

**Public Housing in the Public Interest
Examining the Chicago Housing Authority's
Redevelopment Strategy
November 2002**

Metropolitan Planning Council Fact Sheet #4

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MPC is deeply grateful to the following for their funding of the work on which the
Public Housing in the Public Interest Fact Sheet series is based:

The John D. and Catherine T. MacArthur Foundation
Lloyd A. Fry Foundation
Bank One Corporation
Bowman C. Lingle Trust

Former MPC Housing Associate Steven D. Dailey II
and former Housing Intern Ianna Kachoris also contributed to this report.

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Background on the Chicago Housing Authority (CHA) Plan for Transformation and Redevelopment Objectives

Unprecedented Urban Revitalization

"Strengthening America's neighborhoods while reaching our lowest-income families," said the organizers of a national symposium of 1,000 housing professionals in Chicago this spring, is "mixed-income housing's greatest challenge."¹

Nowhere is mixed-income theory² moving into practice more ambitiously than in the Chicago Housing Authority Plan for Transformation.

In ten short years, in response to federal mandates,³ this Plan calls for the tearing down of all 53 "gallery-style" high rises and the redevelopment or renovation of approximately 25,000 public housing units; enough to fulfill the CHA's commitment to provide all leaseholders (as of October 1999) with a new or improved home. By the late 1990s, the CHA owned and operated nearly 39,000 apartments, but nearly 14,000 of them were vacant and uninhabitable. The goal of this transformation is to prevent this level of neglect in the future, not only via improved property management and support services for residents, but also by ending the racial, economic and spatial segregation that has defined public housing in years past. New public housing is being developed within mixed-income, pedestrian-friendly communities.

Success requires systemic changes in all areas of the CHA: property management, asset management and service delivery. It will also require unprecedented coordination between the Chicago mayor's office, aldermen, City departments, City agencies and the CHA.

The challenges the Plan seeks to overcome are great. Overall, 25,000 new or renovated public housing units are intended to provide the following:⁴

- 6,149 new homes for families
- 3,578 renovated homes for families
- 3,017 additional family units that will either be new or renovated
- 9,480 apartments for seniors
- 2,776 scattered site units⁵

25,000 new or renovated homes total



Figure 1: End Development Goal of Transformation Plan Through 2009, by Type

Planned Year Completed	2002	2003	2004	2005	2006	2007	2008	2009	Total
Type of Unit									
New Family	248	702	588	573	509	854	778	777	5,029
Family Rehab	382	911	760	500	1,709	911	711	711	2,553
Senior	4,500	3,954	0	0	0	0	0	0	8,454
Scattered Site	1,090	936	0	0	0	0	0	0	2,026
Annual Total	6,220	6,503	1,348	1,073	2,218	1,765	1,489	1,488	18,062
Cumulative Total	9,116*	15,619	16,967	18,040	20,258	22,023	23,512	25,000	
Percentage of Total Completed	36.5%	62.5%	67.9%	72.2%	81%	88.1%	94%	100%	

Source: Chicago Housing Authority, Management Analysis and Planning Department, August 2002.

* Total new or rehabbed units completed prior to 2002

The scope and magnitude of these changes are as daunting as the conditions that precipitated the Plan. For too long, thousands of families had been neglected, living in squalor and isolated in poverty within one of the most rapidly prospering cities in the country.

The Plan for Transformation offers an opportunity to draw public housing residents within better reach of that prosperity. "Success in federal housing policy needs to be evaluated not just according to the number of housing units produced," said the Millennial Housing Commission's recent report to Congress, "but also in terms of whether the housing produced improves both communities and individual lives."⁶

"The goal of this transformation is to end the racial, economic and spatial segregation that has defined public housing in the past."



In the Public Interest?

The transformation of public housing within mixed-income communities is of local and national import. The failures of the CHA's Cabrini Green and other infamous "projects"—exemplified by 53 distressed high-rises now being demolished in Chicago—helped taint public perception that affordable housing promotes blight and reduces property values. Across the country, these attitudes have hampered the development of needed housing opportunities for thousands of lower-income households.

Nationwide, between 1990 and 2000, 22 percent of all housing permits were for multi-family housing (both for rent and sale). Locally, however, these more affordable developments represented only three percent of new housing.⁷ When the region's population grew by 11 percent⁸ and the number of jobs grew by 16 percent,⁹ the 2000 Census showed that the number of available rental-housing units actually decreased. In response to these trends, in the spring of 2002, the Metropolitan Mayors Caucus, an organization representing Chicago and the region's more than 270 municipalities, adopted a set of Housing Endorsement Criteria to promote better development. These Criteria, which the Caucus is now encouraging city councils throughout the region to adopt, encourage: housing at all price points that is well managed, well designed, located near jobs and transit, and fosters strong communities. This kind of housing is an asset to communities and the whole region. The Criteria are increasingly being used by local leaders and decision-makers to attract, assess and build support for housing developments, because they represent a new communications and organizing tool that emphasizes how each community can benefit from promoting a range of quality housing options for people at all income levels. The resulting alliances between housing developers, advocates, municipal, business and faith-based leaders provide needed support for mixed-income communities.

The Metropolitan Planning Council has reviewed CHA redevelopment projects and has found that all plans in development meet these Housing Endorsement Criteria. And, like most proposals that include housing for very low-income households along with other market-rate and moderate-income households, the new CHA redevelopments also face significant obstacles. It is critical that stakeholders in all constituencies work to promote the success of the CHA's Plan for Transformation, building on the political leadership of the Metropolitan Mayors Caucus and better awareness and public understanding following the Chicago Matters "Inside Housing" series.¹⁰

Identifying the shortcomings of current efforts will continue to be crucial to promoting and monitoring success. MPC is gauging the progress of the Plan for Transformation against **five key principles**, outlined in the first of this series of Public Housing in the Public Interest: Chicago Housing Authority Transformation Plan Update Fact Sheets. These principles recommend that the CHA:

- 1. Promote and support creative strategies to increase affordable housing options for lower income individuals.**
- 2. Clearly and consistently communicate with public housing residents and regional stake-holders to enable informed choice.**



- 3. Ensure quality supportive services that are accessible to residents.
- 4. Handle relocation fairly and compassionately and on a realistic timetable.
- 5. Institute strong accountability mechanisms.

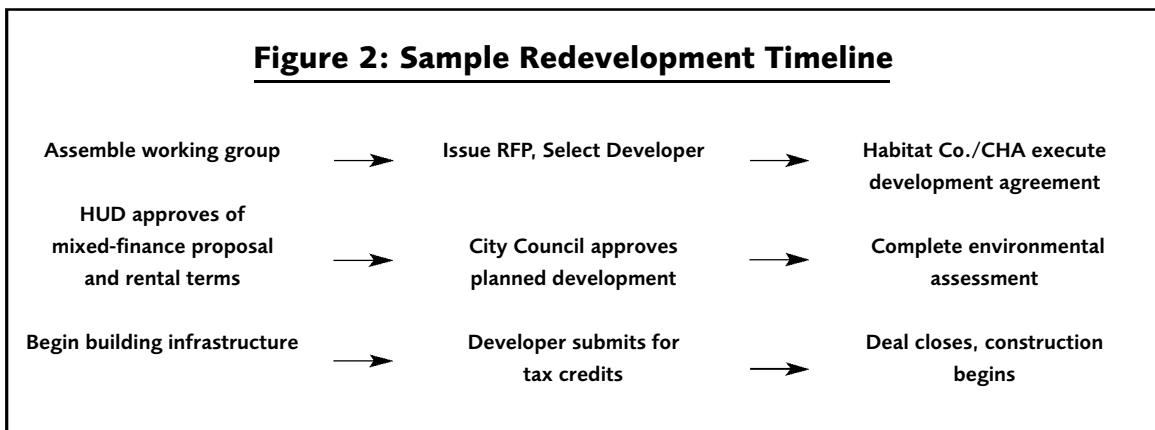
Since the launch of the Plan for Transformation, MPC and other stakeholders have focused primarily on CHA families themselves, by evaluating CHA performance relative to the last four of the five principles outlined above. This fourth Fact Sheet explores redevelopment activities, which are addressed by the first principle. Until now there has only been a theoretical discussion. The time has come to assess what's actually in the ground and what's planned as the CHA contracts with development teams and identifies revenue teams.

Regardless of the status of budgets or timelines, the success of the Plan for Transformation will ultimately be achieved deal-by-deal at each development. If a myriad of variables related to neighborhood concerns, local financing and political relationships are not resolved in a timely and satisfactory manner, transformation cannot be successful, and greater Chicago, its neighborhoods and public housing residents alike, will suffer.

Perhaps most importantly, when it comes to redevelopment, CHA performance is no longer the sole determinant of success. Its role remains critical, to be sure, but other public and private institutions must step up and participate fully if the Plan for Transformation is to be successful.

This Fact Sheet focuses on four priority developments, Jazz on the Boulevard (formerly the Drexel site), Wells Madden, West Haven Park (formerly Henry Horner) and Lake Park Crescent, which illustrate both the challenge and the potential of public housing transformation. It also summarizes the work underway at ABLA and Rockwell Gardens, two other significant redevelopments. Then it examines the outstanding critical redevelopment issues: who's responsible and what steps need to be taken. It concludes with analysis of the key issues the CHA and its stakeholders must continue to track.

The chart below summarizes key benchmarks in the redevelopment process and provides a useful framework for analysis of each project's progress.





CHA Plan for Transformation/Redevelopment Site Profile:

Lake Park Crescent

Development Team: Draper and Kramer with Community Builders
Central Advisory Council Member: Mary Wiggins
312/791-8414

Summary of Redevelopment Plan

This lakefront property encompasses 16.5 acres of mostly vacant land between 40th Street and 42nd Place, from the Illinois Central railroad tracks to Lake Park Avenue, primarily in the North Kenwood and Oakland neighborhoods of Chicago.

