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Introduction

CMAP housing work focuses on the intersection of housing affordability and housing stock diversity. This dual focus comes from GO TO 2040, which discusses the need for a range of housing options throughout the region due to the numerous benefits such diversity provides, including housing affordability.¹ The plan also recommended increased density in the region's transit station areas, with a particular emphasis on affordable housing in these places.

This policy direction manifested itself in policy research on the state of the region's housing market and trends in housing development, Local Technical Assistance (LTA) recommendations encouraging communities to permit more multifamily and townhome developments, *Homes for a Changing Region* projects that investigate housing affordability, and research on the access that different groups have to housing in the region through the *Fair Housing and Equity Assessment*.^{2 3 4 5}

While these efforts all tie closely with GO TO 2040's focus on providing a range of housing options, they have not always been impactful. Some of this is owed to the unprioritized nature of the programs, tools, and resources highlighted in GO TO 2040. A broad discussion of form/type (i.e. single-family vs. multifamily) or tenure (i.e. rent vs. own) generates general recommendations about widely different communities. In addition, CMAP monitors regional affordability trends through the combined cost of transportation and housing.^{6 7} This offers a more complete picture of the major costs a household incurs, but does not provide an understanding of the drivers of housing choice.

Building on the CMAP Board's guidance for ON TO 2050 – greater refinement of existing policies, exploration of limited new policy areas, and development of more specific guidance for implementers – this strategy paper outlines a new treatment centered on choice to reflect the nuance inherent to housing issues.⁸ Housing choice refocuses the discussion around the intersection of supply and demand. What types of housing do residents of the region demand? What barriers prevent demand from being met?

¹ Chicago Metropolitan Agency for Planning, [GO TO 2040 update](#), October 2014.

² Chicago Metropolitan Agency for Planning, [Policy Updates](#).

³ Chicago Metropolitan Agency for Planning, [Local Technical Assistance](#).

⁴ Chicago Metropolitan Agency for Planning, [Homes for a Changing Region](#).

⁵ Chicago Metropolitan Agency for Planning, [Fair Housing and Equity Assessment: Metropolitan Chicago](#), November 2013.

⁶ Chicago Metropolitan Agency for Planning, [GO TO 2040 update appendix: indicator methodology](#), January 2015.

⁷ Chicago Metropolitan Agency for Planning, [Evaluating housing and transportation costs in the CMAP region](#), June 26, 2014.

⁸ Chicago Metropolitan Agency for Planning, [ON TO 2050](#).



While the choice framework is inclusive of a number of existing and planned CMAP activities, there are some aspects that require the leadership of an entity other than CMAP to advance. These include cultivating champions to lead new efforts to address community and political challenges to housing choice and research on best practices regarding building codes.

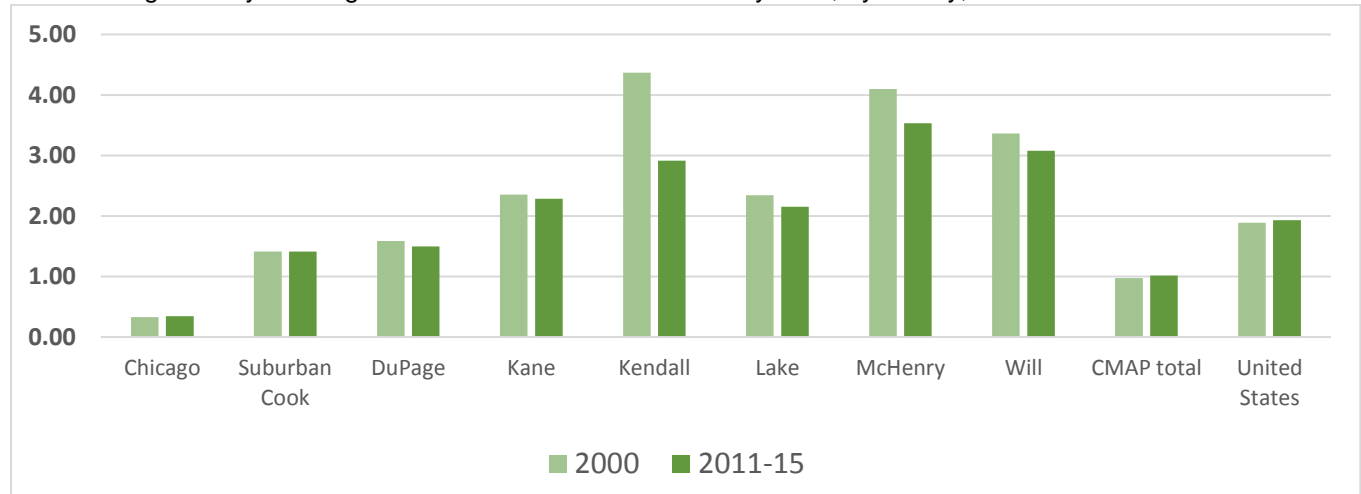


Policy framework

GO TO 2040 recommends regionally balanced housing options because of numerous benefits for residents, communities, and the environment. For example, providing more opportunities for residents to live near work and amenities reduces congestion and provides environmental, economic, quality of life, and health benefits. The location, type, and tenure of the region’s housing stock has particular relevance for CMAP’s transportation planning responsibilities. Previous CMAP research highlighted the growing diversity of the region’s housing stock since 2000.⁹ In suburban areas, that manifested in more townhome units. This increase in townhomes broadly implements GO TO 2040 recommendations to promote housing balance, thereby improving options, increasing density, and supporting the existing transportation network.

Increases in housing diversity or balance may appear beneficial at the regional level, but this is not always the case within the local context. The trade-offs experienced by the City of Chicago demonstrate the difficulty of determining the right balance of options for any particular community or location. The City of Chicago diversified its housing stock in one aspect, adding more single-family homes; however, increased single-family home development sometimes came at the expense of denser unit types that are better able to support transit systems.¹⁰ Given that the City of Chicago hosts the region’s highest job concentrations and best transit access, lesser residential density has the potential to undermine GO TO 2040 goals for transportation costs, commute times, and job access.

Ratio of single-family housing units to townhome and multifamily units, by county, 2000 and 2011-15



Note: Includes vacant units.

Source: Chicago Metropolitan Agency for Planning analysis of 2000 U.S. Decennial Census and 2011-15 American Community Survey data.

⁹ Chicago Metropolitan Agency for Planning, [Housing stock diversity in metropolitan Chicago](#), June 12, 2015.

¹⁰ An RTA report states that housing unit densities of 7 units per acre are necessary to support public transit systems. Source: Regional Transit Agency, [Setting the stage for transit](#), August 2012.



CMAP experience implementing GO TO 2040 highlights the challenge of identifying an appropriate level or “balance” of housing diversity and the difficulty of implementing strategies to achieve this goal at the regional and subarea level. Current policy updates focus on the type and tenure of units that have been built, along with affordability.^{11 12 13} Local plans typically advance balance by encouraging communities to build more rental or non-single-family units. This approach also segues well with typical regional transportation planning considerations with regard to housing. But, market, demographic, and affordability concerns drive overall housing balance trends.

CMAP work since GO TO 2040, along with research for ON TO 2050, highlights the need to consider factors such as school quality, fair housing concerns, and development potential when planning for housing with access to transportation, employment, and services. Overall housing stock diversity is an outcome of other underlying causes that the plan can address through a refined housing framework. CMAP analysis developed for GO TO 2040 as well as more recent *Homes* work highlights that topics like rental regulation, building codes, and financial resources often matter more to stakeholders, and are critical to implementing broader goals of balance and affordability.

