of conditions that might help us get ahead of this type of displacement, gentrification if you’re going to build a new

606, or a new kind of big place-based strategy or built environment type project.” Two projects housing activists are watching closely — the Paseo Trail and the Obama Presidential Center.

Affordable housing requirements for the next Lincoln Yards — “The big debate around Lincoln Yards was how much affordable housing to build on site. When you’re building an entire neighborhood,” the city’s affordable housing requirements ordinance might not be the best vehicle, Smith said, since the ordinance “was designed for single developments where you’ve got a few hundred units, maybe at most. This is thousands and thousands of units. I do think that, especially when city subsidy like [funds from tax-increment financing] money is involved,” requiring a “substantial portion” of affordable units on site would have helped create a more inclusive neighborhood, rather than one fully “oriented to higher income households.” Aldermen and Lincoln Yards developer Sterling Bay ultimately struck a deal to double the number of planned on-site affordable units from 300 to 600. Of the 6,000 apartments, condominiums and townhomes planned for Lincoln Yards, 1,200 must be set aside for low- and moderate-income Chicagoans. Sterling Bay also plans to pay \$39 million into the city’s low-income housing trust fund.

How to tailor rent control for Chicago — While legislators in Springfield saw proposals to lift the state’s ban on rent control swatted down, some organizers and voters supportive of rent control measures are unlikely to drop the issue. “For me, at least, I have a lot of questions about how rent control can be applied in Chicago,” Smith said. It’s a complicated proposition that would deserve a unique ordinance, but “I understand it’s appeal, because when you think about the breadth and the size of the affordable housing challenge, no one solution is ever really going to cut it.” Smith has concerns — chief among them how rent control can apply in a city with as diverse a housing stock supply as Chicago. Cities with rent control usually face a uniform rise in values and rents across the board. There are many parts of Chicago where rising housing costs are not the challenge, disinvestment is, Smith said. “Is that going to inhibit investment, potentially, in other parts of the city? You can’t just target it to one neighborhood, it has to cover the entire city, it has ripple effects” on the broader market.

Where have all the two flats gone? — Chicago's iconic two flats — a key source of affordable housing — are disappearing, Smith said. Preserving those homes is one key plank of maintaining the city's affordable housing stock. In some neighborhoods, like North Center, Lincoln Square and Lakeview, two- to four-unit buildings are being converted into single family homes. In others, including on the South and West Sides, those homes are deteriorating, while new ones aren't being built, Smith said. Part of the problem lies with banks — both single family homes and large multi-unit apartment buildings are relatively straightforward to finance, Smith said. Two to five-unit buildings are tougher. "Because it's a hybrid homeownership rental model, in some cases the end user is a little less clear... it falls into a gray area," Smith said, adding that he's watching how the city's PEAR pilot (https://www.chicago.gov/city/en/depts/mayor/press_room/press_releases/2018/june/AffordableHousingPilot.html) — Preservation of Existing Affordable Rental — plays out. PEAR, one of several affordable housing programs Emanuel announced in 2018, "provides city financial assistance for the purchase or refinance of multi-family residential buildings in exchange for affordable rental covenants over a 30-year term."