

ENVISIONING DEVELOPMENT / Guide No. 1

What Is Affordable Housing?

CHICAGO EDITION



the Center for Urban Pedagogy

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232 Third Street #D201
Brooklyn, NY 11215
info@welcometocup.org

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Written and edited by Rosten Woo, John Mangin, Christine Gaspar, Mark Torrey, and Ingrid Haftel

Concept developed by Rosten Woo, Margot Walker, and John Mangin

Designed by MTWTF

Photo illustrations by Damon Locks

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The Center for Urban Pedagogy (CUP) is a nonprofit organization that uses the power of design and art to increase meaningful civic engagement, particularly among historically underrepresented communities.

CUP collaborates with designers, educators, students, and communities to make educational tools that demystify complex policy and planning issues.

We believe that increasing understanding of how these systems work is the first step to better, more equitable, and more diverse community participation.

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What Is Affordable Housing?



An inch is the standard unit of...

Affordable housing is defined as housing that is officially under the...



Garbage will be removed on...

The speed limit on federal roads shall not exceed 65 mph...

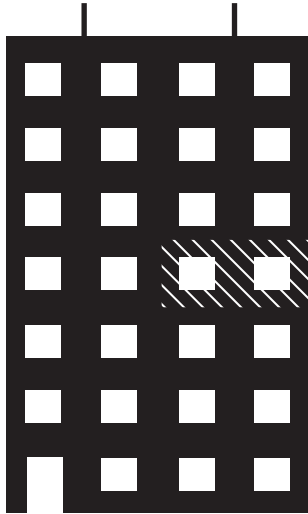
What do people mean when they say “affordable housing”?

Affordable to whom?

In the context of planning and real estate development, words like “affordable housing” and “low-income housing” have very specific meanings that come from the federal government.*

***Lots of these words are in the glossary. Check it out!**

AFFORDABLE HOUSING



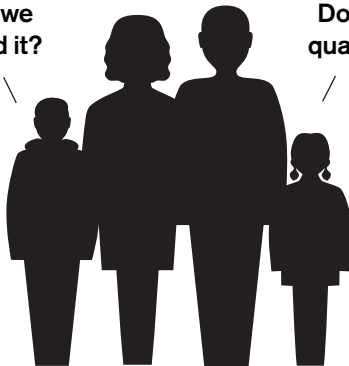
You might hear about a new building with “affordable housing” in it and find out that you could never afford that housing.

Or you might find out that you earn too much to qualify for that housing.

This guide will help you understand what it means when people call housing “affordable”!

Can we afford it?

Do we qualify?



IF, THEN

/

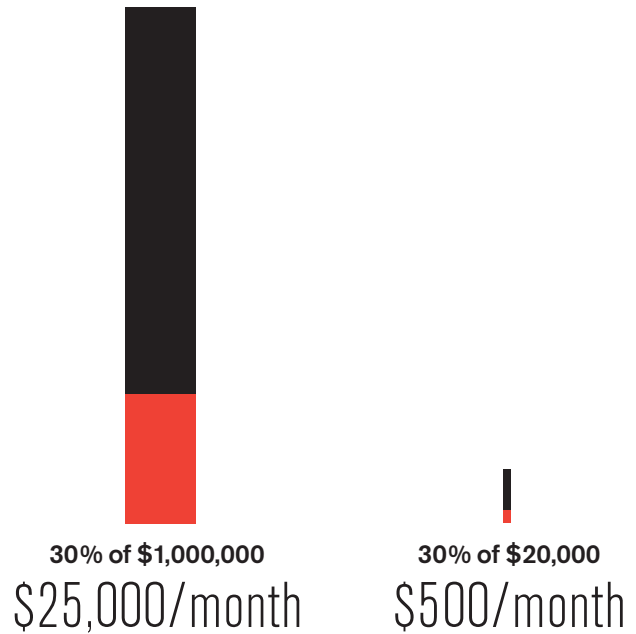


The government* definition of “affordability” determines which families are eligible to live in certain housing developments, and also what a housing developer has to do to get government subsidies.

***This definition comes from the U.S. Department of Housing and Urban Development (HUD), but is used by state and local governments, too.**



The government says housing is “affordable” if a family spends no more than 30% of their income to live there. This threshold is called “affordable rent burden.” But 30% of \$1 million is very different from 30% of \$20,000.





When the government says “affordable housing,” it means affordable for families in the middle or at the lower end of the income scale.

But which families, exactly?

The government calculates income limits for affordable housing programs using something called Median Family Income, or MFI. This is also known as Area Median Income, or AMI.

What’s MFI?

Turn the page!

Median

Half the people make less than the median.

The median income is the income in the middle.

Half the people make more than the median.



Family

A family, by the government's definition, is two or more people living together and related by birth, marriage, or adoption. That's different from a household, which is just anybody living together or a person living alone.



All families are households, but not vice versa.

Income

Family income is the combined income of everyone in the family.



If you line up all the families in a place by income, the Median Family Income is what the family right in the middle of the income distribution earns. By definition, half the families earn more and half the families earn less.

MFI isn't the average income, just the income in the middle.

The government uses MFI to create income categories. Each category is a percentage range based on MFI.

Let's say the MFI for a family of four is \$50,000. Then the income categories are:

MEMO

EXTREMELY LOW INCOME
0% TO 30% OF MFI = \$0 TO \$15,000

VERY LOW INCOME
30% TO 50% OF MFI = \$15,000 TO \$25,000

LOW INCOME
50% TO 80% OF MFI = \$25,000 TO \$40,000

100% OF MFI IS \$50,000

MODERATE INCOME
80% TO 120% OF MFI = \$40,000 TO \$60,000

MIDDLE INCOME
120% TO 250% OF MFI = \$60,000 TO \$125,000

HIGH INCOME
250% OF MFI AND UP = \$125,000 TO ?!?!?!?

Different affordable housing programs target different income categories.

We'll learn more about affordable housing programs later in the book, but here are a few programs you might be familiar with, along with the income categories they target.

Public Housing

"Low income" and less

(0-80% MFI)

Housing Choice Voucher

(aka Tenant-Based Section 8)

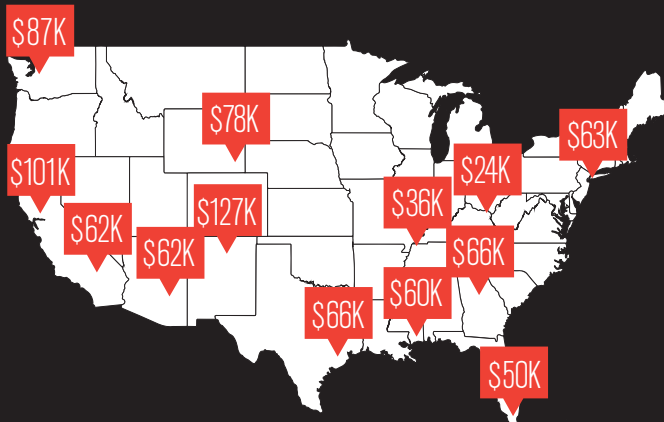
"Low income" and less

(0-80% MFI)

Low-Income Housing Tax Credits

"Low income" and less

(0-60% MFI)



MFI FOR FAMILY OF 4

Highest

Los Alamos County, NM \$126,500

Lowest

Wolfe County, KY \$23,900

Rural Areas

Casper, WY \$60,900

Clay County, KY \$30,700

Lee County, AR \$36,400

McDowell County, WV \$30,200

Nome, AK \$56,000

Big Cities

Atlanta \$66,300

Denver \$77,800

Houston \$66,200

Los Angeles \$61,900

Miami \$49,500

Nashville \$62,300

New Orleans \$60,300

New York City \$63,000

Philadelphia \$79,200

Phoenix \$62,200

San Francisco \$101,200

Seattle \$86,700

Washington, DC \$107,300

Because housing costs and incomes vary from place to place, the government divides the country into almost 1,000 different areas and calculates a separate MFI for each.

MFI is usually calculated for a family of four, but can be adjusted up or down for bigger or smaller families. This book always uses the MFI for a family of four.*

* See "Appendix A: Methodology" on p.136 for information on the data used in this guide. For information on how to adjust MFI for families of different sizes, see "Appendix B: Adjusting MFI" also on p. 136.



USA

\$64,700



Illinois

\$70,300



Cook County

\$66,200



Chicago

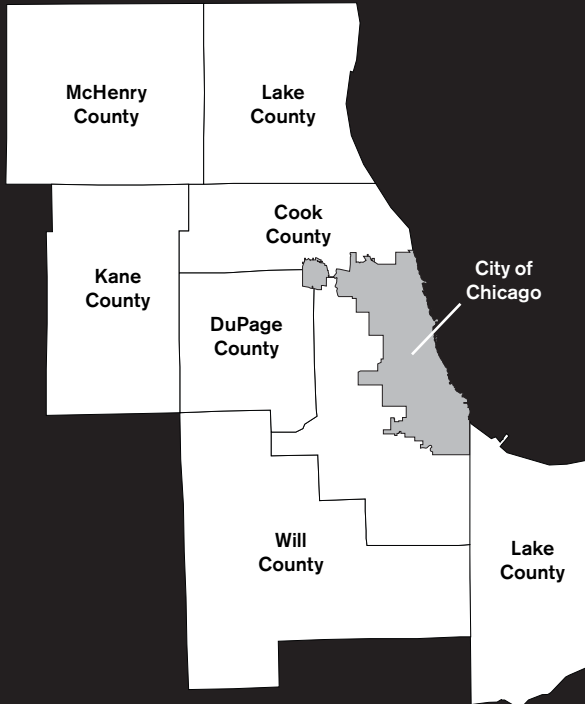
\$54,100

Here are the actual MFIs for the country, state, county, and city...

So what's the MFI for the Chicago metropolitan area?

In the Chicago metropolitan area, the MFI for a family of four is \$73,600! That's a lot higher than the MFI for Chicago alone—\$54,100.

The area used to calculate Chicago's MFI is a lot bigger than the city itself. It's made up of six counties, and includes cities like Naperville and Aurora.



Chicago Metropolitan Area

\$73,600!

