

**Public Housing in the Public Interest
Chicago Housing Authority
Transformation Plan Update
October 2000**

MPC Fact Sheet #1

*"We must establish trust. We cannot move forward without some
measure of faith and cooperation on everyone's part."*

— CHA Chief Executive Officer Terry Peterson

Research conducted by

Robin Snyderman, Housing Director and
Steven D. Dailey II, Housing Associate,
Metropolitan Planning Council.



Introduction

For too long, residents of the Chicago Housing Authority (CHA) have been concentrated in high-and mid-rise buildings plagued with crime and isolated from the job opportunities and services available to the rest of Chicago. After years of deterioration and neglect, the CHA faces capital needs in excess of \$3 billion just to repair existing units. In 1999, following a three-year takeover by the U.S. Department of Housing and Urban Development (HUD), the CHA was returned to local control. Under the leadership of Mayor Richard M. Daley and a new management team led by CHA Board Chairman Sharon Gist Gilliam and CEO Terry Peterson, the agency has embarked on an ambitious redevelopment plan. The goal is to create, over the next seven to ten years, a totally rehabbed and/or rebuilt stock of public housing located in healthy mixed-income neighborhoods. The core strategy calls for professional property management, an aggressive capital development program and comprehensive social service supports.

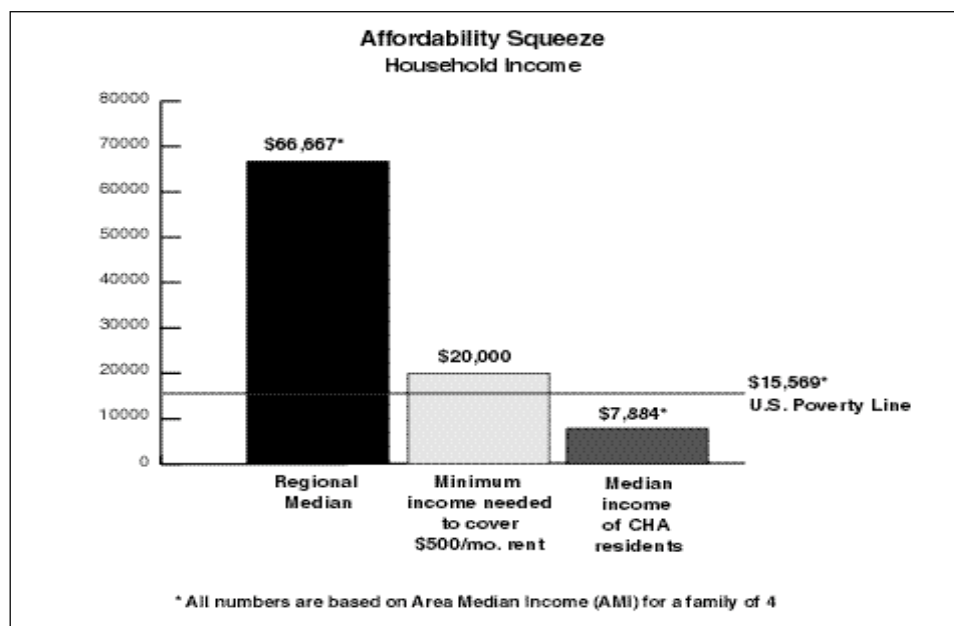
The scope of the Transformation Plan is unprecedented. The proposed changes will affect not only the lives of public housing residents, but those of their neighbors, the City of Chicago and the entire metropolitan area. This is the first in a series of educational fact sheets, through which the Metropolitan Planning Council will attempt to keep both the public and the participants apprised of this crucial undertaking. MPC supported the adoption of the Transformation Plan in 1999. Now we will report regularly on its progress, or lack thereof, to promote a broader public understanding of the duties and responsibilities of each stakeholder. We will identify both the success stories and any gaps that develop in funding or services.