TYPE OF UNITS				
	6-Flats	Row Houses	Mid-Rise	High-Rise
# of Units	138	24	150	84
Detail			2 bldgs, 8 stories	1 bldg, 14 stories

TOTAL UNITS				
	CHA	Affordable*	Market Rate	Total
Rental	120	71	51	242
For Sale	0	51	197	248
Total	120	122	248	490

TYPE OF UNITS BY AFFORDABILITY - PHASE I				
	CHA	Affordable*	Market Rate	Total
Rental	66	52	36	154
For Sale	0	29	101	130
Total	66	81	137	284

Data as of August 2002

* Rental: 60 percent of Area Median Income (\$45,240/year for a family of four); For Sale: 120 percent of Area Median Income (\$90,480 for a family of four).

Special Features

As part of a revised agreement between CHA and the Lakefront Community Organization (LCO), an organization of neighborhood residents and public housing tenants who lived on the site before buildings were demolished, LCO agreed to the demolition of existing high-rise apartment buildings, and CHA agreed to redevelop a total of 441 units – 241 in the North Kenwood and Oakland area and 200 elsewhere. The high-rises have been vacant since 1985. According to the developer, when units are completed, 90 tenants from the original development will be given rental priority. Relocation will be handled by CHA.

Affordability

The total estimated development cost for this project is approximately \$100 million. The Draper and Kramer

development team assembled grants, loans, tax credit equity and subsidies from various sources to provide a mix of units affordable to families earning income at various points of the spectrum.

Development Process

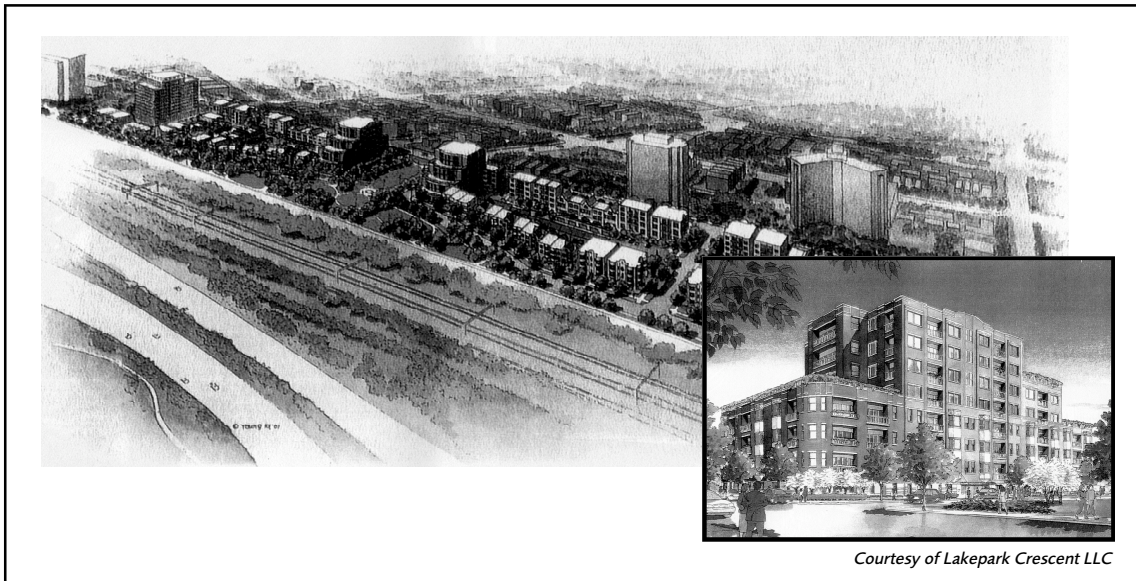
In Phase I of this project, approximately two-thirds of the entire 16-acre site will be developed. This site is attractive for its proximity to the lakefront, the downtown area and to revitalized nearby communities such as Kenwood and Bronzeville. The master plan calls for easy access to the lakefront and parks area, as well as retail development at 43rd and 47th streets. In addition to being responsible for the physical development of the site, Draper and Kramer will provide support services such as job and household maintenance training for all residents. A community space for classes, meetings and neighborhood activities will also be considered for the mid-rise building.

Resident Participation and Community Involvement

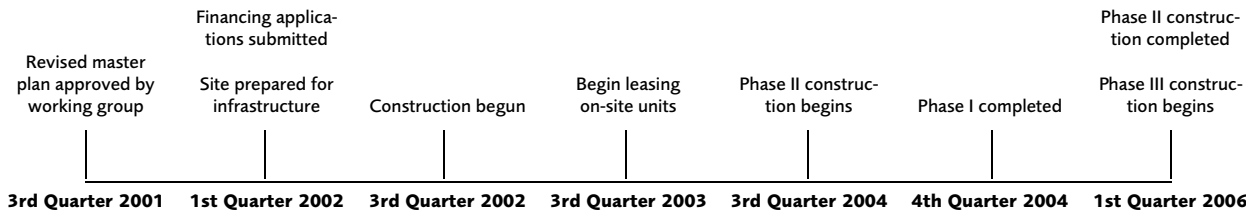
A working group of representatives from the CHA, Habitat Co., Chicago departments of Housing and Planning, mayor's office, Ald. Toni Preckwinkle of the 4th Ward, Business and Professional People in the Public Interest and members of the North Kenwood/Oakland Community Conservation Council at Lake Park Crescent was involved in the project. Because the site had been vacant since 1985, none of the original tenants were represented on the working group, but members of LCO were invited to participate.

Community Development Impact

This project will employ sensible growth principles by building housing and street level commercial activity on vacant city land at 43rd and 47th streets.



Current Status of Lake Park Crescent Redevelopment





CHA Plan for Transformation/Redevelopment Site Profile:

Henry Horner Homes Phase II (West Haven Park)

Development Team: Brinshore - Michaels
Local Advisory Council President: Mamie Bone
773/791-8746 or 773/791-8430

Summary of Redevelopment Plan

The site plan for the Henry Horner Homes Phase II redevelopment is designed to feel like a traditional Chicago residential neighborhood. Significant resources were leveraged by the development team, and as a result, a number of commercial and residential development projects are planned in West Haven Park on the Near West Side, which are expected to provide a variety of economic opportunities to the residents of this development.

Type of units

Mid-rise buildings of multi-family rental and ownership condominiums, single family detached homes and townhouses.

TOTAL UNITS	
	Total
Phase I	461 (completed)
Phase II A	755
Total	1,216

TYPE OF UNITS BY AFFORDABILITY - PHASE II				
	CHA	Affordable*	Market Rate	Total
Rental	271	84	108	449
For Sale	0	48	244	306
Total	271	132	352	755

Data as of August 2002

* Rental: 60 percent of Area Median Income (\$45,240/year for a family of four); For Sale: 120 percent of Area Median Income (\$90,480 for a family of four).

Special Features

Henry Horner is the only CHA site where residents were not relocated off site during the first phase of redevelopment. It is also the only project where a first phase was already completed as of 2000. Phase I involved the demolition of five high-rise and mid-rise buildings that were replaced with 461 units of mixed-income public housing town homes constructed both at the Horner site and scattered throughout the neighborhood, developed by the Habitat Co.

Affordability

Henry Horner Mothers Guild v. CHA and HUD (1991), a case filed by a group of Henry Horner Homes residents, ruled that at least 220 housing units, or 35 percent of total units built, had to be set aside for very low income families. The Brinshore-Michaels team has complied with this court ruling.

Financing

All rental units will be constructed using private investor equity from low-income housing tax credits, conven-

tional construction and permanent loans, tax-exempt bond financing, HOPE VI¹¹ funds, comprehensive grant and other funds advanced by the CHA, Illinois Housing Development Authority construction and permanent financing funds, anticipated tax increment financing, and soft financing through the Chicago Department of Housing.

Development Process

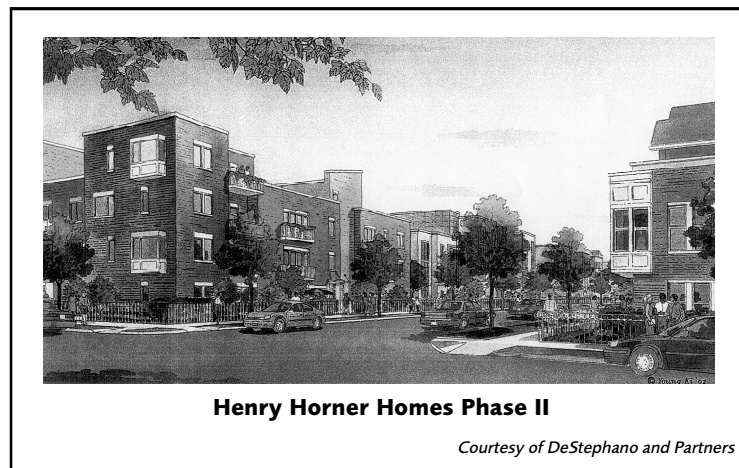
Approximately 26 acres will be available for development of mixed-income residential community to complement the private investment underway in the surrounding areas of the Illinois Medical District and the United Center. Partnerships with these stakeholders have leveraged additional investments, which will go primarily toward open space development and parks improvement, as well as commercial development.

Resident Participation and Community Involvement

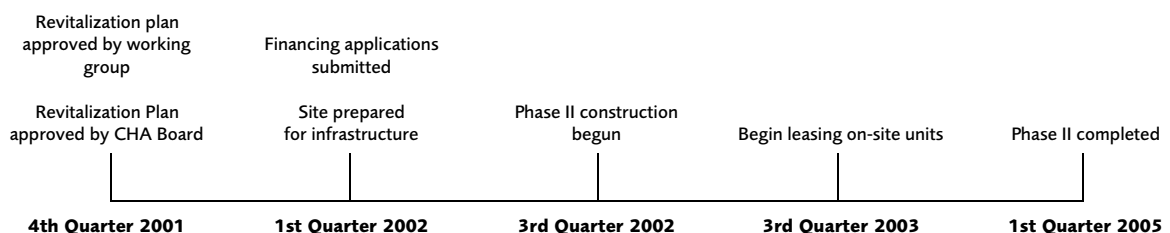
A loosely assembled working group of residents and advocates at Henry Horner Homes was actively involved in the planning process long before a developer was chosen for the site. Just one year before a HOPE VI grant was awarded to the Henry Horner site in 1996, a group of residents filed a lawsuit against the CHA and HUD, which put the plan temporarily on hold until it was settled in 2000. In the interim, CHA proceeded on Phase I of the Henry Horner Homes redevelopment in 1997 and completed the project in 2000. An informed working group was assembled shortly after the lawsuit was settled to complete a revitalization plan for Phase II.