The MFI for the Chicago metropolitan area is \$73,600.
Here are the income categories:

MEMO

EXTREMELY LOW INCOME

0% TO 30% OF MFI = \$0 TO \$22,100

VERY LOW INCOME

30% TO 50% OF MFI = \$22,100 TO \$36,800

LOW INCOME

50% TO 80% OF MFI = \$36,800 TO \$58,900

REMEMBER 100% OF MFI IS \$73,600

MODERATE INCOME

80% TO 120% OF MFI = \$58,900 TO \$88,320

MIDDLE INCOME

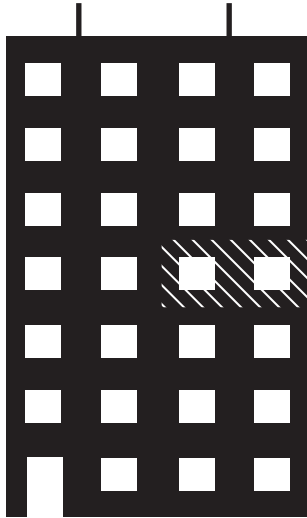
120% TO 250% OF MFI = \$88,320 TO \$184,000

HIGH INCOME

250% OF MFI AND UP = \$184,000 TO ?!?!?!?

Here are the income categories for Chicago. The term “affordable housing” could mean housing for people in all but the “high income” category. As you can see, this is a very wide range.

AFFORDABLE HOUSING



To whom?



When you hear the term “affordable housing,” it’s important to ask: “Affordable to whom?”

The term doesn’t mean much unless you find out.

Middle-income families?
Moderate-income families?
Low-income families?
Very low-income families?
Extremely low-income families?

Remember, each affordable housing program uses these categories to determine which families qualify and what the rents can be.

WHAT

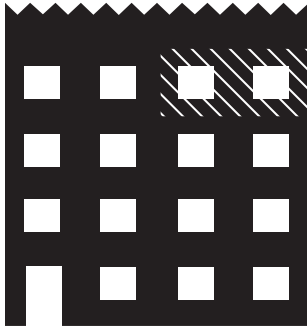
IS

AFFORDABLE

HOUSING?



You must pay \$1,400 per month



You must make \$58,900 or less per year

Imagine an apartment that rents for \$1,400. It's part of an affordable housing program for low-income families.

Now imagine three families with the incomes shown at left.

Two of these families qualify for this apartment.

Two of these families can afford this apartment.

But this apartment is only going to work for one of these families.

That's Affordable And We Qualify!

"Not affordable for us"



Extremely Low Income
\$22,100 is this family's annual income. That means they make about \$1,840 each month. This means that they can "afford" to spend \$550 per month on housing.

"We don't qualify"



Moderate Income
\$88,320 is this family's annual income. That means they make about \$7,360 each month. This means that they can "afford" to spend \$2,200 per month on housing.



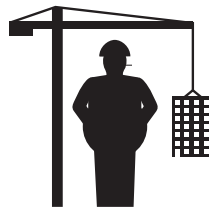
Low Income
\$58,900 is this family's annual income. That means they make about \$4,900 each month. This means that they can "afford" to spend \$1,470 per month on housing.

WHAT



Families

IS



Developers

AFFORDABLE

HOUSING?

Let's take a closer look at how these affordable housing programs work.

Some affordable housing programs give subsidies directly to families so that they can afford their housing.

Other affordable housing programs give subsidies to developers or landlords so that they'll provide housing that families can afford.



Government strategies to create affordable housing have changed a lot over the years.

Starting in the 1930s, the government built, owned, and maintained the housing itself. Much of this Public Housing still exists, but the government hasn't built any more of it since 1974.



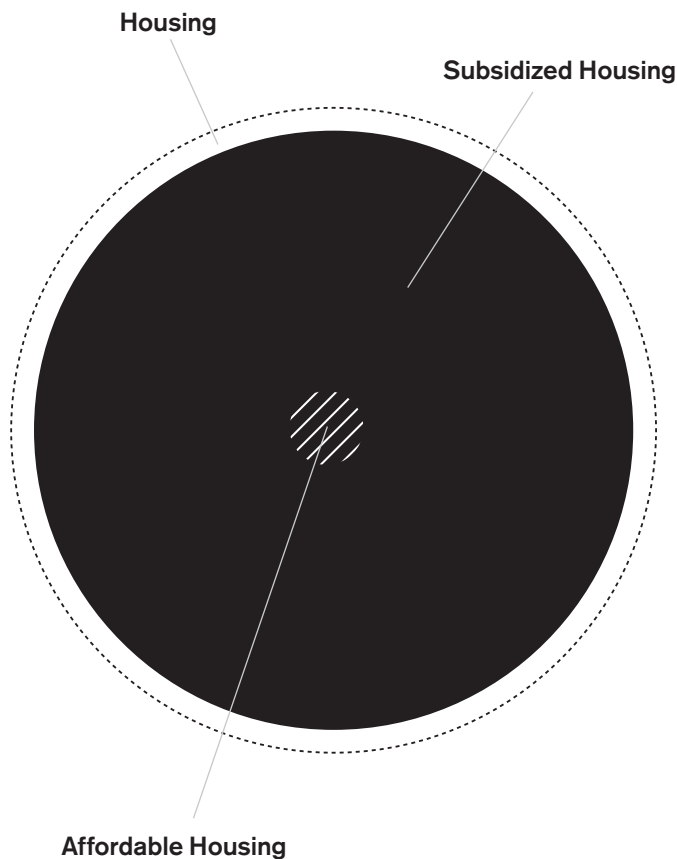
In the 1970s, the government started giving subsidies to families to find their own housing from private landlords. These are the "Section 8" vouchers you might have heard about.



Today, programs for tenants—like Public Housing and Section 8—are shrinking. Most newer affordable housing programs are directed to private investors and developers. The government uses tax incentives, low-interest loans, and other subsidies to encourage them to create affordable housing.



As you can see, government strategies have changed over time, largely in response to political pressure and budget cuts. Who knows what affordable housing policy will look like in the future?



In the next section of this book, you'll find explanations of some of the most common affordable housing programs.*

But look out—subsidized housing is not the same as affordable housing.

Almost all affordable housing is subsidized, but not all subsidized housing is affordable.

The government subsidizes housing for almost everybody, including very wealthy people.

*Programs included in this guide focus on rental programs for families at the lower end of the income spectrum. Many affordable housing developments combine subsidies from multiple programs. Not included are large “umbrella” programs that cover a range of community development needs—like Community Development Block Grants (CDBG), Tax Increment Financing (TIF), and others. There are also programs for seniors, people with substance abuse and mental health needs, and disabled renters, as well as programs that help low- and middle-income families buy homes or improve them, but those aren't covered here.

A Guide to Subsidized and Regulated Housing in Chicago

The Private Sector

The government used to build and run affordable housing all by itself. Newer generations of programs rely on partnerships between the government and the private sector. Let's take a look at some of the players:



Family: The occupants of the housing



Developer: The person who assembles the land, gets the financing, and hires the architects and contractors to build or rehabilitate a building



Landlord: The person who owns the building and collects rent from tenants as part of his or her income



Investor: The person who invests money in housing development in order to make a profit

The Government

Here are the three levels of government that play a role in affordable housing programs. (This guide only looks at programs in the City of Chicago, not the surrounding counties.):

USA

Federal: The Department of Housing and Urban Development, or HUD, is the source of much of the funding and many of the guidelines that structure the major affordable housing programs across the country.

The Internal Revenue Service, or IRS, collects taxes. It's involved because many affordable housing subsidies operate as tax breaks.

IL

State: The Illinois Housing Development Authority, or IHDA, is the agency that oversees the creation and administration of affordable housing in the state. IHDA distributes tax credits and arranges loans that make it cheaper for developers to build.

CHI

City: The Chicago Housing Authority, or CHA, is the local housing authority. It's the third largest housing authority in the United States! CHA isn't exactly a city agency, though—authorities are quasi-governmental organizations created for specific public purposes, like building bridges or, in this case, managing Public Housing.

The City of Chicago Department of Planning and Development, or DPD, is the agency that oversees the creation and administration of affordable housing in the city. It has a role in administering federal, state, and city affordable housing programs in Chicago. DPD also administers the city's zoning code, which plays a role in affordable housing development under new city programs.

The Chicago Low-Income Housing Trust Fund is a nonprofit organization that manages Chicago's Rental Subsidy Program for very low income renters. It also arranges loans that make it cheaper for developers to build housing for these renters. It's run by a board of directors appointed by the mayor and City Council.

Variables

These variables define and distinguish the housing programs in the next section:



Players: The diagram shows the players involved in the program.



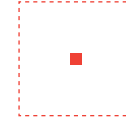
Income qualification: The shaded portion of the bar indicates the income categories that qualify.



Rent: Some programs set rent as a percentage of tenant income, and other programs allow the landlord to set rents within certain guidelines.



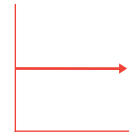
Waiting list: Many programs require applicants to go on waiting lists.



Units: The size of the solid shape is proportional to the number of units in the program. The dotted border represents 40,000 units.

\$100M

Cost: The number indicates cost, in millions or billions of dollars.



Status: The direction of the arrow indicates whether the program is adding or losing units.



Public Housing, Wentworth Gardens

Public Housing

In Public Housing, a municipal housing authority uses federal funding to build and operate affordable housing. The federal government owns the buildings and rents them at a very low cost to low-income families. The national program started with the Housing Act of 1937.



How does it work? The federal government (the Department of Housing and Urban Development, or HUD) gives money to the local housing authority (the Chicago Housing Authority, or CHA) to manage and maintain the buildings, collect rent, and help decide who lives there. In Chicago, Public Housing consists of mid-rise and low-rise buildings, units in mixed-income buildings, and developments for seniors.



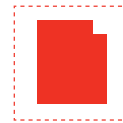
How does a family qualify? Families have to earn 80% or less of MFI. In Chicago, 80% of MFI is \$58,900 for a family of four. Able adults living in Public Housing must also participate in work, education, or training activities.



How much does a family pay? Up to 30% of their income, or up to a “flat rent,” based on market rents. Families might pay more or less, depending on how much they make.



How long is the wait list? There are 22,315 families and seniors currently on the wait list for Public Housing. In 2014, CHA opened up wait lists for Public Housing and housing voucher programs for the first time since 2010. About 282,000 households applied. Some of these applicants will be added to CHA waitlists in 2015.



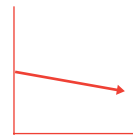
How many units? About 18,000 units are occupied, and around 2,890 are vacant and not being used. About 33,300 individuals live in Public Housing.

\$368M

How much does it cost? In 2013, CHA spent about \$368 million on Public Housing.



How long does it last? Public Housing units are PERMANENTLY affordable—at least until they get torn down.



