



The  
**Preservation**  
Compact



**Preserving  
Chicagoland's  
Future**  
2012



## Introduction

# Rental housing plays an important role in the Chicago region.

More than 40% of Cook County residents are renters. As economic shifts and foreclosures send homeowners back to the rental market, the supply of rental housing has not kept pace with demand, leaving Cook County with a shortage of more than 180,000 affordable rental units.

YEAR	HOUSEHOLDS IN NEED OF AFFORDABLE RENTAL HOUSING	SUPPLY OF AVAILABLE UNITS	GAP
2005	461,000	296,000	165,000
2009	483,000	303,000	180,000

According to DePaul University's Institute for Housing Studies, that gap can be expected to grow to 224,000 by 2020.

Affordable rental housing is critical to our region's future. The Preservation Compact is committed to maintaining this valuable regional asset far into the future.

## Cook County Rental Housing Snapshot

Total Households		1,922,000
Owner occupied	59%	1,127,000
Renter occupied	41%	795,000

Median Household Income		
All households		\$51,000
Owner occupied		\$71,000
Renter occupied		\$31,000

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Median Rent	\$1,000
Income Required to Make Median Rent Affordable	\$40,000

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Renter Households who pay more than 30% of their income in rent	410,000
Renter Households who pay more than 50% of their income in rent	225,000

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Income level	Percent of households who are rent-burdened (paying more than 30% of income for housing costs)
Less than \$40,000	83%
Less than \$30,000	89%
Less than \$20,000	92%

Source: Institute for Housing Studies, DePaul University

# Why is Rental Housing Important?

## A diverse workforce.

One of Chicago's strengths is its diversified economy, but not every job in the region pays enough to support homeownership.

One of the region's fastest growing industries, the leisure and hotel industry — which includes wait staff, dishwashers and housekeepers — pays salaries, on average, of less than \$20,000 annually. The Chicago region also is a magnet for new college graduates whose entry-level jobs often pay low starting salaries.

If Chicago is going to attract and keep skilled workers it must offer a variety of housing options.

## What is “Affordable?”

The vast majority of affordable rental housing receives no government assistance. Housing is considered affordable when a family pays no more than 30 percent of their income for housing costs. To afford a median priced two-bedroom apartment at \$1,000 per month, a family would need to earn approximately \$40,000 per year — 60 percent more than people under age 25 (the majority of whom are renters) were making in 2009.



## Workforce Salaries

Assembly Line Worker	\$37,760
Private School Teacher	\$36,300
Dental Assistant	\$34,960
Delivery Truck Driver	\$34,706
Office Clerk	\$32,747
Data Entry Keyer	\$32,078
Construction Laborer	\$31,920
Security Guard	\$31,028
Stock Clerk	\$30,729
Groundskeeper	\$29,824
Child Care Worker	\$29,768
Nursing Aide	\$28,147
Home Health Aide	\$27,349
Bank Teller	\$26,667
Janitor	\$25,803
Retail Sales Person	\$24,922
Hairdresser	\$24,913
Housekeeper	\$23,410
Cashier	\$21,979
Laundry Worker	\$21,766
School Bus Driver	\$20,094
Dishwasher	\$18,203
Wait Staff	\$16,450

## Why is Rental Housing Important?

### Local economic growth.

According to research published by the National Association of Homebuilders, every \$100,000 spent on residential rehab creates at least one new job and \$30,217 in taxes.

Most of Chicago's rental buildings are owned by entrepreneurs who hire and purchase goods and services locally. Their work revitalizing existing rental buildings has a positive economic impact in the communities where they work and in the region as a whole.



#### Sandeep Sood

■ Owns and manages 84 units in 3 buildings on Chicago's south and west sides.

"I source almost everything locally. Older buildings have lots of little details a big box store will never carry. In one building I needed special, small mail box locks. Glass is a specialty and tends to come from small, locally owned shops."

"I always hire locally— somebody who lives near the building or a friend of someone already working for me."

#### Anthony Oliver

■ Owns and manages 63 units in 23 buildings in Chicago.