Community Development Impact

A number of projects have been identified and approved in the Henry Horner Homes area by the Chicago Department of Planning and Development. These include a new Walgreens pharmacy at the corner of Western Avenue and Madison Street; a 40,000-square-foot grocery store at the same corner; nearly 100 single family homes; market rate town homes and condominiums on the 2100 and 2200 blocks of Madison Street.



Current Status of Henry Horner Redevelopment





CHA Plan for Transformation/Redevelopment Site Profile: *Jazz on the Boulevard (formerly known as the Drexel Site)*

Development Team: Thrush Company, Granite Development and Century Place Development Corporation
CAC Member: Mary Wiggins
 312/791-8414

Summary of Redevelopment Plan

Located on Drexel Boulevard in North Kenwood/Oakland, this site is the smallest CHA redevelopment project in acreage and number of units, and has only one scheduled phase of redevelopment.

Type of units

Six-flats; condominiums; townhouses; two-flats of rental and ownership; and attached, single-family homes.

TYPE OF UNITS BY AFFORDABILITY				
	CHA	Affordable*	Market Rate	Total
Rental	30	9	0	39
For Sale	0	29	69	98
Total	30	38	69	137

Data as of August 2002

*Rental: 60 percent of Area Median Income (\$45,240/year for a family of four); For Sale: 120 percent of Area Median Income (\$90,480 for a family of four).

Special Features

The development team for Jazz on the Boulevard is the only CHA redevelopment team that will use a supportive housing management model. While the integration of services such as healthcare and childcare with housing is not a new concept, this is the first CHA attempt to use such a strategy in a mixed-income development. Specially trained property managers will play dual roles as case managers, working with tenants with special needs to help them achieve self-sufficiency and stability.

Affordability

The U.S. Department of Housing has awarded the development team low-income housing tax credits. The team has also submitted an application to the Illinois Housing Development Authority Trust Fund for additional financing.

Development Process

Although this is a small project, its location is desirable and is expected to spur development activity in the surrounding areas. According to developers, its proximity to both Stateway Gardens and Lake Park Crescent has provided an opportunity for the development teams to stay informed of one another's progress and find opportunities to work together on coordinating site plans and leveraging resources in the lakefront area.

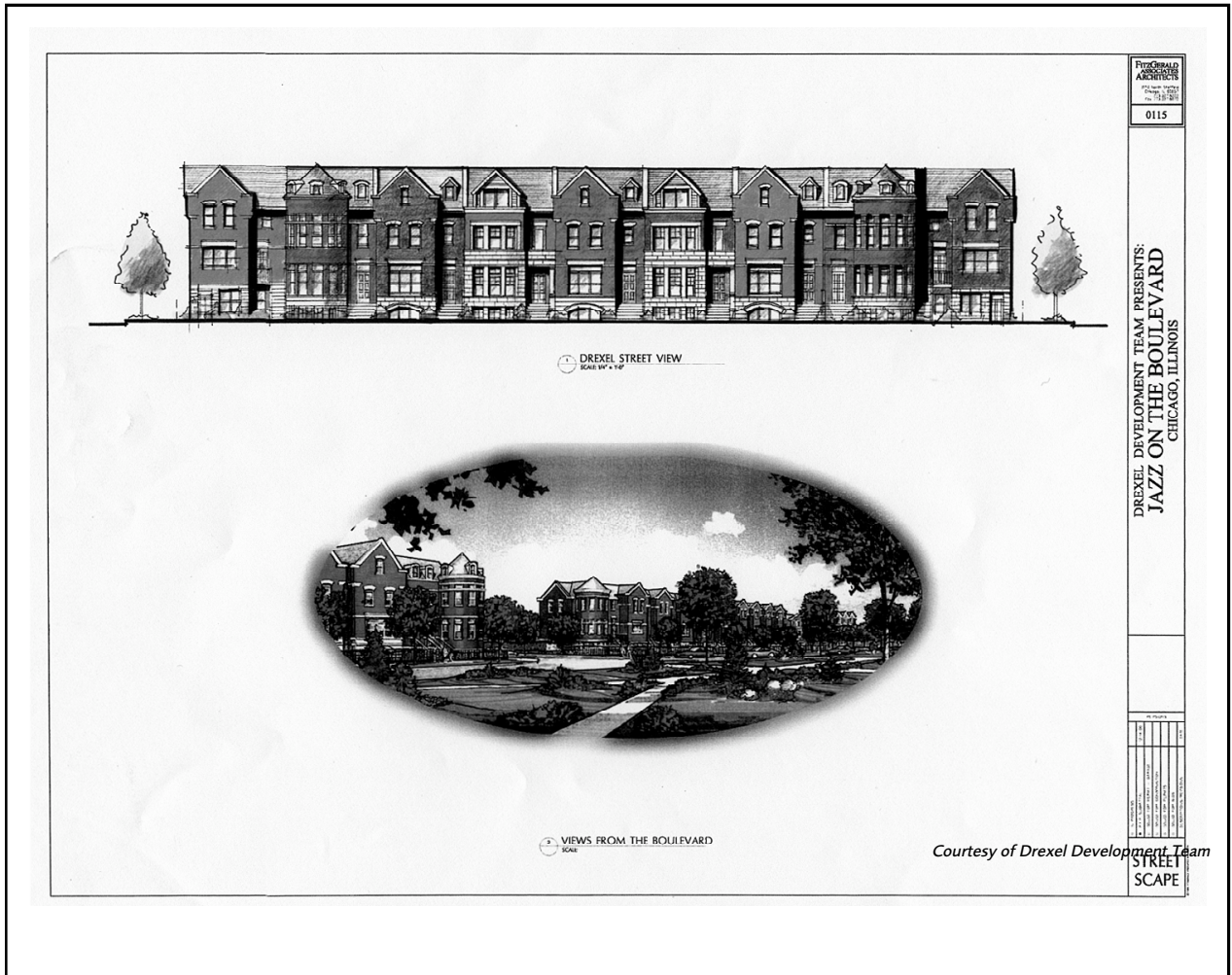
Resident Participation and Community Involvement

As part of a revised agreement between CHA and the Lakefront Community Organization (LCO), an organization of neighborhood residents and public housing tenants who lived at the site before buildings were demolished, LCO agreed to the demolition of existing high-rise apartment buildings and CHA agreed to redevelop a

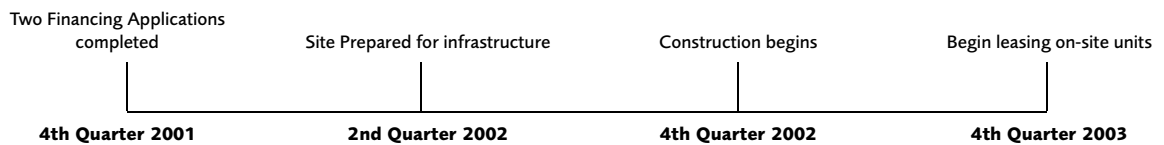
total of 441 units. For this reason, members of LCO will be given priority to return to this site. The developers have also reached out to members of LCO to participate in the working group for this site.

Community Development Impact

Jazz on the Boulevard has been designed with streets that connect to the surrounding neighborhoods and a mix of neighborhood amenities that include grocery stores, childcare centers and a neighborhood park.



Current Status of Jazz on the Boulevard Redevelopment





CHA Plan for Transformation/Redevelopment Site Profile:

Madden Park/Ida B. Wells/Darrow

Development Team: Oakwood Boulevard Associates
 (collaboration of Community Builders, Thrush and Granite Development)
LAC President, Madden Park: Eunice Crosby
 773/791-8736 or 773/567-6647
LAC President, Ida B. Wells: Sandra Young
 773/791-8737 or 773/567-6036

Summary of Redevelopment Plan

Located in the Douglas and Oakland neighborhoods four miles south of downtown Chicago, this development includes four housing complexes: Ida B. Wells, with 1,654 units of public housing, and the Wells extension, with 376 units; Madden Park, with 218 units; and the Darrow Homes, where all units have been demolished. The entire project borders 35th Street on the north, 39th Street on the south, King Drive on the west and Ellis Avenue on the east.

The master plan proposes to develop new parks and open space interspersed with diverse housing types in a variety of architectural styles. To create the feeling of a traditional Chicago neighborhood, the plan will also reinstate neighborhood street grids where appropriate.

Type of units

Single-family homes, townhouses, two- and three-flats, mixed-use buildings and senior apartments.

TOTAL UNITS		
	CHA	Total
Rental	750	2,200
Senior Housing	150	
For Sale	100	800
Total Units	1,000	3,000

TYPE OF UNITS - PHASE I		
	CHA	Total
Rental	126	325
For Sale	10	171
Total Units	136	496

Data as of August 2002

Special Features

The Madden Park/Ida B. Wells/Darrow project is a five-phase development plan, which received a \$35 million HOPE VI Revitalization Grant in 2000. The first master plan was developed with community involvement, refined by a working group of tenants and community leaders, and led by the first development team, McCormack Baron, a housing development firm based in St. Louis. However, the CHA and the master plan development team ultimately could not come to a partnership agreement to implement the plan. The CHA immediately issued a second Request for Proposals for Phase I, and Oakwood Boulevard Associates was selected as the master developer.

