

# **Providing Rental Housing in the Chicago Region: Challenges and Issues**

Thomas J. Lenz  
Senior Associate  
Great Cities Institute

James Coles  
Research Assistant  
Great Cities Institute

December 22, 1999

**The Regional Rental Market Analysis  
Project Overview**

*Providing Rental Housing in the Chicago Region* is one of seven technical reports of the Regional Rental Market Analysis (RRMA), a broad examination of metropolitan Chicago's residential rental market. The RRMA contains a wide range of information necessary to craft innovative policies, programs, and investment strategies to address the future of the region's housing market. The Metropolitan Planning Council, serving as project manager, contracted with the University of Illinois at Chicago (UIC) to undertake this research with the Washington, DC-based Urban Institute and the local Applied Real Estate Analysis.

Key findings from all seven reports are summarized in *For Rent: Housing Options in the Chicago Region*, which includes a synthesis of supply and demand data, discussion of overlap and differences among providers and consumers, information about neighborhood trends, and forecasts of the rental market in 2004 and 2009. Detailed descriptions of the contents and methodology used in each of the seven technical reports are provided below.

1. ***Metropolitan Chicago Regional Rental Market Analysis: Rental Housing Supply Survey Report*** by Timothy P. Johnson, Martine A. Sagun, Jonathan Dombrow, Jin Man Lee, and Young Ik Cho, Survey Research Laboratory, UIC.

Summary of findings from survey of a stratified random sample of rental properties in the six-county region that asked for information on number of units (occupied and vacant); rents charged in 1998, 1999 and for new tenants; amenities included in housing cost; year building constructed; whether it contained an elevator; and if there was management on-site. Using tax assessor data from each of the counties, a universe of all residential properties was sorted by the likelihood of being renter- or owner-occupied based on tax status and other indicators. This list was further sorted by building type (single-family, small multifamily, large multifamily).

From this database, a sample of 29,000 properties was randomly selected but stratified based on building type and location, and mailed or faxed questionnaires, contacted by telephone, or some combination of all three methods between April and July of 1999. In addition, a non-response survey of 300 randomly selected properties was conducted in July and August 1999 to verify results from respondents and further clarify the eligibility rate of properties in the sample frame. At the close of data collection, 1,852 interviews were completed representing over 45,000 units in the six county area. The final response rate of 14.1 percent was based on an overall eligibility rate of 45.1 percent.

2. ***Condition Survey: Chicago Regional Rental Market Analysis*** by Robert Miller, Applied Real Estate Analysis, Inc.

Survey of over 1,600 properties in the six-county region drawn from the survey sample during May of 1999. Properties were randomly selected to represent housing in three areas: City of Chicago, suburban Cook County and the collar counties (Kane, McHenry, Lake, DuPage and Will). Trained fieldworkers using a questionnaire completed a visual inspection and assessment of building exteriors and surrounding neighborhoods, to assess overall housing quality and wheelchair accessibility.

3. ***Estimating Demand for Affordable Rental Housing in the Chicago Region*** by Janet L. Smith and Barbara Sherry, Urban Planning and Policy Program, UIC.

Estimates of aggregate households--families, individual adults, or non-related persons living together--at different income levels to determine potential rental housing demand based on affordability (paying no more than 30 percent of income toward housing costs) using household income projections from Claritas for the six-county region and each county. Data from the 1995 American Housing Survey was used to estimate the number and rate of households paying more than 30 percent of income for rent, living in overcrowded conditions, or in substandard housing. Additional data was collected and analyzed to learn more about the specific needs of different "demand groups" including persons who are homeless; who need accessible housing due to mobility limitations; who are may be in need of affordable rental housing closer to work and employment opportunities; and who are likely to be affected by changes in Section 8, public housing and/or welfare. A wide variety of new and existing data sets are analyzed.

4. ***Providing Rental Housing in the Chicago Region: Challenges and Issues*** by Thomas J. Lenz and James Coles, Great Cities Institute, UIC.

Review of general literature of what is known nationally and locally about barriers and opportunities to provide rental housing, utilizing interviews with more than 40 key informants and five focus groups representing landlords, developers, public officials, and other experts on housing in the region. Focus group participants were selected randomly from the larger sample developed for the rental property survey and through outreach to rental property owner associations. The participants were stratified by their involvement in the Section 8 program and rents charged. Specific areas of focus included perceptions of the rental market and how it has changed in recent years; how the current market shapes landlord behavior; general attitudes toward lower-income renters; and specific knowledge of and experience with the Section 8 rent subsidy program.

5. ***Searching for Rental Housing in the Chicago Region*** by Susan J. Popkin and Mary K. Cunningham, The Urban Institute.

Review of general literature of what is known locally about barriers and opportunities to renting housing. Focus groups with families likely to be affected by public policy changes were used to hear about the experiences and perceptions of low-income renters. Participants included households renting apartments using Section 8 housing vouchers, families that tried to use but returned Section 8 vouchers, families currently on the waiting list for a voucher, and current Chicago Housing Authority (CHA) tenants likely to move into the private market using a voucher. The groups discussed current living conditions, understanding of and experience with the Section 8 program, their search process, and any difficulties they have encountered. CHA residents were also asked about their knowledge of CHA's redevelopment plans, their preferences for future housing, and familiarity with the Section 8 program.

6. ***Forecasts of the Rental Housing Market in Metropolitan Chicago: Model and Preliminary Results*** by John F. McDonald and Daniel P. McMillen, Center for Urban Real Estate, College of Business Administration, UIC.

Modeling exercise that presents likely vacancy rates and rental variation for 2004 and 2009. Estimates are also produced based on different scenarios regarding the number and likely destination choice of CHA tenants expected to relocate within the private rental market.

7. ***Housing Trends and the Geography of Race, Poverty, and Neighborhood Renewal*** by Thomas J. Lenz and James Coles, Great Cities Institute, UIC.

Description of current patterns of racial segregation and poverty concentration in Cook County, which has most of the area's rental stock (79%), and analysis of socio-economic and investment data using maps with input from key informants in order to determine revitalizing areas. This report also explores different scenarios on how residents relocating from CHA units being redeveloped, whether permanently or temporarily, might affect existing neighborhood patterns and local housing markets.

The project was funded by numerous private and public sources, including the Chicago Department of Housing, Chicago Housing Authority, Chicago Community Trust, Field Foundation of Illinois, Inc., Lloyd A. Fry Foundation, GATX Corporation, Illinois Housing Development Authority, Bowman C. Lingle Trust, The John D. and Catherine T. MacArthur Foundation, Old Kent Bank, U.S. Department of Housing and Urban Development, Woods Fund of Chicago

For more information about the Regional Rental Market Analysis or to request or download copies of the executive summary or of a technical report, contact:

Metropolitan Planning Council  
25 E. Washington, Suite 1600  
Chicago, IL 60602  
Tel: 312-922-5616  
[www.metroplanning.org](http://www.metroplanning.org)

## TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
I. Executive Summary	6
II. Introduction	7
III. Increasing the Supply of Rental Housing	8
A. The Importance of Increasing Rental Supply	8
B. Barriers to Developing Affordable Housing – The National Perspective	10
C. Barriers to Developing Affordable Housing in the Chicago Region	12
D. Possible Actions to Overcome Development Barriers	17
E. Prognosis: A Continued Scarcity of Affordable Rental Housing	20
IV. Increasing Landlord Participation in Section 8	21
A. Literature Review	22
B. Rental Real Estate Market and Industry Trends	25
C. Concerns about and Problems with Section 8	31
D. Positive Comments on Section 8	38
E. Improving the Section 8 Program	41
F. Experiences with Renting to Disabled Tenants	47
V. Conclusions	48
VI. Methodology	49
VII. Focus Group Moderator’s Guide	50
VIII. Bibliography	55
IX. Appendix	58
A. Fair Market Rents levels for 2 bedroom units in the Chicago region, 1985- 2000	
B. Approved exception rents for communities in the Chicago region, 1999	
C: Median rents by unit size for Chicago region, 1987, 1991, 1995	
D. Public Housing units by location, 1999	
E. Condominium conversions in Chicago, Cook & DuPage Counties, 1993-98	

### I. Executive Summary

This report explores how the attitudes, opinions, and practices of housing developers, public officials, activists, and building owners and managers influence the production and supply of affordable rental housing in the Chicago region. The researchers reviewed the existing literature on the issue, conducted over 40 interviews with key informants (i.e. those people knowledgeable about the topic), and held five focus groups with 31 building owners and managers.

The report seeks to understand the forces shaping the production and management of rental housing of all kinds, not just publicly-subsidized, low-income housing. This is important to know because more than 82% of all renters in northeastern Illinois live in un-subsidized, privately-owned housing. And most of the stock of lower-cost rental housing becomes available to lower-income households as more affluent renters move into newer, higher quality apartments.

With respect to the development of new rental housing, the Chicago region faces all the constraints and barriers encountered in other parts of the country. Chief among them are negative views toward rental housing (what are sometimes called “Not In My Back Yard” or NIMBY attitudes); restrictive local zoning and land use policies; limited public and private funding; and high land, property tax and construction costs.

To overcome these barriers, local housing officials, developers, and activists suggested more and better rental housing funding (including project-based housing vouchers), reforms in zoning and building code regulations, and outreach to key players in the development industry. More than one person pointed out that Illinois is a particularly challenging state in which to bring about reform, since the state’s constitution gives local governments such broad powers.

Given the constraints on developing new rental housing, using the existing rental stock to its fullest is increasingly important. This is especially true given the federal government’s increased reliance on Section 8 housing choice vouchers as the principal means for helping lower-income tenants afford decent apartments. The Chicago Housing Authority will also be relying on private landlords to rent to the tenants it relocates from public housing high rises slated for demolition.

The focus groups with local apartment owners and managers suggest that tenants may indeed have difficulty accessing the private market using the Section 8 program. As was the case with the research on barriers to housing development, the Section 8 program in Chicago is confronted by the same problems cited in the national literature. This includes a general landlord reluctance to cede control to government agencies, as well as complaints about specific features of the Section 8 program.

The research also uncovered issues in the Chicago market that may make it even more difficult for Section 8 tenants to move into quality, privately-owned rental housing. The Chicago housing market is exceptionally strong at the moment, with landlords reporting rising rents and low vacancy levels. This is particularly true on the north side

of Chicago and in many of the suburbs, though landlords on Chicago's west and south sides also reported good overall conditions.

Given the strong demand for their apartments, landlords can afford to be more selective in choosing tenants. The owners and managers in the focus groups bluntly stated their preference for childless professionals with solid employment and credit histories. More and more of them use tenant screening services to weed out "bad" tenants. They also indicated that in the current environment, they have less need to formally market their vacancies and tend not to use the media (i.e. daily papers) that most low-income tenants use to find apartments.

This strong rental market, combined with landlord ambivalence about the Section 8 program, suggests that CHA tenants may have a very hard time finding decent apartments in good neighborhoods. A number of suggestions were made to remedy the problem including higher Fair Market Rents, simplified inspections, property tax credits, improved counseling and screening, and increased outreach to the industry. Given the sheer number of tenants who will be entering the market and the stated federal goal of helping tenants move into "opportunity" neighborhoods, action on multiple fronts is necessary.

Finally, the focus groups explored landlord experience with disabled tenants. Landlords already in the Section 8 program reported far more instances of leasing to tenants with disabilities than did their non-Section 8 counterparts.

## II. Introduction

This report is written as part of a larger study of the rental housing market in the Chicago region. While other parts of the research deal with the quantitative aspects of the rental market – such as rent and vacancy levels, building conditions, and housing demand indicators – this report and a companion effort undertaken by the Urban Institute seek to understand the qualitative aspects.<sup>1</sup>

In particular, this report explores how the attitudes, opinions, and practices of housing developers, public officials, activists, landlords and managers influence the production and supply of affordable rental housing in the six county Chicago region. We did not adopt a rigid definition of affordability since the term is understood differently in different parts of the region. Nor did we focus exclusively on that part of the housing stock that is publicly subsidized, what is often referred to as "assisted" housing.

The overwhelming majority of renters in the Chicago region live in privately-owned apartments without any form of government assistance. For example, in 1995, of the 632,700 households with incomes below \$30,000, less than 18% live in government

---

<sup>1</sup> See Popkin and Cunningham. *Searching for Rental Housing in the Chicago Region*. 1999.

subsidized housing.<sup>2</sup> For this reason, we have sought to understand the forces and attitudes shaping the entire array of rental housing in the metropolitan area.

The report is divided into two main sections. The first attempts to understand what is influencing the production of additional rental housing - both assisted and unassisted - in Chicago and the suburbs. The second section examines the attitudes and practices of private landlords, and in particular their experiences with and opinions of the Section 8 rent subsidy program.

The report concludes with a summary of the findings and a description of the research methodology used.

### **III. Increasing the Supply of Rental Housing**

#### **A. The Importance of Increasing Rental Supply**

Over the past 5 years, the nation has benefited from a strong economy that has provided steady employment, low interest rates and rising stock prices. Despite the economic boom, however, it is increasingly difficult for a large portion of American households to find decent, affordable shelter. Rising rents that outpace income and declines in the supply of affordable housing relative to demand have worsened housing conditions for the poorest Americans.

##### 1. Rising Costs and Diminishing Supply

The Department of Housing and Urban Development's 1999 report, *Waiting in Vain*, states that between 1996 and 1998 prices for new homes increased 8.9 percent and prices for existing homes increased 6.0 percent.<sup>3</sup> According to the Census Bureau, median asking rents increased by 4.9% during these two years.<sup>4</sup> These increases were much higher than the Consumer Price Index, which rose only 3.9 percent over the same period.

While homeowners have generally benefited from rising home prices and low interest rates, the poorest renters have suffered from rents that rise faster than income. As of 1995, three out of every five poor renters spent more than half of their income on housing.<sup>5</sup> Between 1995 and 1997, rents outpaced income for the twenty percent of U.S. households with the lowest incomes.<sup>6</sup> Rapid appreciation in housing costs has made housing unaffordable for those whose income is fixed, declining or not increasing at the same rate as housing costs.

---

<sup>2</sup> As defined by the U. S. Census Bureau, this includes apartments owned by public housing authorities and apartments funded with other federal, state or local subsidies. American Housing Survey, 1995.