■ Oliver employs 8 full-time employees and 55 part-time employees in the moving, landscaping, maintenance, and property management businesses that service his and other buildings.

■ Oliver also regularly uses the services of 5 subcontractors who each employ 5-10 people.

■ Oliver, former president of Streetwise, a magazine sold by homeless individuals, puts a special focus on hiring ex-offenders and other hard-to-employ individuals.



## Why is Rental Housing Important?



### Community stability.

Clean, secure, and well maintained apartment buildings help set the tone for the entire neighborhood. They protect property values, including single family homes, and they contribute to a safe environment where families can sit outside and children can walk to school.

### Family security.

When people pay too much for housing they have less money for food, health care, education, and retirement.

In Cook County, four out of five renters earning less than \$40,000 pay more than 30 percent of their income for rent and basic utilities.

If the recent foreclosure crisis has taught us anything, it's that families paying too much for housing are the most vulnerable to economic shocks.

## Why is Rental Housing Important?



## Cost effective.

Rehabbing and preserving rental buildings is a conservative, cost effective way to meet growing demand for good quality housing.

In today's market, it is nearly impossible for investors to build new rental housing that is affordable to most families. Building new rental housing can cost \$300,000 per unit. To afford a loan of this size, an owner will need to charge up to \$3,000 per month in rent – much more than the average family can afford.

The cost per unit to rehab an existing rental property depends on the building size, condition, and level of rehab, but many investors complete rehab projects for about \$40,000 per unit.

## A greener region.

Renovating existing buildings produces less construction waste, uses fewer new materials, and requires less energy than new construction. No new utility or transportation infrastructure investments are required when existing buildings are rehabbed.

Affordable units located near existing public transit or jobs reduce congestion and transportation costs.

# Who Rents?

Almost everyone rents at some point.  
More than 40% of Cook County residents rented in 2011.

## Renters in Cook County are:

### Facing increasing rents

Median rent in Chicago increased 14 percent between 2005 and 2010, from \$880 to \$1,004. In the suburbs, median rent increased 13 percent, from \$874 to \$990.

### Growing in number

22,000 more families needed affordable rental housing in 2009 than in 2005, an increase of 9 percent.

### Younger

68 percent of Cook County residents younger than 35 are renters.

### Less affluent

The median income of renter households in Cook County is \$31,000. For owner households, the median income is \$71,000.