Development Process

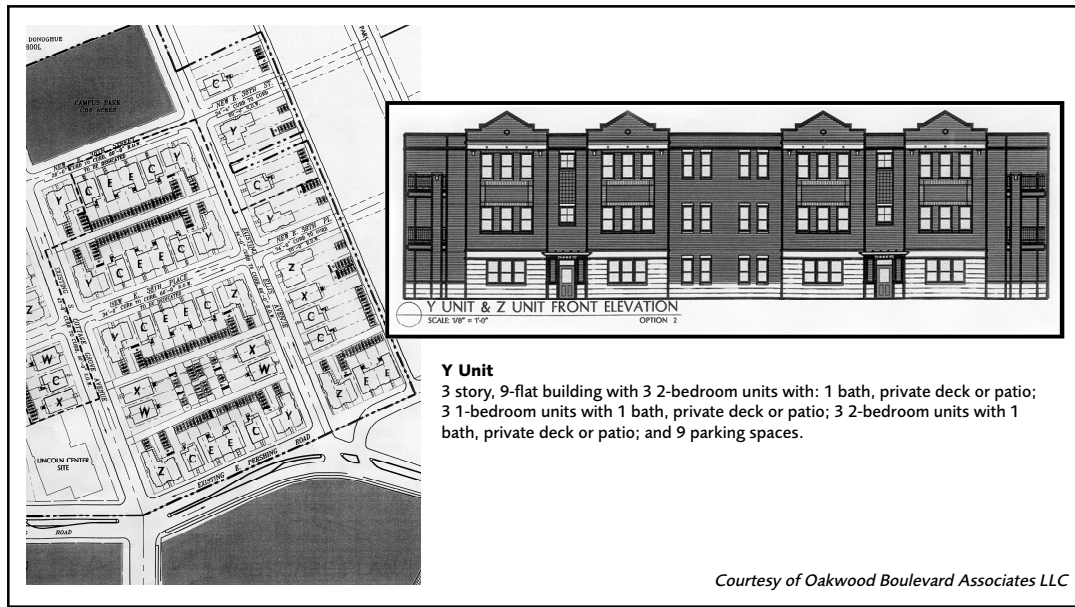
Two high-rise buildings were demolished in 2001, and two more buildings are scheduled for demolition by 2002.

Resident Participation and Community Involvement

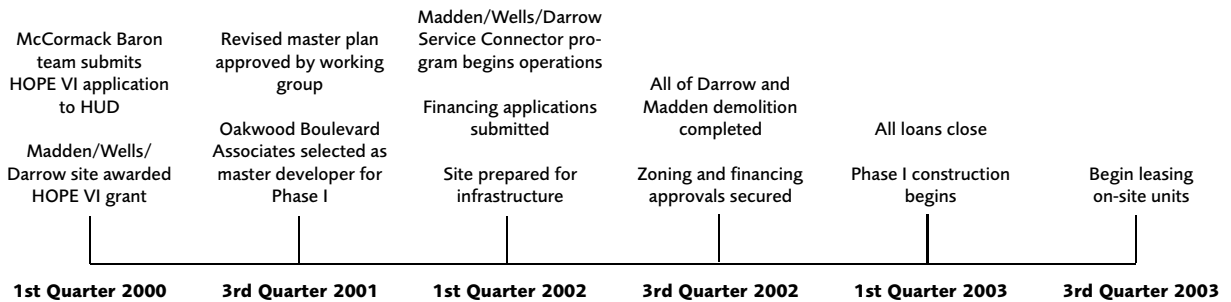
The working group for this development has strong resident leadership,¹² which has advocated for Service Connector-type support. Unlike other CHA projects, the work of the Service Connector will be supplemented by a HOPE VI and foundation-supported community and supportive service contract for intensive services to ensure that residents are successful throughout the redevelopment and relocation process.

Community Development Impact

The master plan includes re-establishing street grids, mixed-use buildings and a diversity of housing types throughout the complex. Grocery stores, restaurants, new parks and a community field house are also included in the design.



Current Status of Wells/Madden/Darrow Redevelopment





Near West Side Revitalization: Rockwell and ABLA

In addition to the four priority sites, Rockwell Gardens and ABLA Homes are also significant. Both illustrate that while each development follows a similar process in terms of funding and permit deadlines, leveraging financing and managing construction, each also has flexibility in how it uses its resources. Rockwell Gardens and ABLA Homes are two examples of how the CHA tried a different strategy, together with working groups and development teams, to remake these communities.

Rockwell Gardens

The revitalization of the 19-acre Rockwell Gardens represents the next major step in the renaissance of the Near West Side. HOPE VI funds (see Appendix) have been used at Rockwell to catalyze the residential and commercial redevelopment of the entire community, and the development team has leveraged additional resources to implement an innovative Community and Supportive Services (CSS) program.

Redevelopment Summary for Rockwell Gardens

- 1,136 units made up the original Rockwell Gardens development
- 568 are existing non-elderly units
- 568 units will be demolished
- 780 new mixed income units will be built, including 260 units of public housing
- 247 units will be rehabbed at Midwest Terrace and Maplewood Courts

The proposed CSS program for Rockwell Gardens is a partnership between the CHA, East Lake Management & Development Corp., and the development's local advisory council (LAC), a residents' organization. Governance comes primarily from the residents. East Lake Management & Development Corp. will assume primary responsibility for the implementation of the CSS Program through its program manager Gilmore Kean, LLC.

Gilmore Kean, LLC is working with the LAC to form a community development corporation (CDC) in cooperation with other community stakeholders. The CDC will oversee and direct the CSS program, working with the Marcy-Newberry Association to implement it. A wide range of other CSS partners will be integrated into the Rockwell CSS program including: the Chicago Public Schools, University of Illinois at Chicago, Illinois departments of Employment Services and Children and Families, the Mayor's Office of Workforce Development and a variety of local faith-based institutions. The Rockwell Gardens CSS Program partners resident leadership with both local and national experts and integrates with existing CHA, City and neighborhood resources.

The CSS program will provide a number of important services to CHA residents at Rockwell Gardens. It offers career development and employment and education skills training resources (including transportation, childcare and related supportive services); an apprenticeship program implemented through a partnership with Burling Builders and the United Independent Workers International Union; a resident-driven CDC developed to oversee and direct all CSS efforts, and ongoing training to build the capacity of resident leaders.



ABLA Homes

In 2000, unlike every other site that was in the process of selecting a development team, the ABLA working group selected a master planner, the Telesis Company, to prepare a master land use plan, a financial plan and social service plan for the area. ABLA includes five different developments: Jane Addams, Robert Brooks, Brooks Extension, Loomis Courts and Grace Abbott Homes, covering over 100 acres in Chicago's Near West Side. Based on past experience at the Brooks housing site in 2000, the Telesis plan recommended that the site be broken up into two separate RFPs: the first team would develop an eight-acre portion of the site, and a second RFP would hire a developer for the rest of the 92-acre area. The proposal to break up the parcel was based on the fact that the site was so large and sections had already been reconstructed. The 18-month process involved extensive community participation, including a competitive design competition for a block of mixed-income housing within the development. Both the CHA and HUD approved the plan in the fall of 2001, at which time an RFP for a developer was issued. After reviewing three proposals submitted, the working group reassessed the goals of the plan, and the selection strategy was revised to promote a more "integrated, holistic development." This resulted in a revised RFP, released in June 2002, for the entire 100-acre ABLA site, which currently houses 1,100 families.

Features of the Proposed Redevelopment for ABLA¹³

- 2,896 replacement units will be built on site
- 383 units will be built off-site
- 329 will be completed in the Brooks Extension
- 3,608 total housing units will be built
- Developments will include six-flat buildings, single family homes and townhouses
- Park District will build a 57,000 sq. ft. community center, scheduled to open in 2003
- A new Jewel/Osco shopping center opened near ABLA in January 2002
- City is planning to build a new fire station and police station near ABLA
- The ABLA Service Connector began operations in August 2001



REDEVELOPMENT CONCERNS AND RECOMMENDATIONS

Land Availability

Plans call for a reduction of density per acre by nearly one half, which points to the need for more parcels of land. Is there enough land available in the city to build lower density mixed income neighborhoods as proposed?

