



## Opportunity-Based Housing

**Finding Consensus:**

**A Balanced Approach to Affordable Housing and Fair Housing  
in the Chicago Metropolitan Region**

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## **Introduction**

In recent years, there has been a marked shift in the perceptions around affordable housing and its role in promoting greater opportunity and equity in metropolitan regions. Think tanks, academia, and the media have covered the historical pattern of placing affordable housing predominantly in poor and minority neighborhoods. These articles have often connected this pattern to a perpetuation of racial segregation and poverty concentrations. Most observers conclude that this pattern has been detrimental to the lives of the people benefiting from affordable housing directly and to regional equity and growth indirectly.

This pattern has been connected with a lack of progress on fair housing and the stubborn persistence of racial and economic segregation in metropolitan areas. The critique has largely been targeted at HUD and the Entitlement Jurisdictions (municipalities and counties) that receive direct HUD funding. However, it has also included some general criticism of others, including the network of private and public enforcement agencies. Overall, the conclusions find a lack of effort to affirmatively further fair housing. Both government and private efforts have done little to promote integration and expand housing options.

This re-examination of the role of fair and affordable housing to improve metropolitan opportunity has provided a chance to reconsider how best to promote housing policy as both an immediate need for individuals and a long-term solution for social justice and equity. In the past, it has been difficult to reconcile the two outcomes with affordable housing advocacy often prioritizing the former and fair housing advocacy the latter.

Fair housing advocates promote housing options for people at all income levels with an emphasis on promoting and defending the rights of protected populations when they face discrimination. This effort prioritizes working with people of color, persons with disabilities, and others looking to move into mostly white and wealthy communities in suburban environments. Fair housing organizations tend to have less of a presence in poorer communities and in neighborhoods with higher percentages of people of color where discrimination occurs less frequently. Meanwhile, a large number of affordable housing organizations focus on providing housing for low-income persons, typically minority households, in urban neighborhoods. Developers tend to act to address inadequate housing needs identified in poor and minority communities and have less of a presence in wealthier and whiter communities because of greater resistance and higher costs.

This dichotomy has historically created some animosity between the two groups. Fair housing advocates would lament that the majority of affordable housing in higher opportunity communities only served seniors and often had residency preferences. Affordable housing

advocates would note that fair housing groups paid too little attention to the pressing needs of disinvested communities. The two have occasionally been in opposition to each other on policy recommendations.

During this decade, improved leadership at the national level has helped reconcile policy proposals between affordable and fair housing groups. Momentum is in place to build affordable housing in opportunity areas -- places where there are good schools, plentiful jobs, safe environments, and generally higher quality of life factors. At the same time, there is a similar growth in the awareness that low-income communities also need investment in housing that is coupled with plans to revitalize neighborhoods through economic development. Lastly, it is generally agreed that preserving affordable housing options in rapidly gentrifying areas is also important to equitable housing and community development strategies.

In the past 18 months, significant federal policy changes have been introduced as well. HUD introduced two new rules that affect the placement and development of affordable housing, encouraging building in opportunity areas. Most significantly, HUD's rule on the affirmative furthering of fair housing (AFFH) compels entities receiving federal funding to create affordable housing in ways that will promote racial integration and deconcentrate poverty. This rule followed a Supreme Court decision that found the concentrated placement of Low Income Housing Tax Credit (LIHTC) properties in poor and minority census tracts to be a factor in perpetuating segregation and therefore likely to be contrary to AFFH.

This moment has provided an opportunity for the affordable housing and fair housing communities to find new ways to work together. This survey was conducted in that spirit and follows on some previous efforts to bring the two movements closer together and determine how that cooperation could occur and succeed.

## **Data and Research**

Part of the effort to promote a balanced housing policy is to determine where opportunity lies in a region and how that correlates to the location of affordable housing. As future Assessments of Fair Housing are completed, this could help determine where there is a need for affordable housing and where there is a need to promote revitalization.