<sup>3</sup> U. S. Department of Housing and Urban Development, 1999.

<sup>4</sup> U.S. Census Bureau, Construction Reports Series H-130, Market Absorption of Apartments

<sup>5</sup> Poor is defined as households below the poverty level, adjusted for household size. Daskal, 1998.

<sup>6</sup> U. S. Department of Housing and Urban Development, 1999.



A reduction in the relative number of affordable rentals has exacerbated housing affordability problems. A report by the Center on Budget and Policy Priorities points out that in 1970, the number of low-cost rental units exceeded the number of low-income renters by 300,000. By 1995, there was a shortage of 4.4 million low-cost rental units for low-income renters.<sup>7</sup>

Data from recent housing vacancy surveys indicate that this trend has continued through 1999. The number of units renting below \$300 declined by 900,000 from 1996 to 1998, a 13 percent drop in just two years. This dramatic drop has occurred despite increases in multi-family rental production. The production-affordability mismatch arises from the high cost of constructing new rental housing. The low cost rentals are most often older buildings that are not required to recoup construction costs. However, these older buildings are also susceptible to rent hikes, or abandonment and demolition. In short, there are not enough new rental units being constructed to keep pace with the loss of affordable stock.<sup>8</sup>

## 2. Two Supply-side Solutions

There are two principal supply-side strategies for addressing affordable rental housing needs.<sup>9</sup> First, government subsidies can be employed to create apartments that can be rented to lower-income families at below-market rates. From the first federal public housing programs of the 1930's to the Low-Income Housing Tax Credit program of the 1980's and 1990's, millions of apartments have been created for the nation's poorest renters.

Yet as the introduction pointed out, the amount of publicly subsidized rental housing is actually quite small compared to the need. Even during times of relatively high production of government-assisted housing, most lower-income renters have been housed in private sector housing.

In fact, most housing for lower-income families is made available to them through the second supply-side strategy, a process economists call "filtering down." Filtering down occurs as wealthier households with rising incomes vacate their existing housing to move into new, more expensive housing. The vacated homes then become available for lower income households seeking to move up from their former residences.<sup>10</sup>

In practice, the process can be quite a bit more complicated, particularly if the number of higher income renter households is increasing at a faster rate than the number of middle-income renter households. In these circumstances, "filtering up" can occur as

---

<sup>7</sup> The report defines low-income renters as households with incomes below \$12,000, irrespective of household size. Low-rent units are defined as costing no more than 30 percent of a low-income renter household's income. Both figures are in 1995 dollars. Daskal, 1998.

<sup>8</sup> U. S. Department of Housing and Urban Development, 1999.

<sup>9</sup> Demand side strategies, chiefly tenant-based vouchers, are described in part III.

<sup>10</sup> Baer and Williamson, 1999.

better off families buy and upgrade moderately priced housing, what is commonly called “gentrification.”<sup>11</sup> The fact remains that broad increases in the stock of middle- and upper-income rental housing often benefit households with lower incomes.

That the production of government-assisted housing has been limited is not surprising. U.S. government expenditures for subsidized housing have always been modest compared to other western countries. What is more surprising is why so little unassisted market rate rental housing is being produced. Classical economic theory would posit that the demand for quality rental housing for middle and upper income households would generate a matching supply.

To understand why rental housing production has been so low, two research methods were employed. First, literature was reviewed to understand the issue from a national perspective. Second, a series of interviews were conducted with key rental housing developers, advocates and government officials to understand barriers to affordable rental housing in the Chicago area.

## **B. Barriers to Developing Affordable Housing - The National Perspective**

Communities across the country experience certain common barriers to developing affordable rental housing. These barriers are characteristic of the Chicago metropolitan area as well. They are generally by-products of the nation’s jurisdictional geography, economic structure, and cultural heritage.

Research shows that “Not in my backyard (NIMBY)” attitudes lie at the heart of resistance to rental housing at the local government level. Community residents are often concerned that rental housing will lower property values, degrade community architectural character, disrupt homogeneity, and increase crime.<sup>12</sup> Such fears reveal an ideological bias shared by most Americans that views landowners as more valuable community members than renters. The bias toward favoring landowners has been cultivated historically since colonial times, when renters were denied the right of suffrage, to the present, where homeowners receive tax exemptions. The perceived societal benefit of private ownership is also reflected in the United States government’s tradition of offering incentives to own land.<sup>13</sup>

Organized homeowners often exert pressure on local elected officials to limit rental housing in their communities. Elected officials are obliged to place their constituents’ concerns before renters who may not currently live in the community. This political environment encourages each locality to export “undesirable” development outside its jurisdiction. The desirableness of the development depends on its perceived benefits relative to its costs to the community. Beneficial development brings in increased tax revenue without making excessive demands on public services.<sup>14</sup>

---

<sup>11</sup> Turner and Edwards, 1993.

<sup>12</sup> HUD, 1991. Metropolitan Planning Council, 1997.

<sup>13</sup> Krueckeberg, 1999.

<sup>14</sup> Burchell, 1993.

Conversely, rental housing is often viewed as undesirable development because it is usually taxed at a lower rate than commercial development while its density places higher demands on roads and schools.<sup>15</sup>

While this negative perception of rental housing influences land use policy, it does not always accurately reflect public budget realities, as some studies indicate.<sup>16</sup> In this context, local governments are competing to reap the benefits of development while incurring few of its costs. Using their power to regulate land, communities exercise “home rule” without responding to regional rental housing shortages. Very few metropolitan regions require municipalities to build their fair share of rental housing to address home rule conflicts among localities.<sup>17</sup>

Homeowners often support NIMBY policies and candidates. This political pressure translates into zoning, fees, building codes and permit approvals that inhibit rental housing development. Zoning is the most direct tool for excluding multi-family housing because it regulates land use and density. Localities experiencing rapid expansion use zoning to control growth by requiring minimum lot sizes, maintaining land for agricultural use, and placing caps on building permits.<sup>18</sup> Besides excluding rental development, zoning may add significantly to the costs of development, requiring amenities such as expensive landscaping and parking in a new development. For example, a 1994 study estimated that state and local regulations add as much as 17 percent to rents nationwide.<sup>19</sup>

Impact fees are another growth control tool used by communities. Fees are assessed to raise funds from new development for incurred public services. The extension of the fees to offsite improvements has been justified by the application of “the rational nexus test,” which is a connection between the fee assessed and the benefits derived. Impact fees are regressive in that they are assessed on a per-unit basis, rather than as a percent value of a home. Consequently, developers are rewarded for building higher end housing where fees can be more easily absorbed as a proportion of the sale price. The cost of fees is passed along to the buyers and tenants. Exactions, dedications, and fees account for as much as 30 percent of housing cost of in New Jersey.<sup>20</sup>

Building codes also add to the cost of producing rental housing. Communities often require that developments include costly on-site and off-site improvements, such as side setbacks, expensive utility lines and storm drain, wide interior streets, large parking lots, and extensive curb and gutter amenities. Inflexible design requirements have been unresponsive to newer cost saving site-development methods and materials.<sup>21</sup>

---

<sup>15</sup> This is not the case in Cook County, which assesses apartment buildings at a commercial rate roughly twice the rate for owner occupied housing.

<sup>16</sup> The National Multi Housing Council & The National Apartment Association. 1998.

<sup>17</sup> HUD, 1991.

<sup>18</sup> Brower, 1989.

<sup>19</sup> Malpezzi, 1994.

<sup>20</sup> HUD, 1991.

<sup>21</sup> Davis, 1995. MIS, 1983

Finally, the permit approval process can be burdensome and time consuming for many affordable rental housing developers. Overlapping jurisdictions often enforce redundant regulations. Further, planners and residents often deliberately slow down the approval process with numerous alteration requests. The increased time required to obtain permits increases the developer's risk and the resultant construction debt.<sup>22</sup>

Besides NIMBY attitudes and local regulations, high property value is a major cost factor in providing affordable rental housing. In suburban metropolitan areas across the country, lot value has steadily risen. Further, regulatory constraints such as minimum lot sizes and down zoning have escalated property values higher than they would otherwise be.<sup>23</sup>

NIMBY attitudes, home rule politics, local regulations and rising land costs are consistent barriers to developing affordable rental housing across the country. This is largely attributable to the dominant political system in which local jurisdictions have control over land use decisions. In addition, federal tax law, local zoning regulations and lending institutions tend to support the landowner's interests at the renter's expense.

### **C. Barriers to Developing Affordable Rental Housing in the Chicago Region**

The research team interviewed over 40 housing authority administrators, public officials, advocates, and developers to understand barriers to developing rental housing in the Chicago metropolitan area.<sup>24</sup> Key informants were principally drawn from suburban municipalities where rental housing is limited and job growth is high. The interviews served to re-enforce observations from the national literature review and provide additional detail on challenges facing the Chicago region. In the report we have sought to carefully reflect the opinions of the people with whom we spoke. We can not attest to the accuracy of all their statements.

The interviews indicate that northeastern Illinois shares many of the same barriers to developing affordable housing as urban areas nation-wide. As has been seen nation-wide, negative attitudes and political opposition toward affordable rental housing manifest themselves in zoning laws, building codes, and review processes. These barriers have contributed to rapidly rising land values. To make matters worse, complex financing agreements required by current subsidy programs, such as the Low Income Housing Tax Credit, deter many housing developers from constructing rental units. These factors have led to a decrease in the accessibility of low-income rental units throughout the region. A more detailed explanation of these barriers follows.

#### 1. Negative Perceptions of Renters, NIMBY and Home Rule Politics

---

<sup>22</sup> Davis, 1995. HUD, 1991.

<sup>23</sup> MIS, 1983.

<sup>24</sup> The Methodology section includes a profile of the key informants.

Most developers and officials surveyed mentioned negative resident attitudes toward all rental housing as a major barrier to providing affordable rental housing. Even lower-income neighborhoods in Chicago have become more resistant to rental housing in recent years. But suburban informants had the most telling stories. A housing official in a suburban county recounted how a local resident had justified her opposition to rental housing by stating that “the children of tenants will have lower ACT scores and lower the school district’s average.”

In many cases, elected officials share resident sentiment in resisting rental housing. A north suburban mayor is considering an ordinance that would require 70 percent of all housing units in his town be single-family homes. In other cases, elected officials see a need for affordable rental housing despite their constituents’ opposition.

Illinois’ grant of home rule status to municipalities of 25,000 or more means NIMBY attitudes can shape local land use decisions in ways that other higher units of government cannot influence. IHDA’s 1998 Annual Performance Review puts it this way:

*Given Home Rule status, much public policy affecting affordable housing development comes from the local level. Home rule units are responsible for zoning, building codes, and many other land use controls that have a direct impact on the provision of affordable housing. In Illinois, there is a strong sense that local home rule powers should not be weakened by State intervention . . .*<sup>25</sup>

## 2. Exclusionary Zoning

Negative attitudes toward rental housing have translated into restrictive zoning in most of the region’s communities. Little land is generally zoned for multi-family use. Most suburban communities prefer to maintain low densities and large lot sizes. Interviewees in the most populous suburban areas pointed out that the scarcity of properly-zoned land is a principal barrier to providing affordable housing. The problem has been compounded by the rapid pace of single family housing development in recent years. One county official lamented that, “we’re 10 years too late to be looking in DuPage for developable land.”

## 3. Inflexible Building Codes

In cases where multi-family housing is allowed in a zoning ordinance, building codes often make affordable rental construction infeasible. Many communities seek to maintain a neighborhood’s aesthetic character by requiring expensive building materials such as brick or stone. In addition, building codes championed by labor unions call for the use of specific metal materials over other less costly plastic materials. Building codes increase the cost of projects to the point where the owner must increase rents to cover expenses.

---

<sup>25</sup> Illinois Consolidated Plan – APR, p. 127.

#### 4. Lengthy Permit Review Process

Even when a developer finds land zoned for multi-family housing and can satisfy building codes, most projects must go through an arduous permit review process. The application is subject to multiple reviews, involving overlapping jurisdictions. Further, residents biased against rental housing may intentionally stall development. Planners often request alterations to the project as well. In many cases, the requests of planners and residents include parking, sidewalk and landscaping additions. These amenities significantly increase the cost of the project. Two developers recounted how they were forced to give up on rental projects because of wrangling with planners and residents that took over two years.

#### 5. High Land Costs

Without considering regulations and challenges from community residents, land cost alone presents a significant barrier to developing affordable rental housing. High land cost was cited as the top barrier to developing affordable housing in a survey of the Chicago metropolitan region in 1997.<sup>26</sup>

More recently, one rental housing development firm active in the region estimated that land costs for their current projects average \$370,000 per acre in the Chicago suburbs. That is two to three times more than other metropolitan areas such as Dallas, Kansas City and Atlanta. The high land costs in turn help to drive up the total development cost and the rents that must be charged. The company spends \$95,000 to \$108,000 to construct an apartment in the Chicago area compared to \$65,000 to \$80,000 in other metropolitan areas.

The limited amount of land zoned for multi-family use and large lot sizes further drive up housing costs. Such high land values force affordable housing developers to build housing on smaller parcels of land. However, high-density development is strongly opposed in suburban communities. This pinches developers into a difficult position where they must efficiently use limited land while placating the concerns of local officials and residents.

#### 6. Limited Project-based Funding

As the federal government eliminated project-based rent subsidies, many affordable rental housing developers left the business. In some parts of the Chicago region, housing authorities have difficulties finding developers to cooperate with them. Such is the case in Will County and parts of DuPage County. Although the number of non-profit developers is increasing, their capacities remain limited compared to the demand.

---

<sup>26</sup> Grissom, 1997.

For those developers that can secure public sector subsidies, programs are often time-consuming, with high up-front costs. The Low-Income Tax Credit, overseen by the Internal Revenue Service, is a case in point. Currently the primary federal incentive to build affordable rental housing, the program is run through state and some large cities like Chicago, which are given annual tax credit allocations. These credit allocations in turn attract private capital for rental housing developments and finance 45 to 65% of the project costs.

Since the tax credit functions much like a grant, it is a very popular type of financing. The State of Illinois currently receives proposals for two to three times as many tax credit projects as it has available funds.<sup>27</sup> The program typically requires additional financing from public, non-profit and private sources. The time required to assemble this complex financing package and structure legal partnerships adds to a developer's expenses. One rental housing developer stated that tax credits take too much time for him to make a project feasible in Lake County.

