New Reports Show Shortage of Affordable Housing in Cook County, Policy Strategies to Address Growing Need

New releases from The Preservation Compact and the Institute for Housing Studies (IHS) at DePaul University document the continued and growing need for affordable rental housing in Cook County and highlight a set of policies and program initiatives developed to preserve the affordable housing stock.

The Preservation Compact’s biannual report, Preservation and Beyond, details affordable housing preservation strategies developed and implemented in Cook County over the last two years. The Preservation Compact is a collaborative that develops policies to preserve affordable rental housing in Cook County, ensuring that properties are maintained in good condition with affordable rents. Preservation Compact strategies include new financing programs in both strong and weak markets, as well as policies to tackle high operating costs, including energy and property taxes. IHS data has informed the work of The Preservation Compact since 2007.

IHS data helped illustrate the importance of 1-to-4 unit buildings, which comprise over 45 percent of Cook County’s rental stock. As a result, The Preservation Compact and its partners initiated several programs which have collectively preserved nearly 900 affordable 1-4 units:

- **$26 Million Loan Pool** – Community Investment Corporation (CIC) developed a $26 million loan pool to rehab 1-to-4 unit buildings for rental housing in struggling neighborhoods with little demand from new homeowners. That program has deployed $15.9 million to finance 281 units.

- **CDFI Collaborative** – Three Chicago-based CDFIs—Chicago Community Loan Fund, NHS Chicago, and CIC—worked together to preserve nearly 600 units of 1-to-4 unit buildings with a $5 million grant from the JPMorgan Chase Foundation. The three organizations provided acquisition, rehabilitation, and long-term financing solutions to address the needs of building owners in low- and moderate-income communities.

“Preserving existing affordable rental housing is far more efficient and less costly than building new affordable units,” says Stacie Young, Director of the Preservation Compact. “Affordable rental housing can be lost from the bottom of the market—due to the physical deterioration of properties in challenged neighborhoods, or out of the top of the market—through increasing rents that make once-affordable units unaffordable. The Preservation Compact uses strategies to address both issues.”

The State of Rental Housing in Cook County by IHS updates key data on changing rental demand, the supply of rental housing, and how these dynamics are affecting access to
affordable rental housing for Cook County's lowest income households. The report uses data from 2015, the most recent data available from the American Communities Survey.

Key findings:

- **Rental demand continues to grow** – In 2015 the number of renter households in Cook County increased to over 864,000, and the rental rate also increased to 44.2 percent of all households. This represents both the largest number of renter households and the highest rental rate since 2000 and nearly reaching levels last seen in 1990.

- **The affordable rental housing stock is shrinking** – While the demand for affordable rental housing has remained relatively stable in recent years, the supply of affordable units has declined since 2013. The number of rental units that would be affordable to lower-income renters at 30 percent of their monthly income decreased by roughly 26,000 units between 2013 and 2015. Part of this decline has been driven by the shrinking stock of 2-to-4 unit rental properties. Units in smaller rental buildings have traditionally contributed significantly to both the overall rental stock and also to the critical stock of lower-cost rental housing in Cook County. However, since 2007, the share of Cook County’s rental units in 2-to-4 unit buildings declined from 35.7 percent to 30.4 percent, and Cook County has lost an average 5,709 rental units annually in two to four unit buildings between 2012 and 2015.

- **The affordability gap has grown** – Because the supply of affordable units has declined faster than demand for affordable rental housing, the gap between the supply of and demand for affordable rental housing has grown. In 2015, the affordability gap grew to 188,000 units, the largest gap since at least 2007.

- **Rent burden remains very high for lower-income renters** – The large affordability gap means that lower-income renter households have a hard time finding affordable housing meaning they pay more than 30 percent of their incomes toward rent, a general indicator of housing cost burden. In 2015, 90 percent of very low-income renters (earning less than 30 percent of the area median income (AMI), or $19,000 annually) were rent-burdened and 85 percent of low-income renters (earning between 30 and 50 percent of AMI, or between $19,000 and $31,600 annually) were rent burdened. Severe rent burden, where households pay more than 50 percent of their incomes toward rent, also remains a persistent problem. Nearly 80 percent of very low-income renters and 34 percent of low-income renters were severely rent burdened in 2015.

“Although rental demand has continued to grow in Cook County, the supply of units affordable to lower-income households has declined,” says Geoff Smith, IHS’s Executive Director. “This puts pressure on the remaining lower-cost rental stock and adds additional urgency for efforts to preserve it.”
About The Institute for Housing Studies: The Institute for Housing Studies (IHS) is an applied research center situated in the Real Estate Center at DePaul University. IHS’s mission is to provide reliable, impartial, and timely data and research to inform housing policy decisions and discussions about the state of housing in the Chicago region and nationally. IHS’s work in particular focuses on affordable housing issues and understanding the changing dynamics of neighborhood housing markets.

About The Preservation Compact: The Preservation Compact was created to drive intentional, coordinated strategies that preserve affordable rental housing. It is a collaboration of for-profit and non-profit developers, tenant advocacy groups, civic groups, lenders, and federal, state, and local government agencies.