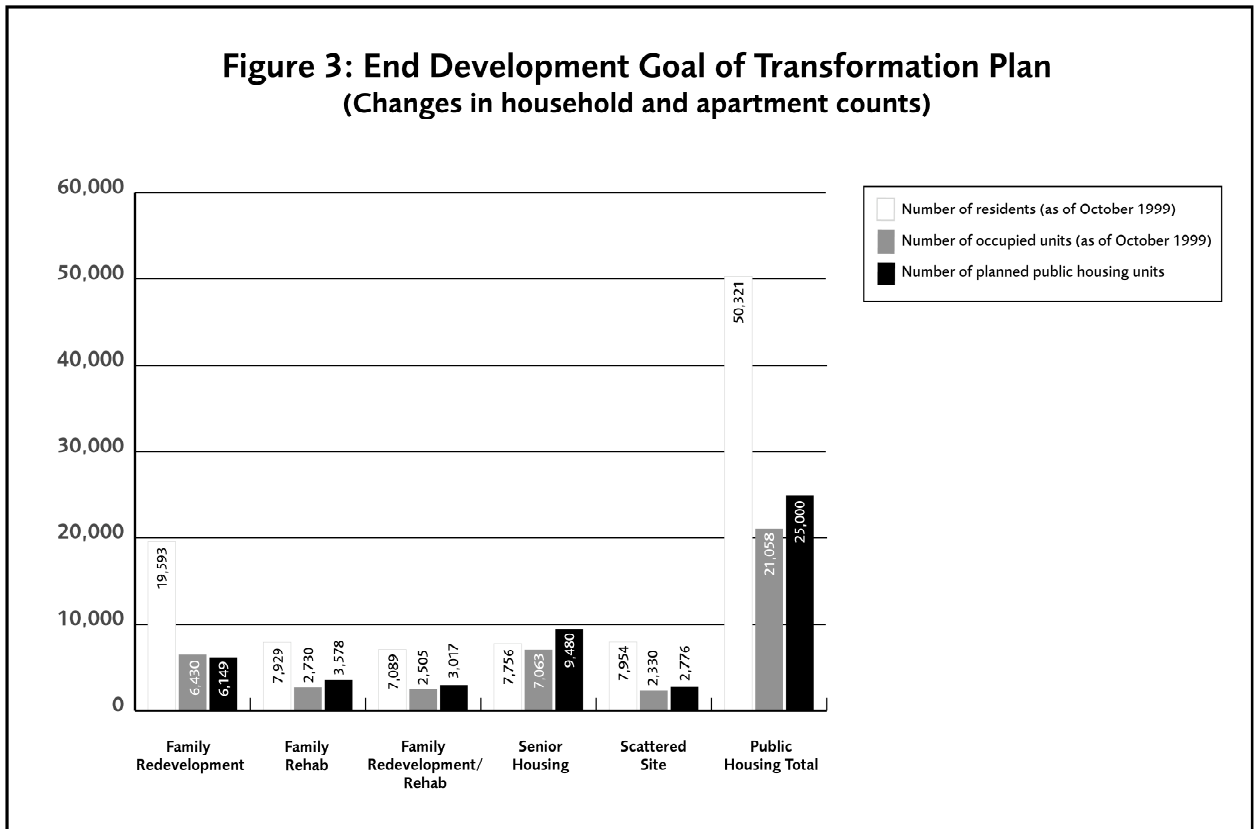
At this point, the four priority sites have the land necessary to complete their first phases of redevelopment. Beyond this, the CHA will require cooperation from City departments to assemble additional and increasingly expensive land needed to complete the Plan for Transformation. Most redevelopment plans target sections of land, portions of which are owned by the CHA, the City and private parties. In addition, integration of public schools, parks and transportation services into these new neighborhoods requires synchronization of plans and management from various City departments and agencies. Chicago has no citywide redevelopment authority to oversee such an extensive redevelopment. Consequently, clear lines of authority within each city department involved in the transformation plan are essential. Every day the City waits to acquire needed parcels, land prices rise and parcels become more difficult to secure.

To address this need, the City appointed Rich Kincyzk to serve as assistant to the mayor, overseeing infrastructure for all CHA developments. "My job is to make sure we think cohesively," Kincyzk explains, while describing the weekly meetings he facilitates with all the department representatives critical to the transformation plan.¹⁴ Kincyzk says that many of the old high-rises, were "sited without a plan," burying old sewers and streets. The new sites are bringing back the street grid, which requires interdepartmental coordination as well as financial resources, estimated at \$10 million per site, for new water, sewer and utility line installations.

Kincyzk's role demonstrates meaningful progress. Ultimately, it is the responsibility of the individual developers to work closely with the Department of Planning and Development, aldermen, the community and Kincyzk to assemble the necessary land for their sites. "You can't imagine the number of competing interests for unclaimed land. I worry that the politics surrounding this will raise costs and delay the final product," said one developer. Public support during the negotiations can expedite decision-making.

Related to the issue of land availability is that of future land ownership. While the CHA plans to retain title to all land, and give developers 99-year leases, developers argue that this compromises their ability to leverage conventional financing. Having a 99-year lease with the CHA is not the same as having ownership in lenders' eyes.

"Ultimately, what matters is that the housing remain affordable over the long-term. The ground lease is the only way to protect that land," counters Carl Byrd, director of development management at the CHA. Regardless of who holds title to the land, the CHA is providing equity to the deal by providing properties that developers would normally have to buy and maintain before they could permanently finance.



Source: Chicago Housing Authority, Management Analysis and Planning Department, August 2002.

Timing

Why are high rise buildings being demolished faster than new homes are being built? When will we actually see new housing? Will it provide the appropriate size and mix of units to those residents who choose to return? Where are temporarily displaced residents going, and what are their housing options during and after redevelopment?

Congress mandated demolition take place on a short time frame, and eliminated previous policies that required "one-for-one" replacement of apartments lost. With the announcement of the HOPE VI program, HUD encouraged public housing authorities to demolish dilapidated housing and rebuild in economically and socially mixed, lower-density neighborhoods within five years. These decisions, triggered by bipartisan interest in remaking public housing, were beyond CHA's control and further strained Chicago's housing market. Indeed, far more units could have been lost. Responding to protests that the city could not afford to lose more than 18,000 apartments that had "failed" the cost-benefit test established by the Quality Housing Work and Responsibility Act, it was the CHA's response – via the Plan for Transformation – to reduce permanently Chicago's public housing stock by the number of apartments that had long been vacant and uninhabitable. Furthermore, the CHA requested a 15-year time frame, but was only given 10 years.¹⁵ While the Plan guarantees apart-



ments to all 25,000 leaseholders as of October 1999,¹⁶ the sharp reduction in affordable housing triggered by the local response to federal mandates creates a region-wide burden on an already tight market. More than ever, communities are pressed to find creative strategies to increase the number of high quality, affordable homes that are available.

As illustrated in the Site Profiles on pages 5-12, new homes are already available to some CHA families. The construction scheduled for 2002 and 2003 will show the most visible activity since the Plan began in 1999. As more families return to CHA, the complications facing them are significant. The size, screening criteria and development schedule of new homes won't, in all cases, facilitate an easy return for residents who previously lived in CHA "projects." Residents are not guaranteed that they will be able to return to the sites of their previous homes. New apartments may not be appropriate for their family size, especially for large families who were living in overcrowded situations, or families who grew during the transformation process. New screening criteria, above and beyond basic lease compliance,¹⁷ could exclude former residents. Furthermore, some development schedules target market-rate households over former CHA households, in an effort to facilitate the creation of mixed-income communities while anticipating the challenges of attracting market-rate households. The longer families are asked to wait for their new homes, the less likely they are to return.¹⁸

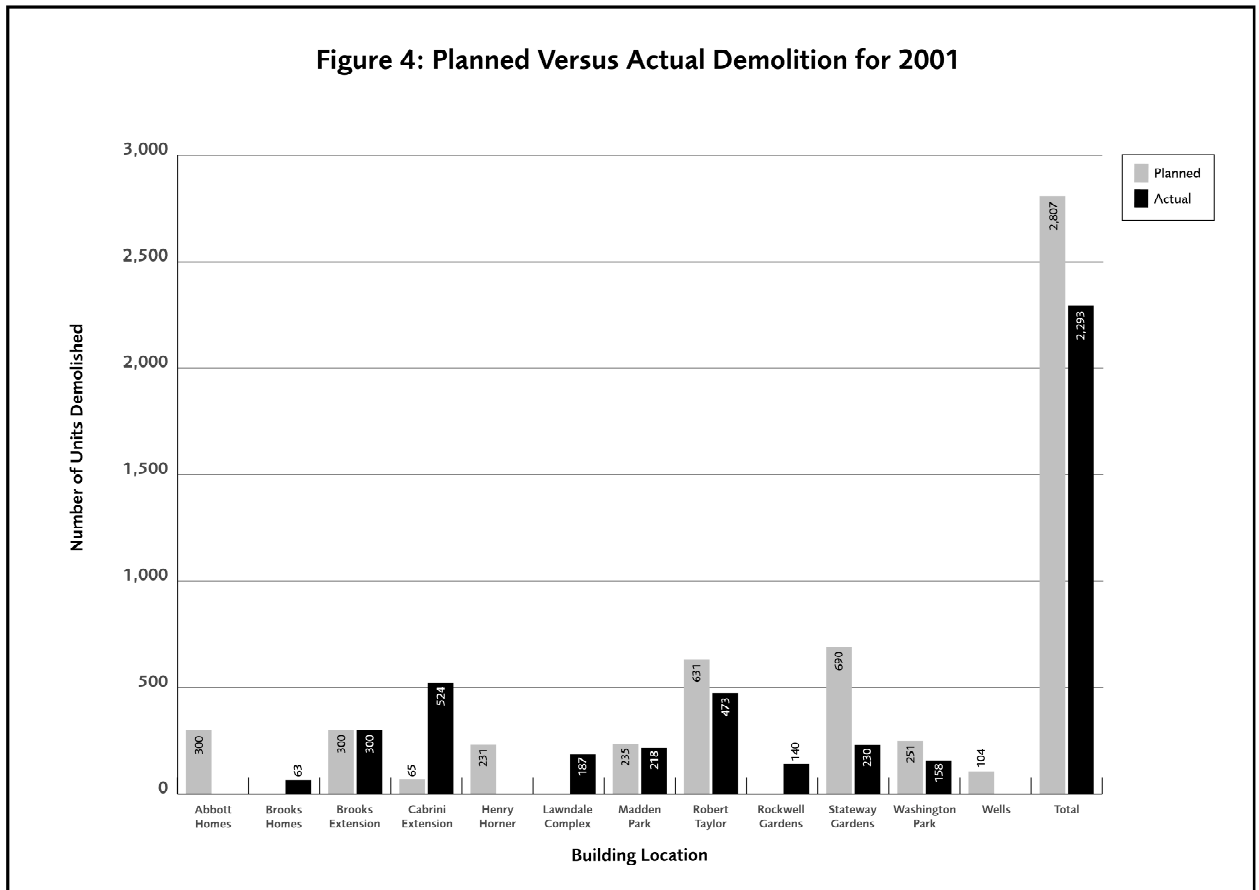
While the goal of the Plan for Transformation is to create balanced numbers of market rate and affordable units, it is not realistic to expect equal divisions in all developments. Older properties scheduled for renovation are more likely to have a higher proportion of former CHA families than new HOPE VI redevelopments. Many CHA families will not meet site-specific criteria or qualify for Housing Choice Vouchers. To prevent the isolation and management challenges of the past, CHA must provide added social services, perhaps even a supportive housing model,¹⁹ at these sites.