## 7. Inflexibility of Fair Market Rents

Another way for rental property owners to provide affordable units is by leasing apartments to tenants with a Section 8 Housing Choice Voucher, which merges the old certificate and voucher subsidies as of October 1, 1999. This tenant-based program uses the Fair Market Rent (FMR) as a guideline for setting subsidy levels. The FMR is set just below the region's median monthly rent at the 40<sup>th</sup> percentile.<sup>28</sup> The Housing Choice Voucher pays the difference between 30 percent of the user's income and the market rent, as long as the rent is between 90 and 110 percent of the FMR.<sup>29</sup> The user may pay the rent amount that exceeds the FMR if he or she so chooses.

Some government officials pointed out that the FMR does not reflect the market rate for many parts of the Chicago region. For these cases, HUD has allowed housing authorities to apply for an exception. The exception area can raise its FMR by up to 20 percent.<sup>30</sup> Still, some areas of the Chicago region require greater than a 20 percent increase in the FMR to match market rents. For example, only one in four Oak Park Section 8 applicants find apartments in the allocated time, even with exception rental levels for 2 to 3 bedroom apartments. Section 8 applicants experience similar difficulties in Lake County. Within the City of Chicago, market rents vary dramatically within a small geographic area. Principal streets often define rental markets more accurately than political jurisdictions. The FMR does not capture this variation.

---

<sup>27</sup> According to the Illinois Housing Development Authority, the State financed 1,883 units of low-income housing using the Low-Income Housing Tax Credit in 1998. \$12.5 million in credits were available through IHDA; \$38 million in projects were proposed.

<sup>28</sup> The 40<sup>th</sup> percentile is the dollar amount below which 40 percent of the standard-quality rental housing units are rented. HUD, 1999.

<sup>29</sup> Federal Register, May 14, 1999.

<sup>30</sup> Federal Register, May 7, 1999.

## 8. Other Barriers

NIMBY attitudes, local government regulation, high land costs and limited project-based funding were underscored by interviewees as the most consistent barriers to developing affordable rental housing in the Chicago region. Other barriers specific to localities, and not the region as a whole, follow:

- The conversion of rentals to condominiums, resulting in rental stock losses. This was mentioned as a phenomenon in the City of Chicago, Arlington Heights and parts of DuPage County. Most other parts of the Chicago region do not face condominium conversion as a threat to the supply of rental housing.<sup>31</sup>
- High property taxes on rental housing, particularly in Cook County. According to the Institute for Real Estate Management (IREM), real estate taxes as a percentage of total expenses average 27.6% in Chicago versus 15.7% nationally.<sup>32</sup> According to Real Estate Consultant Tracy Cross, Cook County real estate taxes on apartment buildings are the highest of all metropolitan areas.
- Difficulty in accessing mortgage credit at reasonable rates and equity requirements to finance apartment buildings.

High land costs combined with limited public assistance make affordable rental housing development a fiscally challenging endeavor. In order to make a project feasible, housing providers must develop available land with higher than single-family densities and limited amenities. However, these types of developments are actively zoned and regulated out of most suburban Chicago communities. The political and regulatory environment in the Chicago area is strongly opposed to affordable rental housing construction. As is detailed in the following section, legislation, zoning ordinance alterations, funding changes, and education can help overcome some of these barriers.

### **D. Possible Actions to Overcome Development Barriers**

Key informants in the Chicago region, as well as national surveys completed by HUD, have suggested a number of solutions to overcome development barriers. These solutions fall into the categories of funding changes, regulatory reform and educational outreach. The solutions listed below range from structural alterations at the state and regional level to minor adjustments at the municipal level.

#### 1. Funding Changes

Interviewees emphasized that developers need more incentive to construct affordable rental units in a strong housing market. Over the last 20 years, most HUD funds have been channeled away from supply-side subsidies into demand-side voucher

---

<sup>31</sup> See Figure D in the Appendix for a count of converted units and buildings.

<sup>32</sup> Institute for Real Estate Management, 1997 Income Expense Analysis of Conventional Apartments.



and certificate programs. Developers rely on the Low-Income Housing Tax Credit as the principal supply-side subsidy. However, tax credits are often time-consuming and complex. In an effort to encourage more developer participation in affordable rental construction, interviewees suggested the following initiatives:

- Encourage public housing authorities to convert some of their tenant-based Section 8 subsidies to *project-based vouchers*. For example, with a pool of project-based vouchers, developers could routinely earmark 20% of their apartments for Section 8 eligible tenants, whose incomes are often too low to afford units in buildings developed using the Low-Income Housing Tax Credit.
- Expand use of the Chicago *Affordable Housing Trust Fund*, which negotiates agreements with private sector landlords to provide rent subsidies for a set number of units in a given building. The Fund operates with much more flexibility and less red tape than the Section 8 program. Several contacts suggested it be expanded in Chicago and perhaps replicated in Cook County and other jurisdictions.<sup>33</sup>
- Other interviewees would like to reduce demand for rental housing by moving more renters to homeownership. Some propose more *Section 8 subsidies used for home purchases*. A recent HUD proposal would allow housing authorities to use a portion of their Section 8 voucher funds toward monthly mortgage payments. Down payment assistance from other programs, such as HOME, could be used in coordination with Section 8 funds to facilitate entry into the owner market. Moving Section 8 tenants into homes would free up more low-income rental units.
- Regarding demand-side subsidies, informants suggested *altering the Fair Market Rents (FMR)* to make the program attractive to owners of rental property in expensive neighborhoods. One housing authority informant recommended that the FMR be calculated at the 50<sup>th</sup> percentile instead of the 40<sup>th</sup> percentile. This would allow Section 8 tenants a greater rent range in choosing among apartments. Other informants suggested breaking down the metropolitan FMR into sub-zones that are more sensitive to the local housing market. Some sub-areas would have FMRs higher than that allowed by the current exception rule (up to 120% of FMR).<sup>34</sup> In this way, communities with median rents far above the regional FMR would be able to use Section 8 vouchers.

---

<sup>33</sup> A government official also pointed out that the Trust Fund's rent subsidies could be tied to existing affordable housing production programs. For example, 10% of the new apartments created using state or City funding could be earmarked for tenants who need the additional rental subsidy the Trust Fund can provide.

<sup>34</sup> HUD has maintained exception areas under the new Housing Choice Voucher Program. Exception areas allow for vouchers to be used for apartments renting up to 120% of FMR. The Housing Choice Voucher Program allows housing authorities to use vouchers for apartments renting up to 110% of FMR. Federal Register, May 14, 1999.

- Finally, one interviewee suggested that funds be made available to *redevelop Chicago's existing stock of public housing* and provide necessary supportive services, job training and resident management.<sup>35</sup>

## 2. Local Regulatory Reform

Localities can *adjust their zoning regulations* to allow for a greater diversity of housing types. Cities such as Babylon, New York; Gloucester, Massachusetts; and Daly City, California have altered regulations to allow for accessory or secondary units on developed lots. This allows single family homeowners to rent out an ancillary unit for extra income. Often households will rent such units to family members.

Other localities have introduced innovative zoning to encourage more efficient land use.<sup>36</sup> Dade County, Florida uses a Zero-Lot-Line provision to encourage greater use of its existing lots. The Zero-Lot-Line allows homes to be placed on side lot lines rather than at the traditional setback distances of 5, 10 or 20 feet. Each unit has a single side yard of twice the size instead of two side yards per house. Using this siting method, the structures can retain the density of duplex rentals with freestanding houses. The Zero Lot Lines allow developers to reduce costs by efficiently using land parcels.<sup>37</sup>

## 3. State and Regional Regulatory Reform

The literature on housing barriers suggests that affordable rental production issues are often best handled at the state or regional level. A Chicago area affordable housing advocate suggested a good place to start would be to *create a State level housing department* to coordinate housing policy.<sup>38</sup> This Illinois housing department could manage a trust fund for rent subsidies and might have the authority to mandate or incent land use regulations conducive to affordable rental housing construction in municipalities.<sup>39</sup>

While zoning is a significant barrier to affordable rental housing development, building codes also add significant costs to developers. Many states have successfully implemented a *statewide building code* that allows builders to use less expensive materials. A standardized code also reduces the confusion and excessive delays characteristic of overlapping jurisdictions.<sup>40</sup>

---

<sup>35</sup> This is the position of the Coalition to Protect Public Housing, a network of organizations committed to guaranteeing public housing residents the choice to remain in their redeveloped buildings.

<sup>36</sup> To date, there are few examples of such higher-density single family zoning in the Chicago region.

<sup>37</sup> HUD, 1992.

<sup>38</sup> Such an agency would presumably report to the Governor directly rather than to a board appointed by the Governor, as is the case with the Illinois Housing Development Authority.

<sup>39</sup> Some observers have suggested that this idea and others aimed at granting the State more authority in local housing matters are improbable given the strong "home rule" powers granted municipalities in Illinois.

<sup>40</sup> MIS, 1983.

New Jersey's Uniform Construction Code Act adopted a single construction code to be used by all localities. The code enabled use of a single construction permit issued by a local official, avoiding the need for separate plumbing, electrical, health and fire "sub-code" clearances. To further expedite construction, the locality must act upon the construction permit application within 20 working days.<sup>41</sup>

In addition to restrictive building codes, lengthy permit processes increase developers' up-front costs. Permit approval takes too much time to make a project feasible in many cases, and for developers, time is money. To address this problem, some states have set *time limits on local land-use decisions* and mandated *one-stop permitting*. In some cities such as Louisville, Kentucky, city inspection, permitting, licensing and code enforcement departments have merged into one city agency for one-stop permitting.<sup>42</sup>

By means of a state or regional body, a *metro-wide "fair share" affordable rental housing program* could be coordinated. In such a program, localities would be required to zone a certain amount of land for multi-family rental housing, based on the particular locality's population and developable land. The state or regional body would offer incentives to those communities that zone for more than their fair share of affordable rental housing. Other states have enacted similar fair share legislation with favorable results.

In New Jersey, the Council on Affordable Housing was established to assure local fair shares of affordable housing commitments. Rather than mandate fair housing, Connecticut's Regional Fair Housing Compact set a procedure for attacking exclusionary zoning decisions and resolving conflicts between developers and localities. Similarly, Massachusetts' Anti-Snob Zoning Law allows rental developers to appeal to a State review board when faced with exclusionary zoning. The State review board has approved more than 90 percent of the developers' appeals, and not one of the board's decisions has been reversed by the courts.<sup>43</sup>

#### 4. Educational Outreach

Many interviewees stressed the need for educational *outreach to developers, public officials and residents*. This outreach would help people understand the demand for rental housing and the benefits to the region of providing such housing. An insufficient diversity of housing types leads to long commutes and consequent traffic congestion, inefficient allocations of public resources and rising homelessness. Increasing the supply of affordable rental housing throughout the region can help overcome these problems by improving the jobs/housing balance, attracting economic development, and providing shelter for those in need.

---

<sup>41</sup> HUD, 1992.

<sup>42</sup> HUD, 1992.

<sup>43</sup> HUD, 1992.

Educational outreach can also stimulate information sharing on strategies of rental housing construction that benefits the community. Developers can be made aware of the different forms of public assistance, both technical and financial, available to them. State legislators could learn about regional approaches to ensure an adequate rental housing supply. Localities can learn about successful regulatory reform implemented in other parts of the country.

#### **D. Prognosis: A Continued Scarcity of Affordable Rental Housing**

Few of the above strategies have been implemented in the Chicago region, and those that have been implemented are limited in scope. Most localities enforce zoning and regulations that exclude construction of new, multi-family rental housing. Even though a number of developers express willingness to develop such projects, it is difficult for them to do so in middle to upper income suburban communities. Few projects have been built in these areas in recent years, and those that have been built are primarily designated for the elderly. New multi-family construction has been limited to a handful of neighborhoods within the City of Chicago and a few suburban municipalities.

With the recent rapid growth of the region, most localities are tightening regulations to further control construction within their jurisdiction. Traditionally less-exclusive localities have begun replicating zoning ordinances and building codes of more restrictive communities. Growth, along with competition among localities, has led to higher development standards and efforts to block “undesirable” housing types. This trend will most likely continue without regional leadership and collaboration.

### **IV. Increasing Landlord Participation in Section 8**

Stimulating the demand side of the low-income housing equation has dominated federal policy making over the last two decades, with the federally-funded Section 8 tenant-based subsidy being the largest program to increase tenant access to the existing stock of private rental housing. Under this program, a household awarded a Section 8 housing voucher<sup>44</sup> seeks a property owner or manager who agrees to participate in the program. The building must meet certain Housing Quality Standards (HQS) established by HUD to ensure that the housing unit is in acceptable condition. HUD directly pays to the landlord the amount equal to the difference between the “fair market rent” (FMR) established for the area and 30 percent of the household’s income. For example, the 1999 FMR for the Chicago region is \$737 for a two-bedroom unit.<sup>45</sup> A family with an income

---

<sup>44</sup> Currently, no more certificates are being issued and all existing certificates will be converted to Housing Choice Vouchers. This new voucher will be largely similar to the Section 8 program, requiring units to meet HQS.

<sup>45</sup> This is the region FMR; however, “exception rents” have been granted for community areas within Chicago and suburban Cook County, to allow vouchers to be used for units that rent at rates higher than FMR.

of \$400 per month would pay 30% or \$120 toward rent and HUD would pay the landlord the remainder, up to \$617 per month.

The Section 8 program is not an entitlement, and the number of vouchers available is less than the number of households that are eligible for the program. For example, while more than 60,000 households are on waiting lists in the region, not all are assumed to be eligible, and only an estimated 3,500 vouchers come available each year through normal turnover.<sup>46</sup> In the Chicago region the Section 8 program currently provides housing for approximately 41,000 households.<sup>47</sup> As a point of comparison, approximately 31,000 households currently live in public housing in metropolitan Chicago.<sup>48</sup>

The Housing Choice Voucher program, HUD's name for the newly-merged Section 8 certificate and voucher programs, clearly is an important housing assistance program in the metropolitan area, and will continue to be as its role increases with new programs being implemented in the coming years. For example, in October, 1998, the FY1999 budget approved by Congress included 50,000 new vouchers nationwide. This is the largest increase in vouchers in the last decade. The FY2000 budget also provided for 60,000 new vouchers. Attached to the new subsidies are welfare-to-work requirements that promoted regional community development strategies. In this region, HUD recently awarded a collection of housing authorities 1,025 of these vouchers for an innovative program linking Temporary Assistance to Needy Families (TANF) recipients to vocational and other support services.