GO TO 2040 highlights the importance of increasing the supply of low-cost housing options, often multifamily, in transit and job-rich environments. Greater nuance is needed to implement regional housing recommendations at the local scale. A location may be ripe for additional density based on the makeup of the current housing stock, but market and demographic factors may point to the need for prescriptions other than simply increasing density. How can other regional priorities factor into the decision?

This strategy paper recommends that CMAP reframe its housing work to focus on choice. Housing choice refocuses the discussion around the intersection of supply and demand. What types of housing do residents of the region demand? What barriers prevent demand from being met? Housing choice is already supported by a number of agency activities, including *Homes* (through its broad discussion of housing issues), policy updates about changing demographics in the region (highlighting how regional demographic trends may be impacting local housing needs), and the *Fair Housing and Equity Assessment* (introducing the importance of equity concerns when thinking about housing siting). Based on feedback from resource group members, CMAP experience, and extensive literature review, CMAP has developed a working definition of housing choice:

¹¹ Chicago Metropolitan Agency for Planning, [Brief overview of housing unit counts and tenure](#), August 4, 2011.

¹² Chicago Metropolitan Agency for Planning, [Tenure and vacancy trends in metropolitan Chicago’s housing stock](#), September 19, 2014.

¹³ Chicago Metropolitan Agency for Planning, [Evaluating housing and transportation costs in the CMAP region](#), June 26, 2014.



Housing choice is the ability for all households, regardless of protected class status, in the region to find a quality affordable home that fits each household's preferences, including proximity to jobs, transportation, and other amenities, throughout all stages of life.

The components of housing choice are characterized below. Many of the factors affecting housing choice are decided by municipalities, developers, and other organizations. As such, these partners are the more appropriate lead in addressing some components, while CMAP provides support. For example, Housing Action Illinois would be a leader in advocating for housing for people with disabilities, and the AARP can also take a leading role in housing needs for the senior population.

- Sizes of household – Households of all sizes, from a single resident household to large families, have housing choice.
- Income – Households across the income spectrum have housing choice, including options that are affordable in terms of both housing and transportation costs (i.e. costing a maximum of 30 percent of the household income, or 45 percent of the household income when combined with transportation cost).
- Characteristics of members of household – Regardless of the characteristics of members of the household, including age, race and ethnicity, housing status (homelessness), special needs (disabled, domestic violence, etc.), and more.
- Tenure/type – A home meets the form and tenure desires of the household, including rental and ownership as well as single family, townhome, or multifamily needs.



Barriers to housing choice

To determine what strategies CMAP and others should pursue when striving for housing choice, staff catalogued barriers to housing choice in the region. Barriers are grouped into five categories: market-feasibility; interjurisdictional collaboration; regulatory environment; community and political constraints; and finance and resources. CMAP staff identified these barriers through discussions with the CMAP Housing Committee, experience gained in LTA program, guidance from the Reinvestment and Infill Resource Group, and feedback during the creation of GO TO 2040.^{14 15}

Market feasibility

Market conditions underpin decisions about housing development and redevelopment, and ultimately impact housing choices in communities. Strong markets can struggle with providing or maintaining housing affordable to low- and moderate-income individuals, particularly in rapidly changing areas. Steady housing markets also require unique strategies to preserve the existing housing stock. Alternatively, in markets lacking demand, the cost of building or rehabilitating homes is higher than the revenue that could be obtained from selling or leasing properties. The confluence of these trends region-wide undermines housing choice. With fewer low-cost housing options in strong or steady markets, low- and moderate-income households find their options limited, often to weak markets where demand is insufficient to maintain existing buildings or add new units. Even in weak or middling markets with amenities like job or transit access, costly challenges such as inadequate infrastructure, brownfield remediation, blight, and tax delinquencies can discourage development activity

Several additional factors pose challenges to creating new or preserving existing residential development. Some communities may lack the physical assets necessary to support population growth, such as utility infrastructure, transportation systems, or revenue to provide basic services. Strong housing markets may lack land for new development or the willingness to add density, especially in locations with access to transit, jobs, and other desirable amenities. As a result, the assemblage of multiple smaller parcels, which may be necessary to make projects financially feasible, can require a longer, costlier, and less predictable transaction process. In these areas, local regulations and policies can strongly shape market outcomes, including limiting the overall supply of housing.

Market conditions can also strain the existing stock of housing or reduce housing options for existing residents. Residents in markets with rising housing prices can find it increasingly difficult to pay rent, and tenants may be poorly educated about their rights. In addition, in areas

¹⁴ Chicago Metropolitan Agency for Planning, [Housing Committee](#).

¹⁵ Chicago Metropolitan Agency for Planning, [Reinvestment and Infill](#).



where housing markets have declined, property owners, especially of investment properties, may hold vacant properties in anticipation of improved housing market, when they may be able to recoup their investment. Dilapidation caused by negligent property owners, poor asset management practices, or insufficient rental revenues can lead to a cycle of decline and a decrease in the existing housing stock.

Shifting demographics as well as changes in demand for housing types present challenges when planning for housing in the future, especially for municipalities and organizations that lack staff capacity for analysis and planning. Furthermore, housing preferences can differ sharply from surveyed preferences, due to affordability, changing opinions, and other factors. Previous *Homes* work cited national research about the growing interest in small homes, greater density, and more walkable transit-accessible locations.¹⁶ Yet, other research indicates that such demand may be temporary and that as younger households age, they may seek out single-family homes in the suburbs.¹⁷ The degree to which these forecasts are correct will significantly impact future regional housing needs. All the while, Baby Boomers are considering how best to age, whether staying in their current homes or moving to a smaller unit. Work by Urban Institute has highlighted potential complications around the impending intergenerational housing transfer between Baby Boomers and Millennials. While Boomers may be looking to sell suburban single-family homes, it is not clear whether Millennials will want to buy those units due to many factors: preferences for type, tenure, and location, as well as wealth and race.¹⁸

Regulatory environment

GO TO 2040 research and recommendations on this topic¹⁹ have guided subsequent LTA projects to improve local zoning ordinances and development processes. Federal, state, and local regulations exist to ensure the safety of residents, protect the environment, align development with community goals, and finance new and existing development. Meeting regulatory requirements is often a sequential process with cumulative financial costs that increase the final cost of any housing developed. Outdated and inflexible development regulations can hinder housing goals, limiting potential housing options for households across the income spectrum that the market might otherwise provide. For example, building and zoning codes can require specific materials or production processes beyond what is necessary for minimum health and safety requirements. Rehabilitation projects must sometimes meet the same standards as new construction, thus demanding very expensive upgrades or even demolition. Such development regulations can arise from an overabundance of caution;

¹⁶ Urban Land Institute, [America in 2015](#), June 2015.

¹⁷ Wall Street Journal, [Generation Y Prefers Suburban Home Over City Condo](#), January 21, 2015.

¹⁸ Urban Institute, [Headship and Homeownership: what does the future hold](#), June 2015.

¹⁹ Chicago Metropolitan Agency for Planning, [Regulatory Barriers and Housing Affordability](#), January 2009.



redundancies; lobbying from special interest groups; delays in updates to codes due to staff, budgetary, or political constraints; aesthetic benefits; or exclusionary goals (i.e. NIMBY).