The Transformation Plan

As of January, 2000, CHA owned and managed 39,000 units of public housing in Chicago, though more than a third of those units were unoccupied and/or uninhabitable. Over the next seven to ten years, CHA plans to demolish 18,000 units, most of them in open, gallery-style 16-story high-rises. It will simultaneously redevelop or rehabilitate 25,000 units of public housing, with the new units to be located within mixed-income communities, consisting of market rate, rent-subsidized and public housing units; enough to house the CHA's existing households.

Under the agreement signed by the CHA, HUD, and Mayor Daley, the CHA was granted new budget and management flexibility. It also secured a \$1.5 billion, ten-year funding commitment from HUD. This includes \$139 million per year in Federal Comprehensive Grant funds with the remaining money to be acquired through national competitions, such as the HOPE VI program. The CHA has guaranteed all residents who were lease-compliant as of October 1, 1999 the right to return to a newly constructed or rehabilitated public housing unit. However, it is estimated that approximately 6,000 families will opt instead to search for housing in the private market, either temporarily or permanently, using a Housing Choice Voucher (HCV).¹ This poses many challenges.

According to a Regional Rental Market Analysis conducted last year by MPC, metropolitan Chicago's rental market is very tight with only a 4.2% vacancy rate as of 1999. That is well below HUD's official definition of a tight market, which is 6%. This poses particular challenges for households earning less than \$20,000 a year (approximately 30% of area median income), as there are 153,000 fewer apartments than there are renter households in this income category.² The average CHA household income is \$7,884.³ However, the increased purchasing power of an HCV gives a family the opportunity to lease in a higher rent bracket where more units are available. As many as 327,000 according to MPC's Regional Rental Market Analysis. Opportunity fades, however, if relocatees are not adequately prepared to find those better apartments.





Besides the uncertainties of relocation and affordability, there is the matter of management. The CHA has transferred all property management functions of its 38,827 family and senior units, spanning 15 different developments, to both for-profit and non-profit firms, including Resident Management Corporations.⁴ CHA will now act as an asset manager, forsaking hands-on control while expanding its contract monitoring and oversight capabilities. Outsourcing and privatization are being used to improve quality in the areas of property management, housing development and social service delivery.

In order to increase the capacity of its residents to become self sufficient, CHA is creating a "service connectors" component, whereby community-based outreach workers aid residents in obtaining social services. The CHA is also transferring some of its human service responsibility to the City of Chicago, and privatizing the remainder of its direct services so as to stay focused on its core mission: the provision of affordable housing opportunities in viable communities for lower-income households.

MPC's Shared Principles

While MPC has expressed its support for much-needed and dramatic change to public housing, the Council is mindful that a highly coordinated effort by the CHA, and by a range of regional stakeholders, will be needed in order to achieve an outcome that is fair to CHA residents and neighbors. The implementation of the Transformation Plan should be guided by, and evaluated against, five key principles:

1. **Promote and support creative strategies to increase affordable housing options for lower-income individuals.** There are nearly 200,000 households in the region's unsubsidized housing market that earn less than \$20,000 per year and compete for the 38,000 apartments deemed affordable at that income level. The situation isn't likely to improve any time soon. Widespread intolerance and poor past management of public housing have tainted people's image of all kinds of affordable housing. Even high-quality, higher-income multi-family development proposals are frequently met with community opposition. This resistance (often codified in the form of exclusionary zoning and other regulations) along with unfavorable market forces have greatly curbed the quantity and distribution of rental housing across the region. Proactive outreach, education, leadership and financing are needed.
2. **Clearly and consistently communicate with public housing residents and regional stakeholders to enable informed choice.** Public housing residents should be provided accurate information regarding their rights and the full range of options available to them. Only then can they make informed decisions concerning their housing, and ultimately, their quality of life. Likewise, neighbors must be kept informed so as to quell unreasoned fears and create welcoming communities.
3. **Ensure quality supportive services that are accessible to residents.** An array of comprehensive social services, including job training, mobility counseling and programs that promote overall self-sufficiency, are essential to ensure successful transitions for public housing residents.

