REGIONAL HOUSING SOLUTIONS

Submarket 1

https://www.regionalhousingsolutions.org/submarket/1

Higher density urban, high foreclosure and vacancy, low income

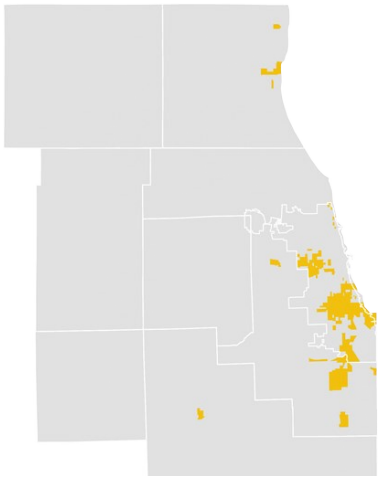
Submarket 1 consists primarily of urban areas concentrated on the south and west sides of the City of Chicago, but also includes parts of Waukegan, Joliet, and south suburban Cook County. These communities are medium density with many 2–4 flats built before 1940. High rates of vacancy, foreclosures, and distressed sales in Submarket 1 may undercut the quality of existing homes. Significant population loss in Submarket 1 communities is likely both a cause and an effect of local levels of property distress. Nonetheless, Submarket 1 has good access to the regional transportation network, which helps keep transportation costs low.

Despite low housing values and costs, declining incomes among Submarket 1 households have led to increased rates of cost burden. Educational attainment levels are low, and households in this submarket are lower income with the largest income declines of any of the submarkets. The submarket has experienced high unemployment, which has increased over time. Communities in this submarket are also aging, now with a greater share of older adults and fewer children under 15.

Key stats

- High and increasing levels of cost burden
- Low transportation costs
- Relatively high-density urban and suburban submarket with an older housing stock
- High share of renters, highest share of subsidized households
- A high distress area with higher levels of foreclosure and vacancy.
- Low levels of mortgage investment, but high levels of cash sales.
- Growing share of seniors

Geography



Issues + strategies

Quantitative analysis and many interviews with housing experts from across the region helped identify issues facing the region's housing markets, as well as potential solutions. Although many more housing and non-housing issues affect this submarket, the housing issues and strategies identified below represent the most significant challenges and most promising solutions in this submarket. The outlined strategies feature proven projects, programs, or other efforts undertaken in communities across the region to address similar challenges or capitalize on similar opportunities.

Code issues

Striking a balance between code enforcement to protect health and safety and the reality of existing building conditions can be challenging. Many properties in Submarket 1 are more than 75 years old and not in compliance with regulations that ensure the health and safety of residents, including children who may be exposed to lead paint. Finding the right balance for addressing code issues is key for local leaders in these communities. Too aggressive enforcement can lead to vacancy and reduce neighborhood stability because building owners cannot afford to make all required repairs. Too lenient enforcement can lead to households living in unsafe or unsanitary conditions. The results of either approach compound over time and can serve as a deterrent to future permitted, market-driven rehabilitation.

Strategies

Approach to rehabilitation

Municipal rehab programs can help residents address issues of deferred property maintenance.

Municipal rehab programs can help residents address issues of deferred property maintenance. Municipalities, counties, and non-profits have developed many different models for how to operate local rehabilitation programs. The key to success is choosing a structure that matches the size and scope of the code issues in the targeted community *and* matches the financial condition of building owners. Read more about the many different models of rehabilitation programs in the region. In this market, grants may be the best approach.

Rental unit monitoring and regulation

Effective municipal regulation, coupled with pro-active strategies and incentives, can improve rental housing quality and reduce problems.

Effective municipal regulation, coupled with pro-active strategies and incentives, can improve rental housing quality and reduce problems. Renters make up the largest group of households in Submarket 1. Due to challenges with the age and physical condition of buildings in Submarket 1 neighborhoods, communities may have concerns about the quality of the existing rental stock. Rental unit monitoring and regulation can help ensure good management of local apartments. In order to maximize their authority under state law, municipalities need to review the structure of their existing rental unit monitoring and regulations. Municipalities may want to consider implementing a performance-based rental regulation ordinance such as the one in place in the Village of Addison. Municipalities may also want to point owners of multifamily rental property to the abundance of resources at the Community Investment Corporation (CIC) for financing, energy efficiency, and property management training. Learn about best practice rental regulation strategies.

Foreclosure

Although filings have slowed down, foreclosures are still more common in Submarket 1 communities than elsewhere in the region. In Illinois, foreclosure is a long process, generally taking many months—if not years—from the initial filing to the final disposition of the foreclosed property. In many instances, properties stand empty for long periods after residents are evicted but before the foreclosure is resolved. Long-term vacancy accelerates physical deterioration as property security and maintenance decline. Blighted foreclosures threaten community safety and quality of life by triggering declines in nearby property values and increased incidences of arson, vandalism, and other crimes.

Strategies

Dealing with foreclosure

Local supports can help families and individuals impacted by foreclosure.