As part of the AFFH rule, HUD provides a web-based tool to allow local governments to gather information on a variety of data and map it. HUD has required that this data should be part of an analysis of opportunity in a region or jurisdiction. However, HUD has also advised local governments to supplement this data with "local knowledge," which could include more recent

information and additional data sets not available from HUD. The HUD tool leaves it to local jurisdictions to determine the opportunity areas.

The Chicago Metropolitan Agency for Planning (CMAP) used the HUD criteria to map out opportunity by census tract in metropolitan Chicago. The maps are available online and rank opportunity by quintiles. This effort was conducted with the cooperation of the Chicago Area Fair Housing Alliance (CAFHA) for a Fair Housing and Equity Assessment of the region. CMAP also mapped racially and ethnically concentrated areas of poverty (R/ECAPS) based on a formula provided by HUD.

The Illinois Housing Development Authority (IHDA) has determined block groups that qualify as opportunity areas and areas with affordability risk mapped on a web-based tool. Developments hoping to receive tax credit financing will be evaluated against IHDA's map. A connection to revitalization efforts could allow developments outside the two criteria to receive tax credit financing as well.

As of now, it seems as though there is a consensus about where opportunity is greater. The CMAP and IHDA maps are relatively similar. They used slightly different local criteria to determine opportunity. This is largely due to differences in scale. CMAP used data from the 7-county Chicago region. IHDA evaluated all of Illinois. Yet, in the end, the pattern of opportunity and poverty are mostly the same for metropolitan Chicago.

### **Survey Analysis**

Generally, fair housing and affordable housing groups are closer in their views than they might have expected. However, it is also clear that there is a lack of communication between the two groups and this hampers coordination. The disconnection appears to be systemic. The two groups have been working in different areas geographically. Their work has also been differentiated in focus -- developers more on economic opportunity and fair housing more on racial opportunity. However, the change in policy brings the two issues together in new ways that are also complemented by new local protections for housing voucher holders and new research identifying the suburbanization of poverty.

Overwhelmingly, affordable housing developers were open to building in opportunity areas. Yet, there was concern. In some cases, developers would need to expand service areas or revise missions or bylaws in order to expand into these areas. However, there was a general consensus that development in opportunity areas was both a good idea in theory and something they must embrace to remain competitive in the current regulatory environment.

Many also emphasized that they did not want this effort to result in an abandonment of the neighborhoods where they had a traditional commitment. One respondent went so far as to voice concern that the stream of investment for affordable housing could be drawn away from poor minority communities to wealthy white communities. There was concern about what that might mean for employment options and overall development in the poor communities losing the stream of investment. There was also a question of whether integration would be achieved in the process, based on a history of underfunded fair housing enforcement. However, developers agreed that a balance between building in both opportunity areas and in high-poverty communities could eventually lead to a more equitable housing market.

Fair housing agencies concurred with developers that balanced development was a sound approach. Building in opportunity areas had a greater emphasis by fair housing groups. In large part, this was based on the acute need for more affordable housing in the suburban areas many fair housing organizations serve. They see a high correlation between a lack of affordable housing and a failure to welcome people of color in the communities they serve. They identified a need for enforcement against discrimination to make this process a success.

A third issue, gentrification, was understood by both as a destabilizing situation that disproportionately forces poor and minority households out of neighborhoods as housing costs increase. It is an issue where the two groups have the most commonality. Both agreed that affordable housing preservation in gentrifying neighborhoods of Chicago would be positive. A few were aware of gentrifying suburbs and suggested action there as well.

### **Community Opposition**

By far, the top concern cited by affordable housing developers was community opposition to affordable housing in high-opportunity communities. As such, a common suggestion from developers was for greater collaboration with fair housing groups to build public support for affordable housing in high-opportunity areas. Most tended to mention traditional efforts that have been tried before -- explaining that affordable housing has a market in every community, mostly for “workforce housing” and for workers in entry-level positions. However, some developers were more enthusiastic about the new opening to explain how “opportunity-based” housing would comply with HUD’s new AFFH Rule and ensure compliance for local governments. The developers believed that opposition to affordable housing has a racial component. They suggested working with fair housing agencies to help explain the racial component and how HUD’s new rule changes the landscape for communities.