Housing vouchers are a feature of the Mark-to-Market program, which will convert existing project-based assistance to tenant-based assistance as Section 8 contracts expire.<sup>49</sup> Section 8 housing vouchers will also play an important role in public housing redevelopment as a means to move people either temporarily or permanently into privately-owned apartments. According to its proposed plan, the CHA expects to move 6,150 families into the private rental market with Section 8 housing vouchers over the next five to ten years.<sup>50</sup> To ensure the success of both of these policy initiatives, HUD has allocated funds to support tenant education and counseling.

As the role of tenant-based subsidies expands in the Chicago area, much is riding on the ability of the Section 8 program to help low-income families gain access to the region's private rental housing market. To understand how landlords view the Section 8

---

<sup>46</sup> This number is based on estimates provided by Public Housing Authorities and CHAC during the late spring and early summer of 1999. They do not necessarily reflect new vouchers that are expected under new budget allocations, or take into account specific vouchers to be used for relocatees.

<sup>47</sup> While these numbers show that many landlords are willing to accept Section 8 tenant-based assistance payments, they tend to be concentrated in relatively few neighborhoods and communities. See Chapter 8 of this report for a fuller discussion of the issue.

<sup>48</sup> See Figure D in the Appendix for information about number, location, and occupancy rates of public housing units.

<sup>49</sup> See Smith and Sherry, 1999.

<sup>50</sup> See *Chicago Housing Authority: Plan for Transformation*, September 30, 1999.

program, a series of focus groups was organized.<sup>51</sup> In particular, we wanted to explore how rental property managers and owners are faring in the current real estate market, what they think of the Section 8 rent subsidy program, and what changes to the program would make their participation in it more likely. We also asked the participants a few questions about their past experience in renting to tenants with disabilities.

In addition, we sought to learn from past research on landlord experiences with and attitudes toward Section 8 and accordingly undertook a review of existing literature. Finally, a number of key informant interviews helped us gain additional insight.<sup>52</sup> The results of the literature review are presented in the next section followed by the focus group report.

## A. Literature Review

Portable tenant-based rent subsidies grew out of “housing allowance” experiments and the Section 8 program in the 1970’s. The early research on these programs tried to understand why some tenants were unsuccessful in finding appropriate housing. One study of the housing allowance program in 1981 used tenant surveys to identify search barriers and found that discrimination based on age, sex, and marital status were factors.<sup>53</sup>

During the Reagan and Bush Administrations, the Section 8 rent certificate and voucher programs were dramatically expanded. As the Clinton Administration took office, a series of major studies of the Section 8 program were undertaken. Tightening rental housing markets, the fact that housing needs were exceeding the supply of apartments, and the Administration’s focus on tenant opportunity and mobility were all reasons for initiating this research.<sup>54</sup>

For the first of these reports, Abt Associates undertook focus groups in four cities to assess property owner attitudes toward Section 8. Abt found that

*Many owners feel that participation in Section 8 is more time-consuming and costly than renting their units in the private rental market, so that owners who have alternative rental options may often prefer to rent in the conventional market and not to rent their units under Section 8 . . . (T)he key to making the program more attractive to these owners is to make Section 8 operate as much like the unassisted market as possible.<sup>55</sup>*

---

<sup>51</sup> Focus group data is meant to generate discussion and participant opinion and experience. While the results are not generalizable, the data can be used to identify themes and common issues likely to affect others with similar experiences as the focus group participants.

<sup>52</sup> In particular, we interviewed landlords in areas of the region under-represented in the focus groups.

<sup>53</sup> “Housing Search Barriers for Low-Income Renters,” Glen Weisbrod and Avis Vidal, *Urban Affairs Quarterly*, Vol. 16, No. 4, June 1981, p. 465-482.

<sup>54</sup> “Final Report on Recommendations on Ways to Make the Section 8 Program More Acceptable in the Private Rental Market,” Meryl Finkel, Abt Associates, March, 1994.

<sup>55</sup> *Ibid.*, p 2,3.

The study recommended far-reaching changes to make the program more attractive to landlords, including a return to the housing allowance model of a two-party (landlord and tenant) system. The report also included a range of more modest reforms designed to make the existing program more closely approximate the private market and operate more effectively. Many of these recommendations were subsequently incorporated into legislation approved by Congress.

Later in 1994, another Abt study uncovered evidence of so-called Section 8 “submarkets.” Because public housing tenants rely chiefly on public housing authority landlord lists and friends and relatives to find housing, they end up in apartments and neighborhoods that are already open to Section 8. These landlords, for their part, are often only willing to open some of their stock to Section 8 tenants. The result, quite apart from the intent of the Section 8 program, has been the concentration of poor families in a limited number of buildings and neighborhoods.<sup>56</sup>

In 1995, the Leadership Council for Metropolitan Open Communities conducted a focus group of landlords to learn more about their views on rental assistance to low income tenants.<sup>57</sup> The focus group documented significant landlord ambivalence about the Section 8 rent subsidy program. Landlords felt the program was being abused by undeserving tenants and bemoaned their lack of control and leverage when they utilized subsidized housing programs.

*(I)t seems that the most prominent findings this research offers center around landlords’ attitudes toward their perceived lack of power. Whether it is the vast social problems of crime, the abuses of the system of subsidized housing, or the specific terms of a lease, the landlords repeatedly expressed a desire for greater influence.*

The landlords recommended changes to the Section 8 program including more leeway in evictions and non-renewal of leases, as well as a 30-day lease.

The 1996 publication “Learning from each Other” noted the many changes to the Section 8 program that had occurred since the 1994 Abt studies.<sup>58</sup> New legislation eliminated the “take one, take all” rule, provided landlords with more flexibility on non-renewal of leases, and allowed public housing authorities to deny benefits to households with drug abuse problems. All these modifications were deemed beneficial to current and prospective Section 8 landlords. The report focused on what additional measures housing authorities could undertake to make the Section 8 program more effective. Some of the highlighted best practices addressed landlord concerns, such as using hand-held computers to expedite building inspections.

---

<sup>56</sup> “Section 8 Rental Voucher and Rental Certificate Utilization Study, Final Report,” Stephen D. Kennedy and Meryl Finkel, Abt Associates, October, 1994.

<sup>57</sup> “Leadership Council Focus Group II, A Summary of Findings,” Burkholder and Company, October, 1995.

<sup>58</sup> Learning from Each Other: New Ideas for Managing the Section 8 Certificate and Voucher Programs,” Meryl Finkel and others, Abt Associates, September 1996.

Recent research suggests that the Section 8 program continues to face serious challenges. A study completed earlier this year by Paul Fisher of Lake Forest College suggests that the spatial concentration of Section 8 families cited in the Abt research is continuing in the Chicago region.<sup>59</sup> He maintains that

*In the Chicago area, the regular Section 8 program has on the whole replicated the segregative patterns of traditional public housing.*

A second set of concerns relates to the fact that rents are outpacing the incomes of poor Americans.<sup>60</sup> This is also affecting the Section 8 program in places like the Twin Cities. For the last four years, Community Action for Suburban Hennepin has documented the declining number of landlords willing to rent units to Section 8 tenants.<sup>61</sup> In a 1998 survey of 43,738 suburban rental units, 63% disqualify for the Section 8 program because the rents are higher than the Fair Market Rents (FMRs) set by HUD. This is up from 60% in 1997.

In sum, the literature suggests that due to rising market rents, landlord ambivalence about government subsidy programs, and “submarket” patterns of leasing, the Section 8 program may continue to concentrate tenants in relatively few, often poor and minority neighborhoods.

## **B. Rental Real Estate Market and Industry Trends**

Thirty one landlords and managers participated in five focus groups organized in Chicago during June and July of 1999. The appendix at the conclusion of this report describes the recruitment process and backgrounds of the participants.

The first part of each focus group was intended to draw out some biographic information on the participants, open people up with some general questions, and explore overall attitudes toward tenant marketing and screening. This section proved to be highly informative as it uncovered evidence of a very robust real estate market that is enabling landlords to be more selective about to whom they choose to rent.

### 1. A Strong Rental Market

Practically to a person, the participants spoke of a strong rental market with high tenant demand, low turnover, rising rents and improving operating margins. In one focus group, over half of the participants are keeping waiting lists for unsubsidized apartments.

---

<sup>59</sup> “Section 8 and the Public Housing Revolution: Where Will the Families Go?,” Paul Fisher, Lake Forest College, 1999.

<sup>60</sup> See for example “Waiting in Vain: An update on America’s rental housing crisis,” U.S. Department of Housing and Urban Development, March 1999.

<sup>61</sup> “Diminished Choices 4: The crisis worsens for Section 8 tenants in Suburban Hennepin County,” Community Action for Suburban Hennepin, October, 1998.



Not surprisingly, apartments in “hot” markets are particularly sought after. One landlord on the near north westside of Chicago commented

*I'm in Bucktown. I can rent an apartment five times over.*

The manager of an apartment building on the north side agreed and noted the increased leverage this gives him.

*Because the apartments are so competed for, I can afford to take the cream of the people who are making a lot of money with great credit.*

Another north side landlord commented on the fact that his tenants are not moving as much as they used to:

*We've had incredibly low turnover. We have two one-bedroom apartments. One woman stayed there 14 years; another one stayed there 16 years. So just very low turnover.*

This strong market was also reflected in the comments of a manager of a larger complex on the city's near south side:

*I tell you with our property, we really try to look at the resident profile a little bit more closely. We just got to be a little bit more aggressive and weeded people out. I don't know how else to put it - trying to improve the profile. We've cleared out and we have a good resident population now.*

The higher demand and higher rents are improving the operating margins of almost all the landlords in the city and the suburbs. Several reported that the last five years have been particularly good.

*Are margins better now than they were five or ten years ago? Better. Definitely better for me.*

The owner of a 3-flat on the far north side of Chicago said:

*If you're fairly savvy with repair work and you're trying to amortize things, then it can be, especially over time, very profitable.*

One side effect of these improved margins appears to be a greater willingness for landlords to invest in their buildings. When asked why things were going better financially for him, one landlord responded

*(It is the) tightening of the market. In the past you couldn't plow money into your buildings because you couldn't get the rents back to justify the money you spent. Today, I under improved one building, a five-flat in Bucktown. (I) had to turn around two years later and upgrade it some*

*more because the neighborhood shot up so much, to keep up with the tenants that were coming to see it.*

There were some exceptions to this general sense of prosperity. Landlords on the west and far south sides of Chicago were less enthusiastic about the rental market in their neighborhoods. And one landlord in south suburban Harvey said

*Harvey is a tough market. You don't have a real choice of tenants.*

## 2. Who are the "Best Tenants"

The participants were asked to describe the kind of tenants they were looking for to fill their apartments. Not surprisingly, "people who pay the rent on time" was the most common response. As one landlord quipped

*What's a good tenant? One that you never see, who always pays the rent.*

Other people gave responses like "an honest person," "someone who respects you and you respect them," and "people that maintain the property and . . . are courteous to the other people around them."

Several landlords were explicit about their preference not to rent to families. Said one two-flat owner on the south side of Chicago

*Where I live, I only rent to adults. I don't want no kids up under me bugging me.*

Others said they "primarily look for professional couples or singles" or "a small family, because when you get the larger families, usually there's a lot of damage." One landlord explained his thoughts this way

*I try to find tenants who I know won't be real hard on the building. And part of that is just like numbers. So if you're looking at renting to a single person, versus someone who's going to try to put a family of four in a one bedroom apartment, then you know it would certainly be better if you could just have a single person. You know that they're going to be more low maintenance just because of the number of people physically taking showers, doing whatever. We're kind of looking for people that seem to be what we could consider low maintenance.*

In addition to tenants who are "low maintenance" landlords also frequently mentioned "stable, working people." One person summed it up this way.

*What does the right kind of tenant look like? Somebody who's been in the market before so I can check with their previous landlord; who's established; who's been on their job or their income source has been*

*steady for some period of time. That's about it: Someone who has previous landlord history, steady employment, and good credit. Those are my three concerns.*

### 3. Approaches to Finding Tenants

Landlords were asked how they go about marketing to prospective tenants. Several managers from different parts of the city said they no longer need to.

*We haven't advertised our building for five years. (We) don't work with any agencies. We don't give any incentives. We rely on word of mouth from present tenants. That's the only way we get tenants.*

*We had to advertise for the first three years, '91 to '94, about like that. But I found that ads in the paper brought people in that I didn't want living in my apartments. I keep the prices low for the neighborhood. But the building's always full. I always have 100% occupancy and I have people fighting over apartments even.*

The three most common recruitment techniques landlord used were word-of-mouth, signs on the premises, and signs in local churches, restaurants, stores and community centers. (See chart below) This approach is especially common among owners of the two- and three-flats that fill so many city neighborhoods.

*I put up ads at work. And so the first tenant that I had there was somebody from the hospital where I worked and that worked fine.*

*We never use newspapers or anything. We just put a sign in the window and that seemed to work because you'd get a lot of traffic of folks going by that, either they have friends in the neighborhood or whatever, so they kind of know the neighborhood.*

Local newspapers and the Chicago Reader were also mentioned frequently. Particularly popular are neighborhood-specific papers in Chicago and suburban papers like Oak Park's Oak Leaves. But using newspapers also presented problems, particularly to owners of smaller buildings, as described by one northwest side two-flat owner.

