What's Happening to Rental Housing in Hyde Park and Kenwood?

A community forum in conjunction with the Annual Meeting of The Coalition for Equitable Community Development (CECD) February 25, 2012, Augustana Lutheran Church, Chicago

From notes taken by Gary Ossewaarde, CECD board member and secretary

John Murphy, CECD board member, introduced **keynote speaker Geoff Smith**, Executive Director of the DePaul University Institute For Housing Studies (IHS). IHS recently published (in conjunction with The Preservation Compact) a study, *The State of Rental Housing in Cook County*. Mr. Smith provided for distribution a double-sided summary of conclusions, and later sent (per suggestion) a page of additional key tables. Murphy noted the relevance of the Study to CECD, which promotes economic diversity, hence of necessity affordable housing in Hyde Park-Kenwood.

Smith said the purpose of the Study was to derive data that can be used as a clearing house in efforts to preserve affordable housing and reverse a growing gap between supply and deman, county-wide and down to the neighborhood level. Smith documented how supply has continued to shrink and demand grow in the 2000s. The rental market houses a large component of households—40% countywide and 70% in Hyde Park (including the set of neighborhoods to its north). (Smith said the American Communities Survey has to be used and it is very hard to drill down further to what is happening in the neighborhoods (community areas) and their parts, which he acknowledged can have dramatically differences side by side). The rental share is growing--especially since the onset of the recession, reversing previous trends. The increase comes from both choice and necessity and is especially evident for younger and for lower income persons and families—the same groups most impacted by the recession in general: Home ownership has dropped 25% for younger people and 25% of low-income people now spend over 30% of household income on housing.

In Chicago, the gap between supply and demand for affordable rental units grew from 164,000 to 182,000 in most recently measured years. The area that included Hyde Park and the neighborhoods to the north saw the largest growth in gap of any part of the city—from a deficit of 4,600 units to 11,000. Also, the percentage renting in the city is much higher than in the rest of the county, and (a difference) in the Hyde Park area more are older and more of the latter rent. Renters increased by over 6% but those needing affordable units by 16%. Affordable unit supply decreased in the city by 12% (and more in this area partly because of loss of CHA) vs. a 20% increase in supply outside the city. In the next few years, the gap in affordable units in the county will grow to 223,000 and in the Hyde Park and north by 15% despite loss of population.

Questions were asked about the difficulties of measuring when adjacent areas have very different housing and demographics, about impact of University of Chicago, and what factors other than foreclosures have aggravated the situation (Smith answered, unemployment and drops in income, which have a close association with foreclosures but is not (as?) evenly distributed. It is important to see that the current problem is that more need people, especially low-income, need affordable units, rather than actual drop in supply. What should done to address the problem? (Smith pointed to the Preservation Compact's working group, which looks at retrofitting housing.) What is the state of the 2-4 unit housing stock. (It's a big part of the market, especially in the city, and the financing universe won't touch it, whether it's rental or owned, and the sector is now heavily foreclosed- 30%, and there is reduced tax take). Brought up was jobs being too far from housing—gas etc. competing with using costs, food. Mr. Smith was heartily thanked.

Panel on affordable rental housing in Hyde Park and Kenwood

The panel was introduced and consisted of Peter Cassel of MAC Realty, George Kotnour of Marian Realty, Georgene Pavelec of TP Realty, and Ed Crespo of TLC Realty. (McKey & Poague sent in its answers to the requested portfolio fundamentals.) Each told how many units they have of the kind they managed and gave the rent ranges for types of apartments and assessed the state and challenges for rental housing in the area. During the following question period, they estimated percentages in their portfolios that are affordable according to government eligibility numbers. Ken Oliver clarified the kinds of subsidies available to renters and landlords. Panelists then answered in great detail many pre-screened questions pre-sorted and read by Linda Thisted from cards submitted by the audience.
Opening statements:

McKey & Poague's report (read by CECD President and moderator Pat Wilcoxen). The rental range is $495-550 for studios, 525-675 for one-bedroom, 650-1200 for two-bedroom, 685-1200 for three, and 815-1750 for four. Units are not accessible- renters can get permission to modify but have to return them to original state. They do rent to Section-8 voucher holders and clients of the Hyde Park Transitional Housing Project.