One developer went further in his discussion of opposition to cite how high-opportunity communities often have well-financed efforts that might include pro-bono services of lawyers,

architects, and other professionals living in these communities. These professionals take part in campaigns against a development and offer higher barriers than in lower-opportunity communities. Knowing that this is likely to happen in high-opportunity communities serves as a chilling effect on considerations of affordable housing in these areas. The developers know that they would need more attorneys and would have to mount more substantial public relations efforts.

Fair housing agencies are aware of the opposition to affordable housing in high-opportunity areas. They tend to attribute this to a desire to limit options for people of color, families with children, and persons with disabilities. They would like to be more involved in advocating for affordable housing in high-opportunity areas, including explaining AFFH obligations and possible legal consequences for non-compliance. Fair housing advocates have been considering strategies to promote more affordable housing and fight opposition in opportunity areas. They have developed ideas around what types of objections or denials would violate fair housing law, including objections that do not rely on physical or infrastructure issues.

All of the developers and fair housing advocates believe a wise strategy is to work together to engage multiple stakeholders, including elected officials, community residents, and prospective beneficiaries of a development. There was an awareness that the capacity to undertake all three of these efforts was too great for any individual agency. Furthermore, the two groups could see benefit in combining areas of expertise. Developers hope that fair housing organizations could help emphasize possible legal ramifications for communities if they failed to consider affordable housing proposals. While developers have attorneys, their lawyers are zoning attorneys and not civil rights attorneys. Fair housing agencies could provide the needed civil rights legal expertise. Fair housing agencies recognize the financial and planning expertise of developers as an asset. There are times when objections to a development include complicated economic and planning details that promote confusion among those not familiar with financing housing development.

Most fair housing agencies assumed that developers had staff for prospecting and inquiring about new projects. However, the survey revealed that only the largest developers have this capacity, and that even in those cases it is limited. Most developers react to a need presented to them, normally from a non-profit organization or municipal government. Those that do have prospecting efforts in place do not prioritize opportunity areas due to the higher barriers to entry. One developer emphasized that it would be helpful for fair housing organizations and others in the community to alert them when possibilities for development arose, either as available land or improved community interest, in opportunity areas.

Many of the developers discussed how they search for communities with vision for affordable housing or communities where organized efforts are in place. Some examples were Evanston, Highland Park, and Oak Park. In these cases, elected officials were reasonable and/or a culture of inclusion had developed. Developers and fair housing advocates agree that working to educate elected officials and working to create community support in targeted areas would be beneficial. A possible strategy would be to begin in mutually identified communities that both groups agree need affordable housing and have the potential for successful projects. Ideally, the success of these developments would reduce future resistance in other communities.

### **Regulatory Environment**

The second most common topic was the changing regulatory environment as government agencies move to implement policy changes that will comply with AFFH and avoid a disparate impact lawsuit.

Affordable housing developers cited the new HUD rule and the disparate impact case of *Texas Dept. of Housing and Community Affairs, et al. v. Inclusive Communities Project, Inc., et al.* as well as the ongoing settlements in Westchester County, NY and other jurisdictions. They recognized that these precedents and changes would require them to adapt by searching for more sites to develop in opportunity areas.

Affordable housing developers noted that the revisions to the Qualified Allocation Plan (QAP) from IHDA were pushing them in the direction of proposing more developments in high-opportunity areas. There was a sense that IHDA has been reliable and consistent on this issue. The change at IHDA has occurred gradually. Developers do still have some concerns that the progression is making it more difficult to propose projects in areas that have affordable housing but lack safe, decent housing options.

Fair housing advocates have welcomed the QAP changes. They believe the change is overdue, that it will result in more affordable housing in the communities they serve, and improve racial integration. However, they find particular remaining requirements to be problematic. These include letters and certifications from local elected officials or government staff in order to proceed with projects. They see these requirements as providing local officials with a mechanism to block affordable housing proposals.