*I used the Reader and advertised it as a three-bedroom apartment and put a sign in the window. The sign in the window I did away with simply because it was attracting too many people and it was attracting people that I didn't have the same kind of control over. When I advertised it as a three-bedroom unit, I would get calls from Section 8. And I had mixed feelings. I'm living here alone as a single woman. All those things began to play into it. So finally what it came to was I would put ads up at work, an ad in the Reader, and limited it to a two-bedroom apartment and that worked.*

Larger apartment building owners were more likely to mention apartment guides, apartment search firms and Internet homepages and search engines as marketing techniques. Several said they were investing heavily in Internet-based approaches and saw more of their referrals coming electronically. One manager of a large downtown complex said

*We recently rented an apartment to someone moving here from India entirely over the Internet. I never saw or spoke to him until he showed up for the key.*

### **Chart: Marketing Strategies**

*Listed in declining order of being mentioned*

#### ***Most commonly mentioned***

Word of mouth  
Signs on premises  
Signs in local churches, businesses, community centers

#### ***Frequently mentioned***

Ad in local/neighborhood paper  
Ad in Chicago Reader  
Ad in Chicago Sun-Times  
Ad in Chicago Tribune

#### ***Occasionally mentioned***

Apartment guides  
Internet services  
CHAC (Section 8) referrals  
Local real estate office listing  
Apartment finding services  
Non-profit newsletter listing  
Radio ads  
Resident referral program

#### **4. Screening out bad tenants, keeping good ones**

As was described above, a number of landlords are taking advantage of the tight rental market to be more selective and to improve their tenant profile. All seek to avoid bad tenants, and at least one two-flat owner (on Chicago's west side) was willing to forgo rent rather than rent to an undesirable tenant.

*Our last tenant had problems paying rent, so we had to go to court to get 'em out. So now we don't have any tenants there, we just have these vacancies. We decided we're not going to rent it for a while.*

Landlords use a wide array of techniques to screen tenants, including sizing them up in person, as this north side property manager does.

*I rely a lot on first impressions. I look at a person very carefully, like if they wear Metallica tee-shirts. I do discriminate very actively, which I think is a good word. You choose people that are going to fit in with your community. If I have a bad initial impression, if they don't use language very well . . .*

In the focus groups, landlords indicated that they were making increased use of various screening services.

*At the 23-unit building (on the northwest side), we were averaging about eight evictions a year. And this was just based on checking their employment. Once I started the screening procedure, getting the credit report, and then a housing/eviction check on top of that, the ratio went down to one a year.*

Two thirds of the landlords said they routinely use credit checks. Roughly a third said they get eviction checks and criminal background/fugitive checks. The same number said they check the housekeeping of applicants at their current residence (though this was more prevalent in the focus group of Section 8 participants) or call previous landlords. Other screening approaches are detailed in the chart below.

Several landlords said they adjust the level of the security deposit as a screening device, particularly if they still have questions about the suitability of an applicant.

*In 30% of the cases there's some income problems, so we require 120% of the rent as security deposit. In some cases I'll ask for double security.*

*With a tenant who was going to have trouble affording the apartment, we asked for a month and a half security deposit, which is another way of kind of screening.*

If avoiding bad tenants is a main goal of the property managers, so is keeping the good ones. The larger landlords in particular stressed the importance of retaining tenants

and a number of the larger firms had specific tenant retention programs. The logic of keeping quality tenants was not lost on the smaller landlords. According to a two-flat owner on the south side:

*If you can get a good tenant, try to keep them. A long-term tenant. You know, it helps most of your problems.*

Said another owner/manager on the west side

*I look for someone who's easier on a long term basis because I have more success with my tenants that have been there for years. They're the best tenants.*

### **Chart: Screening Techniques**

*Listed in declining order of being mentioned*

#### ***Most commonly mentioned***

Credit checks

#### ***Frequently mentioned***

Housekeeping checks

Eviction checks

Criminal background/fugitive checks

Call previous landlord

#### ***Occasionally mentioned***

Verify employment

Require extra security deposit

Talk with current neighbors

Check personal references

Talk with teachers at children's school

## **C. Concerns about and Problems with Section 8**

By design, the first part of each focus group dealt with more general issues of building management. We then shifted gears and asked questions about the Section 8 rent subsidy program. We asked the landlords to explain the program in their own words, to share their perceptions of the kinds of tenants that use Section 8, and describe the main disadvantages and advantages to using the program.

Most of the landlords had never used the Section 8 program, though many had considered a Section 8 tenant for a vacancy in the past. With this group of managers, we

were most interested in their attitudes and opinions about the program, knowing that they were operating with sketchy, second hand information. With landlords currently or formerly in the Section 8 program, we got more detailed, specific information – both positive and negative.

### 1. Concerns about “losing control”

The strongest theme that came from landlords who do not use the program is their fear of losing control over their property. To a person, they expressed pride in their buildings and bristled at the notion of outsiders telling them how to do their jobs. A sampling of comments on this issue follows.

*I want to be in control of my property, and that’s what I think I’m losing with this kind of subsidy.*

*(It) seems like an outside agency coming in to tell a private person what to do with their building. That just goes against the grain. You know, some big brother.*

*(Using Section 8 would mean) I would have to give up control of my property to someone else coming in and telling me that I need specific light switches and a certain amount of room for a bedroom. You’re not going to tell me what’s a bedroom and what isn’t. If it’s big enough to put a bed and a couple dressers in, it’s a bedroom.*

*My biggest concern would be the regulations. This outside agency coming in to my property and telling me that I have to do x, y, and z. This is a piece of property that I’ve invested time and energy and I’m very proud of. I want to be the judge of the kind of light fixture that goes well with the surroundings. And I think I would resent somebody coming in and going, you know, that’s not the right kind of light fixture.*

*I wouldn’t be so concerned about the tenants. I would be concerned about what regulations that I would have to abide by. I would be wary of any program where there were a lot of outside restrictions imposed on me in terms of certain building maintenance and codes and what have you.*

In addition to this strong resistance to letting outsiders dictate how to run their buildings, five specific concerns emerged:

- Section 8 tenants are “high maintenance,” difficult people;
- They will lose the ability to select or evict tenants;
- They will be beholden to an unresponsive bureaucracy that looks out for the tenants over the landlords;
- They will lose income and control through the inspection process; and

- They will lose some of their market-rate rent-paying tenants.

Again, in some cases, the landlords were reporting their fears. In other cases, they were talking from experience. Comments on each of these points follow.

## 2. Concerns about Section 8 Tenants

Focus group participants – both those with and without Section 8 experience – had many impressions of Section 8 tenants. In general, they can be summed up by the comment of one landlord who said Section 8 tenants tend to be “high maintenance people.” There seemed to be several dimensions to this perception. For one, landlords tended to equate Section 8 tenants with **large, poor families headed by single, unemployed women**.

*(A typical Section 8 tenant is) a single mother with lots of children, poor, and not taking very good care of their home.*

*It's the single mothers with you don't know how many kids . . . running around, loud, dirty. It's, you know, poor manners. The whole thing.*

A related concern is that Section 8 tenants will be **harder on the apartments** because of their larger families and their lack of respect for other people's property, the “entitlement sense of things” as one landlord put it.

*I think I'd have difficulty still with Section 8 in terms of families because I have one- and two-bedroom apartments and studios and getting a larger family in something like that I know would just be hard on apartments.*

*They (Section 8 tenants) are not good housekeepers. Not concerned about property and because it comes so easy for them. They just don't care.*

Despite statements to the contrary from landlords with Section 8 tenants, some landlords outside the program also perceived that Section 8 tenants tend to be **less stable** than their market rate tenants.

*This is apt to be a less stable population, in terms of staying put within a given spot for a period of time. And so that if I were to choose to go that route, I would be anticipating that there would be greater turnover, which over the years I've decided I like less and less.*

A recurrent theme, from both landlords with and without Section 8 experience, is the fear that Section 8 tenants will use the program to **put pressure on landlords**.

*There's nothing in the rules that stops the tenant from nit-picking and saying, 'I want to call CHAC inspectors in here again because there's something wrong.' They use it as a weapon against the landlord.*



*All Section 8 tenants think that they have a right to Section 8 . . . and they think they have something on the landlord. The first thing that comes out of their mouth is “We’ll call Section 8.” I think that they do think that they have power over the landlord.*

Several landlords maintained that Section 8 tenants aren’t properly screened for their income and that **many undeserving people are on Section 8**. As one person put it, “There are too many people out there who don’t even need to be on the program.” Section 8, said another is “an abused program, where people that were on it shouldn’t have been on it.” A couple had specific examples of what they meant.

*People have gotten on the program by lying on their applications. I know a couple of specific cases where people were running businesses out of their home. (The) perfect example would be somebody who is on disability and really should not be working, but then they’re getting cash under the table.*

*I had a woman and she had brand new, white leather furniture. Nice furniture. Things that I as a working person couldn’t have and afford. It was like, how did she get all that furniture? I’m like, excuse me? What are you doing with that Gucci bag? I’m not saying everyone’s like that, but it just made me mad.*

As will be related below, landlords currently in the Section 8 program tended to have a more balanced view of Section 8 tenants and some were very positive on their Section 8 residents. But as the above comments show, the majority of landlords have a negative image of the “average” Section 8 tenant.

### 3. Attitudes toward CHA Tenants

If landlord perceptions of Section 8 tenants tended to be bad, when asked what they thought about renting to CHA tenants their comments were even more harsh. “High risk” and “hard core” were used by several people to describe CHA tenants. One landlord said simply, “those people that come of there now (from the CHA high-rises) they scare me.” Others voiced similar sentiments.

*What you have in the CHA high rises, at least what’s left, . . . are simply tenants nobody wants.*

*The tenant that I’ve got presently, she’s from 44<sup>th</sup> and Federal. And that’s why I say she’s such a mess. She happened to get her a voucher and she moved in my building. And I really wish I didn’t have her. She’s nice by herself, but when her friends come, she just don’t control them.*

### 4. Tenant Selection and Eviction

Given their overall assessment that Section 8 and CHA tenants are “high risk” several landlords expressed a concern that they would not have enough flexibility to reject Section 8 applicants or evict Section 8 tenants once they had a lease. As one landlord who had seen a number of Section 8 applicants in the past put it

*Honestly, all the ones (Section 8 tenants) I’ve experienced were bad. And the building next to me takes a lot of Section 8. It’s a dump and it scares me.*

A landlord currently in the program complained that she had no choice in rejecting some tenants.

*If (the applicant) is a recovering alcoholic, he’s recovering, he’s on a program, you can’t turn him down. I had a woman with a mental problem, and I mean, she came at me with a knife.*

Prospective Section 8 landlords seemed aware of these stories and nervous about what hoops they would need to jump through to deal with problem tenants.

*If I know the rent’s not being paid on time and I might have to go through an eviction process . . . I don’t know how it would work with Section 8. Do I have to wait? I can’t. I’m sure I’m giving up that control too.*

Program participants seem to bear this landlord’s fear out, as this person described.

*Every time we would tell someone we wouldn’t renew their lease, we would get phone calls upon phone calls. I mean, we would get somebody from the Section 8 office, and then we’d get somebody from New Directions. We would just get a ton of phone calls and red tape.*

As landlords see it, once in the program, the Section 8 administration basically leaves landlords to deal with problem tenants on their own.

*(With Section 8) you get your check on time. But if you have any problems, they’re yours, 100%. And quite frequently Section 8 can bring with them problems.*

*Section 8 is a bureaucracy and it is slow to move from stories I’ve heard. Finally, you do get your money, finally everything comes to fall in place. But then when you have a problem, then you’re out there all on your own.*

This last comment underscores another common perception: That Section 8 program administrators are unhelpful bureaucrats.

##### 5. Concerns about the Section 8 Administration and “Red Tape”

Just as some landlords had positive things to say about Section 8 tenants, so too some managers had kind words for the Section 8 administration, particularly CHAC. But these positive comments (described in the below section) were outnumbered by criticisms of the various government and private agencies that administer the Section 8 program in the Chicago region.

Many of the complaints had to do with getting phone calls returned and reaching the proper person:

*You never get an answer back (from the Housing Authority of Cook County).*

*If you call up CHAC generally, it's like your call just gets lost in space.*

Others complained about the paperwork and unresponsive staff:

*They (the Section 8 administration) never wanted to talk to you on the phone. You would talk to them on the phone and they would say "put it in writing and send it." And I was constantly sending things, trying to get \$419. I mean, it's not that much money.*

*You know, you have to send in a form for this, a form for this. There was constantly inspection going on. It took up too much of our time. It was a ton of time. I mean you couldn't turn anywhere without getting stuck in the red tape.*

*They will send you something back and say "this is the wrong form. We haven't used this one since 1998." Well then why didn't they send me a new one, you know? I didn't even know there was a new form.*

One landlord sounded a more thoughtful note about the impact of the red tape.

*It's not just some of the landlords that have problems with the Section 8 program. It's also the tenant. And that makes the red tape worse. I mean, if they cut some of the red tape then they'd have more time for the resident. If they had more time for the residents, it might be a better program for the landlord.*

## 6. Concerns about Apartment Inspections

The existing literature on the Section 8 program identifies apartment inspections as a major source of problems for landlords who must meet demanding maintenance standards and then suffer rental income loss during the inspection process. These concerns were echoed in the focus groups.

*(The inspection process is) subjective. I mean, you send out random people and they have their HQS standards that they go by. But I think they have to have better quality control over that.*

*It (the inspection process) is very subjective in a lot of the issues. I have been failed for a chipped limestone (sill) on the outside of a building that has nothing to do with Housing Quality Standards. I don't even know how a tenant is going to enjoy that chip.*

In addition to inspectors who “seem to get a little too picky,” there were frequent complaints about waiting to meet Section 8 inspectors and delays in getting their first check.

*The initial inspection period is too long. In the meantime, the rental clock is ticking. You have the apartment off the market which could have been rented to somebody else. So you're talking 45 to 60 days and in the meantime the landlord doesn't get compensated.*

*A tenant comes out and they look at the apartment, they like it, they bring their forms. I sign their forms that day. Then you have to wait to hear from them, from the Section 8 people themselves. And before they finally get into the apartment, it can be two, three months. So this is a big drawback, why a lot of people won't deal with it. It's too big a gap between when the person signs that they want this apartment and you start actually getting rent after it's been inspected.*

One landlord put it in stark economic terms: “The best you can expect is a 30 day down time on that unit, so 8% of your annualized income is gone.”<sup>62</sup>

## 7. Concerns about Losing Market-rate Tenants

One manager said market-rate tenants attribute any incident of vandalism or graffiti in one of his properties to the Section 8 tenants. Several voiced concerns that Section 8 tenants would drive market rent-paying tenants away.