Status: In 1974, President Nixon declared a federal freeze on Public Housing construction. In Chicago, CHA is in the process of rebuilding or rehabilitating 25,000 units of Public Housing as part of its Plan for Transformation (see next page). About 21,800 units were demolished in the process—many of these have not been rebuilt.



Cabrini-Green Public Housing, 1999

History of Chicago's Public Housing

When the Chicago Housing Authority (CHA) was founded in 1937, city officials pitched Public Housing as a way to clean up Chicago's "slums." During World War II, thousands of homes were constructed near industrial centers to house wartime workers. By the late 1950s, CHA was the biggest landlord in the city.

As ideas about architecture and city planning changed, Chicago's Public Housing changed, too. In the 1950s and 1960s, soaring towers replaced the compact low-rises of the past. High-rise buildings were seen as a modern, efficient solution to Chicago's need for housing. Most of this Public Housing was built in low-income communities of color.

As time went on, the city neglected Public Housing units and developments became increasingly segregated. In 1966, activist Dorothy Gatreaux and a group of residents successfully sued the CHA, pointing to residents' isolation as evidence of racial discrimination. A 1974 Supreme Court ruling found the U.S. Department of Housing and Urban Development (HUD) responsible for CHA's practices and ordered HUD to fix Chicago's Public Housing problem. Under HUD's direction, CHA stopped building high-rises and started giving more residents vouchers to pay for housing in the private market. To use these vouchers, many people had to move to the suburbs, leaving behind the neighborhoods they called home.

Meanwhile, the condition of Chicago's Public Housing continued to get worse. In 2000, CHA introduced the Plan for Transformation, a plan to renovate or rebuild

25,000 units of Public Housing by 2010. One of the most visible (and now invisible) effects of the plan was the large-scale demolition of high-rise Public Housing. Between 1995 and 2014, CHA demolished about 21,800 units of housing. Today, CHA is promoting mixed-income housing (privately developed buildings with a mix of market-rate and subsidized units), subsidy contracts for privately owned units, and vouchers for renters to use on the private market. Many community members and advocates are disappointed with delays in replacing units lost to demolition. As of 2014, CHA had renovated or rebuilt about 22,000 units of housing. About 19,300 of these units are Public Housing, and about 2,700 are Property Rental Assistance/Project-Based Voucher units (see next page). Only 18,000 of these units are occupied.



Housing Choice Voucher/ Tenant-Based Section 8, Woodlawn

Housing Choice Voucher/ Tenant-Based Section 8

The Housing Choice Voucher (HCV) program, also called Tenant-Based Section 8, provides vouchers for low-income families to help them pay rent in the private housing market.



How does it work? The federal government (HUD) gives money to CHA, which gives vouchers to individual families. Families give the vouchers to landlords to cover a portion of their rent. Landlords redeem the vouchers for cash.



How does a family qualify? Families have to earn 80% or less of MFI. In Chicago, 80% of MFI is \$58,900 for a family of four. A family also has to find an apartment that rents for the right amount and a landlord who is willing to take the voucher.



How much does a family pay? Most families pay 30% of their income on housing and the voucher covers the rest. The government sets a limit on how expensive an HCV recipient's apartment can be. This figure is called "Fair Market Rent." In Chicago, vouchers can be used to rent apartments with rents up to 300% of the Fair Market Rent if the apartment is in what the CHA calls an "opportunity area" (an area with less than 20% poverty and a low concentration of subsidized

housing). The amount owed for rent is reduced if the family is paying for gas and electricity.



How long is the wait list? About 33,000 families were on the wait list in 2013. In 2014, CHA opened up wait lists for Public Housing and housing voucher programs for the first time since 2010. About 282,000 households applied. Some of these applicants will be added to CHA wait lists in 2015.



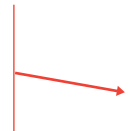
\$446M

How many units? The program subsidized about 36,600 units in 2013.

How much does it cost? In 2013, CHA spent about \$446 million on Housing Choice Vouchers and Property Rental Assistance (see next page) combined.

UNTIL 30%
OF INCOME

How long does it last? Once a family qualifies for HCV, they can stay in the program until 30% of their income can pay for the entire rent (and no voucher is needed to make up the difference).



Status: Federal support for Section 8 is shrinking.



Property Rental Assistance/ Tenant-Based Section 8, Lakeview

Property Rental Assistance Program (PRA)/ Project-Based Section 8

In this program, CHA contracts with private landlords who agree to set aside some of their units for qualifying families. PRA program vouchers apply to particular buildings, so unlike the Housing Choice Voucher program, participating families can't take a project-based voucher and move somewhere else.



How does it work? The federal government (HUD) gives money to CHA, which gives vouchers to private landlords who apply for the program. These landlords dedicate a portion of the units in a building to PRA program participants.



How does a family qualify? Families have to earn 80% or less of MFI. In Chicago, 80% of MFI is \$58,900 for a family of four.

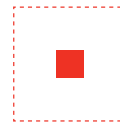


How much does a family pay? Most families pay 30% of their income on housing and the voucher covers the rest. The amount owed for rent is reduced if the family is paying for gas and electricity.



How long is the wait list? For PRA, CHA refers tenants to property owners with vacant units. The list is made up of families on the Housing Choice Voucher wait list who indicate that they would like

to be considered for these vouchers if they become available. As of 2013, there were about 33,000 families on the Housing Choice Voucher wait list. In 2014, CHA opened up wait lists for Public Housing and housing voucher programs for the first time since 2010. About 282,000 households applied. Some of these applicants will be added to CHA wait lists in 2015.



How many units? The program subsidized about 2,350 units in 2013.

\$446M

How much does it cost? In 2013, CHA spent about \$446 million on Property Rental Assistance and Housing Choice Vouchers combined.

1-30 YEARS

How long does it last? A typical contract between the CHA and a landlord lasts from one to 30 years. After a family has been living in a Project-Based voucher unit for two years, they can request a Housing Choice Voucher.



Status: This program doesn't build units; it just makes existing units more affordable. CHA expects the number of units in the program to grow—it's one of the strategies they're using to replace units lost to demolition (see "History of Public Housing" on p. 50).



Chicago Low-Income Housing Trust Fund Rental Subsidy Program,
Grand Crossing

Chicago Low-Income Housing Trust Fund Rental Subsidy Program (RSP)

In this rental subsidy program, the Chicago Low-Income Housing Trust contracts with landlords who agree to set aside some of their units for qualifying families. The Housing Trust is an independent nonprofit, run by city-appointed executives. It started in 1989.



How does it work? RSP gives subsidies to landlords who reserve some of their units for “extremely low income” tenants. Funding for RSP comes from state funds and fees paid by developers into the Chicago Affordable Housing Opportunity Fund. About 40% of units are targeted to tenants that fall into certain categories, including veterans, the homeless, female-headed households, and seniors.



How does a family qualify? Families have to earn 30% or less of MFI. In Chicago, 30% of MFI is \$22,080 for a family of four. At least half of the subsidized units must be reserved for tenants earning 15% or less of MFI.



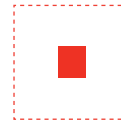
How much does a family pay? Most families pay about to 30% of their income and the subsidy covers the rest.



How long is the wait list? Households apply directly to approved buildings. Some landlords keep wait lists for individual buildings.

1+ YEARS

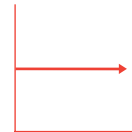
How long does it last? Agreements between the Housing Trust and landlords last one year and can be renewed.



How many units? About 2,800 units were subsidized in 2013.

\$15M

How much does it cost? In 2013, the Housing Trust Fund spent about \$15 million on RSP.



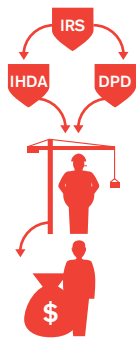
Status: This program doesn’t build units; it just makes existing ones more affordable. The Chicago Low-Income Housing Trust expects the number of units in the program to remain the same.



Low-Income Housing Tax Credits, East Garfield Park

Low-Income Housing Tax Credits (LIHTC)

LIHTC is a federal tax credit for developers who agree to set aside parts of their developments for lower income families. It's the biggest affordable housing program in the country. The program started in 1986.



How does it work? The federal government gives tax credits to state and local allocating agencies. Private developers building, acquiring, or rehabilitating affordable housing then apply for the credits in a competitive process. Since many affordable housing developers are nonprofits with limited use for tax credits, recipients of LIHTC can syndicate, or sell, the credits to private investors.

How does a developer qualify? Developers have to make 20% of the units in a new or substantially rehabilitated development affordable to families earning 50% or less of MFI. Or they can make 40% of the units affordable to families earning 60% or less of MFI.



MFI



How much does a family pay? Rents have to be affordable to families in the targeted income categories. Let's look at an example: a family of four at 50% of MFI makes \$36,800. 30% of that would be \$920 per month. That would be the maximum for an apartment for a family of



four. The maximum rent could be adjusted (up to \$1,100 per month) if the targeted families were earning up to 60% of MFI.

How long is the wait list? Households apply directly with building landlords.



How many units?

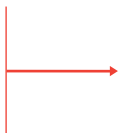
LIHTC has created about 30,900 units in Chicago.

\$6M

How much does it cost? In 2013, Chicago received about \$6 million in federal tax credits.

30 YEARS

How long does it last? The units are required to remain affordable for 30 years.



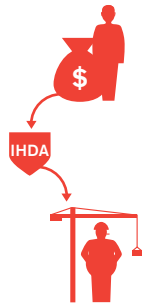
Status: In Chicago, demand for the credits from developers is high. At the same time, a large number of units leave the LIHTC program each year because of expiring contracts. When that happens, affordable units convert to market-rate rents.



Illinois Affordable Housing Tax Credit, Logan Square

Illinois Affordable Housing Tax Credit (IAHTC)

These are state tax credits for people who give money, land, or a building for free or a reduced price to a nonprofit working on the construction or rehabilitation of affordable housing. They are also known as Donation Tax Credits. The Illinois Housing Development Authority (IHDA) runs this program.



How does it work? For every dollar someone gives to an affordable housing project, they can knock \$0.50 off the taxes they owe the State of Illinois. The donation has to be at least \$10,000, and it can be for a variety of things: construction subsidies, reduced interest mortgages, home-ownership counseling, and more. This encourages private investors to help fund affordable housing.



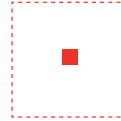
How does a developer qualify? For a development to be eligible, 25% of the units have to be affordable to renters earning 60% of MFI or less.



How much does a family pay? Rents have to be affordable to families in the target income category. For example, a family of four at 60% of MFI makes \$44,160—that's a maximum monthly rent of \$1,100.