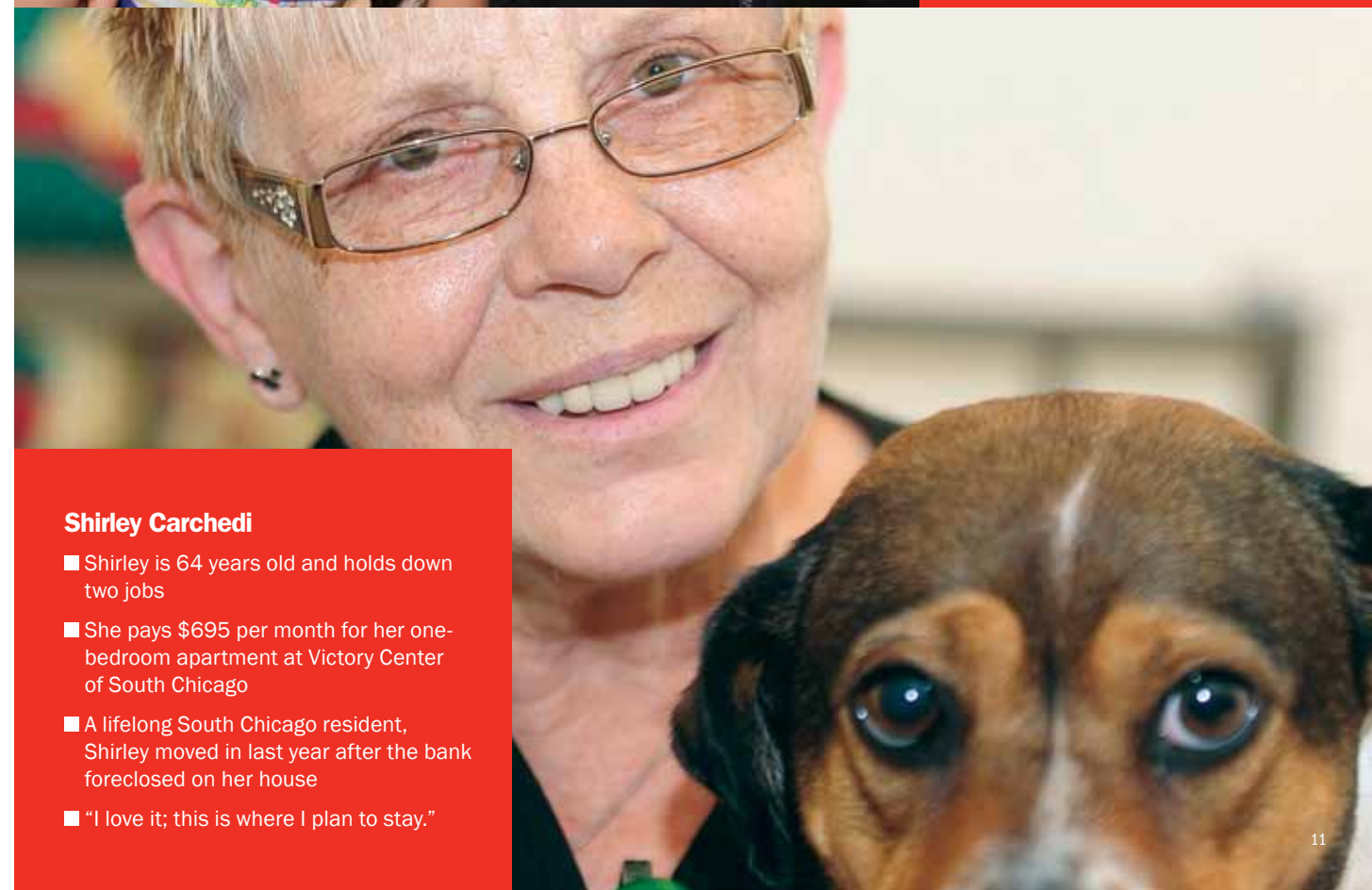
### Rent burdened

More than 80 percent of renters earning less than \$40,000 annually pay more than 30 percent of their income for rent and basic utilities.



### Ignacio Soto, with Noemi, age 7, and Noel, age 4

- Ignacio is a construction and maintenance worker
- They pay \$795 for a 2-bedroom unit in Chicago's Logan Square neighborhood
- They chose this apartment because it is close to work



### Shirley Carchedi

- Shirley is 64 years old and holds down two jobs
- She pays \$695 per month for her one-bedroom apartment at Victory Center of South Chicago
- A lifelong South Chicago resident, Shirley moved in last year after the bank foreclosed on her house
- "I love it; this is where I plan to stay."

## Who Rents?

### Marnette Herring

- Marnette is disabled
- She pays \$850 for a 1-bedroom apartment in Forest Park, Illinois
- Her apartment is conveniently located near the hospital where she receives medical treatment