*If I'm getting complaints about this person in the building over and over again from other tenants, then it doesn't make any difference . . . what guarantee for lease payments I have. I don't have guaranteed lease payments for the seven other people that are going to leave because this person's here.*

*(You are concerned about) the other neighbors. You don't want to lose one tenant because of one tenant driving other people out. Behavior patterns. Drug use.*

---

<sup>62</sup> Literature and Section 8 administrators confirm that there is often a month's delay ( and a month's lost rent) between a renter's application and the Administrator's approval of a unit.

## 8. Other Concerns about the Section 8 Program

Low fair market rents (FMRs) were mentioned occasionally in the focus groups. One suburban landlord pointed out that his unsubsidized rents had gone up faster than the Section 8 rents.<sup>63</sup> A landlord on the south side complained that she was attempting to rent her condo in Lake Meadows and found that the FMRs were below the unsubsidized rent she could get.

On the other hand, large-scale landlords who are members of the Chicagoland Apartments Association saw real problems with the existing FMRs. Few of them thought it would be financially feasible for them to accept Section 8 tenants. Low FMRs were also cited by key informants in DuPage County. So the extent of the problem appears to vary by location.<sup>64</sup>

The same large-scale landlords expressed the concern that participation in Section 8 would lead to more problems with fair housing compliance. As successful, visible apartment management companies, they feel particularly vulnerable to frequent and, at times, inaccurate fair housing complaints. Said one: “We live in constant fear that somewhere down the line an employee will make a fair housing-related mistake and we’ll have to spend tons of money to correct it.”

Another felt some fair housing regulators bully them into agreements.

*She (the regulator) said if I didn’t go along and settle that she’d make me produce seven years worth of records on who we rejected.*

### **D. Positive Comments on Section 8**

The previous section described the problems and concerns about the Section 8 program voiced in the focus groups and key informant interviews. This section presents the positive comments we heard, many but not all offered by current participants in the program. “After the initial inspection process is over, Section 8’s a dream.” Said one landlord. Another commented “I’d say it’s a good program for some people, because they screen you out and then they also screen the landlord. You can’t just have any kind of building.”

#### 1. Value of Guaranteed Rent Payments

To a person, landlords cited steady, prompt rent payments as the chief benefit of participating in the Section 8 program. This was particularly valued in softer rental markets like the south and west sides of Chicago and the southern Cook County suburbs.

<sup>63</sup> The rate of increase for FMRs has slowed noticeably in the 1990s. See Figure A in the Appendix for a graph of FMRs from 1985 to 2000.

<sup>64</sup> Providers may not be aware of exception rents in higher cost neighborhoods. See Figure B in the Appendix for a list of exception rents.

*You know the rent is going to be paid on time; you don't have to stress over that.*

*They pay you on the first. When they say the first, it's the first.*

## 2. Good, Long-term Tenants

While many Section 8 landlords spoke of problem tenants, at least as many had good words to say for their Section 8 residents. A representative comment: "Some Section 8 tenants can be just as good as market tenants." Said a landlord on Chicago's west side

*The Section 8 tenants I have, they're the best tenants out of all the tenants that I have. They're the cleanest and they're just good tenants.*

A suburban landlord offered

*My experience has been that Section 8 tenants have been less demanding. In fact, most of them are coming from substandard housing, so their expectations when they make a phone call for repairs are pretty low. So generally, they don't make those phone calls.*

Another manager commented

*My experience for the most part has been positive. I've seen women that were just trying to use it (Section 8) as a stepping stone.*

Speaking of the mobility program she uses for referrals, a landlord said the Section 8 tenants "are very excellent tenants. They're very appreciative of being on Section 8." Another volunteered "all the Section 8 tenants I have either work or go to school."

Finally, a landlord commented to nods of his colleagues that Section 8 tenants "are fairly stable. A person that's gonna probably stay there for quite a while." Said another, "One person I have is on her third one-year lease." This long-term tenancy could be an unrecognized benefit for landlords considering the program.

## 3. Improved CHAC Administration

If CHAC came in for some hard criticism, it also found words of praise from some landlords.

*If you call up CHAC and say "I have a three bedroom apartment available," you will have 10 phone calls by the end of the day. They're a ready source of tenants.*

*We deal with CHAC out of South Wabash and I can get a return call the same day or the next day from them, and my checks are on the first or before the first. It's rarely after the first.*

*I'm really impressed with the people down at CHAC. Even when they changed people, it's been the same thing. I get called back right away, they're very professional in their dealings, and they've been educating me about the program.*

Another participant echoed these comments.

*Every month I get this flyer where they have classes and they are helping to educate the landlord and it's been a big help to me. Because I really lacked a lot of experience.*

#### 4. Social Motivations for Participating in the Section 8 Program

Perhaps the most surprising comments in response to the question “what are the chief advantages to the Section 8 program” were those from property managers who saw the program as an opportunity to help the less fortunate, or as one person put it “to enable people to live with dignity.” Often the comments were made by African American landlords who at one time lived in public housing. But several white landlords of various ages and backgrounds offered similar remarks.

*The only reason I would do it (Section 8) is because I like to contribute to society. Well, I'm a Depression kid. We didn't have anything when I was a kid. And there are people still that are in the depression, and if you can help them and contribute in some way to give them a leg up and a little nicer area and a little nicer apartment, then yeah, I wouldn't mind doing that.*

*Everyone's been there, everyone has eaten like noodles for a week because they couldn't afford anything else. And, I've been there. And I would want to rent to these people because I'm going to help out, you know. I'd like to be able to help out.*

#### 5. Overall Interest in Participating in the Program

Despite all the negative comments and all the reservations, when asked if they would consider renting to a qualified Section 8 tenant, a significant majority of the focus group participants said “yes.” Several asked after the focus group how to get in touch with CHAC.

While it may be true that some of these landlords were being polite or thought that was the “correct” answer to the question, their responses do seem to indicate that

under the right circumstances and with the right changes to the program, a good number of landlords might be recruited into the program.

### **E. Improving the Section 8 Housing Choice Voucher Program**

Landlords were asked to describe the kind of rent subsidy program that would appeal to them as well as any specific changes they would make to the Section 8 program. After gathering their comments, the participants were then presented with a series of possible program changes and asked which would make their participation in Section 8 more likely. This next section summarizes landlord responses to these questions.

The kinds of modifications and improvements to the program that came up can be organized into five headings:

- *Administrative reforms*
- *Landlord incentives* such as signing bonuses and property tax credits
- *Landlord support measures*
- *Outreach and communication* to the property management industry and the general public and
- *Tenant counseling and supportive services*

We also asked questions about the existing and proposed “source of income” protections. Finally, we heard an innovative proposal for a two-party tenant voucher effort.

#### 1. Administrative Reforms

The most straightforward suggestions had to do with remedying the existing Section 8 program’s deficiencies. One idea popular with all landlords was *more rigorous screening* of Section 8 applicants before they are referred to the landlord. In particular, the landlords wanted assurances that no residents with drug abuse problems would be referred to them.<sup>65</sup> They also wanted in general “a wider pool of tenants to choose from” and to avoid “being handed a tenant.” One landlord wondered if screening by the other tenants in their building would also be possible. The model for this suggestion was condominium boards.

*What if there was a resident screening process; what a condominium board does? And let the population decide that this is somebody we want here.*

---

<sup>65</sup> Current CHAC policies allow the agency to deny Section 8 rent subsidies to tenants with histories of substance abuse.



Another very popular idea was *simplified inspections*. One landlord put it this way: “Have the City (CHAC) come in and do kind of a cursory inspection to make sure that there’s not a hole in the floor.” Another landlord ventured, the Section 8 agencies should be clear “about what they were looking for so that you could fix it up the way they wanted.” At a minimum it was suggested, “give everybody cell phones. And make sure they’re at their desks and they return telephone calls.”

One landlord took a clever tack for dealing with the problem.

*I hired a guy who does apartments just for Section 8. He knows everything I’m supposed to have and he went and got it for me. And I passed the first time.*

As was said earlier, *higher Fair Market Rents* were mentioned by some landlords as a needed reform. One landlord thought he was penalized by living adjacent to a lower-rent neighborhood.

*I think they’re looking at the entire area, and it brings my rents down. You get west of Western, the rents drop. You come east of Western, and they zoom up. So they have big territories.*

## 2. Landlord Incentives

Two possible incentives for landlords to participate in the Section 8 program were mentioned to the focus groups for their comments: A *one-time signing bonus* for each new tenant (to help compensate landlords for lost income due to inspection related rent loss) and a *property tax credit*, similar to the idea proposed by landlord Ted Amdur and others.<sup>66</sup> The property tax credit enjoyed broad support among the landlords while the signing bonus was favored by a much smaller group. Neither idea was raised independently by the landlords as a way to make the program more attractive.

## 3. Landlord Support Measures

Given the perceived higher risk associated with Section 8 tenants in general and CHA tenants in particular, the landlords proposed a number of ideas to deal with the issue. Several landlords sought assurances that if and when serious problems with tenants arose, they would be dealt with in an expeditious manner and not allowed to drag on and on. Others asked for various types of support from the Section 8 agencies themselves. As one landlord put it:

*If Section 8 would, since they took control from the beginning, you know, take control also if there is a problem.*

---

<sup>66</sup> “Public Housing Crisis,” Ted Amdur, 1999

Two specific ideas were mentioned: A probationary period at the start of a tenants lease and access to low-cost legal technical assistance in the event of an eviction.

*I was thinking of a probationary period whereby you prove to yourself and the other people that are going to be making a decision about this, you prove that you are deserving of this.<sup>67</sup>*

*Most of the small landlords are not flush with cash. So if they do get a particularly troubled tenant, that troubled tenant generally has the ability to get Legal Assistance Foundation or someone else to defend them in a case . . . So some of these not-for-profits might consider helping landlords get rid of bad tenants. If you take Section 8 and they turn out not to be good, they destroy your property, don't pay you, we will assist you in evicting them.*

#### 4. Outreach and Communications

Two kinds of outreach on the Section 8 program were mentioned by focus group participants. First, continued and expanded contacts with the property management industry were suggested, with an eye to explaining the Section 8 program and enlisting their support. Second, messages to the general public were seen as necessary to break down the prejudice towards Section 8 and CHA tenants.

All the landlord groups we spoke with were very interested in the Section 8 program. They wanted to understand it better, improve its operations, and get the word out to their members who might be interested in leasing to Section 8 tenants. Specifically we learned that landlords in the focus groups had membership in the following industry groups:

- Chicagoland Apartment Association
- Chicago Association of Realtors
- Institute for Real Estate Management
- Apartment Building Owners and Managers Association
- Citywide Bi-Lingual Landlord Association
- Realtor Association of Western Suburbs
- Chicago Property Owners Association

In general, the larger landlords had more and often multiple memberships in the above groups. Most of the two-flat owners were unaffiliated with any group. Any outreach strategy to the smaller landlords would need to address their independent, somewhat isolated nature.<sup>68</sup>

---

<sup>67</sup> This idea was also mentioned in a focus group conducted for the Leadership Council. In that group, a 30-day lease was proposed.

<sup>68</sup> One way to reach the smaller landlords may be to build on the efforts of Larry McCarthy at CIC. McCarthy has created a program of general outreach and training for small landlords which includes

Having heard all the negative comments about Section 8 and CHA tenants, one landlord suggested broader outreach to the public might be in order.

*One other thing I'd like to see from the Section 8 program is a program that HUD would do to publicize what a Section 8 tenant looks like, to educate the population so that they wouldn't have preconceived notions.*

## 5. Tenant Counseling and Supportive Services

Focus groups were asked how useful tenant counseling and supportive service programs would be to them. Both were seen as potentially very helpful adjuncts to the Section 8 program.

In particular, landlords expressed support for *pre-move-in counseling*. Given their concerns about the behavior of Section 8 tenants, they recommended training in the basics of what might be called “How to be a good tenant.” A number of people brought up training on how “to respect things that are not theirs” and “not be inconsiderate to other tenants.” One landlord suggested

*Teaching people how to clean, how to care for an oven. You don't just stand back and spray oven spray at everything that doesn't move. How to vacuum. That's the type of training I would like to see.*

Another landlord, anticipating that many residents would be moving into mixed race neighborhoods for the first time suggested “programs where they could *deal with different races*.”

Finally, one landlord thought that good behavior should be rewarded.

*If there was a way that the tenant would put up more money up front as security. If there aren't any problems associated with their tenancy, then CHA could give them a bonus above their security deposit for being a model tenant for that year.*

There were also several suggestions to set up what might be called personal development or *self-sufficiency programs* for Section 8 tenants. This often was couched in the landlords' views of Section 8 as a transitional program:

*There needs to be more incentives to the renters themselves. Maybe job training, maybe free college courses, maybe free baby-sitting.*

---

information on the Section 8 program. Based on the comments of some of the focus group participants, it appears to be an effective way to stimulate the interest of this hard-to-reach group in Section 8.

*If they gave them (Section 8 tenants) programs and things like that, they could better themselves where they could get off the program. They're not really helping them get off it.*

Landlords also said they would appreciate assistance in dealing with tenant problems when they arise – such as issues of substance abuse or domestic violence. There were strong caveats, however, that such assistance not be bureaucratic or interfere with the building's overall operation.

*I think counseling, support, and all those things are great. But, honestly, I think what it comes down to is that if they . . . do an intervention and rectify the problem quickly, that's fine. But my concern would be that if there can't be quick resolution of the problem then that the person would just have to move on.*

A non-profit housing manager added

*I'm just thinking in terms of this whole idea of having another not-for-profit agency involved, one thing it might create is more down time. That might end up adding a couple more layers and more time.*

Said another:

*The service would be nice as long as it didn't have its own red tape associated with it. As long as it's a phone call and not in triplicate form.*

Focus group participants were asked if they had heard of a number of non-profit agencies that handle Section 8 referrals and tenant counseling. Two thirds of the landlords had heard of CHAC; one third of the Leadership Council for Metropolitan Open Communities. Very few had heard of either Housing Choice Partners or Family Dynamics.

## 6. "Source of Income" Protections

We pointed out to landlords that there is a law in the City of Chicago that makes it illegal to discriminate against a tenant based upon their source of income. We then asked if that law is or would be a factor in their decision whether or not to rent to someone with a Section 8 subsidy. When landlords from Cook County were present, we also asked them if the existence of a similar law for the County would influence them.