4. **Handle relocation fairly and compassionately and on a realistic timetable.** Given the magnitude of the transformation plan and the realities concerning the rental market's limitations, the process of transformation must not be rushed at the expense of residents' rights and chances for a future in America's mainstream. For this reason, MPC supports CHA's recent decision to virtually double the length of the original transformation timetable.
5. **Institute strong accountability mechanisms.** The CHA has expressed its commitment to reducing the isolation of its residents by integrating them into healthy neighborhoods. CHA must work diligently with residents, neighborhood leaders and development and service partners to provide the tools and information needed to make the transformation a collaborative success.

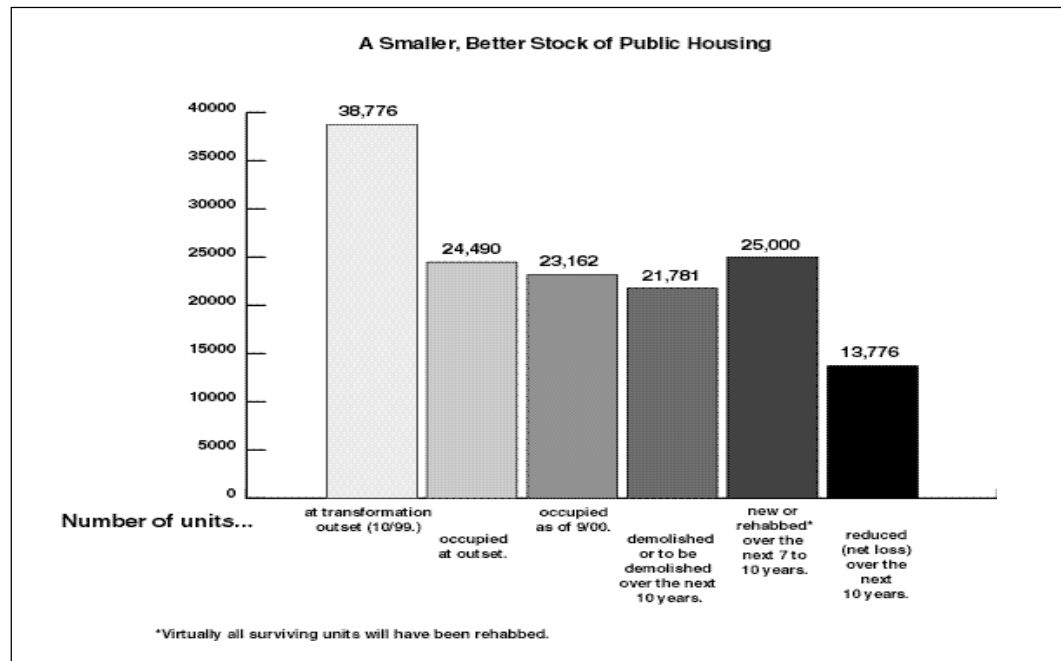
Comparing the Transformation Plan's Progress with the Five Principles

Principle	<i>1. Promote and support creative strategies to increase affordable housing options for lower income individuals.</i>
Status	<p>In contrast to the isolated conditions of the past, CHA has embarked on a comprehensive approach to redevelopment. This includes developing mixed-income housing that is better integrated into local communities, attracting businesses to expand job opportunities and promoting increased educational opportunities through better neighborhood schools. Congress supports this vision through HOPE VI and other initiatives, evidenced by the HUD commitment of \$1.5 billion over the next ten years.</p> <p>The Madden Park/Ida B. Wells redevelopment plan illustrates this approach. It calls for building 3,000 units of housing with 1,000 market-rate units, 1,000 affordable units, and 1,000 public housing units. The CHA and the Local Advisory Council of Madden Park and Ida B. Wells selected McCormick Baron, an experienced, private sector developer, and successfully applied for \$35 million in HOPE VI funds. The development team has already established productive relationships with tenant leaders, holding planning charrettes to define common objectives and educating residents about the development plans.</p> <p>The CHA's plan was bolstered with the approval of 28 of its waiver requests from HUD,⁵ providing necessary budget and operational flexibility to execute the plan. For example, the CHA may convert a percentage of its tenant-based subsidies to project-based subsidies for "hard" unit development. Through a regional effort involving MPC, dedicated vouchers from CHA and other housing authorities could produce 6,750 units of housing affordable for families earning less than \$20,000 a year, with most of them, hopefully, in mixed-income communities.</p>
Concerns	<ul style="list-style-type: none"> • MPC is gravely concerned with the overall reduction of approximately 13,000 public housing units from the CHA's housing stock. Though currently uninhabitable,



the demolition of these apartments permanently reduces the public housing available to very low income families. At Madden Park/Wells for example, 2,400 units will be lost. The demolition and redevelopment plans will mean some public housing residents will be using rent vouchers to seek housing in an extremely tight private rental market.

