



Now is the Time to Invest in Homeownership

The next five years present a critical and exciting time for the City of Chicago. While large scale economic development is trending upward, the city still faces key challenges in the areas of safety, education, out-migration, and trust between its diverse communities. At the intersection of all of these lies another critical hurdle: providing stability and reducing the housing cost burden for Chicago residents.

Many neighborhoods in Chicago still have not recovered from the nation's housing crisis and recession ten years ago. These communities struggle with home abandonments and vacancies, and their markets lag behind the considerable economic growth enjoyed by the Loop and other high-income areas of the city. Recent data revealed that Chicago still has more underwater homes than any other U.S. metro area, with a large concentration of these homes on the South and West sides. It's the classic story of "two Chicagos." On average for the city of Chicago, foreclosures and short sales now comprise just 7.5 percent of total homes sold. However, in Englewood, these types of sales still represented more than 50 percent of total homes sold in the past year.

Chicago was also the only major U.S. city to experience significant population loss last year, a trend that has been on the rise since 2015. Most of this loss in population came from African American residents and households earning between \$50,000 and \$100,000 per year – two demographic groups that can build significant equity from homeownership. National data shows that the median net worth for homeowners is at least 45 times higher than the net worth of the average renter. People of color are still less likely to own a home, generating an accessibility problem that contributes significantly to the persistent racial wealth gap in Chicago and across the nation.

Housing not only serves as a visual and physical indicator of the health of Chicago's communities; it represents one of the largest assets a neighborhood can cultivate and develop. About 44% of Chicago households are homeowners, making this group a critical force in shaping Chicago's future. Homeownership also brings stability to Chicago's treasured neighborhoods, and must be a top priority as the city works to reinvigorate neighborhoods that have been left behind in the wake of the recession. As homeowners and neighborhoods suffer, so does the city as a whole. Neighborhood development and downtown economic success cannot be advanced in silos – they must be considered together as a long-term strategy to grow the City of Chicago.

Over the past 40 years, NHS has created thousands of Chicago homeowners by providing homeownership counseling, access to capital, and resources for redevelopment of properties in need of repair. We have counseled over 44,000 Chicago residents to prepare them to purchase a home, maintain the home they already live in, or prevent them from going into foreclosure. This counseling helps residents stay in their communities, even if property values rise around them. While these services will always be at the core of our mission, we believe there are still new and innovative programs that can create more Chicago homeowners over the next 40 years.



Innovative Homeownership Policies to Move Chicago Forward

Over the next five years, the City of Chicago must ensure that its neighborhoods are dynamic, safe, and sustainable by creating a plan to expand both affordable rental housing and homeownership. Given the urgency of this issue, NHS strongly suggests several innovative programmatic recommendations for inclusion funding in the upcoming City of Chicago 5-year housing plan:

- **Renewing Chicago Neighborhoods**

Comprehensive, neighborhood-focused programs are needed to attract interested homebuyers, spur commercial development, and preserve affordable housing in growing communities. The recent “Renew Woodlawn” program brought together strong community partners, leveraging marketing dollars and organizational expertise to connect to large development projects and private investments in the neighborhood. Rehab subsidies of \$50,000 for homebuyers up to 120% AMI helped turn around blocks with vacant buildings, and residency or affordability requirements for owner-occupants of single-family 1-4 unit buildings ensured that renters and homebuyers can access the neighborhood for years to come. This strategy should be extended to at least three other low and moderate-income communities.

- **Incentivizing Local Landlords to Preserve Affordability**

Buildings with 2-4 units represent a critical and unique part of Chicago’s housing stock. They also pose an opportunity for local homeowners to become landlords, and provide affordable rental housing in their neighborhoods. Down-payment assistance or rehab grants should be offered for owner-occupants of 2-4 unit buildings in exchange for long-term affordability for the building’s rental units. Mechanisms for preserving affordability of the property could include entering it into the Chicago Community Land Trust or giving the City the right of first refusal to purchase the building once the owner decides to sell. This would allow the owner to realize increased equity in growing markets while providing the city with an opportunity to acquire affordable rental units without paying for expensive new construction.

- **Building the Next Chicago Bungalow**

As the needs of Chicago’s next generation of homeowners change, there should be a significant effort to create a model for a single-family home that can be built affordably and is easily replicated. Construction costs are on the rise, and new products like tiny homes and modular housing present an opportunity to make homeownership accessible to a wider group of Chicago residents. NHS is spearheading an Architecture Design Competition to help bring these ideas to the forefront, and a streamlined permitting process at the City for pre-approved designs would allow new affordable homes to be built quickly and efficiently.

- **Helping College Graduates Afford Stable, Long-Term Housing**

This program would offer \$25,000 in down-payment assistance to college graduates with at least \$25,000 in student debt. Studies show that students of color often have higher amounts of debt than white students, which may serve as a barrier in purchasing their first home. This program minimizes that barrier, and encourages young people to stay in Chicago in their search for long-term housing. Participants would have to purchase a home in one of Chicago’s LMI communities to be eligible, and would have a residency requirement of 7 years for the loan to be forgiven.



Expanding Investment in Current Successful Homeownership Programs

These City programs have already improved housing opportunities for Chicago residents, and, given their track record, should be expanded as appropriate to assist thousands more through additional funding and expanded service areas.

- **Expanding the Micro Market Recovery Program**

The Micro Market Recovery Program (MMRP) provides resources and staff expertise to identify vacant and abandoned buildings, and guide them through a legal process to get back on the market. This program was an important precursor to the success of the “Renew Woodlawn” program, as it created an inventory of available homes for renovation and sale that can meet buyer demand. MMRP should be expanded to better serve neighborhood markets in need of stabilization.

- **Increasing Funding for the “Building Neighborhoods and Affordable Homes” Program**

This program provides vacant city lots to prospective developers for just \$1, and keeps homes built and purchased on the lots affordable to homebuyers earning up to 120% AMI with \$60,000 city-financed subsidies. A pilot program for 100 homes has been introduced, but a permanent version should be presented in the upcoming 5-year plan.

- **Providing Rehab Grants Through TIF**

The TIF Purchase-Rehab program, which provides subsidies for single-family homebuyers to rehab vacant homes before moving in, is currently available only in West Humboldt Park. This popular and successful program should be expanded to more TIF districts around the city to serve residents in growing markets.

- **Preventing Displacement**

In many Chicago neighborhoods, increasing property values are displacing homeowners who are unable to afford taxes and home repairs. In order to prevent displacement in high-growth areas, the City should:

- Increase funding for homeownership counseling for mortgage, insurance, and property tax payments
- Expand rehab grant programs such as SARFS, the Roof and Porch Repair Program, and the Emergency Heating Repair Program
- Work with the Cook County Assessor’s Office to provide an option for automatic renewal of the Senior Tax Exemption program, as many seniors miss out on resubmitting their application each year
- Develop a program to help seniors and other homeowners repay delinquent property taxes

- **Building More Family-Friendly Affordable Units**

While Chicago’s Affordable Requirements Ordinance (ARO) asks most developers to keep at least 10% of their units affordable to low-AMI residents, units constructed under this law have been mostly limited to 1-2 bedrooms. The ARO should be amended to require developers to build more family-sized units of three or more bedrooms on or off-site, whether units are rentals or occupant-owned.

- **Leveraging Shared Economic Models**

Tools such as the Chicago Community Land Trust and limited-equity co-ops present opportunities for preserving long-term affordable housing in Chicago. These models should be paired with property tax relief through conversations with the Cook County Assessor’s Office.