Georgene Pavelec, TP Realty. 30% are reduced or subsidized, the rest are market-rate. They feel out the tenant's comfort range and make sure responsibilities are understood and committed to. Non-discrimination rules can be tricky, but flexibility trumps rigid adherence to credit scores etc. They manage owner buildings and there rent out owned units under stress or in foreclosure: the rent is much lower than in a rental building, but renting can be a win-win for owner, renter, and the association. All have to be creative and get really qualified tenants to make this work.

George Kotnour, Marian Realty. The problem of affordable housing will require innovative changes. The Carolan is their base with 275 units, rent range $660 to 950 for a one-bedroom, mainly depending on square footage. They work with CHA, Access Living, Heartland, and DARE for referrals to affordable or accessible units. They have 25-30 subsidized units and also provide accommodation to persons with short-term difficulties. Carolan is an elevator building. He said our older housing stock is very hard to adapt for persons with disabilities, especially non-ambulatory. Kotnour listed some programs for subsidized housing but said there is no direct compensation, just a deduction on your 1090. Subsidies for rehabilitated properties have ceased to pay off. He also said one has to be flexible toward less capable persons. Landlords have to open their minds; the credit score is not the whole story. And Hyde Park has the best residents in Chicago.

Peter Cassel, MAC Apartments. He commended George. MAC has 90 buildings with 4,000 apartments covering the whole product spectrum. The range is $600-1100 for studios, $750-1500 for one-bedroom, $1300-2000 for two-bedroom, $1350-2400 for three-bedroom, and $1760-3000 for four, the latter big. 50% is (?) leasing, which uses credit scores and decides who will qualify- this actually lets in many who would otherwise be excluded. Older programs such as Class 9 are no longer an incentive. Ditto preservation incentives. They are keeping the Sutherland's subsidies for the duration of its program. They have no multi-family buildings built since 1970s. Buildings are not highly accessible, although many have elevators, including the Del Prado and East Park Tower, which have been made more accessible with lobby-level lifts. Regents Park does not have "roll up" access to the building. City Hyde Park will be fully accessible.

Ed Crespo, TLC. They have 26 properties. In Hyde Park, 4 are market, 1 is subsidized (on Drexel.) They have a subsidized rent program and accessibility. They are looking to buy and target buildings that can be upgraded and kept relatively affordable with a maintenance program. Ranges are about $700 to 900 for studios and one bedroom, 2 bedroom are in the 1100-1200 range. They accept vouchers but it's hard to find a balance between having quality tenants and following nondiscrimination and voucher rules.

Ken Oliver, CECD's liaison to Interfaith Open Communities, had been asked earlier in the meeting to explain the tax incentives. He noted that Class 9 had been squeezed out because the state constitution puts limits on assessments, making the program's reduced assessments unattainable.
There is a multi-year tax abatement program applicable to certain "opportunity" census tracts (two in east Hyde Park) for buildings that take at least a certain percentage Section 8s.

Linda Thisted read questions consolidated from audience-submitted cards (some before and some during the presentations), starting with those sets most numerous.

What percentage of your units are affordable? (The standard is that a person at 60% of median income renting your unit is not spending more than 30% of monthly income for it. That is $760 max. for a one-bedroom incl. heat and $912 max for a two-bedroom.)
TLC- 50% of studios, 35% of one-bedrooms, Drexel Towers 100%.
MAC- none outside of Sutherland, will be 20% in City Hyde Park.
Marian- 10 units. Also manage 25 homeowner units that are (managed condos renting low vs. rental bldgs.).
TP- 8 or 9 1-bedroom units under $775, 10-12 units under $912, 10-11 in foreclosed owner bldgs. (100%).

What are your criteria to rent out an apartment?
MAC-Credit quality is a challenge. Scores are shown to be a reliable indicator that one will--not just can--pay. Standards in the market continue to be tightened including on landlords. The market is demand-driven and is high. Healthcare costs for staff is affecting rental prices. So are credit checks and high cost of eviction--damage to units, loss of 6 month's rent, using the sheriff—these also affect landlord's ability to get credit.
Marian- flexibility and diligence in selecting tenants, applying human values are key- they help the bottom line.
TP- Both Peter and George Kotnour are right. We try to be open on reasons scores may be low—in getting a unit the renter's credibility on performance counts most. The landlord has to act as soon as a payment is missed to straighten things out or remove the tenant.
TLC- The score is one of several variables, and usually TLC will not count foreclosures and student loans.