How long is the wait list? Households apply directly with building landlords.



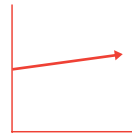
How many units? 712 units were created with IAHTC donations in 2013.

\$9.7M

How much does it cost? The program generated about \$9.7 million in donations in 2013.

10+YEARS

How long does it last? Units must remain affordable for a minimum of 10 years.



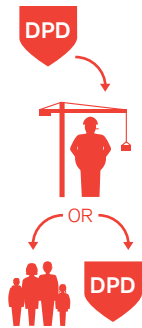
Status: The amount of donations to the program has grown in recent years.



Affordable Requirements Ordinance, Ravenswood

Affordable Requirements Ordinance (ARO)

This city-run program requires developers of certain new buildings to include affordable units in their development or contribute money to an affordable housing fund. The program is managed by the City of Chicago's Department of Planning and Development. It started in 2003.



How does it work? New developments with 10 or more units that fall under the ARO must either set aside some housing as affordable, or pay money into a fund. Developments are subject to this law if they receive any city money, occupy city-owned land, receive certain zoning changes, or are located in a downtown “Planned Development” zoning district. Developers who opt out of building affordable units must pay a fee into the city's Affordable Housing Opportunity Fund. The fee ranges from \$50,000 for developments in low-income areas to \$175,000 for downtown developments. This money supports the construction of new affordable housing and the Housing Trust Fund's Rental Subsidy Program.



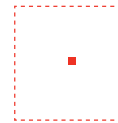
How does a developer qualify? 10% of the units have to be affordable to families at 60% or below of MFI. Projects receiving money from the city must make 20% of the units affordable to people making 60% or less of MFI.



How much does a family pay? Rents have to be affordable to families in the targeted income category. For example, a family of four at 60% of MFI makes \$44,160—that's a maximum monthly rent of \$1,100.

How long is the wait list? Households apply directly with building landlords.

How many units? The program has created 227 units and generated about \$36 million in fees since it started.



How much does it cost? In this program, the city doesn't give developers money; it requires them to set aside affordable housing units in new buildings or pay money into the Affordable Housing Opportunity Fund. That's part of the program's rationale—it's not money out of the city budget.

\$0.-

30 YEARS

How long does it last? Units have to remain affordable for 30 years.



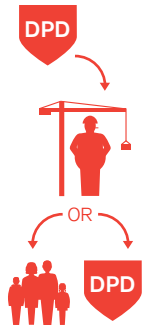
Status: In the past, few developers have opted to build affordable housing—most chose to pay fees instead. In 2015, the city increased the amount of fees developers must pay if they opt out of building affordable units. Housing advocates hope this will encourage more affordable housing development.



Downtown Affordable Housing Zoning Bonus, West Loop

Downtown Affordable Housing Zoning Bonus

This program lets developers build bigger buildings if they reserve some units as affordable housing or pay fees into an affordable housing fund. The program is run by the City of Chicago's Department of Planning and Development. It started in 2004.



How does it work? The Zoning Bonus applies to developments in certain high-density downtown zoning districts. Developers can choose to build onsite affordable housing or pay money into the Affordable Housing Opportunity Fund. For onsite housing, developers get bonus floor area space for every square foot of space they devote to affordable housing.



How does a developer qualify? Units must be affordable to families making 60% or less of MFI.



How much does a family pay? Rents have to be affordable to families in the targeted income category. For example, a family of four at 60% of MFI makes \$44,160—that's a maximum monthly rent of \$1,100.



How long is the wait list? Households apply directly with building landlords.



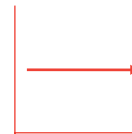
How many units? Only 5 units have been built under the Zoning Bonus program. The program has generated about \$38 million from developer fees since it started.

\$0.-

How much does it cost? In this program, the city doesn't give developers money; it allows them to build bigger buildings if they agree to create affordable units or pay money into the Affordable Housing Opportunity Fund. That's part of the program's rationale—it's not money out of the city budget.

30 YEARS

How long does it last? Units have to remain affordable for 30 years.



Status: This program is active, but few developers have opted to create affordable units—most opt to pay the fees instead. Some critics argue that fees are too low to create affordable units and are advocating for fees to be increased.



Multi-Unit Affordability through Upfront Investment Program (MAUI), Washington Park

Multi-Unit Affordability through Upfront Investment (MAUI) Program

This program provides financing to developers in exchange for long-term affordability for “very low income” households. MAUI is run by the Chicago Low-Income Housing Trust Fund. The program started in 1993.



How does it work? MAUI provides interest-free, forgivable loans to developers. Developers use these savings to subsidize the rents of low-income tenants.



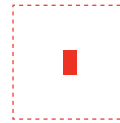
How does a developer qualify? Units must be affordable to families making 30% or less of MFI.



How much does a family pay? Rents have to be affordable to families in the targeted income categories. Let's look at an example: a family of four at 30% of MFI makes \$22,100. 30% of that would be \$550 per month. That would be the maximum for an apartment for a family of four.



How long is the wait list? Households apply directly with building landlords.



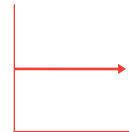
How many units? 1,084 units have been created with MAUI.

\$5.2M

How much does it cost? In 2013 the Low-Income Housing Trust Fund spent \$5.2 million on this program. Loans are funded by fees paid by developers into the Affordable Housing Opportunity Fund, in addition to state funding.

15+YEARS

How long does it last? Units are required to remain affordable for a minimum of 15 years and a maximum of 30 years.



Status: Projects are approved based on funding availability, and the program is not expected to change. In recent years, annual funding for MAUI has ranged from about \$700,000 to \$4 million.



"Naturally Occuring" Affordable Housing, Logan Square

“Naturally Occurring” Affordable Housing

These are rental units in Chicago’s private housing market that are affordable to low- and middle-income Chicagoans without subsidies or special tax credits. While about 51% of Chicago renters pay 30% or more of their monthly income on housing, there are some affordable units available on the private market.



How does it work? Tenants find units available on the private housing market that cost less than 30% of their income.

How does a family qualify? It’s not a program, so families just find apartments on the market and apply to the landlord. Landlords may create their own requirements for things like tenant income, credit score, and rental history.



How much does a family pay? To be considered “affordable,” the rent can’t cost more than 30% of a family’s income.

How many units?

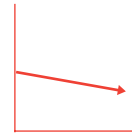
Research from 2012 shows there are about 347,000 units of affordable housing available in Chicago’s private rental market—but this number includes subsidized units, too. At least another 176,000 affordable units would be needed to meet demand!



\$0.-

How much does it cost? It doesn’t! These units are affordable without subsidies or special tax credits.

IT DEPENDS!



How long does it last? As long as landlords keep rents at levels that are affordable to renters in a given income category.

Status: It depends on where you live. Some neighborhoods are likely to remain affordable for many years. In neighborhoods where the demand for housing is increasing, low- and middle-income renters will find themselves priced out.



Mortgage Interest Deduction, Albany Park

Mortgage Interest Deduction

This provision in the federal tax code lets homeowners deduct the amount they spend on mortgage interest from their taxable income. The Mortgage Interest Deduction isn't targeted at any income level, but it's the biggest housing subsidy program in the country.



How does it work? The federal government lets homeowners subtract the amount they pay in mortgage interest from their taxable income. That means if a homeowner earned \$100,000 and paid \$10,000 in interest on a mortgage, they would only have to pay taxes on \$90,000 in income.

HAVE A
MORTGAGE

How does a family qualify? They have to own their home, pay mortgage interest, and itemize their deductions. No particular income group is targeted, but you have to have enough income to buy a home, so it tends to exclude people at the lowest income levels. Renters don't qualify! A family can only deduct the interest on up to \$1 million of mortgage debt.



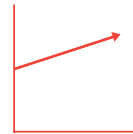
How many units? About 49 million mortgage holders across the country qualify. There are about 1.6 million mortgage holders in the Chicago metropolitan area.

\$100B

How much does it cost? About \$100 billion per year, nationwide. It's the biggest housing subsidy program in the country—by a lot!

IT DEPENDS!

How long does it last? The program continues until a homeowner no longer owes on the mortgage.



Status: The Mortgage Interest Deduction continues to exist, and it's extremely popular politically. It is unclear whether it actually works to spur affordable homeownership.

Using the Affordable Housing Toolkit



This guidebook was created as part of CUP's Affordable Housing Toolkit. This section will tell you how to use the toolkit to run your own workshops.

Public participation works best when everyone understands the basic laws, policies, and jargon they will hear at a public meeting.

The Affordable Housing Toolkit can help you facilitate conversations about housing policies and how they affect your neighborhood. The activities are designed to help people easily understand some of the core ideas behind affordable housing. Once the group you're working with understands the basics, you might want to plug these tools into a broader discussion about how you think things should work or what you think should happen in your neighborhood. The tools themselves don't make arguments for or against different affordable housing programs or strategies, but they can help you make yours.

The chart is flexible! You can use it to facilitate discussions about:

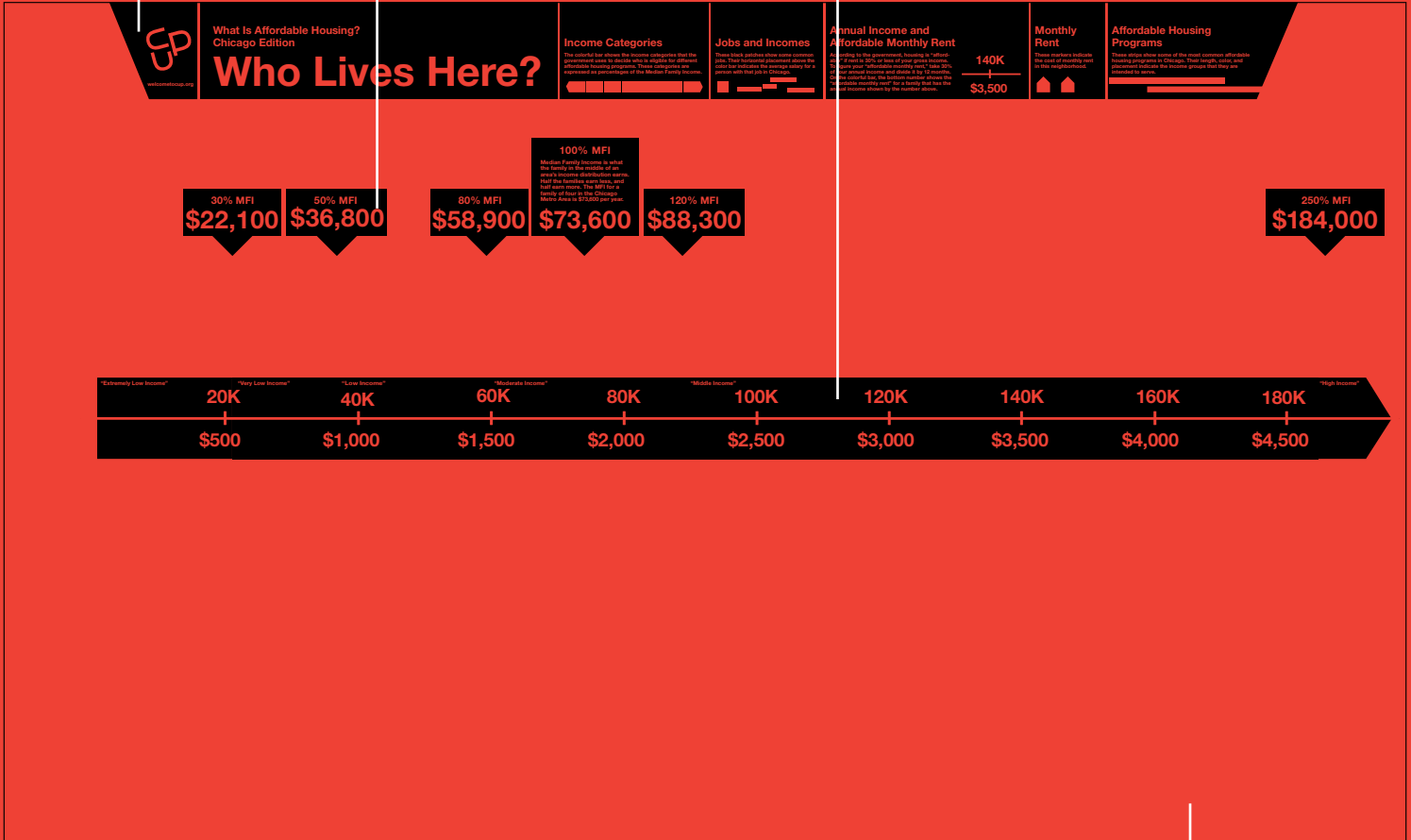
- Rising rents and displacement
- The direction of affordable housing policy
- The merits of a proposed development
- Your own campaign!

This guide is arranged so that things you might say out loud have speech balloons next to them. The rest of the text provides information you'll need to be familiar with to lead the workshop. (You don't have to memorize it; just use this guide to help you.)

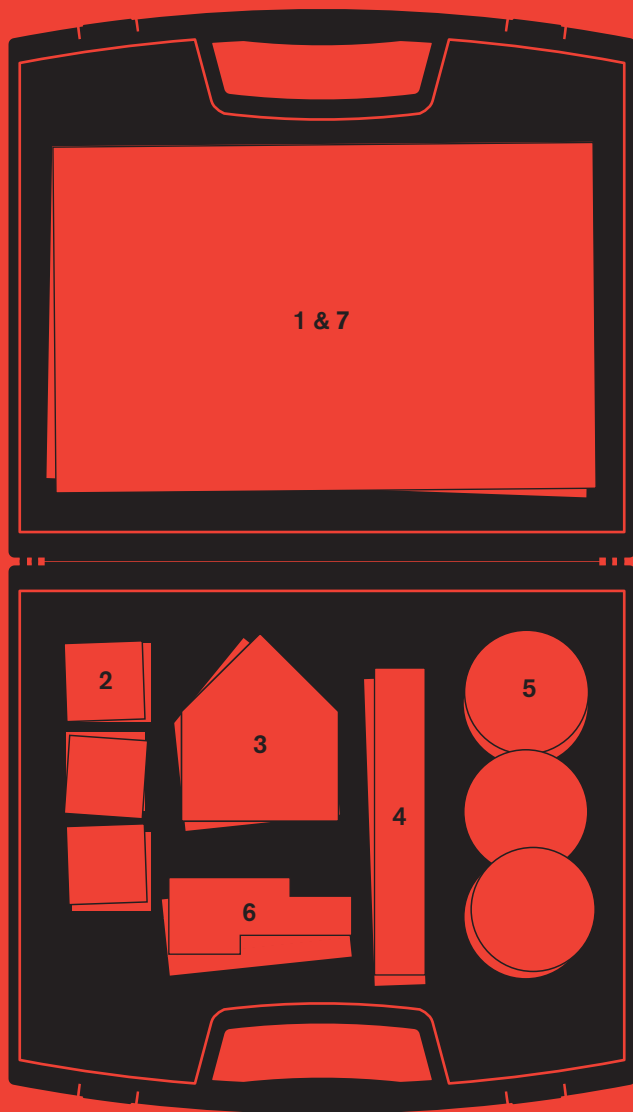
info bar

black tabs

colorful income bar



felt chart



What's in the box?

- 1. Felt chart:** The chart is designed to help you facilitate conversations about affordable housing. It shows the basics covered in this book and also lets you see how these concepts apply to an individual neighborhood.
- 2. Colorful squares:** The toolkit has sets of felt squares in six different colors—yellow, red, brown, blue, green, and pink. These squares will let you show how many families of different income levels live in the neighborhood you are looking at.
- 3. Blue rent markers:** There are three blue, house-shaped rent markers—one each for 1-, 2-, and 3-bedroom apartments. They help you show what average rents for apartments are in the neighborhood you are looking at.
- 4. Affordable Housing program strips:** The toolkit has strips with the names of affordable housing programs on them—Public Housing, Housing Choice Voucher (HCV)/Section 8, Property Rental Assistance (PRA)/Project-Based Section 8, Chicago Low-Income Housing Trust Fund Rent Subsidy Program (RSP), Low Income Housing Tax Credit (LIHTC), Illinois Affordable Housing Tax Credit, Affordable Requirements Ordinance (ARO), Downtown Affordable Housing Zoning Bonus, and Multi-Unit Affordability through Upfront Investment (MAUI) Program. Another set of strips shows how many units are in each program. They help show which income levels the different affordable housing programs apply to and how large that program is.

5. Colorful dots: There's a matching set of seven felt dots for each set of colorful squares. Use them to show how a proposed development might impact the neighborhood you are looking at.

6. Occupation patches: The toolkit includes several occupation patches to show what kinds of occupations fall into different income categories.

7. Neighborhood income chart: This chart shows you how many families in each of the income levels live in each neighborhood in the city. Use it to look up how many felt squares you need for the neighborhood you are looking at.

Getting started

The workshop will take about an hour depending on which activities you do. Leave some extra time at the end to answer questions or talk about strategies for affordable housing in your neighborhood. Once people understand the concepts they are usually eager to talk about next steps.

What does “affordable housing” mean?

In this section participants will learn about the government definition of affordable housing.

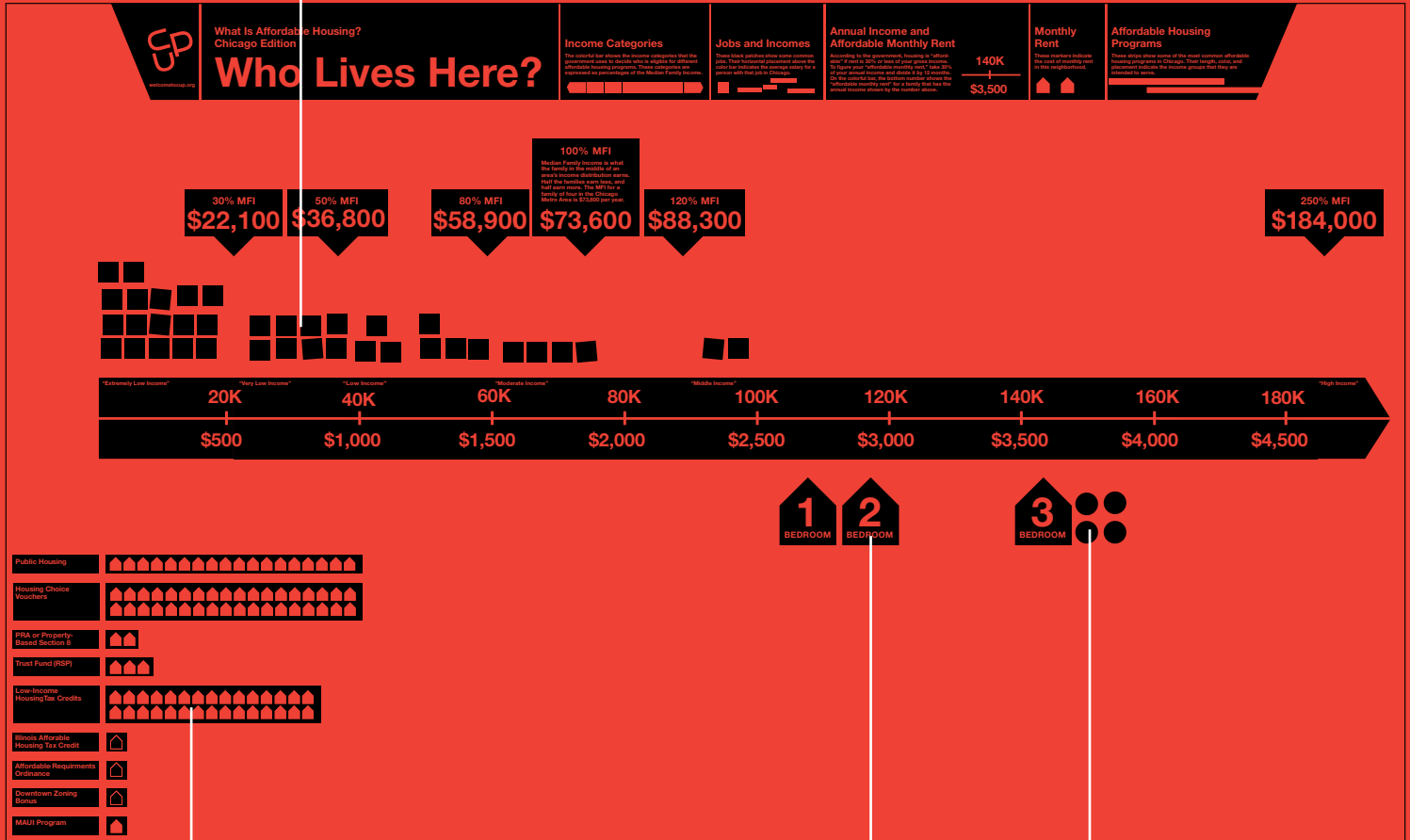
🗣️ *Affordable housing is confusing because we all mean different things when we say “affordable.” I know what I think is affordable, but that might be different from what you think.*

But there's actually a technical definition of “affordable housing,” and that impacts what kind of housing gets built and who gets to live there.