Developers transfer additional regulatory costs to property owners or renters; when the cost of meeting requirements is higher than what the market can bear, residential development may not proceed at all. This is particularly impactful for low- and moderate-income housing developments, which may have limited margin for extensive regulatory process and/or costly additions due to local fire or building codes. Decisions regarding the location, size, quantity of units, and design of housing may also be affected by regulations. Removing unnecessary regulations or expediting the regulatory process can potentially encourage more developers to build or preserve housing.

Varying building code requirements and enforcement practices can particularly increase costs. International and national model building codes can provide uniformity, transparency, and predictability for developers. Municipalities often adopt these codes, but may have unique additions or use an outdated version. 2009 CMAP research on regulatory barriers cited the variation among municipalities as potentially the “most significant obstacle posed by building codes.”²⁰ Illinois does not have a statewide building code, but does have model codes for plumbing, fire and safety, and accessibility. Municipalities frequently customize model codes to incorporate local conditions and community needs; customized codes can also pose a challenge for developers working in many communities. Becoming familiar with the nuance in each municipality’s regulatory requirements takes time and financial resources. The variation in building codes may discourage potential developers from entering the market to preserve or construct housing. Moreover, even when codes are substantially similar, interpretations may differ considerably between communities, potentially raising construction costs and discouraging development. Separate special districts, like stormwater and fire, with distinct regulations and/or interpretations add to the challenges.

Community and political constraints

Securing broad-based support for housing choice across municipal leaders, community-based organizations, and residents is a key challenge to providing housing choice. Community and political opposition to affordable housing, denser housing, and new housing types has many impacts. Most critically, it can lead to costly delays and amendments for housing developers and may even force the abandonment of projects. Developers may avoid communities with reputations as difficult places to develop, effectively limiting housing choice for many of the region’s residents.

²⁰ Ibid.



Many factors underlay community resistance. First, local stakeholders have varied desires and perspectives related to community development and do not always agree that providing housing choice is a desirable goal. NIMBYism can be another significant challenge to some development projects, as residents and stakeholders can have misperceptions about the impact of density, tenure type, and other characteristics of developments on their communities. Local opposition to a development can stem from fear of change in the physical environment or composition of a community, reflecting concern about property values, service levels, fiscal impacts, community character, the environment, or public health and safety. Additionally, lack of representation from disadvantaged or underrepresented population groups in the development and political processes makes it more difficult for civic discussions and decisions to reflect the interests of such groups.

Support systems, such as local expertise or policy mechanisms, also impact development. When the community is not involved in the development process or new projects do not complement existing buildings, those past projects can be perceived as having turned out badly and make it difficult to get community and/or political support for current projects underway. Lack of local champions for or expertise on the benefits of housing choice may also lead to minimal visible support for new housing types.

Finance and resources

Funding markets are the most critical piece of the resource puzzle and important arbiters of housing choice. Many different actors operate in the funding space, most obviously private lenders, but also federal, state, and local governments. While decisions on individual loan applications most obviously impact what can get built or rehabilitated, many factors underlie those decisions, including federal funding and regulator decisions, along with perceptions of risk by public and private funders. The following subsections identify key barriers to housing choice in the finance system, including the effect of federal policies on the functioning of the private finance system.

Federal role

Federal involvement is particularly important. Nearly every home in America relies either directly or indirectly on some aspect of federal housing rules and funding, including direct subsidies, tax deductions, and mortgage guarantees. Much of this funding comes through the Federal home mortgage interest deduction, which provides a significant tax deduction to many homeowners. Federal financing guidelines have an enormous impact on where development takes place and what type of product is built. These policies and programs shape the housing market, but do not necessarily provide adequate housing choice or create the housing people want.



Many federal programs were created to meet market demand; however, some programs are now moving in opposition to the market. Some Americans increasingly prefer to live in more walkable, mixed use neighborhoods, but research has shown that federal lending programs disproportionately support single-family housing in single-use areas.²¹ Federal housing rules favor homeowners over renters; favor single-family homes over multifamily homes; and create policy barriers to market changes. Federal financing regulations prevent mixed-use development, thereby limiting opportunities for investment in low-rise communities.²² Moreover, research has shown that much of America's poor live in low-rise communities, where federal finance rules work at cross-purposes with federal and local initiatives designed to direct investment to disinvested areas.

Despite some efforts by federal agencies to facilitate flexible application of regulations to meet changing housing demand and address community development goals, the gap between the traditional objectives of most housing programs and the market realities of preferred housing types remains wide.²³ As CMAP prepares to address barriers to housing choice in the region, this is an issue that must be carefully and thoughtfully evaluated and integrated into ON TO 2050. It is important to take a fresh look at these Federal programs and rules to ensure that they are coordinated and meet the needs of the region today; providing for a range of housing densities and dwelling types, as well as directing investment to disinvested areas. While it has a strong impact, the home mortgage interest deduction is outside the scope of ON TO 2050 and should not be addressed in the plan. But, other federal loan and grant programs and regulations could support more parity between varied housing types.

Unmet demand for housing in walkable, mixed use communities

Despite a growing preference to live in walkable communities with stores, services, and other amenities, federal housing rules are impeding the private market from creating enough housing choices to meet this demand.²⁴ Walkable communities typically have a mix of housing and non-residential uses and are often characterized by low-rise buildings with ground floor retail and apartments on the upper floors. But it is difficult for projects with this mix of uses to qualify for most federal financing and loan guarantees.²⁵ The U.S. Department of Housing and Urban Development (HUD), the Federal Housing Administration (FHA), and Fannie Mae and Freddie Mac programs all place regulatory limits on the amount of non-residential space allowed within

²¹ Koschinsky, J., and Talen, E., [Affordable Housing and Walkable Neighborhoods: A National Urban Analysis](#), 2015.

²² Low-rise communities are characterized by low-rise buildings, typically three-to-four stories, with ground floor retail and apartments on the upper floors.

²³ Regional Plan Association, [Mixed Use Development and Federal Housing Regulations](#), January 2013.

²⁴ Regional Plan Association, [The Unintended Consequences of Housing Finance](#), February 2016.

²⁵ Brookings Institute, [Walk This Way: The Economic Promise of Walkable Places in Metropolitan Washington, D.C.](#), May 2012.



developments, as a condition for receiving federal financing or loan guarantees.²⁶ FHA caps on the amount of allowable non-residential space can impede rehabilitation and new development of mixed use properties. Moreover, the criteria used by many private lenders to assess risk is based on the federal criteria, meaning mixed use projects not seeking federal financing or loan guarantees can be indirectly affected.²⁷

By capping the amount of non-residential space in federally supported housing projects, federal housing rules make it difficult to finance construction and renovation of low-rise, mixed use buildings. To qualify for federal financing, developers need to keep the amount of non-residential space, or the amount of revenue from that space, below a certain percentage—typically between 10-25 percent, depending on the lender. For example, a mixed use project seeking financing from Freddie Mac can only have a maximum of 20 percent non-residential use²⁸, meaning (generally) the building must be at least five stories to accommodate ground floor retail or other non-residential use. In the CMAP region, this building height may be out of scale with existing communities or noncompliant with existing zoning regulations. The mismatch between federal housing rules and local zoning regulations can prevent mixed use development from being built or preserved. Development meeting the requirements can lead to larger mixed use buildings that are uncharacteristic of existing communities. Allowing a mix of uses can provide modern commercial space, provide access to necessary services, and/or attract businesses that require more modern configurations. Some of the benefits related to infill development and transit oriented development are especially important for existing communities in disinvested areas, which see infill as a way to upgrade housing and services.