National trends show that less than one third of residents who choose "temporary relocation" into the private market during the redevelopment process actually return when new housing is available.²⁰ They lose interest in or contact with the process, or may not have faith in their right to return to public housing. This further highlights the need to integrate development, service and communication work plans.

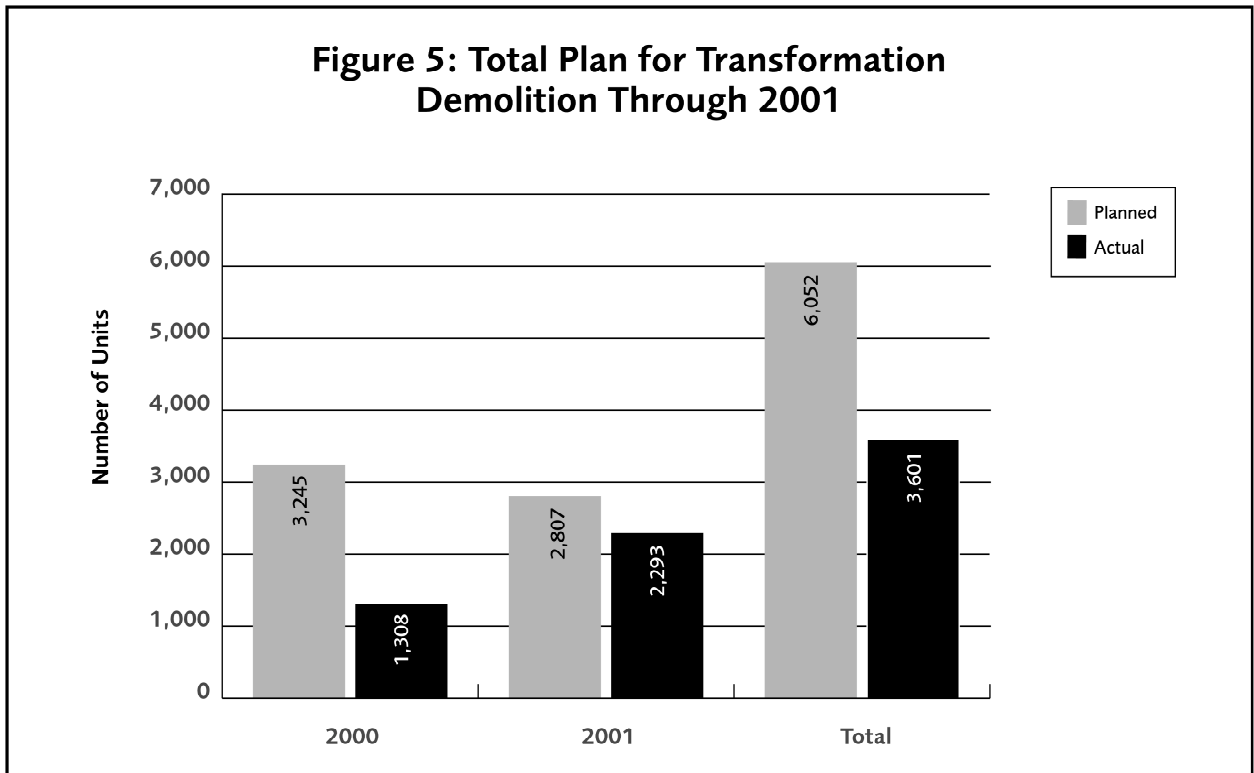
To avoid losing contact with these at-risk populations, the CHA, developers and other working group members must notify households about new site-specific criteria²¹ for determining eligibility as early and as clearly as possible. Only with a solid understanding of these criteria and ample time to prepare can former residents of a site determine their interests in returning, and whether they have that option.²² Because new private management entities will oversee the screening of future tenants and the enforcement of new CHA leases, MPC recommends against the use of additional criteria that might discourage the return of lease-compliant residents. MPC further encourages Service Connectors and other private sector advocates and providers to support families in meeting new criteria, especially when used as tools to further demonstrate tenant commitment to the goals of creating stable new communities.



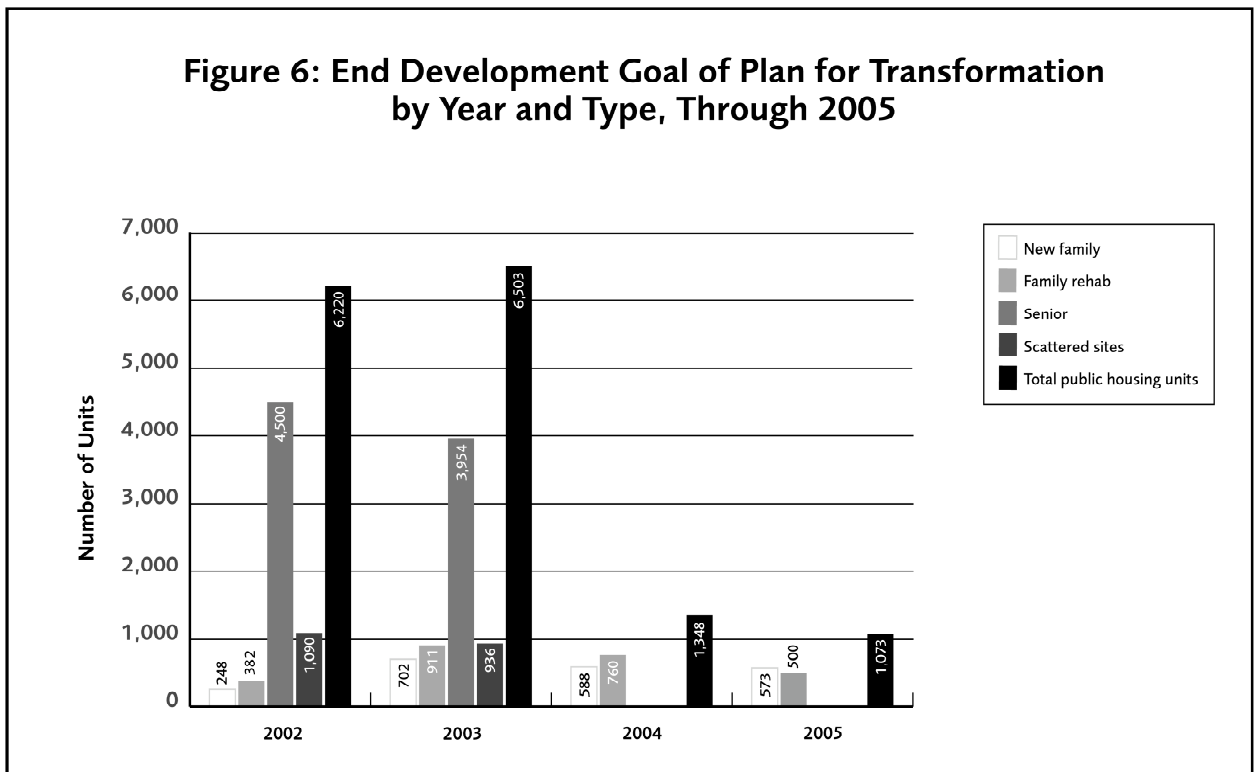
The current Service Connector model may be inadequate to address the needs of at-risk families.²³ While each HOPE VI development receives CSS program funds to "reshape and rebuild" lives through services such as education and job training for public housing residents before, during and after relocation, services are most needed by the households that do not meet eligibility criteria for those new homes. The CHA and City agencies must refine a policy for understanding and addressing this dilemma, linking service strategies with lease compliance, vocational training, job placement and supportive housing. Fundamental to this strategy is the need to quantify both the demand for services and the capacity of existing service providers to meet this demand.



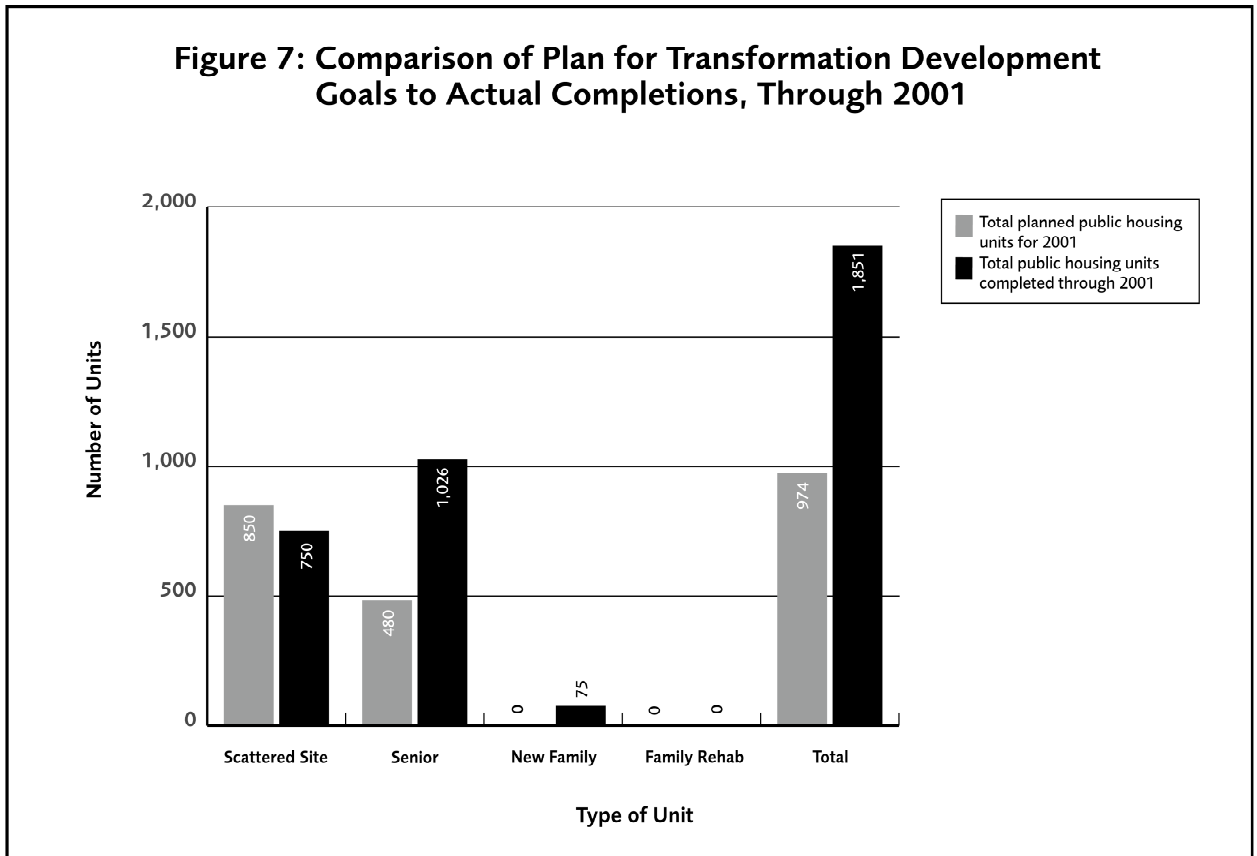
Source: Chicago Housing Authority, Management Analysis and Planning Department, August 2002.



