Applied research to support 2 to 4 unit building preservation strategies
Institute for Housing Studies

• IHS’s mission is to provide reliable, impartial, and timely data and research to inform housing and community development policy decisions and discussions in the Chicago region and nationally

• IHS accomplishes this through an applied research model
  • Data collection and improvement
  • Research
  • Technical assistance

• IHS’s work on 2 to 4 unit building preservation
  • Interest in issue emerged through TA requests from community partners to help verify and quantify issue happening in their neighborhood
  • Analysis used a range of administrative data to understand importance of 2 to 4s, quantify changing housing stock, identify market pressures
  • Data informed policy development, community initiatives to preserve stock, strategies to promote investment
Small rentals critical to affordability, irreplaceable

• Predominant type of housing in many neighborhoods

• Iconic Chicago housing stock, oldest stock is in 2 to 4 unit buildings
  • Median age of a 2 to 4 is 108 years old

• 2 to 4 unit properties are the “backbone” of lower-cost rental stock in most neighborhoods – more likely to
  • Offer lower rents and relative affordability
  • Provide family-sized units
  • Serve lower-income households
  • Serve neighborhoods and households of color
  • Be owned by small-scale, long-term owner

• Provide affordable pathways to homeownership

• Once lost, units are difficult to replace, particularly as affordable and with family-sized housing
Growth of rental units in larger buildings, declines smaller

Change in Rental Units by Building Size in City of Chicago, 2012 to 2021

- Single-Unit: -6.3%
- 2-to-4 Unit: -10.7%
- 5-to-49 Unit: 10.4%
- 50+ Units: 31.2%

SOURCE: US CENSUS BUREAU, 2021 PUBLIC USE MICRODATA SAMPLES (PUMS)
Market context important to understand 2 to 4 pressures

• Higher-cost markets
  • Increasing demand for single family homes and limited supply
    – Pressure to convert older 2 to 4 unit buildings to single family homes
    – Demo older 2 to 4 unit buildings to replace with high cost-single family homes

• Moderate-cost markets
  • 2 to 4 unit properties are largely unsubsidized and vulnerable to rising rents driven by increased rental demand
  • Turnover of properties owned by long-term owners likely erodes affordability

• Lower-cost markets
  • High levels of foreclosure distress, vacancy, and abandonment means many 2 to 4 unit properties lost to or threatened by deterioration and demolition
Lost 2 to 4’s are concentrated in high cost neighborhoods

Change in 2 to 4 Unit Parcels by Market Type in City of Chicago, 2013 to 2019

SOURCE: IHS CALCULATIONS OF DATA FROM COOK COUNTY ASSESSOR
Loss of 2 to 4s greater near transit

Change in 2 to 4 Unit Parcels by Chicago Market Type and Proximity to Transit, 2013 to 2019

Lower-Cost
-3.2%  -3.8%

Moderate-Cost
-1.5%  -2.2%

High-Cost
-6.5%  -7.5%

Chicago Total
-3.4%  -5.0%

SOURCE: IHS CALCULATIONS OF DATA FROM COOK COUNTY ASSESSOR
Market context is important to understanding lost 2-flats

Distribution of 2 to 4 Unit Parcels (2019) and Parcels that Changed Minor Class by Market Type, 2013 to 2019

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Policy responses to lost 2 to 4s

• City of Chicago passed pilot ordinances in 2020 and 2021
  • Targeted to two rapidly gentrifying neighborhoods
  • First pilot was a temporary moratorium on demolitions
  • Second enacted targeted anti-deconversion ordinance
    – Establishes minimum density requirements for certain blocks
    – Prevented construction of new single family homes or conversion of multi-unit properties to single family homes in areas zoned for multifamily uses
    – Restricted to blocks where majority of housing was already multifamily

• City passes Connected Communities Ordinance (CCO) in 2022
  • Update to City’s transit oriented development policy
  • Includes expansion of geographies eligible for TOD benefits and reforms to zoning, parking minimums, accessibility guidelines near transit
  • Expands anti-deconversion protections to higher-density blocks in gentrifying neighborhoods near transit
Affordable Requirements Ordinance (ARO) neighborhood types
Opportunities to preserve 2 to 4s near transit - CCO

“Legacy” 2 to 4 Unit Parcels by ARO Market Type and Proximity to Transit, 2019

SOURCE: IHS CALCULATIONS OF DATA FROM COOK COUNTY ASSESSOR
Opportunities for preservation 2 to 4s

• **Supporting existing owners**
  - Rehab grants or low-cost loans
  - Property tax relief

• **Mission-driven investors** -
  - Support owners who do not rely on subsidy, but are also not looking to maximize profit
  - Create financial support tools, incentives

• **New owner-occupants**
  - Recent data show that Black and Latino home buyers are more likely to purchase 2 to 4 unit buildings
  - Indicators of demand on South and West Sides
  - Programs to build new or rehab 2 to 4s as affordable, for-sale housing
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Housingstudies.org  @housingstudies  Contact: gsmith@housingstudies.org