Fewer low-cost rental units

Mirroring national trends, households in the CMAP region are increasingly turning to the rental market for their housing. During the recent recession, investors and lenders converted formerly owner-occupied single-family homes into rental units.²⁹ Private developers have added new rental stock through the construction of larger multifamily units. In spite of these additions, demand for rental housing is increasing, with vacancy rates falling from 8.2 percent in 2009 to 6.2 percent in 2015. Rents have increased as a result, and while additional units in the pipeline might help relieve this market pressure, most new units are intended for higher-income renters.³⁰

²⁶ Congress for New Urbanism, [Live/Work/Walk: Removing Obstacles to Investment](#), 2015.

²⁷ Norquist, John, [Roadblock on Main Street](#), November 2014.

²⁸ Regional Plan Association, [Mixed Use Development and Federal Housing Regulations](#), January 2013.

²⁹ Chicago Metropolitan Agency for Planning, [Single-family housing tenure changes in the CMAP region](#), February 22, 2013.

³⁰ Joint Center for Housing Studies of Harvard University, [The State of the Nation's Housing](#), 2016.



The region gained a significant number of rental units in single-family homes, townhomes, and multifamily buildings with 50 or more units from 2000 to 2015, while it lost rental units in all smaller multifamily building types.³¹ The region's decline in small multifamily rental units may be attributed to the growth of rental units in other types of buildings and the increasing popularity of deconverting 2-4 unit properties to single-family homes in communities with strong markets. In addition, high levels of foreclosure have left many 2-4 unit buildings vacant. A 2010 analysis of multifamily foreclosures in the City of Chicago found that in 2009 alone, newly foreclosed multifamily properties contained nearly 20,000 rental units, with an average of three units per building.³² These small buildings play a key role in providing low-cost, family-sized units. In Chicago, where over half of the region's renter-occupied units are located,³³ the most affordable rents are in smaller multifamily buildings, while the highest rents are in single-family buildings/townhomes and multifamily buildings with 50 or more units.

Some units filter down to lower rent levels as they age or because of declines in demand, but filtering does not fully address the growing gap between demand for lower-cost units and the existing supply. State and local governments must also construct affordable units. Without a strong response from federal housing agencies, state and local governments have addressed this affordability issue by utilizing such strategies as inclusionary zoning, mandating that a share of new units in housing developments have below-market rate rents. In the CMAP region, the City of Chicago recently modified its Affordable Requirements Ordinance (ARO) to provide incentives for developers to build affordable units in the same neighborhood as their properties, without threatening the value of their developments.³⁴ But the need for strong federal support is still essential in addressing the current need for affordable units, as inclusionary housing programs have produced just 129,000-150,000 affordable units nationwide from the 1970s through 2010.³⁵ *Homes* projects regularly identify gaps between possible future demand and the supply possible with current zoning. Such communities often wrestle with the need to make local zoning changes to encourage the development of more townhomes or multifamily units. Yet, such efforts can be undercut by federal program structures.

³¹ CMAP analysis of U.S. Census data found that between 2000 and 2015, the number of renter-occupied housing units increased in single-family homes (80%), townhomes (61%), and multifamily buildings, 50+ units (9%). The number of renter-occupied housing units decreased in multifamily buildings, 2-9 units (-2%) and multifamily buildings, 10-49 units (-15%).

³² Lawyers' Committee for Better Housing, [2009 Foreclosure Report](#), April 2010.

³³ CMAP analysis of U.S. Census data found that 52% of rental-occupied housing units in the CMAP region were located in the City of Chicago (2011-15).

³⁴ City of Chicago, [Affordable Requirements Ordinance](#).

³⁵ This estimate includes units produced "in whole or part with [in-lieu] fees," paid by developers in place of building the below-market rate units in their developments. Mallach, Alan, and Nico Calavita. "United States: From Radical Innovation to Mainstream Housing Policy." In *Inclusionary Housing in International Perspective: Affordable Housing, Social Inclusion, and Land Value Recapture*, 15-77. Cambridge, MA: Lincoln Institute of Land Policy, 2010.



Uneven access to credit

Regardless of market demand, FHA heavily favors single-family homes over multifamily housing. Between 2007 and 2011, FHA provided approximately \$1.1 trillion in loan guarantees for single-family housing and made only one-tenth of that investment (\$112 billion) for multifamily housing.³⁶ Providing significantly more low-cost loans for single-family housing skews the market for both the type of housing that will be built and sold compared to if access to financing was equal. Congressional appropriations determine the proportion of single-family and multifamily loan guarantees, leading federal mortgage insurance programs to favor single-family homes over multifamily housing.

Private market lending decisions also impact the availability of credit to some parts of the market. For example, the preservation of units in small rental buildings requires smaller-sized loans than larger rental buildings to meet credit needs. These small loans have become increasingly more difficult to access, and the types of lenders providing credit to these buildings have either left the market or shifted to making larger loans.^{37,38} In particular, lower-income communities, where properties often have lower values and charge lower rents, have greater need for smaller loan options than are available.

Given the key role that small multifamily buildings play in the region's lower-income communities, the declining level of small multifamily loans to these areas poses a challenge. Local efforts include the Small Balance Loan origination, which aims to serve less populated markets and provide additional liquidity to smaller apartment properties, and HUD's Small Building Risk Sharing Initiative, which aims to facilitate the financing of small multifamily properties. Community Investment Corporation (CIC), the region's leading lender for the acquisition, rehabilitation, and preservation of affordable rental housing, offers a variety of loan products which contribute to the preservation of affordable rental housing that might otherwise be lost from the market.

Perception of increased financial risk

Despite recent research on loan performance that indicates that loans in walkable, mixed use communities are less risky than those in single-use, single-family communities, the perceived risk associated with mixed use development is a major barrier to meeting housing demand and providing housing choice in areas that often provide more transit options and/or more access to employment opportunities.³⁹ Mixed use projects are inherently more complicated and costly than single-use projects, and that has contributed to widespread belief that they pose a higher

³⁶ Smart Growth America, [Federal Involvement in Real Estate](#), January 2013.

³⁷ Fannie Mae, [Fannie Mae's role in the small multifamily loan market](#), 2011.

³⁸ Institute for Housing Studies at DePaul University, [Understanding neighborhood multifamily lending trends in the wake of the housing crisis](#), November 2014.

³⁹ Gyourko, J., and Rybczynski, W., [Financing New Urbanism Projects: Obstacles and Solutions](#), March 2000.



risk to investment. As a result, lenders tend to prefer standard real estate products which support single-use over mixed use development. This signals a need to increase understanding of the risks involved with various types of projects by developers, finance professionals, and policy-makers.

Other resources

Subsidy programs (CDBG, Illinois Housing Trust Fund, etc.), whether federal, state, or local, while smaller in comparison to the private market, also play a critical role in trying to fill gaps in the private market system. When funding for subsidy programs decreases, programs are structured suboptimally, or funds are used inefficiently, those monies cannot fill those gaps.

Non-financial resources too impact housing choice. Low-capacity communities often lack the experience and relationships, not to mention financial capacity, to understand local housing needs and put policies into place to help meet those needs. A limited number of developers in the region have the expertise to develop complicated projects in difficult markets. With no shortage of communities hoping for such innovative investment, such developers can be highly selective about the projects with which they move forward.