There are two parts to the definition. I bet you already know one of them. Sometimes you hear people talk about how much of your income you're supposed to spend on rent. Does anyone know?

30% — People are usually familiar with this number, and it lets them feel like they have some mastery before things get confusing. If 30% or less of your income before taxes goes to housing, and 70% or more goes to everything else, then your housing is “affordable.”

colorful squares



Affordable Housing program strips

1 BEDROOM 2 BEDROOM

3 BEDROOM

blue rent markers

colorful dots

Let's look at the big colorful bar in the middle of the chart. The numbers on top are annual income. The numbers below show what the affordable monthly rent for a family at that income would be.

So if you make \$20,000 a year, your housing is affordable if it costs \$500 or less per month. But if you make \$120,000, you get to spend up to \$3,000 each month.

The second part of the definition is a little more complicated. Housing costs are different in different parts of the country, so the federal government comes up with numbers for different areas of the country.

They use something called Median Family Income (or MFI). Sometimes it's also called Area Median Income (or AMI). Does anyone know that term?

The U.S. Department of Housing and Urban Development, or HUD, comes up with this number. If you take all the families in Chicago and line them up from the lowest income family at one end, to the highest income family at the other end, the "median family income" would be how much the family right in the middle makes. So "median" just means that half the families make more money, and half make less money.

When you see Median Family Income it's usually shown for a family of four. So what do you think the median family income for a family of four is in Chicago?

\$73,600 in 2013.

Does that seem high or low to you?

Show the map on page p. 24.

This is what the area the government uses for "Chicago" actually looks like. It's not just the city, but includes 6 different counties that are part of the larger metropolitan area of Chicago.

The Median Family Income for a family of four in just the Chicago city limits is only \$54,100.

This Median Family Income number is important because when we talk about affordable housing it's always in relation to this number. You will hear people say "this housing is affordable for families earning 30-50% of MFI," for example. The government uses percentages of median family income to divide the population up into different income categories. Those categories define who can afford the affordable housing. You can see these categories on the chart. This yellow area is 30% and below, this red area is 30-50%, etc. These are the categories that HUD uses. Remember, these are the incomes for families of four.

Note that each income category also has a title, like "extremely low income," "very low income," and "low income," which are all terms that HUD uses, but you won't hear as often locally. You may or may not want to cover this.

When we talk about affordable housing, we always need to ask, "affordable to whom?"

Caseworker

Middle School Teacher

Construction Worker

Registered Nurse

Police Officer

Plumber

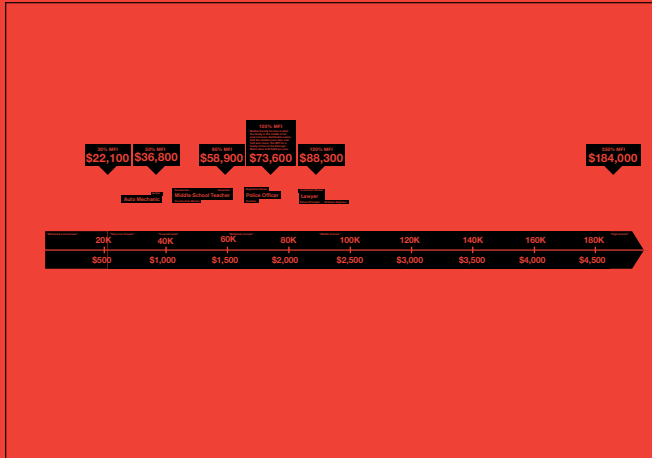
Let's talk about jobs!

This section will let the audience see what occupations are associated with different income levels.

It's not necessary to do this part of the workshop, but it can be helpful in places where stigma around who needs affordable housing is an issue.

Hand out the occupation patches to audience members. Ask them to place the patches on the chart above the color bar in the locations that represent the incomes those occupations might make. Point out that the top line of the colorful bar is income amounts. You can ask the audience to guess where the occupation patches go, or check these stats from the Department of Labor that show average wages for people in Chicago:

Auto Mechanic	\$43,270
Carpenter	\$59,810
Construction Worker	\$52,230
Family on Public Assistance	\$16,800
Home Health Aide	\$23,340
Investment Banker	\$109,270
Janitor	\$27,290
Lawyer	\$136,930
Middle School Teacher	\$60,930
Police Officer	\$74,190
Plumber	\$71,160
Real Estate Developer	\$555,600
Registered Nurse	\$71,670
School Principal	\$104,910
Security Guard	\$27,090
Social Worker	\$54,950

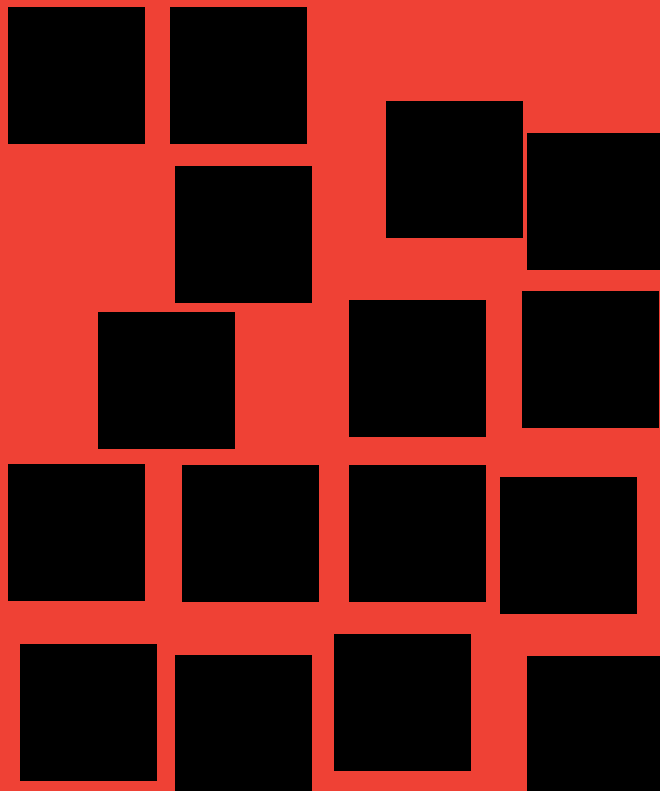


🗣️ *Are those incomes what you expected for those occupations?*

Participants usually express surprise that people with solid jobs—teachers, carpenters, mechanics, taxi drivers—can end up in the lower income categories.

If you are using the chart to have a conversation about a planned affordable housing development, this fact might change people's assumptions about who's moving in.

Remember, though, that the income categories on the chart are for families of four—for this exercise, assume that the workers are the sole breadwinners in families of four.



Who lives in this neighborhood?

In this section participants will find out who lives in each of the income categories in a specific neighborhood.

You will use the colorful squares for this activity. The color of the square corresponds to the color of the income category on the colorful bar.

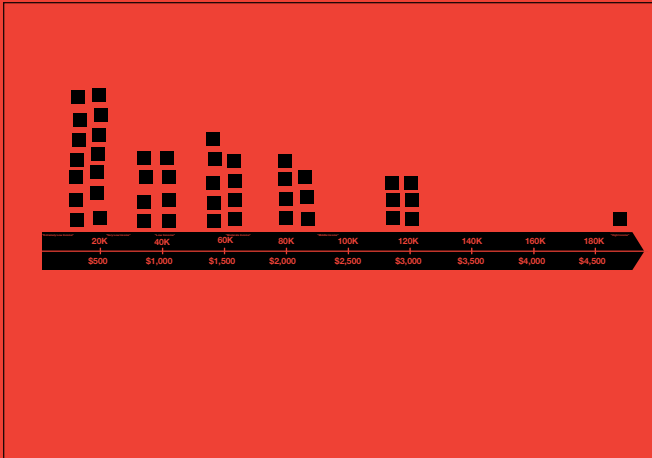
You also have a Neighborhood Income Chart that shows how many families there are in each income category in each neighborhood in Chicago and for the city as a whole.

Once you or the participants choose a neighborhood to look at, ask for a volunteer to place the colorful squares on the chart to represent the number of families for each income category (6 total). You can read them the number they need to put up off of your chart.

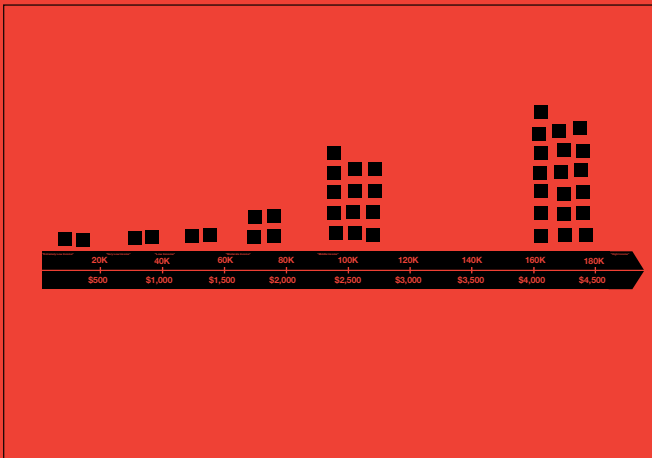
Once you're done putting the colorful squares in each category, you'll have a graph of the income demographics of the neighborhood you picked.

🗨️ *Does this look right? Is this how you think of your neighborhood?*

In many neighborhoods in Chicago, there's a big cluster of families toward the lower end of the income scale. There will usually be many more "extremely low income" families than "high income" families, and many more "very low income" families than "middle income" families.



Auburn Gresham



Lincoln Park

Before you ask any questions, you can let people absorb the information and then react to the chart.

🗣️ *Is it surprising?*

We talked about the median family income for the Chicago area being \$73,600. What do you think the median family income is for this neighborhood?

You can look this up on your Neighborhood Income Chart.

🗣️ *Affordable housing programs are based on the metropolitan area Median Family Income number, not the local neighborhood Median Family Income. So what is "affordable" in Chicago could still be pretty unaffordable in a specific neighborhood.*

Remember—these categories are just definitions that come from the government. People often want to argue that the income limits are unrealistic, or too high, or too low. That's fair game, and it can be a good discussion to have, along with how you might advocate to change it. It can also be a good time to talk about why it's important to advocate for policies for specific income levels.