Source: Chicago Housing Authority, Management Analysis and Planning Department, August 2002.



Source: Chicago Housing Authority, Management Analysis and Planning Department, August 2002.



Source: Chicago Housing Authority, Management Analysis and Planning Department, August 2002.

Decision-Making

Who are the decision-makers involved in rebuilding efforts? How much of redevelopment and revitalization plans are resident driven, and how much are they driven by investors and financial returns? What mechanisms are in place to hold partners accountable to making each project work?

Consistent with its objective of ending the isolation and segregation of CHA residents, the Plan for Transformation requires the CHA to work together with neighbors, developers, service providers, lenders, etc., as well as its own residents. This creates tension between the CHA's current role as provider of housing "of last resort" for very low-income families, and its new more market-oriented role. Housing advocates fear that plans are driven more by calculations of returns on investments than by resident needs. Investors fear that the CHA is unqualified to embark on this ambitious real estate endeavor.

As emphasized in each of the site profiles on pages 5-12, working groups are the primary decision-makers at each redevelopment site and drive the planning process. These groups include representatives from local advisory councils, the surrounding community, the developers' teams, City officials (from the Department of Planning and Development, Park District, public schools, Department of



Health and Human Services, Mayor's Office of Workforce Development, and Department of Transportation) Gautreaux plaintiffs working through BPI and the Habitat Co. (see page 22). The working group selects a master developer and then works alongside the development team making decisions, approving plans and disseminating information to residents. Coordinating communication among these groups is challenging. "I can't overstate the challenges involved with this sort of information sharing, says Kathryn Greenberg, CHA director of internal and external relations. "We must help the working groups in engaging and communicating with residents. Communication among these diverse groups is critical."

While all redevelopment follows a similar timeline, each project is unique in size, unit mix and neighborhood context. Though a one-size-fits-all approach will not work, a standard redevelopment agreement is necessary to increase the performance level and accountability of all parties by codifying roles and responsibilities. This would make the development process more predictable and tie compensations and penalties to deliverables and deadlines. A redevelopment agreement should spell out the developers' responsibilities in terms of construction, financing and tenant relations. It should also out-line the CHA's role in expediting the process, for example, by facilitating permit approvals.

When MPC reviewed the Robert Taylor and Lake Park Crescent developments, neither developer had signed a development agreement with the CHA, and both had already spent over \$1 million in pre-development costs. Although HUD demolition, modernization and general capital funds were available in the early stages, costs incurred from feasibility studies and master planning were all borne by developers. Not surprisingly, many developers expressed concern about the CHA's commitment to seeing projects through to completion. Unreasonable risks for developers must be resolved if the CHA is to attract development teams with strong track records to meet its goals over the coming seven years.

Financing

Is there enough money to build all the homes promised?

Like securing land, financing for CHA redevelopment is a work-in-progress, requiring the confidence, commitment and coordination of multiple entities. HUD's commitment to CHA is not enough to develop and maintain the quantity and quality of rehabbed and new homes promised in the Plan for Transformation. HOPE VI dollars can act as a catalyst for mixed-financed development, providing federal money to leverage additional resources to finance the entire project. Already, Standard & Poors (S&P) has determined that CHA debt can be rated as "investment grade" securities. Provisions in the Public Housing Reform Act that allow housing authorities to leverage capital funds by pledging future allocations as debt security were key to S&P's favorable analysis. Chicago is one of the first cities to take advantage of this. Now it must be determined which entity has the expertise to issue the bonds, i.e., S&P, the CHA or the Department of Housing.

The Department of Housing has already restructured its funding priorities to support the Plan for Transformation. This means that the City will not be able to invest as readily in the kind of affordable



housing initiatives it has supported in the past. The hope is that the success of the plan will leverage more dollars in the future. Results of this mixed-financing approach are anticipated as early as the third quarter of 2002, when closings for two priority sites are scheduled.

Streamlining the development process, while maintaining appropriate oversight, is essential. Time is quantifiable. Delays are costly and can jeopardize the success of the entire undertaking. Private sector fiscal realities are often ignored in favor of local politics or government bureaucracy. Frustration and distrust develop when projects stop and start as the result of a lack of political will. This undermines the confidence from investors and developers necessary to move projects forward. The CHA remains primarily funded through an annual operating budget determined by HUD. Meanwhile, private developers rely primarily on capital lines of credit serviced out of operating revenues and dependent on completion and quality of construction. They rely on real estate investment returns to pay their debts and pre-development costs. From their perspectives, time literally is money.

Redevelopment is costly. Already, all sites are likely to go over budget due to cost overruns. Individual site design specifications, including everything from building materials to creating open space and on-site parking, often run contrary to rigid federal budget expectations. In Lake Park Crescent, for example, community standards require building materials that are far more expensive than those supported by HUD. It is estimated that costs will exceed \$120,000 per unit beyond what is covered by federal funds by nearly \$80,000. Developers have reservations and financial restrictions limiting the quality of amenities they can provide for affordable and market-rate units. The less expensive alternative is to build some homes with more amenities for market and others with basic finishing, thereby stretching limited resources.

Central to its role as an asset manager is the CHA's oversight of all developers and vendors to ensure these contractors indeed forward the tenets of the Plan for Transformation. While most of this outsourcing today is determined by a CHA-facilitated competitive bid process, one of the largest private sector firms engaged in development activities with the CHA was not contracted by the CHA at all. Since 1987, when the courts and public sentiment agreed that the CHA was failing to build quality housing options, the Habitat Co. has been the CHA's federally appointed receiver.²⁴ Selected through a competitive process facilitated by Marvin Aspen, the judge in the case, Habitat Co.'s assignment was to build or oversee the development of non-elderly family housing in less segregated communities, and to increase the efficiency at which new homes are developed. Because the Plan for Transformation dramatically increased the CHA's production volume, engaging new developers in the broader objective of ending the isolation of public housing, Habitat Co.'s responsibilities also grew.

The City has an ongoing interest in economically and racially integrated neighborhoods, and the appointment of a receiver has provided needed capacity to create quality housing and diverse neighborhoods. While some questions remain about the costs associated with these developments and the receiver's role, courts and other stakeholders continue to see the value of a third party developer negotiating complex deals with architects, attorneys, developers and contractors. Eventually, the CHA will be able to do this without court-appointed assistance, and MPC encourages Habitat Co. to



continue striving toward that end. Understanding the long-term value of this relationship will require monitoring the growth of CHA's development capabilities and careful observation of the implementation of this unprecedented redevelopment undertaking.

Even more important than the question of resources for development projects is the issue of operating funds to cover ongoing management, maintenance and replacement reserves. The success of the Plan for Transformation will be gauged by the health of each property. Some developers are reducing anticipated operating deficits by capitalizing escrow funds for operating reserves as part of the development budget. This strategy allows resources to be focused on developments during their early years, but at the expense of future developments. HUD should review management records to establish an appropriate increase in operating caps and subsidies in the future.

Finally, MPC continues to call on the CHA to support creative strategies to increase affordable housing options for lower-income individuals even beyond the plans currently underway. MPC applauds CHA's involvement in the new Regional Housing Initiative, a partnership with the Illinois Housing Development Authority and the housing authorities of Cook and Lake counties that will support creation of 328 apartments affordable to very low-income households within mixed-income communities that meet the Housing Endorsement Criteria. The CHA should explore and support other initiatives to spur creation of affordable housing.

Conclusion

The number of individuals in Chicago who will be affected by the Plan for Transformation is far greater than the 50,000 residents who currently live in public housing. The Plan calls for the redevelopment of hundreds of acres of land that touch areas throughout the city. They will become entirely new neighborhoods, complete with new housing, schools, grocery stores, offices and parks. It is imperative for stakeholders and the public at large not to give up on the ideal of strengthening all of our city neighborhoods, while making life better for our lowest-income families.

"It is imperative for stakeholders and the public at large not to give up on the ideal of strengthening all of our city neighborhoods, while making life better for our lowest-income families."

Beyond CHA's direct responsibilities to the approximately 25,000 families protected by the Relocation Rights Contract, there is an increasing awareness across the country – as evidenced by the work of the Millennial Housing Commission and U.S. Conference of Mayors – that there is a nationwide need for tools to increase the number of quality rental homes available to low-income families. All communities across the region benefit from an array of housing options. The Housing Task Force of the Metropolitan Mayors Caucus, the use of Housing Endorsement Criteria to assist communities in developing a range of types of quality housing, intergovernmental programs such as the Regional Housing Initiative, and municipal efforts to institutionalize inclusionary housing or promote landlord acceptance of the Housing Choice Voucher all exemplify progress toward housing solutions in our region. These efforts support the goals of the overall Plan for Transformation by expanding housing choices for low-income families and promoting economically and socially diverse communities.