Interjurisdictional collaboration

Providing housing choice for all residents in the region will require coordination and collaboration across jurisdictions and sectors. Such teamwork is envisioned both horizontally (i.e. between organizations of the same type, like municipalities) and vertically (i.e. between organizations of different types and sizes, such as federal-state-local partnerships). The broad scope of action reflects the role that many actors at all scales play in ensuring housing choice, exemplified by the regulatory, political, and financial barriers identified in previous sections.

Improved coordination can take on many forms: identifying shared goals and barriers; coordinating financial, informational, and staff resources; and working across traditional geographic, political, and administrative boundaries on projects. Coordination does not necessarily entail changes to existing governance or administrative structures, nor does it require formal agreements. As public funding become scarcer, the efficiencies achieved from coordination are even more necessary. The lack of interjurisdictional coordination can present logistical, regulatory, and financial challenges to communities and developers seeking to construct and preserve residential property.

At the federal, state, and local levels, multiple entities are involved in the housing development and preservation process, including but not limited to developers, local agencies (i.e. planning department, building department), special districts that enforce codes and regulations (i.e. fire districts), and funders (i.e. banks, housing finance agencies). Each stakeholder may have



varying requirements and timelines in the housing development and preservation process. As such, having many different stakeholder groups involved in a project can prolong, complicate, or increase the risk and unpredictability of the process for developing, rehabilitating, or preserving residential property. The Housing Committee and others cited how a lack of coordination between fire districts and municipal governments can be costly for developers.

Another facet of interjurisdictional collaboration is cross-sector planning, as concepts like the jobs and housing mismatch or transit-accessible housing are being considered more often than in previous decades. Innovative, complex housing projects (i.e. mixed use or supportive housing) often require the coordination of agencies and complex funding mechanisms. Housing, transportation, land use, economic development, and community development agencies may have differing goals, priorities, and interests, as well as varying constraints. Differences can be manifested in funding programs, policies, and strategies. Stakeholders may also lack understanding of fundamental priorities and terms used in other fields.

When adjacent municipalities and other stakeholder groups share challenges and priorities, they may still undertake separate efforts to address these issues or goals. Interjurisdictional coordination often requires many factors to succeed: an organized forum or strong impetus to convene; commitment and upfront resources, including staff capacity; and clear benefits. Interjurisdictional coordination challenges arise when one or more stakeholder groups lack capacity, and when the benefits of coordination outweigh the amount of effort to set up coordination. Results of coordination may also be unclear, intangible, and inconsistent, reducing motivation for stakeholder groups – both with stronger and weaker capacity – to make the effort to coordinate with other groups.



Recommended strategies

The definition of housing choice touches on many factors that influence the ability of a household to afford a home that meets the that household’s preferences: income, household characteristics, form, tenure, etc. The barriers to achieving that goal are similarly broad, requiring actions from private sector developers, financiers, multiple levels of government, individuals, and many others. The following section outlines strategies that CMAP and its partners can undertake to address these barriers to housing choice. Actions highlighted in this section focus heavily on using research, education, collaboration, outreach, and funding decisions to help an array of actors understand how alternatives to the status quo can make housing choice a reality. The strategies are organized according to: activities CMAP should continue or refocus through the LTA program and other CMAP programming and activities that should occur but for which CMAP should not be the lead implementer.

Complementary strategy papers are addressing related components of housing choice, including infill development, access to economic opportunity, tax policy, and placed based approaches. The Reinvestment and Infill strategy paper will offer a policy framework to promote reinvestment – including of residential development – in the region.⁴⁰ The Tax Policies and Land Use Trends strategy paper⁴¹ analyzes the ability of different development types to generate the revenue necessary to support associated development.

Additionally, CMAP, through both ongoing and future work, will be tackling regional economic growth from multiple perspectives through the agency’s ongoing regional economic analysis, an assessment of regional economic resilience, and the Inclusive Growth strategy paper.⁴² Building household wealth and income can increase housing options for residents and provide the necessary market support for additional development.

Local Technical Assistance (LTA) program

CMAP primarily assists localities through the LTA program. Municipalities, counties, and community groups have benefited, including through the housing-specific *Homes* effort. With *Homes*, developed in partnership with the Metropolitan Mayors Caucus (MMC) and the Metropolitan Planning Council (MPC), municipalities can plan for future demand and create long-term housing plans. CMAP should continue to use the LTA program generally, and *Homes* specifically, to help communities address housing choice through visioning and broad-based stakeholder engagement, zoning updates, infrastructure planning, collaborative processes, and other technical assistance.

⁴⁰ Chicago Metropolitan Agency for Planning, [Reinvestment and Infill](#).

⁴¹ Chicago Metropolitan Agency for Planning, [Tax Policies and Land Use Trends](#).

⁴² Chicago Metropolitan Agency for Planning, [Inclusive Growth](#).



Data and analysis done through agency housing work, including *Homes*, should deepen understanding of regional level and subregional housing supply to help municipalities identify opportunities for collaboration between neighboring communities, broadening the context for local decision-making. The differing levels of analysis (regional and subregional) will involve internal collaboration by CMAP staff to assess supply and demand. CMAP should continue these and other efforts to help entities in the housing sphere share successful solutions and explore shared solutions for similar housing issues. As will be discussed in the Geography of Analysis section of this paper, CMAP is working with MMC and MPC on a project to both identify similar housing submarkets across the region and then develop a strategy document partners can use to address the housing issues unique to each submarket. In this respect, additional work will identify the issues most common to each cluster and typical strategies to address these issues. Once complete, the strategy document in conjunction with the clusters will serve as the lens for future LTA analysis of housing issues in local communities.

CMAP should continue to look for opportunities to improve the efficiency and coordination of entitlements, public housing authorities, state entities, and other housing funders. Sometimes, as with assistance to Cook County in 2014, this will occur through LTA projects.⁴³ Other times, this could take place through a separately established program. For example, the Regional Housing Initiative (RHI) is a collaboration between CMAP and public housing authorities throughout the region to pool rental assistance vouchers to provide funding for rehabilitation and construction of subsidized multifamily affordable housing in opportunity communities.⁴⁴ The coordination allows the RHI partners to be more flexible to housing market and economic changes and achieve more targeted gains for housing in desirable locations.

Barriers to housing choice can be further addressed by expanding the types of LTA trainings to help increase community capacity by informing planners, plan commissioners, and local public officials of the processes, policies, and challenges related to housing preservation and development. Through training and education about regulatory processes related to housing, local decision-makers will be better equipped to develop or support efforts to remove regulatory barriers to housing development and preservation.

Similarly, regulations are integral to protect residents, the environment, and community character. Overly restrictive or outdated regulations or inefficient processes, however, can pose significant challenges to providing housing choice by impeding a community's ability to provide for a range of housing options, or increasing the cost of new development beyond what the market may bear. CMAP should enhance efforts to identify how updated to local zoning codes can facilitate a community's vision for the future, including approaches to permit more

⁴³ Chicago Metropolitan Agency for Planning and Cook County, [Planning for Progress](#), January 2015.