Few landlords were even aware of the existence of the law in Chicago. Some of the larger landlords had heard of it and summarized it as "when a tenant calls, you can't say you don't take Section 8, or you can get in trouble." But to a person, no one said that the fact the law exists would influence their leasing decisions.

We were unclear exactly why the response was so uniformly negative. It might be that because enforcement of the law is limited, that they simply do not feel it will affect them. Or they may feel, as some landlords pointed out, that there are often other more conventional – and legal - reasons to reject Section 8 tenants. (i.e. poor credit history, too many family members for that sized apartment.) In any case, the law as currently enforced seems to have little impact on landlord behavior.

### 7. A Two-party Section 8

When asked to describe their “ideal” version of Section 8, landlords in three of the groups argued for a program that took the government out of the equation. What they described, in essence, was a type of housing allowance program that would provide a rent subsidy directly to a tenant and give the tenant the power and responsibility to decide whether or not to rent a given apartment.

As one landlord put it, in the ideal Section 8 program

*I'm dealing with them (tenants) directly, rather than with kind of the third party piece. And if then I had this pull chain in my closet, they can decide whether they can live with that.*

Another landlord maintained

*The less control the better . . . You come to me, you tell me about a Section 8 person, you give me a Section 8 piece of paper, and its mine from there on out. Don't get your nose in my building. Let these people make their own decisions. I want to have the control, I want to have the rules.*

Larry McCarthy of the Community Investment Corporation has given this idea some thought and describes it this way:

*People would still have to qualify for the program. But instead of having these people come out and inspect, let's educate the Section 8 recipient that there are some housing choices out there, that they don't have to accept substandard housing. They still have, in the City of Chicago and all the other municipalities, building departments that enforce building codes. So educate this recipient that they can use this housing voucher to go find landlords like they are now, willing to accept it, but take the Housing Authority out of the quotient. Let's spend the money we spend on inspectors counseling tenants, and let's use the City to enforce building codes.*

While it might be argued that this puts tenants at risk of renting poor quality housing, according to the American Housing Survey, there has been a steady

improvement in housing quality over the last ten years.<sup>69</sup> This has been the trend for the nation as a whole as well as the Chicago region.

## **F. Experience with Renting to Disabled Tenants**

At the end of the focus groups, we asked a series of questions about the landlords' previous experience renting to disabled tenants. Here the contrast between Section 8 and non-Section 8 landlords was very stark.

In general, the non-Section 8 landlords had very limited experience renting to disabled tenants and the disabilities they encountered were less severe: Tenants with visual or hearing impairments, AIDS, and respiratory ailments were mentioned, as well as frail elderly residents. Only one manager of a high rise reported renting to a person in a wheel chair.

In contrast, virtually every Section 8 landlord reported leasing to a disabled tenant and the extent of the disabilities was often greater. Most had rented to people in wheel chairs; several had frail elderly or mentally retarded tenants. Others reported tenants with cancer and emphysema, a Vietnam Veteran with memory problems, blind residents, and drug addicts and recovering alcoholics.

The Section 8 landlords also mentioned some difficulty in filling accessible units, but that eventually the apartments were all occupied.

When asked what could be done to make their apartments more accessible to the disabled, most landlords drew a blank. They were mildly supportive of technical assistance and/or funding to make accessibility improvements. But given that most of their apartments are three story walk-ups, they simply could not imagine how the units could be converted at a reasonable cost.

One landlord voiced the sentiment of many:

*I think as we start tearing down more (CHA) high rises, and those clearly are accessible units for the most part, and most of these folks that are being displaced are going to walk-up buildings in the city, it's going to be real hard.*

## **V. Conclusions**

In this section, we summarize the broad themes that emerged in our research on the attitudes, opinions, and practices of housing providers in the Chicago region.

---

<sup>69</sup> Overproduction of rental housing in the early 1980s has led to an overall improvement in the rental stock, as American Housing Surveys indicate for the years 1983-1995. American Housing Survey-Chicago Region, 1983, 1987, 1991, 1995. Harvard Joint Center for Housing Studies, 1999.

- First, the Chicago area is not producing enough rental housing to meet the needs of the region's households. The deficit is particularly acute for low- and moderate-income families. And barring some unforeseen intervention, the shortage of decent, affordable housing is likely to get worse.
- All the barriers to affordable rental housing production cited in the national literature were encountered in discussions with Chicago area housing officials and developers. If anything, the sheer number of municipalities with land use powers and long shadow cast by Chicago's failed public housing high rises makes an already uphill battle for more affordable housing that much more difficult in this region.
- However, opportunities for progress do exist. For one, there is the potential for a broad alliance for more rental housing, if enlightened public officials, frustrated developers, and housing advocates can work together. And if fair share housing agreements are unlikely, concrete steps to improve and increase funding for state and local housing programs does not seem impossible.
- The lack of new rental housing production has contributed to a very tight rental market throughout the Chicago region. One positive aspect of this is that with rising rents, landlords are finding it economically feasible to make building improvements. By being more selective, overall property management in some lower-income neighborhoods appears to be improving.
- On the other hand, the tight rental market is putting real pressures on lower income tenants, especially those deemed "less desirable." This category includes families with children and unstable credit and employment histories. In short, virtually all CHA tenants and many Section 8 families are seen as inferior to regular market rent-paying tenants.
- While continuing to be dogged by a bad reputation, the Section 8 program in 1999 is much better than it was five years ago. But whether it is improved enough to attract a broad range of landlords needed to successfully outpace tenants from the CHA high rises remains very much in doubt.
- A number of improvements to the Section 8 program have been suggested by landlords and housing advocates, many of which could be implemented locally. However, given the huge challenges ahead, more far-reaching changes, such as a two-party Section 8 demonstration effort should be considered.

That Chicago might become a national model for enlightened assisted housing programs may seem far-fetched in 1999. Yet this is the same place that until recently was thought to have hopelessly poor public schools. With political will and hard work, Chicago might indeed provide national leadership in affordable rental housing development in the city and suburbs.

## VI. Methodology

As was described in the preceding text, three approaches were used to generate this report. At the outset of the project and continuing throughout the research we sought to familiarize ourselves with prior studies on barriers to affordable housing production and landlord participation in the Section 8 rent subsidy program. The materials we read are listed in a separate bibliography.

We also made use of key informant interviews with over 40 housing managers, public officials, advocates and real estate developers. In particular, we used the key informant interviews to understand the barriers to developing more rental housing in the Chicago suburbs. The following list reflects the range of key informants:

Elected Officials	2%
Housing/Planning Agency Officials	28%
Non-profit/Advocacy Organizations	42%
Real Estate Developers (incl. Non-profits)	11%
Real Estate Managers/Consultants	6%
Researchers	11%

Finally, we used focus groups of landlords and managers to better understand their business and their attitudes toward subsidized housing tenants and programs. In all, five focus groups were conducted with 31 people and five to eight participants in each group. Participants were recruited in one of two ways: (1) Through letters and phone calls to property owners in the real estate property tax data base generated for the market survey and (2) through outreach to rental housing networks.

The UIC Survey Research Lab (SRL) contacted and recruited landlords using property tax records. The landlords were screened for previous participation in the Section 8 program and rents charged. The latter screen was used to exclude landlords whose rents were far above the Fair Market Rents allowed under the Section 8 program.

UIC and MPC staff used a number of landlord networks to recruit participants for the focus groups including the Community Investment Corporation, the Chicagoland Apartment Association, the Institute for Real Estate Management, and the Chicago Association of Realtors. Four sessions were held at the SRL's focus group facility on the UIC campus. One was held at a management office of a member of the Chicagoland Apartment Association. The four SRL sessions were tape recorded and transcribed.

One of the five sessions was organized exclusively for landlords with previous Section 8 experience. In fact, all but one of the focus groups included at least one person with previous experience with the program. All in all, a good cross-section of landlords and property managers participated, as is described below.



### Focus Group Demographics

Race: 71% white; 29% African American

Gender: 58% male; 42% female

Industry Status: 64% owner/investors; 36% professional managers.

### Location of Properties Managed by Focus Group Participants:

Chicago	64%
North	27%
Northwest	9%
West	0%
South	18%
Suburban Cook:	20%
Collar Counties:	16%

The Focus Group Moderators Guide is printed in the following section.

## VII. Focus Group Moderator's Guide

### I. WARM UP AND EXPLANATION

#### A. Introduction

1. Thanks for coming and agreeing to participate in this group discussion today.
2. I'm [*name*] from the Great Cities Institute, and I will be your moderator for this session. My colleague [*name*] will be helping me today. He/she will be taking some notes during the discussion and may ask you a few questions toward the end of our session. The Great Cities Institute is an applied research center of the University of Illinois at Chicago and we have been asked by the Metropolitan Planning Council to arrange these discussions and report the results.

#### B. Purpose

1. You have been asked to join this group because the University of Illinois and the Urban Institute have partnered to conduct a study of the rental housing market in Chicago. We asked you here to learn about your experience managing rental housing and your familiarity with programs for lower-income tenants. We will be holding several focus groups and

the information we get will be used to write a report including recommendations on how rental assistance for lower-income families can best be provided.

2. Focus groups, like this one, are a way to find out what people think through group discussion. We are very interested in learning about your ideas, feelings and opinions. Your presence and opinion is very important to us so please express yourself openly. There are no right or wrong answers. We want to know what you think. We are interested in all of your ideas and comments, both positive and negative. Please understand that anything you say today will not be linked with your name. You will remain anonymous when we report the results from this group. We ask everyone in this room to respect the others and not repeat what is said.

### **C. Procedure**

1. Today's session should last about 2 hours. At the end, we will ask you to complete a short, anonymous background information survey to let us know more about you and the properties you manage. We will also be giving you \$40 for your participation today and will ask you to sign a receipt saying that you have received it.
2. We will be using a recorder to tape this session to ensure accuracy in writing up our report. No one will listen to this tape except me, and your responses will not be linked to you in any way. Everything that is said today is strictly confidential.
3. I may remind you occasionally to speak up or to speak one at a time so that everyone can be heard. To keep on schedule, I may change a subject or move ahead. Please stop me if you have something to add.
4. Again, we are very pleased that you are taking the time today to share your ideas with us. Are there any questions before we begin?
5. If you have any questions at any time during this discussion, please feel free to stop me and ask. Please feel free to help yourself to refreshments at any time during our discussions.

## **II. FOCUS GROUP**

### **Introductions/Preliminary Questions**

1. To kick off our discussion, please introduce yourself and tell us something about the buildings you manage or own – the number of units and their location(s).
2. I would like to start today's discussion by asking why you got involved with residential property ownership/management? (Probe for career decision, buildings are an investment, enjoy the business)

3. What would you say is your biggest single challenge in managing rental property? (Probe for high operating expenses and taxes, filling vacancies)
4. When renting out apartments, who are you looking for? Describe the kind of tenants you are seeking. (Probe for sufficient income, no pets, quiet)
5. How do you currently fill vacancies in your building(s) (Probe for word of mouth, newspaper ads, notices in churches and stores, signs on door, rental agencies)

### **Knowledge of/Attitudes toward Section 8**

6. When renting to tenants, do you have any rule of thumb when it comes to the income a tenant should earn in order to afford your apartments? (Probe for ratios, flat amounts)
7. Does the source of a person's income matter? How? (Probe for income from social security, other government welfare payment?)

### **Section 8 Landlords (others skip to next section)**

8. Are all of you familiar with a rent subsidy program called Section 8? Do you currently use the program?
9. How would you describe it in your own words? (Probe for how the program operates and who it serves)
10. What are your perceptions of Section 8 tenants; who are they? (Probe for on welfare, big families, social problems)
11. What would you the Section 8 program's chief advantages?
12. What are its main drawbacks? (Probe for lack of control over tenant selection, rents too low, inspections, long wait for reimbursement, don't want government regulating my business)

(Write list of concerns on blackboard.)

### **Non-Section 8 Landlords**

8. Are any of you familiar with a rent subsidy program called Section 8? Do any of you currently use the program?
9. How would you describe it in your own words? (Probe for how the program operates and who it serves)
10. What are your perceptions of Section 8 tenants; who are they? (Probe for on welfare, big families, social problems)

11. How many of you would be open to renting to a Section 8 tenant?
12. For those who would be open to using the program, what would you see are its chief advantages?
13. For those who are reluctant to use the program, what are your main concerns?  
(Probe for lack of control over tenant selection, rents too low, inspections, long wait for reimbursement, don't want government regulating my business)

(Write list of concerns on blackboard.)

### **Ideas and Opinions on Changes to Section 8 Program**

14. Let's look at the list of concerns you identified. What might be done to address each of these concerns? What are your thoughts? (Note: Spend some time on this.)
15. A number of people have proposed changes to make the Section 8 program more attractive to landlords. I would like to get your reaction to them:
  - Higher FMR rents
  - Tenant screening
  - Tenant counseling
  - Simplified inspections
  - Signing bonus
  - Property tax rebate

### **Knowledge of and Opinions about Resource Organizations**

16. I am guessing most of you know that there are plans to tear down many of the Chicago Housing Authorities high rise apartment buildings and give the tenants Section 8 rent subsidies. What do you think of this? Would you consider renting to these families?
17. There are a number of non-profit that exist to help CHA tenants make the move from public housing to private sector apartments. What could these organizations do to make these families attractive to you as tenants? (Probe: Many of these organizations screen and counsel tenants who wish to move into move from public housing to private rental housing. Would this service be of use to you?)
18. Are there other ways these organizations could make your job easier; other services they could provide?

19. How many of you are aware of:

- Leadership Council for Metropolitan Open Communities
- Housing Choice Partners
- CHAC
- Housing Choice Partners
- Diversity, Inc.

### **Accessibility Issues**

20. I'd like to find out about your past experience renting to disabled tenants. Have any of you rented an apartment/home to someone with a mental or physical disability? What was the nature of the disability? (Probe: For example someone suffering from depression or someone in a wheelchair?)
21. Have there been occasions in the past when you wanted to rent to a tenant with a disability but couldn't? What was the obstacle? (Probe for wheel chair access, lack of elevator, door widths)
22. What types of changes would be feasible to be make your apartments more accessible to the disabled? (Probe for: Install ramps and handbars etc.)
23. What could be done to make it easier for you to undertake such accessibility improvements to your property? (Probe for technical assistance, financial assistance, counseling for tenants with mental illness)

### **Other Questions**

24. Is there a trade group you are aware of or a member of that speaks for your interests?
25. Outside of the Section 8 program, would you have any suggestions on what could be done to enable you to serve people with limited incomes?