Does the University of Chicago have an impact on the local rental market?
Marian-At least less since more dorms have and will open, leaving more units to the general market even with more students. It is unlikely there will be more affordable units built in the neighborhood—will building more upscale (including University backed) drive up prices? It will be a struggle not to lose more affordable units and affordability. New tax incentives should be found and new ways to incrementally make more housing available.
TP-The University's ability to influence the market has declined relative to other factors, and fewer students now rent in Hyde Park and outside the dorm system.
TLC- Gentrifying in pockets is the dominant force now. Rents are now pretty stable to tightening, occupancy very good. There is a politician problem—choose those who weigh consequences of choices well.
MAC- The University does have a big influence. There are 4,000 – 5,000 undergrads now. Dorms get built, others close, so the undergraduates in the rental market vary from 1,300 to 2,300, mostly in 2-4 unit buildings, so students set the price on 3-bedroom units. The rental market here is 20,000. Graduate students- that's about 12,000 but most do not live in Hyde Park and a large proportion in any case are here only a year or two—which contributes to their being expensive tenants. The University itself provides housing for about 1,000 graduate students at any one time. What is really growing is staff (especially hospital) (growing to 20,000 estimated through 2020), a good and increasing number of whom want to live in Hyde Park.

Is there an impact on rental from the Life and Safety and related mandates?
TP-This heavily affects high rises, especially condos, affecting ability to move/stay in those buildings—does one sell or rent? Every high rise built before 1975 has elevator needs.
MAC- The need and the challenge are real. For owner buildings, the diffusion of the cost makes the planning and work possible but diverts funds that can be gotten from banks to those projects. The mandates limit affordable units—add the mandates to management costs—the same or higher for affordable as other units, and the cost is greater than income plus any rebate for having affordable units.
Marian-I testified against sprinkling, that where they have it is shown to save hardly any lives vs. staying in your unit during an emergency with fire-rated doors shut.

How is the situation in Hyde Park compared to/affected by that in South Shore and Grand Crossing?
MAC-Hyde Park gets a steady in-migration from there as from elsewhere, partly in search of less crime and good schools.
Marian-But other people move the other way for advantages they see there. We must help the neighborhoods around us to thrive if we want ours to. And be willing to take in the needy as well as attract the well off. Good building code enforcement in all neighborhoods could help.
TP-You can't judge by crime rates in the other neighborhoods—it often gets worse for a while in neighborhoods turning the corner. Security enforcement has to be pushed in all the communities—officeholders have to step up to the plate. Comparatively, both Hyde Park and South Shore have terrible parking problems. And don't think there isn't an affordability problem everywhere.

Question for Geoff Smith- because of the boundaries lumped together, isn't the affordability picture painted for Hyde Park in the study look worse than it is? Yes.

Is there a growing rental market in foreclosed units, buildings?
TP-Yes. From owner's/building's standpoint, selling is very hard and you get some return from rent and it helps stability—most renting are responsible people who want the stability of an owner building. But an owner building should not have more than a certain proportion rented (Georgene and Peter).
And how secure is a renter in a foreclosed situation? (Various went into detailed scenarios here.)

More specifics were asked about the impact of life/safety on rental building prices and rents.
MAC?- The calculations are really more applicable to owner buildings. The buyer of rental buildings has to look at total costs vs. the general market to decide whether to buy—and these costs are factored into the price anyway. Rents are set by the, market not owner's costs.

How do you address needs of prospective renters with disabilities in older multifamily buildings?
TP?- When a prospective asks, we talk to them about their specific needs, then get the costs. Sometimes the solution is a long-term lease to make the upgrade worthwhile. Remember that most of the housing stock in Hyde Park has an entry, or access point further in, that is five feet above the ground!

The panelists and attendees were thanked for their time.