The success of the CHA's Plan for Transformation is critical to the City of Chicago, the region and the country. There are countless obstacles to its success. But, meaningful progress over the first two-and-a-half years has been accomplished. The process needs much improvement. Stakeholders must continue to ask the hard questions and pursue the hard solutions.

As vast an undertaking as it is, the physical transformation of Chicago's public housing program into mixed-income communities will not resolve the far reaching problems created by poverty, neither for the generations of tenants affected nor for the national affordable housing market. CHA families need better access to decent housing. The success of redevelopment will depend on factors such as availability of land and funds, and whether the right decisions are made throughout the course of redevelopment. Success will breed success, both in terms of the quality of the redevelopments themselves and the restored confidence in the organizational structure and leadership of the CHA.



Appendix 1: Glossary of Redevelopment Finance Terms

New Mixed-Financing Strategy and New Tools for Public Housing Redevelopment

Following the lessons learned from other public housing authorities, the CHA is making use of new subsidies and financing sources, including HOPE VI funds, low-income housing tax credits and federal HOME funds, to raise equity for developments. For the first time, the state has set aside one-fourth of all tax credits exclusively for public housing development, totaling \$3 million each year for the creation of public housing units. Also, CHA anticipates that the City will issue bonds that are expected to generate \$391 million in revenue.

A number of other government programs provide money for developments like those the CHA is undertaking in its Plan for Transformation.

Low-Income Housing Tax Credit (LIHTC) Program

Tax credits have become the most important subsidy in the development of affordable rental housing. By providing a credit against liability, or a dollar-for-dollar reduction in tax liability, the Low-Income Housing Tax Credit is a federal incentive to individuals and corporations to invest in the construction or rehabilitation of housing for low-income families.²⁵ One drawback is that competition for tax credits is aggressive, and developers often find the application process complicated and cumbersome.

HOPE (Housing Opportunities for People Everywhere) VI

The HOPE VI program was introduced in 1993 to encourage public housing development that would:

1. Change the physical condition of public housing;
2. Establish positive incentives for resident self-sufficiency and comprehensive services that empower residents;
3. Lessen concentrations of poverty by creating and promoting mixed-income communities; and
4. Forge partnerships with other agencies, local governments, nonprofit organizations and private businesses to leverage support and resources.

Development activities funded by HOPE VI include: providing capital for major rehabilitation, new construction and demolition of "severely distressed" public housing units, as well as for management improvements, planning and technical assistance and self-sufficiency programs.²⁶

Developers express concerns regarding the financial risks involved with HOPE VI. The program has a lengthy development process, to permit time for working with the CHA and their residents, working groups, stakeholders, and finally for getting the development – often a project of more than 100 units done in phases – built and operational.²⁷

Tax Increment Financing (TIF)

Tax Increment Financing is a strategy used to target a disinvested area for the purposes of spurring private investment and development through an infusion of public funds. The amount of funding is based on an estimate of future tax revenue that the new development will produce, known as the



"increment" because it is the increase or incremental change in the tax base from the beginning to the end of the (TIF) district's life (usually 23 years).²⁸ TIF is an especially powerful tool for creating affordable housing since it requires a comprehensive plan for the district, and provides the revenue for governments to jump-start revitalization efforts and assure that the plan is implemented.

The Capital Fund

HUD's Capital Fund provides funds directly to housing authorities to modernize public housing units. Capital Fund dollars are made available to developers to assist in predevelopment costs.

Tax-Exempt Bond Financing

Tax-exempt bond financing is an additional source of cash flow available. These bonds are attractive because they generate four percent Low-Income Housing Tax Credits, and do not require developers to apply for and receive an allocation of housing tax credits from the state's annual credit volume cap. The tradeoff is a smaller credit amount (and therefore lesser equity proceeds) compared to the nine percent credit available through the normal application process. While securing dollars through this tool is easier, bond financing can be risky. There are other costs involved, including legal costs.

Endnotes

1 Sponsored by the Neighborhood Reinvestment Corporation and Fannie Mae. The national symposium included three days of workshops, dozens of scholarly papers, and hundreds of hours of meaningful debate.

2 The intentional mixing of market-rate and lower-cost housing in one community to promote its social, political and financial viability.

3 The Quality Housing Work and Responsibility Act (QHWRA) of 1998 required public housing authorities to (a) implement deconcentration policies, (b) tear down large properties with high vacancy rates and (c) compare the costs of redeveloping those properties to the costs of offering residents tenant-based rental assistance in the private market.

4 Chicago Housing Authority, *The CHA Plan for Transformation (Update 2002)*, "Building New Communities, Building New Lives: Shaping a New Vision of Public Housing in Chicago," 2002.
www.thecha.org.

5 Scattered-site units are CHA owned properties built throughout city that are managed by the CHA or a property management company contracted by the CHA. This figure represents all scattered site units that have been or will be renovated as part of the end goal of the Plan for Transformation.

6 In December of 2000, the U.S. Congress established the bipartisan Millennial Housing Commission (MHC) to examine, analyze and explore: (1) the importance of housing, particularly affordable housing, which includes housing for the elderly, to the infrastructure of the United States; (2) the various possible methods for increasing the role of the private sector in providing affordable housing in the United States, including the effectiveness and efficiency of such methods; and (3) whether HUD's existing programs work in conjunction with one another to provide better housing opportunities for families, neighborhoods, and communities, and how such programs can be improved with respect to such purpose. (P.L.106-74, Sec.206 (b))

See <http://www.mhc.gov> for full resulting report released in May, entitled Meeting our Nation's Housing Challenge.

7 Tracy Cross, Tracy Cross and Associates, interview with Robin Snyderman, Chicago, July 2002.

8 U.S. Census Bureau, *Profiles of General Demographic Characteristics for Illinois, 2000*.

9 Illinois Department of Employment Securities, *Employment in the Chicago Metropolitan Region, 2002*.
www.ides.state.il.us



- 10 Chicago Matters is an annual, multimedia public affairs series sponsored by the Chicago Community Trust that includes programming by WTTW 11 Public Television, Chicago Public Radio, the Chicago Public Library, and *Chicago Reporter* magazine. Its purpose is to enhance public understanding about issues of broad concern for the people of metropolitan Chicago. This year's series focused on housing, and examined the forces that have shaped our region's current housing situation, as well as the issues of race and class that affect housing patterns.
- 11 HOPE VI is a federal program providing capital for development activities, such as rehabilitation, construction, demolition, management improvement, planning assistance and technical and self-sufficiency programs, to improve public housing.
- 12 In the 1980s, MPC worked intensively on public housing issues through a project called the Wells Initiative. The goal was to work with tenants of three buildings at Ida B. Wells on effective resident management, facilitating resident leadership training, developing rehabilitation and energy efficiency plans for CHA high-rises, and helping create partnerships between CHA residents and local nonprofit organizations and corporations.
- 13 Tim Beenstra, Chicago Housing Authority, correspondence with Maricruz Ponce de León, June 2002.
- 14 MPC Quarterly Stakeholders meeting, May 18, 2002.
- 15 Greg Russ, Senior Associate, Abt Associates, interviewed by Robin Snyderman and Maricruz Ponce de León, Chicago, August 2002.
- 16 Snyderman, Robin and Steven D. Dailey II, *Public Housing In the Public Interest: Examining the Chicago Housing Authority's Relocation Efforts* (Chicago: Metropolitan Planning Council), 2002.
- 17 Such as criminal background checks or minimum work requirements.
- 18 National Housing Law Project, *False Hope: A Critical Assessment of the HOPE VI Public Housing Redevelopment Program*, National Center on Poverty Law, June 2002.
- 19 The term "supportive housing" became widespread in 1987, when HUD, under the Stewart B. McKinney Homeless Assistance Act, created the Supportive Housing Demonstration Program, which provided funds to develop and operate transitional and permanent housing for homeless populations, with nonprofit social service providers as part of the development and management teams.
- 20 National Housing Law Project, page 14.
- 21 Criteria above and beyond standard lease agreements that are developed and approved by the working group to further define who will be eligible to live at a particular housing development.
- 22 Developers at each HOPE VI site will use a lottery system as part of the tenant selection process. Interested residents should be educated about site selection criteria.
- 23 Snyderman, Robin and Steven D. Dailey II, *Public Housing In the Public Interest: Examining the Chicago Housing Authority's Proposed Service Connector Model* (Chicago: Metropolitan Planning Council), 2001.
- 24 As the end result of *Gautreaux v. The Chicago Housing Authority* (1969), the nation's first public housing desegregation lawsuit, the Gautreaux Receivership Order in 1987 appointed the Habitat Co. (Daniel Levin) as receiver for Chicago. The receiver was charged with the duty of constructing all the scattered site units mandated by the original Gautreaux order in place of the CHA, since the CHA had only developed 1,147 new public housing units between 1969 and 1987.
- 25 The number of low-income units in the project determines the percentage of qualified costs used to calculate the tax credit. According to IRS standards, units that qualify for low-income housing tax credits must be affordable to low-income families. This means that at least 20 percent of the units in the project must have rents affordable to and be occupied by households with incomes no greater than 50 percent of area median income (adjusted for family size); or at least 40 percent of the units must be affordable to and occupied by families with incomes no greater than 60 percent of median (adjusted for family size). To be affordable, maximum rents can be no more than 30 percent of income, adjusted for family size. IRS rules also mandate that low-income units must be maintained as low-income for at least 15 years, but there are strong federal incentives to keep them affordable for 30 years.
- 26 U.S. Department of Housing and Urban Development, *HOPE VI: Building Communities, Transforming Lives* (Washington, D.C.: HUD), 2002.
- 27 "Developers share observations, lessons from Hope VI," National Housing and Rehabilitation Association (Washington, D.C.), 2002. www.housingonline.com
- 28 Neighborhood Capital Budget Group, *Tax Increment Finance (TIF) Handbook* (Chicago: NCBG), 2001. www.ncbg.org