



Submarket 3

<https://www.regionalhousingsolutions.org/submarket/3>

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Higher density urban, high income, young, high home prices and rents

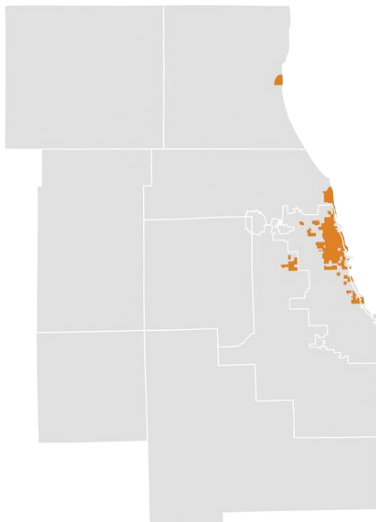
The majority of submarket 3 falls within the boundaries of **Chicago**, as well as parts of **Oak Park** and **Evanston** and can generally be characterized as a strong urban market. High and growing incomes generally mitigate high and increasing home prices and rents, resulting in lower levels of cost burden. Submarket 3 has the lowest transportation costs of any submarket. The housing stock can be characterized as high density urban, primarily consisting of older homes. While many residents of this submarket rent, only in submarket 3 did the share of households renting decline. Lower levels of subsidized housing are found in this submarket.

Submarket 3 has a very active housing market with high levels of mortgage activity, turnover, and low vacancy. There are low levels of foreclosure activity and cash sales. The households in this submarket are younger, middle and higher income, with high levels of educational attainment. Smaller households, often 1-person, with few children fit the submarket's high-density design. Submarket 3 was the only submarket to see an increase in median household income.

Key stats

- Relatively high-density urban and suburban submarket with older housing stock.
- High levels of mortgage activity and housing turnover and low vacancy.
- Both house prices and rents are high and increasing, but lower levels of cost burden due to high and growing incomes.
- Low transportation costs.
- High level of renters, but only area with declining levels of renters.

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.

Community resistance

Community resistance can stymie new housing options. Despite the higher incomes for some submarket 3 households, developers do not report frequent community resistance issues relative to other submarkets. Some believe this is because of the greater mix of ages and incomes present in submarket 3. Others feel this is because many submarket 3 communities have a natural constituency of non-profits, community organizations, and residents who will support new development, including for low- and moderate-income households. A few mentioned the value of strong political leadership in setting the tone for a desire for balanced housing types and acceptance of people from across the income spectrum. That said, resistance in submarket 3 is less than in other areas, but not absent. Some projects do run into resistance due to concerns about parking, traffic, density, height, and income of occupants.

Strategies

Community education

Targeted efforts to build support for diversity of housing stock and people can help address community resistance.

Targeted efforts to build support for diversity of housing stock and people can help address community resistance. Many groups, including elected officials, government staff, non-profits, and citizens, have explored ways to build community support for new housing types and greater local diversity. Utilizing these models in submarket 3 can help address community resistance issues. [Read more](#) about the many different best practices.

Value of housing planning

Using tools like Homes for a Changing Region can be valuable.

Using tools like Homes for a Changing Region can be valuable. In the midst of a strong market, it can be hard to find space to step back and think about over-arching issues. Yet, communities that undertake local housing planning, such as that done through [Homes for a Changing Region](#), benefit from a clear vision of the types of housing needed by the community and can be less reactive to new proposals.

Very strong market

Strong markets come with benefits and issues. Submarket 3 neighborhoods are among the strongest housing markets in the region. Such strength allows the market to address housing issues that many other areas struggle with, including an older housing stock. Yet, that strong demand makes it challenging to preserve housing opportunities for current residents. Price and rent increases can drive out existing residents. Demand for smaller rental units is strong enough relative to sales prices that developers are de-converting condominiums into apartments. Demand for single-family homes is so much stronger than rentals that developers tear down multiple

rental units to build a smaller number of single-family homes. Market specialists think that demand will not abate in the near future since these areas are often close-in with good job and transit access and a form attractive to many households.

Strategies

Affordability through reduced parking

Reducing parking requirements can help to keep housing costs attainable.

Reducing parking requirements can help to keep housing costs attainable. For communities looking to preserve affordability or help create new housing at more affordable prices, reducing or eliminating parking requirements can help. Higher sales prices or rents must support every additional parking space required by a municipality. The more parking required, the more expensive the development. In Chicago, the [Transit-Oriented Development Ordinance \(TOD\)](#) reduces or eliminates parking requirements near transit while density bonuses for developers who take advantage of the provisions. Many believe that this requirement has helped amplify the rental development boom in strong markets like Logan Square and the West Loop, opening up previously undevelopable parcels for action. In [Libertyville](#), developers can cash-out their parking requirements, paying the village a fee in lieu of parking not provided on-site.

Inclusionary zoning

Communities can use strong markets to create affordable housing.

Communities can use strong markets to create affordable housing. Inclusionary zoning efforts naturally work well in strong markets, leveraging the construction of new market rate units to add affordable units. Many communities in the region have adopted inclusionary zoning ordinances, including [Chicago \(ARO\)](#), [Evanston](#), [Highland Park](#), and [Lake Forest](#).

Affordable requirements ordinance (ARO): Chicago adopted a [new inclusionary housing ordinance](#) in 2015. A number of stakeholders identified potential positives and negatives in the ARO. Yet, because the ordinance is so new, it remains to be seen how market rate developers will comply. Monitoring its implementation will help other communities understand whether it will serve as a model.

Land trusts

Land trusts can provide affordable housing in perpetuity by owning land and leasing it to those who live in houses built on that land.

Land trusts can provide affordable housing in perpetuity by owning land and leasing it to those who live in houses built on that land. 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. As a result, a household can purchase a home for substantially less than what it would ordinarily cost.

Preservation and expansion of affordable housing

Preserving affordable housing options can help existing residents stay in changing neighborhoods.

Preserving affordable housing options can help existing residents stay in changing neighborhoods. Dedicated programs designed to preserve lower cost units can help ensure that even as a neighborhood changes, existing residents have an opportunity to remain. For example, Chicago passed the [Single-room Occupancy Preservation Ordinance](#) in 2014, which helps non-profits compete with private firms to preserve a targeted unit type. Similarly, the work in [Albany Park](#) highlights the value of targeted work by local non-profits to preserve units in areas on the cusp of rapid change.

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