How much rent do people pay in this neighborhood?

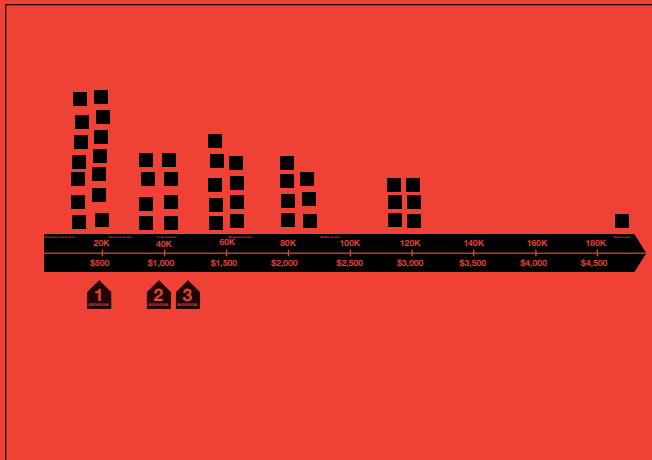
In this section participants will discuss how much it costs to actually rent an apartment.

You have three blue, house-shaped rent markers—one each to represent a 1-, 2-, and 3-bedroom apartment. You can use these to represent the typical cost of a 1-, 2-, and 3-bedroom apartment in the neighborhood you're looking at.

Q *What is the rent in this neighborhood for a 1-bedroom apartment?*

Let people answer. You can look these up on Craigslist or other real estate sites ahead of time, in case nobody knows. But usually people in the audience will have a good idea. Let them argue with each other. When they settle on an answer, put the patch under the color bar at the right spot. The top of the house should point at the rent they chose. Do the same thing for the 2- and 3-bedroom patches.

For example, if the participants say a 2-bedroom goes for \$2,000, the top of the house should point to \$2,000. If you look at the top half of the color bar, you can see that a family of four would have to earn \$80,000 to “afford” a 2-bedroom apartment in the neighborhood. If you look at the color on the color bar, you can see that this family would earn between 80% and 120% of Median Family Income.



Auburn Gresham



Lincoln Park

In many neighborhoods in Chicago, typical rents are much higher than the average neighborhood resident can “afford” to pay.

🗨️ *A family of four would want at least a 2-bedroom apartment. So basically what this means is that all the people to the left of this (point to the 2-bedroom rent marker) can’t afford to live here. But we know that they do live here. So what’s going on? How are these people able to live here?*

– Many people pay a LOT more than 30% of their income in rent. More than 50% of Chicagoans spend 30% or more of their monthly income on rent.

– The rent patches represent what it would cost to move in today. Residents who’ve lived in the neighborhood for a long time may have lower rents that have gone up slowly over time.

– Some people talk about renters crowding into apartments. That definitely happens, but these numbers don’t reflect that. It’s still worth discussing.

– Some people live in illegal or substandard apartments that charge below market rate because they are not up to code.

– People might mention various affordable housing programs. This is a good segue into the next piece of the workshop (but make sure you go over the other items in this list before you move on).

What are affordable housing programs?

This section will help participants understand how different housing affordability programs address different income ranges.

You have several long patches with the names of affordable housing programs written on them—one each for:

- Public Housing
- Housing Choice Voucher Program
- Property Rental Assistance
- Chicago Low-Income Housing Trust Fund Rent Subsidy Program
- Low Income Housing Tax Credit
- Illinois Affordable Housing Tax Credit
- Affordable Requirements Ordinance
- Downtown Affordable Housing Zoning Bonus
- Multi-Unit Affordability through Upfront Investment (MAUI) Program.

You can use these to introduce these basic affordable housing programs. The colors on each program strip match the income categories that program serves. There are also matching strips for each program that show how many units there are in the program. Each house symbol on these strips equals 1,000 units. Empty or outlined houses represent programs with fewer than 1,000 units.

For each program you want to talk about, find the corresponding page in the first section of this book and read it ahead of time so you have a good idea of how the





Auburn Gresham

program works, or you can refer to that section during the workshop. From the information on the program page, make a note of each of these facts about the program:

- How does this program work?
- Who runs it?
- Who pays for it?
- Who is the program targeted to?
- How many units are in the program?
- How long does the affordability last?
- Is the program growing, declining, or staying the same in size?
- Are there any other interesting facts you want to cover with the participants? Think about what else could be relevant to any local developments you might want them to be aware of.

Once you feel like you can answer these questions, you can walk the participants through a discussion of the programs.

Here's an example of how it would work for Public Housing:

🗣️ *Who knows what Public Housing is? How does it work?*

It's good to get the participants' general impressions of Public Housing, but the main answer you are looking for is that Public Housing are homes the government has paid to build, and then rents to tenants. Tenants pay 30% of their income in rent.

🗣️ *Do you know who runs it?*

Chicago Housing Authority (CHA) runs the program.

🗨️ *And who pays for Public Housing?*

The federal government (U.S. Department of Housing and Urban Development) gave money to CHA to build the units, and now gives them money to manage and maintain the buildings, and help decide who lives there.

At this point, put the Public Housing strips up on the chart.

🗨️ *What income range is the program targeted to?*

If you point to the colorful income bar, the participants should be able to figure out what income ranges this program applies to. For Public Housing, it is 80% or less of Median Family Income.

🗨️ *How many people do you think live in Public Housing?*

About 33,300 people live in Public Housing in Chicago.

🗨️ *How long does Public Housing stay affordable?*

Public Housing is one of the few affordability programs that builds homes that will always be affordable, until the units get torn down.

🗨️ *Is the government still building Public Housing? Is the program growing?*

No. The government hasn't added new Public Housing since 1974. In Chicago, CHA introduced the Plan for Transformation in 2000, which aimed to renovate or rebuild 25,000 units of Public Housing. About 18,700

units were torn down between 2000 and 2010, but not all of these units have been replaced. Today, CHA is promoting the development of privately owned, subsidized housing and housing vouchers in place of dedicated Public Housing.

Have a conversation like this for each program you would like to cover with the participants. Most people have heard of Public Housing or Housing Choice Vouchers/Section 8. That's because these are programs for tenants. Participants might benefit from these programs or know people who do.

Most tenant-based programs are on their way out. No new Public Housing is being built, for instance, and federal funding for Housing Choice Vouchers/Section 8 shrinks every year. Programs like Public Housing and Section 8 are the only ones that help families making 0% to 50% of Median Family Income in very large numbers.

Other programs subsidize developers who agree to include affordable housing in their residential developments. These are programs like Low-Income Housing Tax Credits and the Affordable Requirements Ordinance. These days, the government prefers programs that provide incentives to private developers.



What does a new development look like in this neighborhood?

In this section participants see how many homes a proposed development might add in each income category, and how that relates to the existing residents.

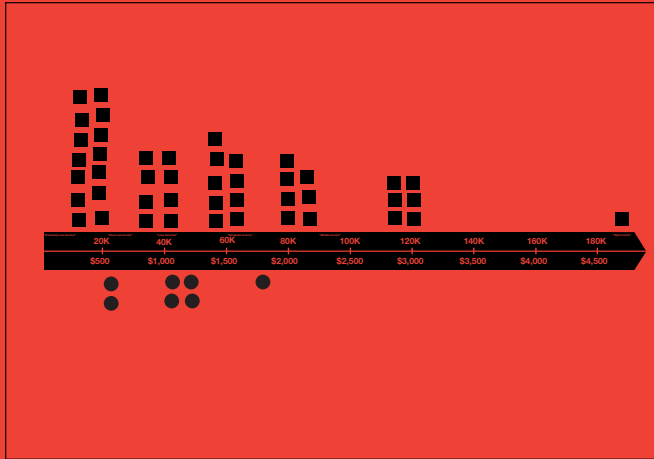
You have a bunch of colorful dots that you can use to represent numbers of units of housing (and who can afford them) in new or proposed developments. Each dot can represent 100 units, 10 units—whatever scale makes sense for the development you’re talking about.

You’ll need information on the number of units in the building, as well as target rents. You should also get information about any affordable housing programs the developer is using to finance the building.

Let’s say there’s a new development with 100 units. Eighty will be market rate—at a target rent of \$5,000 per month—and 20 will be available to families earning 50% or less of Median Family income.

You could say that each dot represents 10 units. Ask a volunteer to put eight pink dots under the “high income” category and two red dots under the “very low income” category. That way, your audience can see what families the new development would bring to the neighborhood, and compare that with the families that already live there.

This part of the workshop is fun, because participants can use what they just learned to analyze an actual



Auburn Gresham

development coming to their neighborhood. Many developments will set aside, say, 20% of the units for lower income families in order to be eligible for financial incentives from the government. That leaves 80% of the units at market rate. In most new developments, those are affordable only for “high-income” and wealthier “middle-income” families.

That means that, all things considered, there’s usually a big gap between the rents a developer hopes to charge and the incomes of the families who already live in the neighborhood.

What do you think of this development?

Let the participants think about how the new development might change the neighborhood. Here’s some other questions you might ask:

Who will it bring?

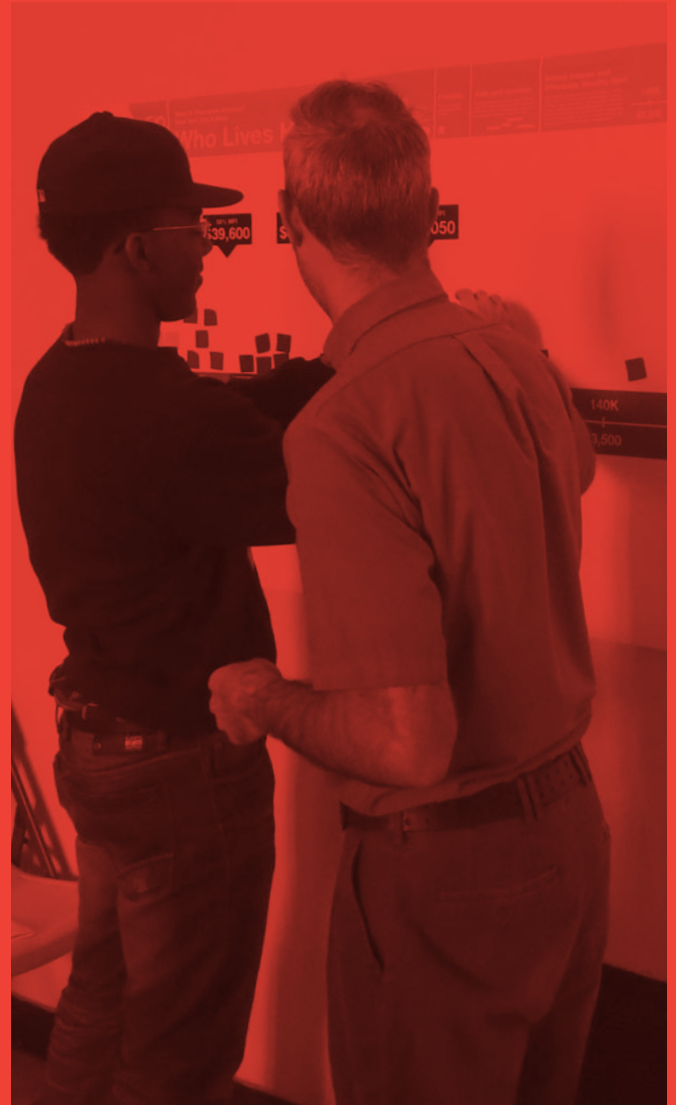
Beyond the new families, how might it change the character of the neighborhood?