- MPC questions whether there is adequate capacity and financing among public management and private sector developers to carry out the ambitious Transformation Plan, and urges the CHA to partner with organizations that can help.
- If federal or private resources fall short, MPC is concerned about how the Transformation Plan will be affected. In Chicago, the average total development cost for a newly constructed unit of housing ranges to \$130,000. CHA has allocated \$90,000 per unit with the balance to be made up by the City of Chicago. Given the Department of Housing's limited resources, it will be extremely difficult to meet goals without reducing other affordable housing initiatives in the city.



Principle 2. Clearly and consistently communicate with public housing residents and regional stakeholders to promote informed choice.

Status CHA families need to receive and understand a sea of options available to them to successfully navigate the transformation process. This includes very specific issues such as the terms surrounding lease compliance, temporary or permanent relocation choices, services available prior to, during and after the relocation process, and legal rights and responsibilities.

The CHA has promised that all lease-compliant residents, as of October 1, 1999, will be able to return to a rehabilitated or replacement public housing unit, if they



choose to do so, and, in addition, if they meet screening criteria. The terms of lease compliancy are detailed in the CHA Leaseholder Housing Choice and Relocation Rights Contract (approved October 17, 2000.) Also detailed in the contract are the CHA's responsibilities prior to relocation, including:

1. Conducting relocation meetings for all affected leaseholders, offering at least two information sessions.
2. Requiring all leaseholders to sign a form indicating their receipt of the Relocation Packet. This includes a description of relocation assistance benefits, replacement housing choices, and processing time frames for HCV relocatees.
3. Ensuring that all relocation activities be communicated in clear, understandable language. Information should be posted in property management and relocation site offices along with appropriate translation/communication materials. Designated staff should assist residents who are illiterate or disabled. In addition to CHA's lease requirements, each property manager may institute site-specific lease requirements.

Working groups are determining how to implement the relocation contract at each of the affected sites.

Concerns

- Although time lines related to building demolition and redevelopment are available, they currently lack reference to tenant consultation. CHA should modify these timelines to include when/how relocation options are shared with residents.⁶
- The external relations capacity of the CHA's Office of Communications should be expanded in order to ensure the quality and frequency of information dissemination that will properly inform the residents of CHA as well as concerned stakeholders of transformation activities.
- Given the high stakes of lease compliance for all public housing residents, existing tracking mechanisms—which include demolition schedules and Housing Choice Voucher and service connector performance data—should be integrated to ensure that every family has been briefed concerning lease compliance requirements and their right to return as detailed in the relocation contract. CHA should give this its highest priority, and even cease relocation activities if an adequate tenant briefing program is not in place soon.
- MPC urges CHA to closely monitor the effectiveness of cross-training efforts of management, development and social service staff, and of contractors, in order to achieve consistent information sharing internally and externally on all lease compliance and redevelopment activities.
- Additional site-based requirements complicate what it means to be lease compliant. Site-based lease requirements may make it more difficult for public housing residents to stay lease compliant and also may further stigmatize certain public housing units as being less desirable than others.