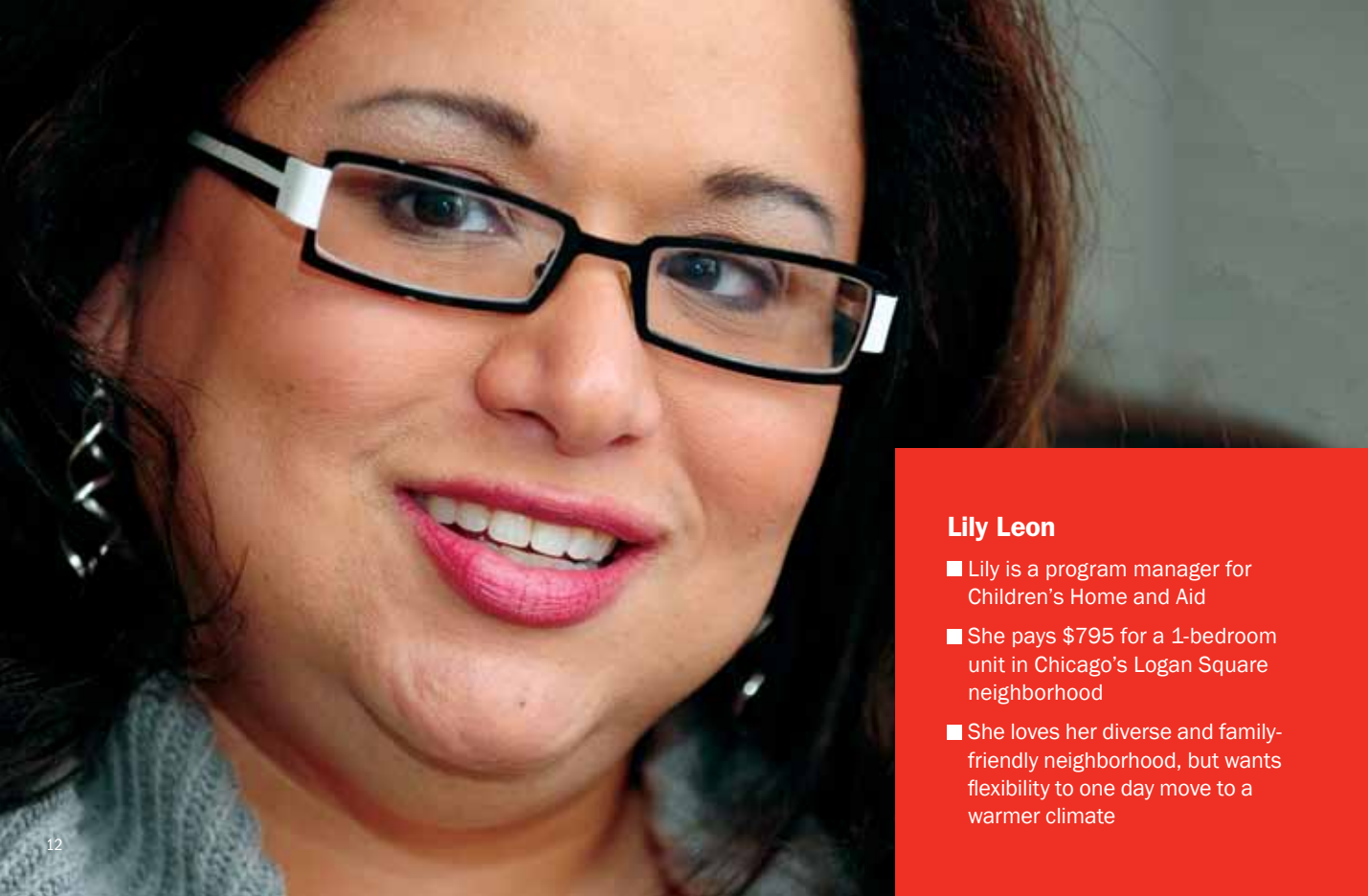
### Marco and Alberta Williams with son, Jayel

- Marco drives a forklift at Costco; Alberta works in Member Services at Costco
- They pay \$1,000 for a 4-bedroom unit, heat included, in Chicago's Austin neighborhood



### Lily Leon

- Lily is a program manager for Children's Home and Aid
- She pays \$795 for a 1-bedroom unit in Chicago's Logan Square neighborhood
- She loves her diverse and family-friendly neighborhood, but wants flexibility to one day move to a warmer climate



### Jacob Mau

- Jacob shares a 3-bedroom apartment in Rogers Park with 2 others
- He is hoping to enter a graduate writing program soon
- Currently, he pays \$450 for his share of the rent



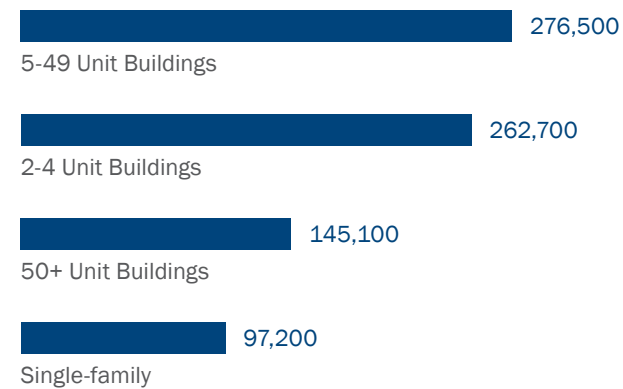


# What Does Rental Housing Look Like?

Rental housing in Cook County comes in all sizes, shapes, and prices.