Local supports can help families and individuals impacted by foreclosure. Foreclosure continues to be an issue throughout Submarket 1 communities. Local officials, non-profits, and community institutions should become acquainted with local HUD-certified housing counseling agencies in order to connect residents with counseling resources, including mortgage delinquency and foreclosure prevention options. Housing Action Illinois can introduce communities to available counseling programs and services for owners. Renters are also adversely affected by foreclosure, often suffering deteriorating building conditions and ultimately eviction. To protect renters, communities may wish to explore local rules similar to the Keep Chicago Renting Ordinance to establish rights for tenants during foreclosure.

High priority property maintenance liens

Municipalities should utilize priority liens to recover costs incurred for securing and maintaining abandoned residential property.

Municipalities should utilize priority liens to recover costs incurred for securing and maintaining abandoned residential property. Illinois law allows for priority liens for securing and maintaining abandoned residential property. The law applies to any type of permanent dwelling unit that has been unoccupied for at least 90 days and for which the municipality attempted to contact the owner(s) or the owner's agent(s) but was unable to reach anyone. It covers the removal of weeds, trees, bushes, grass, garbage, debris, or graffiti, and securing or enclosing the property. Liens obtained under this law are superior to all other liens, except taxes. Under this law, municipalities recover their expenses after taxes are paid but before the mortgage is recovered. Thus, municipalities will recover even when the value of the property is less than the value of the mortgage. If municipalities are maintaining vacant property in their community, they should be sure to go through the necessary steps to file a high priority lien on the property. The Metropolitan Mayors Caucus and Business and Professional People for the Public Interest's (BPI) publication on Vacant Building Ordinances provides detailed information and step-by-step guidance on this process. Learn more about strategies to deal with vacant property.

Housing counseling

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Land banking

Land banks can be used as a strategic tool to acquire problem vacant properties and convert them into assets.

Land banks can be used as a strategic tool to acquire problem vacant properties and convert them into assets. Land banks are governmental entities or nonprofit corporations that focus on the conversion of vacant, abandoned and tax delinquent properties into productive use and have proved to be a useful tool to help reinvent and revitalize neighborhoods. Most vacant and abandoned properties have many legal and financial barriers, such as years of back taxes and clouded title that make it difficult to attract investors. Land banks have the ability to hold land tax-free and clear title and/or extinguish back taxes, which can be essential when trying to attract buyers and investment. Land banks can work in partnership with municipalities to advance community-based goals. There are two successful examples of land banks in Illinois, in both the south suburbs and Cook County, and other areas of the region struggling with issues of vacancy and blight might consider the use of land banking as a tool in their community. The Center for Community Progress is a good starting point to learning about land banking. Learn more about strategies to deal with vacant property.

Resource targeting

Targeting resources can increase their impact.

Targeting resources can increase their impact. Submarket 1 neighborhoods often attract funding to address local issues because of evidence of distress, like more foreclosures and high levels of cost-burden. To ensure those resources maximize impact, communities, program operators, and funders should explore how to work closely in targeting those resources, as was done by Evanston with its Neighborhood Stabilization Program or Chicago with its Micro-Market Recovery Program.

Strategic code enforcement on vacant properties

Code enforcement departments should create targeted intervention strategies based on property characteristics.

Code enforcement departments should create targeted intervention strategies based on property characteristics. Maintenance of vacant and abandoned property is important to stem blight and preserve the potential for additional investment in a neighborhood. Some communities have reported that boarding vacant properties actually discourages neighborhood investment, and the best strategy is to make a property appear occupied where possible. Suburban municipalities with Submarket 1 neighborhoods should maintain vacant property to the best of their ability and issue priority property maintenance liens as necessary. Even sending a notice to a property owner that a priority lien will be issued may encourage an owner to pay past fines or start taking an interest in the property. However, it is important for municipalities to develop a code enforcement plan when it is clear that the property has been abandoned. Outlining a strategy to identify properties that may need more aggressive intervention is important and may be more cost efficient in the long run.

Utilize demolition, fast-track, and abandonment authority

More aggressive strategies may be needed when owners become unresponsive.

More aggressive strategies may be needed when owners become unresponsive. When it is clear an owner of a vacant property is no longer being responsive, municipalities should consider more aggressive strategies. The Metropolitan Mayors Caucus and BPI's publication on Vacant Building Ordinances provides detailed information and step-by-step guidance on abandonment, fast track demolition, and declaration of abandonment. Some south suburban municipalities have used their abandonment authority to take control of problem properties and then partner with the South Suburban Land Bank to transfer ownership of these properties to responsible owners. The Village of Lansing has been using abandonment petitions to gain control of vacant properties, reduce strain on municipal resources, and attract investment. Learn more about strategies to deal with vacant properties.

Growing senior population

As local homeowners age, there is a need for appropriate senior housing as well as a pipeline of purchasers for the family homes they are leaving behind. Older adults in Submarket 1 may have trouble accessing reasonably priced housing appropriate for their changing needs, like accommodations for limited mobility. Retrofitting resources along with additional local housing options for seniors are critical to keeping these long-tenured residents in the community. At the same time, developing a pipeline of new owners to take over vacated housing is also important, creating a potential matchmaking role for elected officials, nonprofits, and other institutional actors in Submarket 1.