Principle ***3. Provide quality supportive services that are accessible to residents.***

Status The CHA is not only outsourcing its property management duties, but it is also getting out of the business of human service delivery. However, the CHA has stated that it retains its commitment to meeting the human capital needs of its residents during and after the relocation process. Sixteen service connectors have been hired to work with 14,000 families, or two for each of 8 family developments.⁷ To promote tenant access to a range of services which support housing stability and housing choice, private organizations will provide:

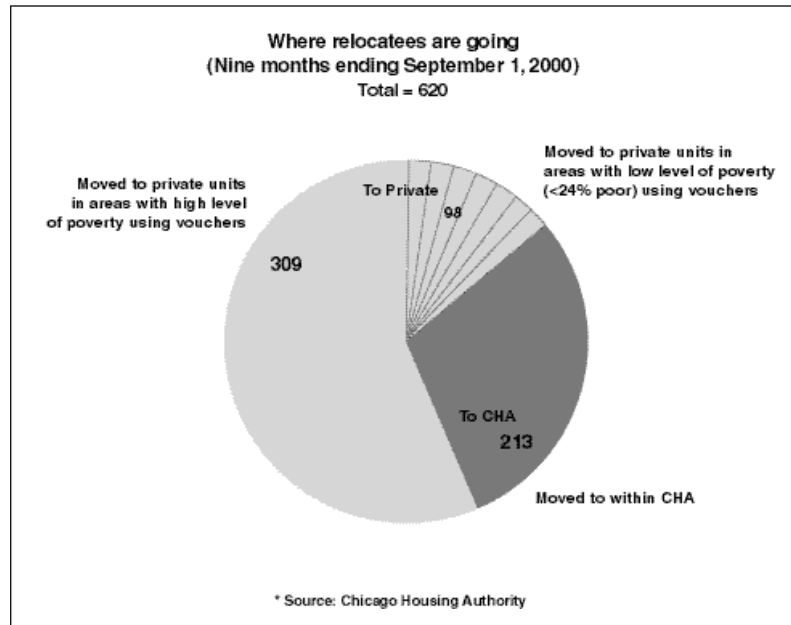
1. The Good Tenants/Good Neighbors Program
2. The Service Connectors Program serving families with Housing Choice Vouchers in the private market
3. The Service Connectors Program serving families in existing CHA properties.
4. Developer Self-Sufficiency Programs

Concerns • The scale of the "Service Connector" model appears insufficient to meet the demands of public housing residents. Although still in its pilot phase, coordination between the service connectors, the individual property managers and CHA development staff is needed to assure a smooth continuum of services that help families attain self-sufficiency.
• As CHA phases out its direct service delivery, it is important that residents who relocate either permanently or temporarily remain informed of the changes and connected to the continuum of services. A clear transition strategy has not been identified.

Principle ***4. Relocate residents fairly and compassionately and on a realistic timetable***

Status The CHA Plan for Transformation calls for phased demolition and redevelopment of CHA properties. Redevelopment in phases is not only designed to allow orderly relocation, but to assure the private rental market's ability to absorb relocatees. HUD has expressed a desire for an annual assessment of the rental market's ability to absorb new Housing Choice Vouchers and will require the CHA to adjust relocation and demolition schedules based on the assessment.

A study of 1,000 families relocating to the private market found that the overwhelming majority found housing in areas that were heavily segregated with high levels of poverty—not much different from the communities they came from. Close to 80% of those families found housing in census tracts that were over 90% African American, and over 90% in census tracts where the median income was under \$15,000 a year.⁸



The CHA has agreed to give residents 180 days notice prior to their proposed date of relocation when that relocation is necessitated by demolition, rehabilitation or conversion to tenant-based assistance. There will be 120 days notice for building consolidation relocation activities⁹ consistent with federal law and "Recommended Procedures For the Relocation Of Families From Chicago Housing Authority Buildings Who Choose Section 8 Choice Vouchers," which was published last July by MPC following extensive collaboration with CHA, HUD and a variety of stakeholders.

The CHA has issued a Request for Proposals (RFP) to obtain counseling services for families who are moving. The goal is to promote "informed choice" among these families by implementing a relocation and mobility counseling program, which will provide information detailing options available to them in their temporary or permanent moves.