The majority of rental units in Chicago and Cook County are located in buildings with fewer than 50 units, and more than 80 percent of all rental units have no public subsidies.

## Rental housing units in Cook County by type of housing



# The Preservation Compact brings together the region's public, private, and nonprofit leaders to preserve affordable multifamily rental housing in Cook County.

The Preservation Compact is implementing strategies to address ongoing losses in the region's affordable rental housing stock, including reducing operating costs, producing more timely market data and information, and improving coordination among agencies responsible for affordable housing programs. The Preservation Compact is led by Community Investment Corporation (CIC), with support from the John D. and Catherine T. MacArthur Foundation.

## Preservation Compact Activities

### Expanding availability of energy retrofits

The Preservation Compact has made an impressive start with its Energy Savers program, but the potential market for retrofits is at least 150,000 units. Utility programs, which collect more than \$220 million annually for energy efficiency programs, need to offer comprehensive retrofits for multifamily housing.

### Ensuring fair and consistent property taxes

The Compact is investigating ways to make the property tax system more predictable for rental buildings. A clear and equitable property tax system that rewards property upgrades will make it easier for owners to invest in and keep their units affordable.

### Developing preservation strategies for 2- to 4-unit buildings

The Compact is developing strategies to rehab and stabilize distressed 2- to 4-unit properties, which account for approximately one-third of the rental stock in Cook County. Given weak demand for homeownership in distressed areas, along with restricted access to credit and a lack of financing tools for investors, 2- to 4-unit properties are at risk.

### Streamlining government processes

The Compact is recommending improvements to streamline the system for inspections, permits, and building codes. A transparent and consistent inspection process that leverages technology and communication will save time and money.

### Collecting and analyzing data

The Institute for Housing Studies at DePaul University, a Preservation Compact partner, creates accessible information to further preservation activities.

### Coordinating with public agencies on at-risk properties

The Compact works with public agencies, as well as tenant and community groups, to develop joint solutions for at-risk properties.

### Extending preservation resources to reach suburban Cook County

The Compact and its suburban partners work with municipalities and owners to develop and implement affordable rental strategies.

# Preservation Compact Case Studies

## Energy Savers Program Reduces Operating Costs and Creates Jobs

Utility bills account for a large portion of a multifamily building's operating costs, making energy costs one of the primary challenges to maintaining affordable rental housing.

The Energy Savers Program, pioneered in 2007 by Preservation Compact partners CNT Energy and Community Investment Corporation offers free energy assessments for multifamily buildings and low cost financing for energy saving improvements such as energy efficient boilers, insulation, and windows.

As of mid-2012, the Energy Savers program has completed assessments on more than 20,000 units, retrofitted over 8,500 units, created over 400 jobs, and saved more than 2 million gas therms. A typical 24-unit building retrofitted by Energy Savers saves \$10,000 annually.



## Collaboration Preserves Historic Pullman Wheelworks

One of the Preservation Compact's most important activities is coordinating with public agencies to preserve government assisted properties. In the case of Pullman Wheelworks, a diverse group of funders came together to stretch the limits of creativity and support the redevelopment of a unique building. At the same time, they are preserving critical government subsidy—and reviving an area in need of investment.

Pullman Wheelworks, located on Chicago's south side, is a 210-unit apartment building that began life in the early 20th century as a railcar manufacturing facility. Despite being listed as a nationally registered historic building, the building and the neighborhood surrounding it had become severely blighted over the last several years.

Working collaboratively with government agencies, the John D. and Catherine T. MacArthur Foundation, and other Compact partners, Mercy Housing Lakefront put together many sources of financing to close this complex, \$30 million rehab.