Strategies

Meeting the needs of aging residents

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As the region ages, it is critical for communities to address the housing needs of older adults. Many homeowners in Submarket 1 are aging and in need of high quality housing options that fit their current stage in life. Inside the City of Chicago, low-income seniors who wish to age in place in their longtime homes can secure home modification assistance through the Small Accessible Repairs for Seniors (SARFS) program, which provides grab bars, lever faucets, door repairs, and wheelchair ramps for qualified owners. Federally subsidized apartment buildings limited to seniors can also offer important options for older residents on a fixed income. Finally, communities should also allow diverse living arrangements, including "Families of choice" (groups of individuals who are not biologically related but live together and share a kitchen), multigenerational housing, and housing options for older adults and caregivers to live together. Learn more strategies for creating age-friendly neighborhoods.

Legacy of disinvestment

Long-term flight of residents and capital from communities can create barriers to reinvestment. Many communities in Submarket 1 suffer from the long-term loss of businesses and residents, resulting in local populations considerably lower than peak levels reached in the 20th century. Over time, this supply-demand mismatch—exacerbated by related issues like high rates of foreclosure and the historical legacy of racially discriminatory real estate practices—contributed to widespread vacancy and disinvestment in Submarket 1. Prolonged disinvestment drives property abandonment, resulting in demolition in many cases. While demolition may represent an immediate benefit to surrounding residents, high rates of demolition can also create new challenges by disrupting the fabric of the neighborhood.

Strategies

Adaptive reuse

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Opportunities exist to reimagine obsolete buildings as housing or other community amenities. The presence of large older industrial or commercial buildings lends itself adaptive reuse. Recent regional examples of adaptive reuse for housing include the Karcher Artspace Lofts, Goldblatt's Senior Living, Pullman Wheelworks, and Town Hall Apartments. Adaptive reuse helps to preserve the architectural heritage of communities while providing new uses in unused spaces.

Affirmative marketing

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Value of housing planning

Planning can help communities address their unique set of assets and challenges.

Planning can help communities address their unique set of assets and challenges. The particular issues that Submarket 1 communities face can be addressed through comprehensive planning, as well as individualized local housing plans, such as through Homes for a Changing Region. These plans may include market analysis to help guide communities toward market-feasible development.

Potential for rapid neighborhood change

Submarket 1 communities closest to the Chicago central business district with access to rail transit are most vulnerable to rapid redevelopment. Communities in Submarket 1 are primarily located within the City of Chicago, with relatively high levels of access to transportation options. As developer interest in the Chicago city center continues unabated, there is some possibility that outside investors will seek to gain ownership of a large share of properties in some Submarket 1 areas for higher end redevelopment. Developer interest in these communities will likely be highest for those closest to the central business district with access to CTA rail transit.

Strategies

Land trusts

Communities facing rapid redevelopment may benefit from land trusts that provide affordable housing in perpetuity.

Communities facing rapid redevelopment may benefit from land trusts that provide affordable housing in perpetuity. Land trusts, like those operating in Chicago and the North Shore, are often an effective tool in helping preserve currently affordable units due to a land trust's unique ownership structure. When a land trust sells a unit to an owner, they only sell the improvements (i.e. the home), but not the land underneath.

Preservation and expansion of affordable housing

Subsidized housing resources can help provide individual and community stability, as well as meet economic goals.

Subsidized housing resources can help provide individual and community stability, as well as meet economic goals. Households stably housed in affordable developments have more financial resources available for investment in things like healthy food, prescriptions, and education. While individual subsidized households do not have high

disposable incomes, in aggregate, they represent spending power that may be attractive to certain type of retail developments. Adding more affordable housing may, therefore, increase “rooftops” in the community and help jumpstart some forms of commercial development. In addition, new or recently rehabilitated affordable housing creates visible community investment, which may both assure potential developers and build community pride. For example, in Chicago’s Woodlawn neighborhood, Preservation of Affordable Housing (POAH) has transformed hundreds of public housing units at the end of their useful life into the mixed-income Woodlawn Park, spurring the development of new market rate homes in the community.

Promoting market feasible development

To overcome multiple challenges in Submarket 1, leaders should use realistic, market-based assessments of private market development potential. While Submarket 1 communities struggle with disinvestment and lack of private market interest, there are still interim steps that local elected officials, non-profits, and institutions can take to attract and shape development in the community. However, these steps require strategies based in market realities, and may include encouraging the development of new affordable housing resources in the community.

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Rehabilitation challenges

In certain communities, the cost of renovation may exceed the value of the home or available rehab resources. Some

properties in Submarket 1 are in very poor physical condition, making it difficult to renovate them with limited public sector resources, and unfeasible with private sector resources. Banks struggle to underwrite renovation loans when the cost to bring a property up to a reasonable level of repair exceeds the potential sale price for the renovated home. For this reason, low values at sale for homes across Submarket 1 constrain the potential of rehabilitation for particular homes.

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Reputation

Negative perceptions about community conditions can constrain redevelopment potential. Communities in Submarket 1 suffer from negative reputation issues, whether real or perceived, with the quality of the built environment, performance of local schools, proximity to amenities, and public safety.

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