⁴⁴ Chicago Metropolitan Agency for Planning, [Regional Housing Initiative](#).



residential density and a wider range of dwelling types. LTA can review local codes and make strategic edits to bulk regulations to allow more compact development styles, allowing mixed use development, and updating off-street parking requirements that present barriers to developers building various housing types. Those zoning code changes can also bring regulations into better alignment with sustainability goals, ensuring, for example, that zoning techniques to help manage stormwater do not inhibit a community's ability to facilitate the development of desired residential projects. LTA can also organize ordinances in a logical and efficient format and streamline development review processes to reduce developer time and costs, and thus improve market feasibility of residential projects.

Other CMAP activities to continue and expand

A key aspect to planning for potential demographic changes is quantifying how they may impact the region and also tracking other trends in real estate, land use, and the economy. CMAP disseminates critical data, analysis, and research on these issues to help municipalities and other stakeholders contextualize site-specific projects within the scale of the community, sub-region, or region. To that end, CMAP should continue to update and create products such as the community data profiles, policy updates, and reports for dissemination to regional, municipal, and community leaders.⁴⁵ For example, the Demographics Snapshot provides a scan of various traits of residents and households in the region, including income, race/ethnicity, education, and immigration.⁴⁶ The agency is also exploring income, race, ethnicity, and age as components of its socio-economic forecast which will provide better context for changing regional housing demand; this information can be used to inform local housing supply analyses, including forming the basis for a revised approach to planning for local housing needs through *Homes* and other LTA projects. CMAP's Aging in Place White Paper explores aging trends in the region and shares best practices for municipalities to support residents who wish to age in the communities they now live.⁴⁷ These products, as well as community data profiles, policy updates, and toolkits, provide organizations lacking staff capacity with much-needed critical data, best practice research, and other information to better understand market feasibility.

As discussed in the barriers section, silos continue to present financial and regulatory hurdles to housing choice. CMAP should continue to highlight the connectivity of issues on the region's housing choices and other livability goals: market demand and adopted policies; housing and transportation; housing and jobs; parking requirements and housing; and land use and zoning. This research is complemented by work led by partners such as the MPC, DePaul Institute for Housing Studies, and Woodstock Institute.

⁴⁵ Chicago Metropolitan Agency for Planning, [Community Data snapshots](#).

⁴⁶ Chicago Metropolitan Agency for Planning, [Demographics snapshot](#).

⁴⁷ Chicago Metropolitan Agency for Planning, [Aging in Place white paper](#), June 2016.



Beyond continuing these efforts, CMAP analysis, research, and outreach offer avenues for new/additional research into barriers identified through this strategy paper. For some topics, such as a review of research by other parties, the less-intensive policy update series may be appropriate. For others, such as the impact of federal policies on the private housing market, stand-alone reports may be best. The following are a list of topic areas that should be considered for additional research.

Align goals across investments

GO TO 2040 calls for strategic investments to improve the efficiency and effectiveness of the region's transportation system and to further related quality of life goals, including housing options. The Travel Trends Snapshot found longer commute lengths for low income earners and for persons of color, reemphasizing the importance of considering the interplay of housing and transportation, as is done through the current inclusion of combined cost of transportation and housing as a regional indicator.⁴⁸ GO TO 2040 recommended increased residential density in the region's transit station areas as one way to address this mismatch.

CMAP can affect the transportation (inclusive of transit) portion of this relationship in some ways. The agency conducts policy research, programming, and planning activities related to transportation, including the administration of the Congestion Mitigation and Air Quality Improvement (CMAQ) program, the Surface Transportation Program (STP), the Transportation Alternative Program (TAP), and prioritization of major capital projects.^{49 50 51} As part of the goal of strategic investment, CMAP should research best practices on funding and project selection criteria so that transportation investment decisions take into consideration housing choice. Those practices could be used both in CMAP and council of mayor project selection criteria. Research should consider the value of methods that reward jurisdictions that have accomplished numerical benchmarks (i.e. share of housing stock affordable to low- and moderate-income households), adopted good housing policies, or advances good housing planning. A potential model may be the Metropolitan Council in the Twin Cities, which uses a Housing Performance Score in its regional project solicitation (a blend of CMAQ, STP, and TAP funds).⁵² Moreover, some projects, including major capital projects, may benefit from comprehensive land use planning in advance of the investment, as was done with Illinois Route 53/120.⁵³ Such analysis offers an opportunity to understand current and likely future need for housing in areas benefiting from the investment.

⁴⁸ Chicago Metropolitan Agency for Planning, [Travel Trends Snapshot](#), September 2016.

⁴⁹ Chicago Metropolitan Agency for Planning, [Congestion Mitigation and Air Quality Improvement program](#).

⁵⁰ Chicago Metropolitan Agency for Planning, [Surface Transportation Program](#).

⁵¹ Chicago Metropolitan Agency for Planning, [Transportation Alternative Program](#).

⁵² Metropolitan Council, [Housing Performance Scores](#).

⁵³ [Illinois Route 53/120 Corridor Land Use Strategy](#), November 2015.



Examine use of tools, regulations, and funding mechanisms

Whether financial, land use, or regulatory, all levels of government use tools to support some types of development over others. Some local governments regularly use tools like zoning, building codes, and impact fees to preserve or create different types of housing. Counties and municipalities make decisions about how best to use federal and state housing assistance funds. As discussed previously, federal and state regulations also impact the types of units constructed and purchased in the region through the private finance system.

CMAP should research the impact of these many different types of tools through existing products, like policy updates and reports. Work on municipal housing approaches should provide guidance on their use to specifically meet community goals, thereby building on previous agency work on incentives.⁵⁴ Agency work should build off of models from the Regional Plan Association to both research the scope of federal regulation that impacts market functions and then go beyond that work in considering the specific ways that it impacts the region broadly and, if possible, sub-geographies like the housing submarkets discussed in the Geography of Analysis section. As a subset, CMAP or a partner organization may explore the feasibility of understanding how and where federal and state housing assistance programs are used for subsidized housing in the region.

Increase municipal capacity

Whether communities lack manpower, technical knowledge or expertise, time, or finances, insufficient municipal capacity makes it increasingly difficult to overcome barriers to implementing GO TO 2040 goals or providing housing choice. Empowering communities with additional resources and expertise can help to achieve greater adoption of practices that preserve housing and create additional housing. Specifically, in FY17, CMAP, in partnership with the MPC, will conduct a municipal capacity strategy paper. The team will convene a resource group with experts in municipal operations, finance, and administration. With guidance and feedback from the resource group, CMAP will identify approaches to increasing capacity within or providing different resources to communities.

Activities that should occur but for which CMAP will not be the lead implementer

Many other partners already work to address the barriers highlighted in this paper independent of CMAP involvement. For example, both the Cook County Land Bank and the South Suburban

⁵⁴ Chicago Metropolitan Agency for Planning, [Examination of Local Economic Development Incentives in Northeastern Illinois](#). August 2013.



Land Bank and Development Authority already serve as models programs for much of the region. Partners like the MPC, MMC, South Suburban Mayors and Managers Association (SSMMA), and others develop and lead programs and host platforms for municipalities and agencies to come together to tackle shared challenges and implement solutions. While work by non-CMAP entities on barriers should continue, what follows are specific areas in need of work led by others.

Community acceptance

The acceptance of housing choice as a goal in the region remains a challenge due to the community and political barriers identified earlier. Previous efforts in the region have tried to tackle some components of this barrier. In 2002 the MMC adopted the Housing Endorsement Criteria: principles to help effectively attract, identify, and promote proposals for quality housing development.⁵⁵ The general principles outlined in the Caucus's Housing Endorsement Criteria include:

- Location in the community, particularly the development's access to job centers and transit options;
- Design of the site and how it fits within the community;
- Attainability and mix of incomes;
- Experience of the management team and, if applicable, the support services team; and
- Feasibility, including soundness of the financial plans, relocation strategy, zoning, and others.