Affordable housing developers do not find the letters and certifications to be a significant issue. This has puzzled fair housing organizations. They expected developers to want as few regulatory barriers as possible. However, the developers tend to see the letters as an initial indication that they have found a reasonable jurisdiction to work in. It is essentially a difference

between an idealistic and a pragmatic point of view. This specific contrast might be indicative of the general difference in approaches for the two groups.

However, both agree on one pragmatic issue. A significant challenge of getting developments built in opportunity areas is partially dependent on enforcement of fair housing laws. This includes a strategy to pursue enforcement against the most intractable municipalities. A collaboration would be very beneficial in these cases. One fair housing advocate even proposed a situation where enforcement agencies could take on this role so that developers would not gain reputations as litigious or difficult. The advocate mentioned the specific example of local preferences. The survey found that both groups agree that local preferences make a deal more palatable to community leaders but they deter from the purpose of building in opportunity areas. There was widespread support for greater education and enforcement of fair housing rights and proactive efforts to promote racial integration. As this is a direct fair housing issue, the fair housing organizations could take the lead on restrictions such as this.

Regarding affordable housing development in high-poverty areas, there is common understanding at this point that new housing developments should accompany economic development. Some developers directly stated that they were not interested in building new housing where there is no chance for residents to improve their lives. However, caution about abandoning whole neighborhoods would follow these statements. Some concern was expressed that IHDA's revitalization criteria might need to be revisited.

This revision will also force some smaller developers and CDCs to revise their efforts. In the case of CDCs, it could require new missions. However, there are logical progressions to adding commercial and social service investment into their missions and activities. There are examples of CDCs that have made this transition, such as Lawndale CDC. Finding ways to connect economic development and housing development through funding for CDCs could incentivize comprehensive strategies in high-poverty communities.

Fair housing advocates agreed with a strategy to combine housing and economic development. They went a bit further to suggest including struggling areas in suburbs as well. One organization suggested this approach in revitalizing areas of older industrial suburbs such as Elgin. Like the developers, there was a thought of looking at what would constitute a revitalizing area and what should be proposed in these areas.

## **Mixed-Income Housing**

Mixed-income housing was another popular topic. Mixed-income development is seen by many municipal leaders as more palatable. It is also considered to be a positive model for inclusion by policy analysts. Fair housing organizations are particularly in favor of mixed-income developments, seeing them as deliberate mechanisms to promote racial and economic integration.

Affordable housing developers found the concept desirable also. However, they noted that these types of developments are difficult to finance. The portion of a development that is at market rate cannot qualify for tax credits. That leaves a large gap in financing for these units, which are difficult to market. Development costs are very high and banks are reluctant to finance these developments. It is generally perceived by developers that banks find them to be overly risky despite track records of success.

This risk was connected to another issue raised by respondents. The formulas for mixing incomes promote percentages that do not seem to work socially. Developers suggested revisiting the formulas. One developer noted that experience showed middle-income residents normally did not want to share their social capital with poor residents. At the same time, poor residents did not want to be patronized or controlled by the middle-income residents. The thought was a different mixture might reduce these tensions and improve interaction. However, no one is certain what that mix should be.

Fair housing advocates had less input on this subject. One thought was to consider different mixtures based on where a development is located -- an opportunity area, a high-poverty area, or a gentrifying neighborhood.

While the consensus is that mixed-income developments do constitute an ideal, current models are flawed and should be revisited. Considering how developments are subsidized, how to improve private financing, and what mixture of market rate and low-income housing would be best are all areas for improvement. In addition, it is also important to ensure that both the market rate and subsidized units are racially integrated. All concurred that having race and income be mutually segregated results in additional problems in mixed-income developments. Meanwhile, monoracial mixed-income developments also fail to achieve desired goals.

## **Recommendations**

The data on opportunity and poverty and the feedback from practitioners suggests that there is greater consensus on this issue than is generally perceived. Yet, these results also demonstrate the need for a better strategic partnership between affordable housing developers and fair housing organizations. While the two groups agree on most of the discussion around opportunity, there was a sense in the interviews that they do not recognize this agreement.