Concerns

- To date, a HUD-funded study testing the market's vacancy rate in 2000 has not been initiated. HUD, the City and CHA helped fund MPC's November 1999 Regional Rental Market Analysis, the research for which was led by the University of Illinois at Chicago. Part of the analysis included policy simulations (scenarios of future rental market conditions) based on the CHA's proposed plan to demolish one-third of its housing stock, and the likelihood that up to 6,000 households would choose to relocate into the private rental market. These simulations predicted the market's ability to absorb these households from an economic vantage point. However, the study's authors underscored the need to further analyze the region's vacant rental market to understand the extent to which units: (1) meet the minimum Housing Quality Standards that HUD requires in order to authorize a tenant-based subsidy; (2) match up unit size and accessibility with what CHA families need;



and (3) are made available by property owners to former CHA residents.

- Because of metropolitan Chicago's unique struggles with racial and economic segregation, it is critical to provide a range of neighborhood options and track where those families are relocating using HCV's. Strong staff leadership, more resources, program improvements and time are needed to educate public housing families, property owners and neighbors about fair housing choices and challenges.
- According to CHA's Capital Plan, 24% of relocatees are moving to "low-poverty areas,"¹⁰ but there is not information publicly available detailing the neighborhoods where individuals are moving, nor whether current patterns of segregation are continuing.
- Since the Plan for Transformation was first announced, a number of families fled public housing due to fear and/or misinformation. Others were relocated hastily, without the required 120 to 180 days notice. MPC is concerned that families may continue to "slip between the cracks," and that a tracking system is needed to prevent this slippage from occurring again as the plan moves forward.
- Consistent with policy and program changes throughout the country, CHA's disabled resident population will no longer be housed in the senior properties. While outlining the resulting provisions for seniors, the Transformation Plan fails to detail what accommodations are being made for its disabled population.

Principle ***5. Institute strong accountability mechanisms.***

Status Because the CHA has been an ineffective landlord for decades, the decision to relinquish all of its direct property management duties to outside professional management organizations was a welcome change. This should make CHA more cost-efficient while improving service delivery.

The CHA is now developing its asset management capabilities to monitor the contracts of 15 private property managers and 9 resident management corporations, as well as monitor various service providers.

The CHA is producing reports that document its activities on a monthly and quarterly basis. The quarterly report is available to the general public. The monthly report is designed to provide more detailed information to CHA board members and employees. The quarterly report's purpose is to keep the public apprised of all CHA activities, tracking the major goals and initiatives presented in the plan.

The CHA has also developed three new documents in consultation with tenant and civic leaders: *Updated Lease, Grievance Procedure's, and Admissions and Occupancy Policy* to further its efforts toward assuring accountability on the part of the Authority.

Concerns • We commend the CHA for producing monthly and quarterly reports that track the progress of the Transformation Plan's implementation, a huge improvement on past public housing information efforts. MPC believes that the quarterly reports can be expanded to answer the questions and concerns raised in this fact sheet.

Conclusion

The timing and budget constraints of the Transformation Plan leave a narrow margin of error for this unprecedented public housing reform initiative. The lives of thousands of families are dependent upon the coordinated efforts of many stakeholders, region-wide, to ensure fair and responsive implementation of the Plan for Transformation. Success will require engagement and support from business leaders and public officials throughout metropolitan Chicago. MPC is dedicated to keeping the public informed—and engaged—during this difficult but absolutely necessary Transformation.

Footnotes....

1 The Housing Choice Voucher program is a federally-funded tenant-based subsidy program administered by local housing authorities to increase tenant access to the private rental market. Previously referred to as "Section 8," the program was restructured in October 1999 to allow greater opportunity for apartment seekers through improved service coordination and more flexible policies.

2 Regional Rental Market Analysis - MPC, 1999

3 CHA monthly report

4 CHA press release, June 13, 2000

5 Moving to Work Demonstration Agreement - CHA, 2000

6 Recommended Procedures For the Relocation Of Families From Chicago Housing Authority Buildings Who Choose Section 8 Choice Vouchers - MPC, 1999

7 Housing Choice Working Group meeting minutes - MPC

8 Section 8 and the Public Housing Revolution: Where Will The Families Go. Fischer. P., 1998

9 CHA Leaseholder Housing Choice and Relocation Rights Contract, October 2000

10 Census tracts where fewer than 23.49% of families live below the poverty level