In 2001, a collation of over 40 housing organizations in the region collaborated on the Housing Illinois project.⁵⁶ With the tag line "we need the people who need affordable housing," the project was designed to bolster support for and minimize opposition to affordable housing in northeastern Illinois. Activities included an advertising campaign, policy research, and trainings. The momentum behind each of these previous efforts has waned, particularly after the recessions and a refocusing of regional attention around the impacts of the foreclosure crisis.

Few organizations in the region, including CMAP, have the unique intersection of capacity, breadth, and organizing expertise needed to cultivate champions and lead new efforts to address community and political challenges to housing choice. Ideally a wide range of stakeholders would participate in a strong regional effort to address community acceptance: civic organizations, non-profit developers, for-profit developers, service providers, employers, elected officials, etc. With so many potential individuals or groups involved, an effort can quickly stall due to lack of ownership.

⁵⁵ Metropolitan Mayors Caucus, [Housing Endorsement Criteria](#). June 2015.

⁵⁶ [Housing Illinois](#).



Others in the region have highlighted the need for champions and increased education, too. CMAP staff currently participates in ongoing discussions with organizations such as SSMMA, Transportation Management Association of Lake Cook, MPC, MMC, Illinois Housing Council, Chicago Area Fair Housing Alliance, and BRicK Partners about how best to address the ongoing challenge for community acceptance and the respective roles that each organization may be able to play in potential activities, as well as identifying other partners. CMAP staff should continue to participate in discussions about how best to address this ongoing challenge and identify an organization, whether existing or new, that can take the lead.

Building codes

As discussed previously, building codes can be a barrier to housing choice in many different ways. Meeting building codes represent a significant portion of the time and cost of development and preservation process. Building code variation among municipalities represents a sizable obstacle in reducing building costs. Inconsistency in application, even when standards are the same, can be just as costly. Code content too serves as a barrier.

Additional research is needed on best practices regarding development, adoption, and implementation of uniform building codes across municipalities. Ideal partner communities are those that want to increase housing preservation and construction activity. As part of these efforts, additional attention should be paid to how codes impact rehabilitation, as it is often more cost-effective than new construction. Smart codes or codes specifically for rehabilitation projects can greatly reduce the costs for rehabilitation, thus encouraging more housing opportunity at a lesser cost than new construction.

In depth empirical research on the impacts of building codes on health and safety rules can help to differentiate between necessary, appropriate codes versus excessive, redundant codes. Adjusting zoning codes to allow for more flexibility would reduce costs and therefore increase development potential. Specifically, research should be conducted on flexible requirements that achieve targeted safety, health, or design outcomes.

Research into best practices for building inspections has also been identified as a need. Resource group members have identified potential best practices for building inspections, including analysis of case study experiences where a municipality has outsourced inspections and used local inspectors. Data from inspection companies may also be useful in analysis.

CMAP does not have expertise in building codes. The work envisioned is similar to previous MMC work where they, along with contract partners, looked at vacant property and rental regulation practices by different municipalities with an eye to highlighting best practices and improving regulatory efficiency and effectiveness. MMC is a potential partner for CMAP and others in advancing building code work, though all work envisioned will likely require cultivating additional financial resources.



Government funder action

As noted before, CMAP and other civic actors have assisted government funders through various efforts, including LTA. These efforts often focus on identifying opportunities where funding formulas, project selection criteria, and grant requirements can be modified to explicitly reward coordinated efforts. Even with such assistance, the burden of implementation (i.e. changing application requirements or making project selections) remains with the funder.

One particular area for action by these funders is capacity building to create more high capacity innovative developers. Some federal programs such as CDBG and HOME include special funding set-asides specifically designed to grow the capacity of local organizations.⁵⁷ Groups like the National Housing Trust and CIC are currently working to support projects with innovative funding structures, specifically preservation projects that do not include low-income housing tax credits.⁵⁸ Non-profits like Preservation of Affordable Housing (POAH) cultivate small developers as part of larger projects to help build capacity.⁵⁹ Additional efforts are needed by funders such as entitlement communities and IHDA to support an increasing number of high capacity innovative developers who can work in challenging markets.

Additionally, many funders support local rehabilitation efforts as new affordable housing construction can be significantly more expensive than preserving existing housing. And, the existing housing stock is a key source of units that are affordable to a range of incomes. As such, civic organizations, including CMAP should assist funders in developing strategies to rehabilitate and maintain existing housing of all housing types, including renter and owner housing. Some of these strategies specifically target affordable housing preservation. With CMAP's support, partners can research best practices and implement projects and programs in the following topic areas:

- First rights of purchase of affordable housing to public agencies who want to preserve the stock of affordable land.
- Offering of public land and public buildings to developers at a lower cost in exchange for affordable housing.
- Community land trusts, which allow homeowners to build wealth while maintaining the affordability of the house on the community land trust land.
- Rental structures such as mutual housing associations where tenants in multiple buildings can subsidize rents and pool utility and maintenance costs to save money.
- Renter protections including rent control.
- Expiring use restrictions.

⁵⁷ U.S. Department of Housing and Urban Development, [HOME Investment Partnership Program](#).

⁵⁸ National Housing Trust. [Affordable Homes Preserved through Real Estate Development](#).

⁵⁹ Preservation of Affordable Housing. [Woodlawn Park](#).



- Incentives such as rehabilitation grants/loans or tax abatements to for affordability easements.

Vacancy and abandonment

Since the recession, much work has been done in the region on strategies for vacant and abandoned properties. This includes a 2010 publication by CMAP, MMC, and BPI on tools for dealing with vacant property and a 2016 publication by MMC and BPI on vacant building/property ordinances.^{60 61} Yet, much work remains to be done. Little research has been done on re-classifying vacant and blighted buildings into higher property tax rates to encourage property owners to maintain and return the buildings to productive uses, a potential strategy in areas with stronger underlying demand. Previous efforts by CIC to expand the use of tools that are part of Chicago's Troubled Buildings Initiative outside of the City have run into concerns about municipal capacity.⁶² Similarly, MMC and Ancel Glink have worked with south suburban communities to explore abandonment and fast-track demolitions, but in the process have learned that many municipalities do not exercise their full legal authority to address vacant property issues, mostly due to a lack of funding and capacity. Additional research is needed by partners like MMC and BPI on ways to address capacity concerns that stand in the way of identified effective strategies to confront vacancy.

Research projects

While CMAP can take on some research projects, other research topics may be better suited to other research organizations with different roles.

- Entities like the DePaul Institute for Housing Studies with a strong working knowledge of regional sales trends should consider researching the impact of unique products like micro-units and short term rentals like Airbnb on the supply and costs of housing.
- Organizations like AARP and Access Living should consider research into the market's role in providing accessible homes, particularly given the region's aging population.

⁶⁰ Business and Professional People for the Public Interest, Chicago Metropolitan Agency for Planning, Metropolitan Mayors Caucus, [How can municipalities confront the vacant property challenge?](#), March 2010.

⁶¹ Business and Professional People for the Public Interest, Metropolitan Mayors Caucus, [Vacant Building Ordinances](#), June 2016.

⁶² City of Chicago, [Troubled Building Initiative](#).