### **III. CONCLUSION/SURVEY**

26. I would like to conclude by asking you to complete a short survey form with questions on you and the building/single family home you rent. If you manage more than one, please select the building that is most representative of the stock you handle.

Thank you for your help.

## VIII. Bibliography

- Amdur Ted. 1999 "Public Housing Crisis." Unpublished report.
- Baer, W.C. and Williamson, C.B. 1988. "The Filtering of Households and Housing Units," *Journal of Planning Literature*, Vol. 3. (East Lansing, MI.)
- Burkholder and Co. 1995. *Leadership Council Focus Group II – A Summary of Findings*. Chicago. Report for Leadership Council for Metropolitan Open Communities.
- Community Action for Suburban Hennepin. 1998. *Diminished Choices 4: The crisis worsens for Section 8 tenants in suburban Hennepin County*. Minneapolis.
- Daskal, Jennifer. 1998. *In Search of Shelter: The Growing Shortage of Affordable Rental Housing*. Center on Budget and Policy Priorities. Washington, D.C.
- Davis, Sam. *The Architecture of Affordable Housing*. 1995. University of California Press. Berkeley, CA.
- Goetz, Edward G., and Mara Sidney. 1994. "Revenge of the Property Owners: Community Development and the Politics of Property," *Journal of Urban Affairs* 16(4):319-34. St. Louis, MO.
- Grissom, Joe. *Barriers to Affordable Housing in the Suburbs*. 1997. The Commercial Club of Chicago. Chicago.
- Finkel, Meryl. 1994. *Final Report on Recommendations on Ways to make the Section 8 Program More Acceptable in the Private Rental Market*. Washington, D. C. Report prepared by Abt Associates for United States Department of Housing and Urban Development.
- Finkel, Meryl and others. 1996. *Learning from Each Other: New Ideas for Managing the Section 8 Certificate and Voucher Programs*. Washington, D. C. Report prepared by Abt Associates for United States Department of Housing and Urban Development.
- Fisher, Paul. 1999. *Section 8 and the Public Housing Revolution: Where Will the Families Go?* Chicago. Report prepared for Woods Fund of Chicago.
- Harvard Joint Center for Housing Policy. 1999. *The State of the Nation's Housing 1999*. Cambridge, MA.
- Illinois Housing Development Authority. 1998. *Illinois State Consolidated Plan – Annual Performance Report*. Chicago.

- Kennedy, Stephen D. and Meryl Finkel. 1994. *Section 8 Rental Voucher and Rental Certificate Utilization Study: Final Report*. Washington, D.C.: United States Department of Housing and Urban Development.
- Kingsley, G. Thomas, and Margery Austin Turner, et al. 1993. *Housing Markets and Residential Mobility*. The Urban Institute. Washington, D.C.
- Krueckeberg, Donald A. 1999. "The Grapes of Rent: A History of Renting in a Country of Owners," *Housing Policy Debate*. Washington, D.C.
- Malpezzi, Stephen. 1994. "Housing Prices, Externalities, and Regulation in U.S. Metropolitan Areas," *Journal of Housing Research*, 5:3.
- Management Information Service. 1983. *Streamlining Local Regulations: A Handbook for Reducing Housing and Development Costs*. Washington, D.C.
- Metropolitan Planning Council. 1997. *Removing Regulatory Barriers Survey*. Chicago.
- Polikoff, Alexander, Ed. 1995. *Housing Mobility: Promise or Illusion?* Washington, D.C.: The Urban Institute.
- Popkin, Susan J. and Mary K. Cunningham. 1999. *CHAC Section 8 Program: Barriers to Successful Leasing Up*. Washington, D.C. Report prepared by the Urban Institute for CHAC, Inc.
- Ranghelli, Lisa. 1999. *The Immediate Crisis in Public and Assisted Housing*. Center for Community Change.
- Ratcliff, R.. 1949. *Urban Land Economics*. New York: McGraw-Hill.
- Russ, Mary Ann and Kale Williams. 1999. *Recommended Procedures for the Relocation of Families from Chicago Housing Authority Buildings Who Choose Section 8 Housing Choice Vouchers*. Chicago. Report for Metropolitan Planning Council.
- The National Multi Housing Council & The National Apartment Association. 1998. *Why Apartments are Vital to America*. Washington, D.C.
- U.S. Department of Housing and Urban Development. May 7, 1999. *Federal Register: Fair Market Rents for the Section 8 Housing Assistance Payments Program-Fiscal Year 2000*. 24 CFR, Part 888. Vol. 64, No. 88. Washington, D.C.
- U.S. Department of Housing and Urban Development. May 14, 1999. *Federal Register: Statutory Merger of Section 8 Certificate and Voucher Programs*. 24 CFR, Part 248 et al. Vol. 64, No. 93. Washington, D.C.

U.S. Department of Housing and Urban Development. April 30, 1999. *Federal Register: Section 8 Homeownership Program*. 24 CFR, Part 982. Vol. 64, No. 83. Washington, D.C.

U.S. Department of Housing and Urban Development. 1992. *Making Housing Affordable: Breaking Down Regulatory Barriers- A Self-Assessment Guide for States*. Washington, D.C.

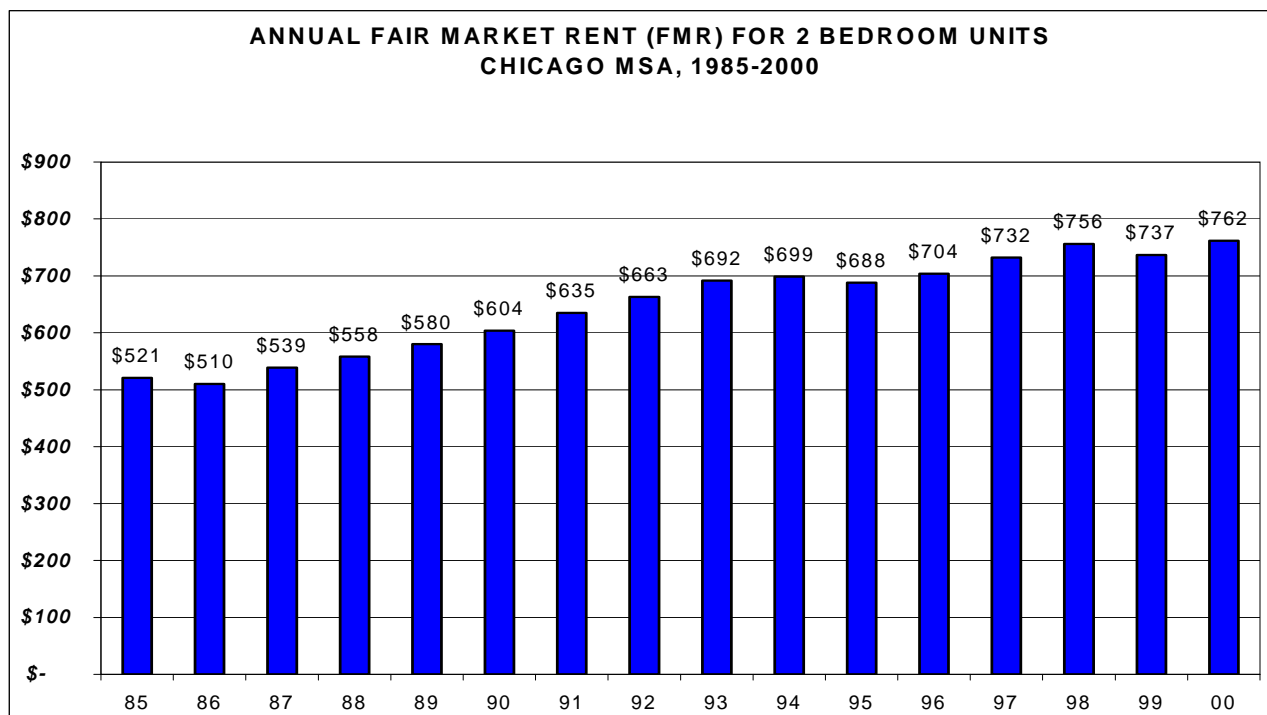
U.S. Department of Housing and Urban Development. 1991. *Not in My Backyard: Removing Barriers to Affordable Housing*. Washington, D.C.

U. S. Department of Housing and Urban Development. 1999. *Waiting in Vain: an update on America's housing crisis*. Washington, D.C.

Weisbrod, Glen and Avis Vidal. 1981. "Housing Search Barriers for Low-Income Renters." *Urban Affairs Quarterly*. Vol. 16, No. 4. P. 465-482.

### IX. Appendix

**Figure A: Fair Market Rent levels for 2 bedroom units in the Chicago region, 1985-2000**





Source: HUD, 1999. Does not include "exception rents" granted in the region (see below).

**Figure B: Approved exception rents for communities in the Chicago region, 1999**

	<b>STUDIO</b>	<b>1 BDRM</b>	<b>2 BDRMS</b>	<b>3 BDRMS</b>	<b>4 BDRMS</b>
<b>Chicago Community Area</b>					
West Ridge	\$ 580	\$ 696	\$ 828	\$ 1,036	\$ 1,159
Hyde Park	\$ 551	\$ 662	\$ 788	\$ 986	\$ 1,103
Montclair	\$ 539	\$ 647	\$ 770	\$ 964	\$ 1,078
Dunning	\$ 567	\$ 681	\$ 811	\$ 1,015	\$ 1,135
North Park	\$ 541	\$ 649	\$ 773	\$ 967	\$ 1,082
Forest Glen	\$ 610	\$ 743	\$ 884	\$ 1,106	\$ 1,237
O'Hare	\$ 619	\$ 743	\$ 884	\$ 1,106	\$ 1,237
Jefferson Park	\$ 571	\$ 685	\$ 816	\$ 1,021	\$ 1,142
Lakeview	\$ 619	\$ 743	\$ 884	\$ 1,106	\$ 1,237
Lincoln Park	\$ 619	\$ 743	\$ 884	\$ 1,106	\$ 1,237
Near North	\$ 619	\$ 743	\$ 884	\$ 1,106	\$ 1,237
Edison Park	\$ 619	\$ 743	\$ 884	\$ 1,106	\$ 1,237
Norwood Park	\$ 611	\$ 733	\$ 873	\$ 1,092	\$ 1,222
Beverly	\$ 543	\$ 652	\$ 776	\$ 971	\$ 1,086
Mt Greenwood	\$ 559	\$ 671	\$ 799	\$ 1,000	\$ 1,118
<b>Non-Chicago Locations</b>					
North Cook County	\$ 618	\$ 743	\$ 884	\$ 1,106	\$ 1,237
Village of Oak Park			\$ 820	\$ 1,028	\$ 1,148
DuPage County			\$ 805	\$ 1,097	\$ 1,229
Lake County minus 6 towns	\$ 618	\$ 743	\$ 884	\$ 1,106	\$ 1,237
<b>McHenry County</b>					
Algonquin	\$ 565	\$ 678	\$ 908	\$ 1,010	\$ 1,131
Crystal Lake	\$ 634	\$ 761	\$ 907	\$ 1,133	\$ 1,269
Cary	\$ 534	\$ 761	\$ 808	\$ 1,133	\$ 1,131
McHenry	\$ 556	\$ 667	\$ 795	\$ 993	\$ 1,113
<b>FMR</b>	<b>\$ 516</b>	<b>\$ 619</b>	<b>\$ 737</b>	<b>\$ 922</b>	<b>\$ 1,031</b>

Source: CHAC, Inc. and 1998, HUD Office of Policy Development and Research, 4/99.

NOTE: 2000 exception rents are not determined yet at this time.

**Figure C: Median rents by unit size for Chicago region, 1987, 1991, 1995**

YEAR	STUDIO	ONE BEDROOM	TWO BEDROOMS	THREE BEDROOMS	FOUR OR MORE BEDROOMS
1987	\$295	\$410	\$459	\$460	\$516
1991	\$384	\$479	\$538	\$535	\$636
1995	\$481	\$531	\$621	\$637	\$837

Source: AHS

**Figure D: Public Housing units by location, 1999**

HOUSING AUTHORITY	TOTAL UNITS	PERCENT VACANT	TOTAL OCCUPIED UNITS	VACANT UNITS	AVERAGE TENANT MONTHLY PAYMENT
CHICAGO HOUSING AUTHORITY (1)	38,717	35.6%	24,948	13,769 (3)	\$182
COOK COUNTY HOUSING AUTHORITY (2)	2,242	1.0%	2,219	90	\$211
JOLIET HOUSING AUTHORITY (2)	1,275	7.0%	1,185	23	\$194
WAUKEGAN HOUSING AUTHORITY (2)	489	9.2%	444	45	\$185
LAKE COUNTY HOUSING AUTHORITY (2)	767	1.8%	753	14	\$256
AURORA HOUSING AUTHORITY (2)	853	9.5%	772	81	\$205
ELGIN HOUSING AUTHORITY (2)	263	3.9%	253	10	\$202
NORTH CHICAGO HOUSING AUTHORITY (2)	189	8.1%	174	15	\$217
MCHENRY COUNTY HOUSING AUTHORITY (2)	26	0.0%	26	0	\$208
TOTAL	44,821	31.3%	30,774	14,047	
TOTAL WITHOUT CHA	6,104	5.0%	5,826	278	

(1) CHA Plan for Transformation, September 1999.

(2) Multifamily Tenant Characteristics System, HUD, September 1999, plus estimates of vacancy rates in scattered site units the 1998 Picture of Subsidized Households, HUD.

(3) Under the proposed plan, many of unoccupied units will be demolished, and are therefore not considered to be part of the useable stock at this time.

**Figure E. Condominium conversions in Chicago, Cook & DuPage Counties, 1993-98**

<b>LOCATION</b>	<b>BUILDINGS</b>	<b>UNITS</b>
Chicago - North	40	7,588
Chicago - West	3	99
Chicago - South	3	828
Cook County - North	29	4,116
Cook County - West	2	140
Cook County - South	5	429
DuPage County	7	1,760
<b>TOTAL</b>	<b>89</b>	<b>14,960</b>

Source: Tracy Cross and Associates, 1999