"The Pullman neighborhood revitalization shows the power of partnerships in bringing quality, affordable housing to families – and choice and opportunity to the community as a whole," said US HUD Secretary Shaun Donovan, who toured the facility.

## The Preservation Compact Leadership Committee

### Jack Markowski

Chair, Preservation Compact  
President, Community Investment Corporation

### MarySue Barrett

President, Metropolitan Planning Council

### Deborah Bennett

Senior Program Officer, Polk Bros. Foundation

### Dan Burke

Statewide Housing Coordinator for Long Term Care Reform,  
Office of Governor Pat Quinn

### Nicholas Brunick

Partner, Applegate and Thorne-Thomsen

### Susanne Cannon

Chair, DePaul University, Department of Real Estate

### Lawrence Grisham

Managing Deputy Commissioner, Chicago  
Department of Housing and Economic Development

### Richard Hanson

Principal, Mesa Development

### Cindy Holler

President, Mercy Housing Lakefront

### Kevin Jackson

Executive Director, Chicago Rehab Network

### Ed Jacob

Executive Director, Neighborhood Housing Services

### Mary Kenney

Executive Director, Illinois Housing Development Authority

### Estella Kiser

Principal, Kiser Group; Director, Neighborhood Building  
Owners Alliance

### Saul Klibanow

Principal, Klibanow Strategic Consulting Services

### Rafael Leon

Executive Director, Chicago Metropolitan Housing  
Development Corporation

### Peter Malecek

Senior Vice President, Bank of America

### Maxine Mitchell

President, Applied Real Estate Analysis, Inc.

### Andrew Mooney

Commissioner, Chicago Department of Housing and  
Economic Development

### Patrick Nash

Managing Director, JP Morgan Capital Corporation

### Antonio Riley

Midwest Regional Administrator, U.S. Department of  
Housing and Urban Development

### Judy Roettig

Executive Vice President, Chicagoland Apartment  
Association

### Paul Roldan

President, Hispanic Housing Development Corporation

### Ellen Sahl

Director of Civic Engagement, University of Chicago

### Michael Schill

Dean, University of Chicago Law School

### Paul Shadle

Partner, DLA Piper

### Janet Smith

Associate Professor, University of Illinois at Chicago College  
of Urban Planning and Public Affairs

### Thurman “Tony” Smith

Community Development Banking Market Manager, PNC Bank

### Julia Stasch

Vice President, U.S. Programs, the John D. and Catherine T.  
MacArthur Foundation

### Steve Thomas

Principal, 5 T Management

### Robert Webster

Principal, Sycamore Associates

## Preservation Compact Partners

Preservation Compact Coordinator  
**Community Investment Corporation**

**Center for Neighborhood Technology** provides energy  
audits and **Community Investment Corporation**  
provides financing for energy retrofits.

**Sargent Shriver National Center on Poverty Law**  
and **Chicago Rehab Network** help tenants preserve the  
affordable buildings in which they live.

**Chicago Community Loan Fund** and **Local Initiatives  
Support Corporation/Chicago** provide financing for  
affordable rental housing preservation projects.

**Institute for Housing Studies, DePaul University**  
provides data and analysis on the affordable rental  
housing market.

**Metropolitan Planning Council** helps ensure  
preservation resources reach suburban municipalities  
and owners.

## Contact the Preservation Compact

### Stacie Young

stacie.young@cicchicago.com

### Kerry Sullivan

kerry.sullivan@cicchicago.com

**312 870-9956**

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Sources used in this report include: *The State of Rental Housing in Cook County*, Institute for Housing Studies, DePaul University; *The Direct Impact of Home Building and Remodeling on the U.S. Economy*, Helen Fei Liu and Paul Enrath; Center for Neighborhood Technology; [Glassdoor.com](https://www.glassdoor.com); and Crain's Chicago Business.

MacArthur  
Foundation

# The **Preservation** Compact

**A Rental Housing Strategy for Cook County**

## **THE PRESERVATION COMPACT**

Community Investment Corporation  
222 South Riverside Plaza, Suite 2200  
Chicago, Illinois 60606  
312.870.9956  
[preservationcompact.org](http://preservationcompact.org)