Geography of analysis

As noted previously, a major focus of ON TO 2050 is the development of more specific guidance for implementers. CMAP is already undertaking a Place-Based Layers project⁶³, which will identify spatial patterns and highlight economic, demographic, environmental, and infrastructural features. The barriers identified earlier in this paper are broad, applying to many parts of the region, often without specifics on how those barriers play out at the local level. Recognizing that breadth, the strategies in this paper are meant to address these barriers by focusing heavily on process and structure, identifying the programs CMAP or others should be undertaking in the region without respect to geography.

This section identifies how the programs identified in previous sections should take into account geographic variation. Housing work by CMAP and its partners over the past six years highlights the importance of understanding geographic variation in housing issues. That lesson has been particularly clear through *Homes*, where CMAP and its partners have seen that communities with common market conditions (such as a shared transit corridor, high foreclosure rates, poor job access, or high demand for rental housing) are more likely to collaborate long-term and achieve sustainable results.

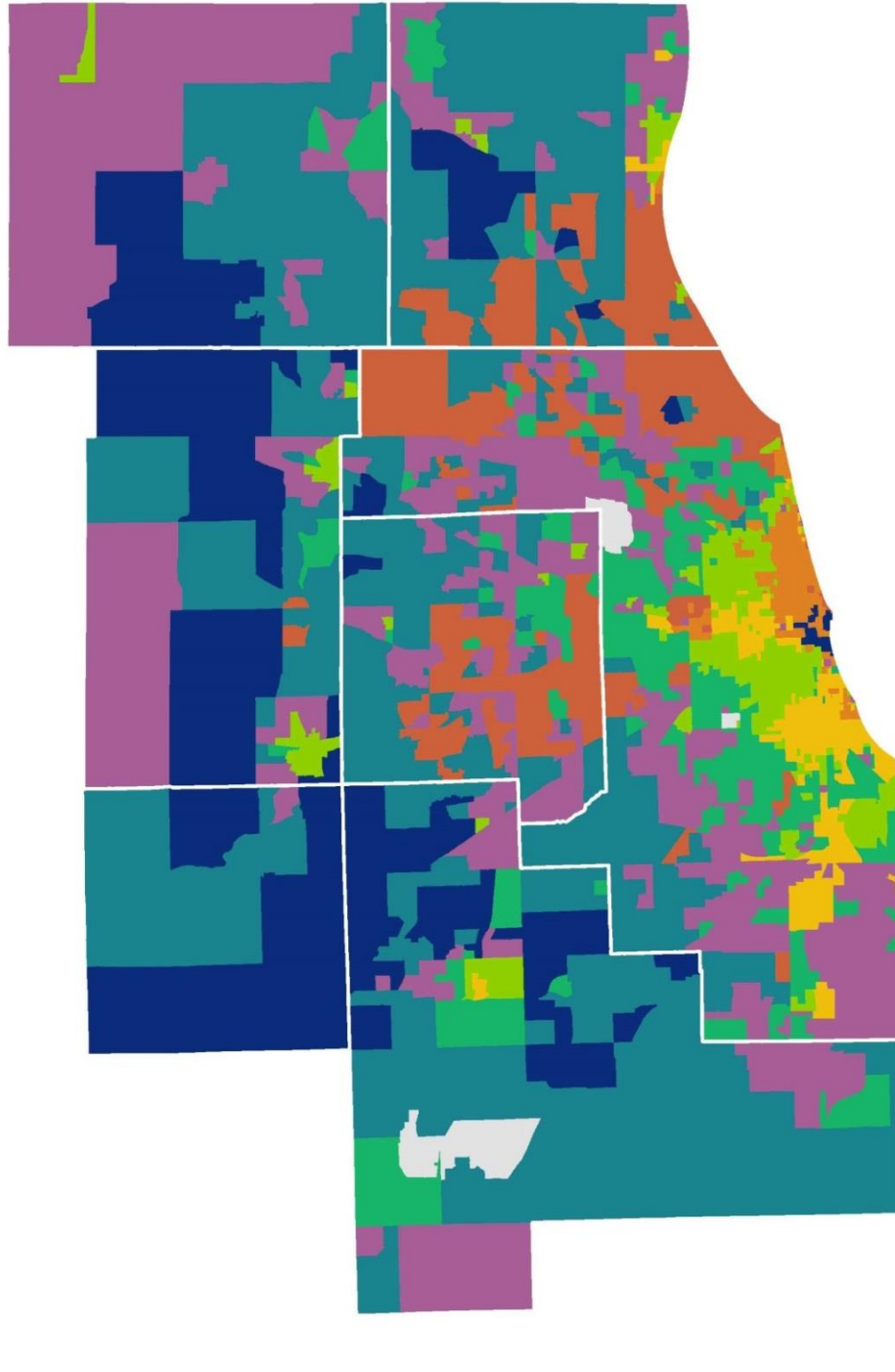
Yet, it is difficult to foster such collaboration without a better understanding of the common submarkets and the strategies that are most effective in those areas. To address this issue, CMAP, MPC, and MMC, used a grant from the Chicago Community Trust (CCT) to engage DePaul University's Institute for Housing Studies to develop a market segmentation model that will identify the geography and characteristics of subregional housing markets across the 7-county region. DePaul looked at more than 40 variables, including housing stock characteristics, the affordability of the stock, housing investment and market conditions, and demographic variables.

The analysis identifies eight different housing submarkets in the region, defined using data at the census tract scale. These submarkets are most strongly differentiated by age of the unit, household income, population growth, and economic hardship indicators such as unemployment and foreclosure. The work identifies two low- to moderate-income primarily suburban clusters differentiated by housing stock, an aging population, and certain economic indicators. The work also found two high-wealth clusters: one typified by middle-aged homeowners in communities with moderate sales activities, and a second cluster of young, highly educated, urban professionals. Two economically-distressed clusters are differentiated by the varying degrees of unemployment, subsidized housing, and investment indicators. Finally, two largely suburban faster-growth clusters can be found largely at the edge of the region.

⁶³ Chicago Metropolitan Agency for Planning, [Place-Based Layers Approach](#).



IHS Regional Housing Market Segmentation Analysis Chicago Region



- Cluster 1
- Cluster 2
- Cluster 3
- Cluster 4
- Cluster 5
- Cluster 6
- Cluster 7
- Cluster 8

SOURCE: IHS CALCULATIONS

**INSTITUTE FOR HOUSING STUDIES
AT DEPAUL UNIVERSITY**



Chicago Metropolitan
Agency for Planning

*Internal Working Draft – Not for
Distribution*

CMAP should use the DePaul identified clusters as a lens for multiple agency activities. CMAP, MMC, and MPC will be using financial assistance from CCT, the Circle of Service Foundation, and the Harris Family Foundation in FY17 to develop a strategy document partners can use to address the housing issues unique to each submarket. In this respect, additional work will identify the issues most common to each cluster and typical strategies to address these issues. Once complete, the strategy document in conjunction with the clusters will serve as the lens for future LTA analysis of housing issues in local communities.

The clusters might also be utilized in some policy work analyzing regional housing trends, along with the previously identified specific research projects, where appropriate. It is anticipated that the clusters may be useful in research on incentives, regulations, and funding mechanisms, such as the impact of federal and state policies on the private finance system, to understand the differences in impact across geographies.

The end result is that the clusters will serve as common framework in tracking regional trends, researching regional issues, and implementing impactful approaches at the local level.