With a few strategic initiatives, the combined efforts of these groups would likely result in more effective housing development and improved housing policy.

## **Improving Communication**

Each of these groups has established a forum for communication and coordination. Affordable housing developers have the Illinois Housing Council (IHC). Fair housing organizations have the Chicago Area Fair Housing Alliance (CAFHA). A logical progression would be to work through IHC and CAFHA to strengthen cooperation between the two groups.

IHC and CAFHA should meet regularly, perhaps on a quarterly basis, to discuss strategies and facilitate collaboration between their members. It would likely improve coordination if they also facilitated an annual forum for their members to meet and discuss plans for the next twelve months. The meetings could involve information sharing on development proposals and identified needs in communities. They could also provide a space for considering advocacy and outreach efforts.

## **Improving Capacity**

It was clear that, with a few exceptions, developers and organizations do not have the capacity required to be proactive in the effort to build affordable housing in opportunity areas. The process takes significant time to search for new sites in opportunity areas, assess the political and social environment in the community, build relationships with public and private leaders, deal with regulatory issues, and market a proposed development.

A solution to this issue would be to provide support for an entity that would have this prospecting responsibility. This support could go to a current non-profit with experience promoting integration and opportunity, or a new organization could be created for this purpose. In either case, the function of creating community interest and assisting with the development process would address community opposition, the greatest barrier cited in the survey.

## **Improving Public Policy**

Public policy advocacy would be more effective if the efforts of two groups were more coordinated. The current disjointed approach allows for unintentional contradictions that can hold back progress when working on state government issues such as funding allocations and housing priorities. When the two groups provide conflicting views, it allows the opponents of fair and affordable housing to play each off the other.

This effort could also promote better coordination at the state level between IHDA, IDHR, and DCEO to establish a comprehensive approach to housing and community development. This effort could also be pursued with similar agencies at the county and municipal level for larger counties and cities. This could increase the options for affordable housing and revitalization strategies by identifying and supporting critical neighborhoods and communities in cooperation with government priorities.

Overall, a joint effort built upon improved communication and capacity could generate a long-term strategy that could reduce the disparities in opportunity and improve the overall acceptance of affordable housing.

## **Improving Financing**

As financing of affordable housing is difficult and made more difficult in high-opportunity areas, an effort to improve the financing of affordable housing would be prudent. Efforts to improve funding from private lenders underwriting mixed-income developments would reduce barriers to these projects. Fair housing organizations could determine how this sort of investment would affirmatively further fair housing. Another avenue would be to revisit how mixed-income housing, including the market rate portion, could be supported as Community Reinvestment Act (CRA) activity.

Identifying philanthropy to provide funding that would make up for the greater cost of development in high-opportunity areas is another strategy to pursue. Including fair housing advocates would reduce possible perceptions that this effort is only self-serving. Funding for affirmative marketing and fair housing enforcement would be natural complements as well.

## **Improving Information**

The HUD and IHDA data that help define areas with abundant opportunity, areas in need of revitalization, and areas in the process of gentrification provide a starting point for the information needed to improve regional equity. The coordinated effort of these two groups could help identify additional data that could help determine the places with the greatest need and the highest potential for transformative change.

Working together, the two groups could also provide information to demonstrate how a balanced affordable housing approach could improve regional prosperity and equitable outcomes in communities across the region. CMAP offers a good home for this effort. Universities and regional research institutions could enhance data analysis and outcome measurement as well.

## **Conclusion**

As perceptions evolve about affordable housing development, there is a chance to seize on a unique moment. While connecting housing to opportunity poses some new challenges, it also offers the prospect to bring affordable housing development and integration efforts into the center of conversations around metropolitan prosperity and equity. However, this requires the fair and affordable housing communities to work together to demonstrate the transformative impact of opportunity-based housing. Fortunately, the fundamental agreements suggest a collaborative effort appears feasible. By improving lines of communication and working in concert to build new capacity, the effort is likely to result in more effective programs and greater outcomes.

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