In what ways might a fancy new development be good for the neighborhood? In what ways might it be bad?

New developments have direct effects, in terms of the new people they bring to the neighborhood. But they also have secondary effects—new people might bring new businesses, for instance, or improve local schools. New people and new businesses might lead to rising property values.

That's great if you own your apartment, but not always so great if you're a renter.

Regardless, new developments can affect a neighborhood in many ways, large and small. Using the chart to show which families might move in can be the start of a larger, more interesting discussion.





Discussion

This section has some ideas for other things the participants might talk about.

At the end of this exercise, the conversation can take many directions. It's up to you, as the facilitator, to decide where to lead the discussion. Many individuals just want to start a conversation about rising rents and displacement. Others want to get people riled up and interested in fighting for more affordable housing. Others want to use the chart to kick off a discussion about what kind of affordable housing they'd like to see in a new development, or to have a conversation about an affordable housing plan that someone else is proposing. Here are some quick tips for kicking off that discussion.

Rising rents and displacement

One great way to start this conversation is to ask your group what they think the neighborhood will look like in five years, 10 years, or 20 years.

🗨️ *Which income categories will we see more of?*

If there is a big gap between rents and incomes, you might ask: *How are low-income folks able to stay in the neighborhood now?*

🗨️ *Are those resources growing or shrinking? Why?*

Affordable housing

This conversation is a little more complicated. Let's look at the program strips in more detail.

You could ask:

🗣️ *Which programs are still alive and growing?*

LIHTC and Illinois Affordable Housing Tax Credit.

🗣️ *Which programs are shrinking?*

Public Housing and Housing Choice Voucher/
Section 8.

🗣️ *What do the shrinking programs have in common?*

They tend to be older, largely paid for by the public, and created larger numbers of affordable homes.

🗣️ *What do the growing programs have in common?*

They are newer, often funded by developers in exchange for a bonus, and don't create nearly as many homes.

🗣️ *Which programs have the most units? Which have the least?*

Public Housing and Housing Choice Voucher/ Tenant-Based Section 8 have the most. Affordable Requirements Ordinance and Downtown Affordable Housing Bonus have the least.

🗣️ *Why do some programs have so few units?*

Are there ways for developers to opt out of the program? Are the incentives to build affordable housing high enough? Discuss what parts of the program might encourage or discourage the creation of more affordable

housing.

🗣️ *How might we change programs to create more units?*

Discuss ways these programs could change so that more affordable units get built.

You might also ask:

🗣️ *What would a good affordable housing policy look like?*

🗣️ *What income levels would it serve?*

🗣️ *How many units would it create?*

Evaluating a particular project

This conversation is pretty straightforward. Look at the development dots.

You might ask:

🗣️ *Who are these new units affordable to?*

🗣️ *Who do you think they SHOULD be affordable to?*

🗣️ *Who gets to make these decisions?*

🗣️ *Who should you talk to next?*

A specific campaign

This tool can be used to share a specific campaign, or to work with participants to determine priorities for a campaign. It can help your group know the facts and understand the policies.



Glossary

Affordable Housing has a technical definition that comes from the federal government. It's housing that costs families 30% or less of their income.

Affordable Rent Burden is 30% of your **gross income**, according to the Department of Housing and Urban Development (HUD).

Area Median Income, or AMI, is another term for **Median Family Income**. People sometimes use it to mean the same thing as MFI.

Gross Income is what you make before taxes.

Fair Market Rent, or FMR, is a number calculated by HUD. In most areas, it's the amount of the 40th percentile rent on a "standard condition" apartment. That means 40 percent of similar apartments rent for less, and 60 percent rent for more. FMR varies by area and by number of bedrooms. HUD uses FMR to set reimbursement limits for programs like Section 8.

A **Family**, according to HUD, is a group of people who live in a house or apartment and are related to each other by birth, marriage, or adoption. The Chicago Housing Authority (CHA) definition is broader—it also includes two or more people who live together and can verify shared income or resources. The definition of family is important because only families, not just

any old **Household**, can apply for programs like Public Housing and Section 8!

A **Household** is just a person or group of related or unrelated people who live in a house or apartment. All **families** are households, but not vice versa.

A **Housing Authority** is a local agency that gets money from HUD to manage Public Housing and administer Section 8 programs. There are more than 3,000 housing authorities across the country.

The **Income Categories** that HUD and local **Housing Authorities** use to determine eligibility for **Affordable Housing** programs are calculated from **Median Family Income**:

Extremely Low-Income:
30% of MFI or Less

Very Low-Income:
30% to 50% of MFI

Low-Income:
50% to 80% of MFI

Moderate-Income:
80% to 120% of MFI

Middle-Income:
120% to 250% of MFI

High-Income:
250% of MFI or more

The **Interest Rate** is the price a borrower pays for a loan. The price is usually stated as a percentage of the amount borrowed per year. So if you borrow

WHAT

\$800 for one year at a 10% interest rate, the price of the loan is \$80. You will have to pay back \$880 at the end of the year.

Low Interest can refer to any rate that's below the market Interest Rate. Government loan guarantees for private borrowers, for instance, make loans less risky and lead to "low interest" loans.

Market Rate, in this context, refers to a totally unregulated rent that a landlord sets at whatever people will pay. In Chicago, that can be pretty high! The term can also be used in the context of Interest Rates. A market interest rate is one you'd get from a bank in the absence of government Subsidies or other programs to lower the rate below what a borrower would normally be able to get.

The Median is the number in the middle of a series of numbers that goes from lowest to highest. It's not the average, it's just the number in the middle. The median of "1, 2, 3, 4, 5" is 3. The median of "1, 2, 3, 4, 99" is 3.

The Median Family Income, or MFI, in a given area is the income earned by the family right in the middle of the income distribution. Half the families earn more, and half earn less. The income limits for Affordable Housing programs are calculated from an area's MFI. Some people call MFI Area Median Income or AMI. In this guide we use MFI because it's the

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term the federal government uses and anyone can calculate it using HUD's definition. There is no federal definition of AMI in the context of affordable housing programs. Although many local policies refer to AMI, there is no clear definition of it in the law.

A Mortgage is the type of loan that people and companies use for property and buildings. A bank or other lender uses the property or building as collateral for the loan until the borrower pays it off.

Planning, aka urban planning, is when the government—city, state, or federal—gets involved in the development of a city or region. Governments use various tools to plan—laws and regulations, but also Tax Incentives and other Subsidies that shape the ways that cities look and, to a lesser extent, who lives there.

A Real Estate Developer is the person who assembles the land, gets the financing (usually including Subsidies from the government), and hires the architects and contractors to build (or rehabilitate) a building.

A Subsidy is financial aid from the government to individuals or groups for activities that the government wants to encourage. The government gives money to farmers who grow corn, for instance, and so more farmers grow more corn than they otherwise would.

Subsidized Housing does not

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mean Affordable Housing. Any time the government shares the costs of housing with landlords, tenants, or homeowners, it's subsidized housing. If we take the term at its most basic meaning—housing that receives some form of Subsidy—it's hard to find housing that's not subsidized.

A Tax Credit is an amount that directly offsets what you owe in taxes. If you have a \$1,000 tax credit, you can take \$1,000 off your tax bill.

A Tax Deduction is an amount that offsets your taxable income. If you make \$20,000 per year and have a \$1,000 tax deduction, then you only have to pay taxes on \$19,000.

A Tax Incentive is when the government encourages an activity by taxing it less, or discourages an activity by taxing it more. Developers build more Affordable Housing because the government gives them tax credits. People don't make as many early withdrawals from their retirement accounts because the government taxes early withdrawal at a special, higher rate.

Unit is the measure for how much housing is being created—for example, a developer building 10 condos and 10 apartments will refer to 20 units of housing

A Voucher, under the Section 8 program, is a credit the govern-

HOUSING?

ment gives to a tenant or landlord to cover a portion of a tenant's rent.

Appendix A: Methodology

The Median Family Income (MFI) numbers used throughout this guide are from the Department of Housing and Urban Development's (HUD) 2013 Income Limits. (For information on why we use Median Family Income instead of Area Median Income, see 'Median Family Income' on p. 134.)

We use 2013 MFI numbers so that they can be compared with income data reported by the U.S. Census (2013 income data was released at the end of 2014). Wherever possible, we use 2013 and 2014 data to describe individual affordable housing programs.

Appendix B: Adjusting MFI

How does the government adjust Median Family Income (MFI) for family size?

The MFI for a family of four is the base. The MFI's for other family sizes are derived from it.

For smaller families:
3-person MFI is 90%
of 4-person MFI.

2-person MFI is 80%
of 4-person MFI.

1-person MFI is 70%
of 4-person MFI.

For larger families:
5-person MFI is 108%
of 4-person MFI.

6-person MFI is 116%
of 4-person MFI.

7-person MFI is 124%
of 4-person MFI.

And so on. Just keep adding 8%!
Those MFIs are used to calculate
the income limits for families
of that size.



This book, What Is Affordable Housing?, is part of the Envisioning Development Toolkits, a series of teaching tools that foster conversations and group learning about land use and urban development.

The Envisioning Development Toolkits allow everyday people to use the language that professionals use to describe land use processes and outcomes. They provide visual and tactile tools to facilitate discussions, describe and clarify problems, and propose and communicate solutions

What Is Affordable Housing? breaks down what affordability really means, which programs create housing, and what affordable housing policy looks like in your neighborhood.

Find out more about this and other tools at:
welcometoCUP.org