



PRESENTATION

May 10, 2023

Applied research to support 2 to 4 unit building preservation strategies

Presented by the Institute for Housing Studies

Institute for Housing Studies

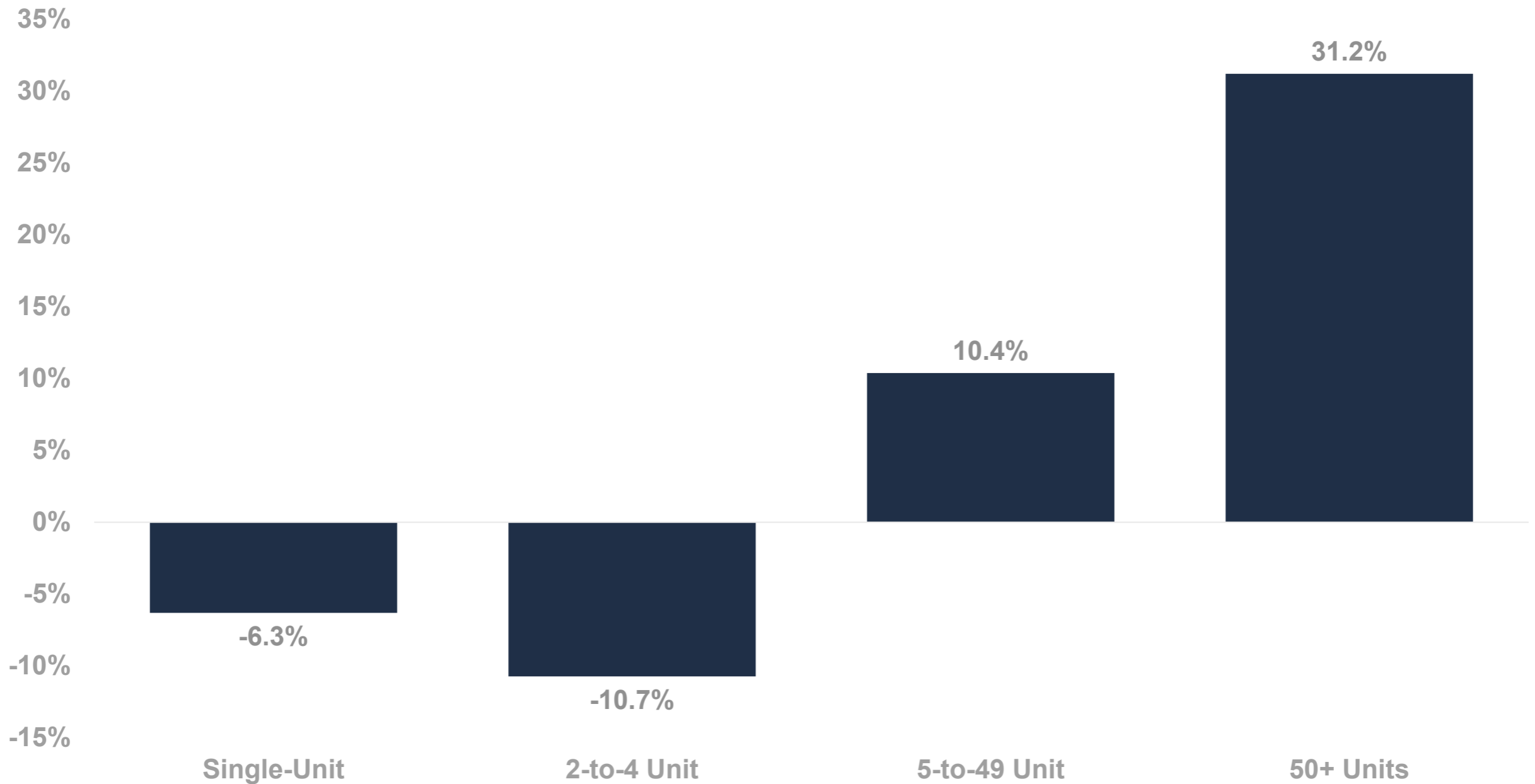
- IHS's mission is to provide reliable, impartial, and timely data and research to inform housing and community development policy decisions and discussions in the Chicago region and nationally
- IHS accomplishes this through an applied research model
 - Data collection and improvement
 - Research
 - 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



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

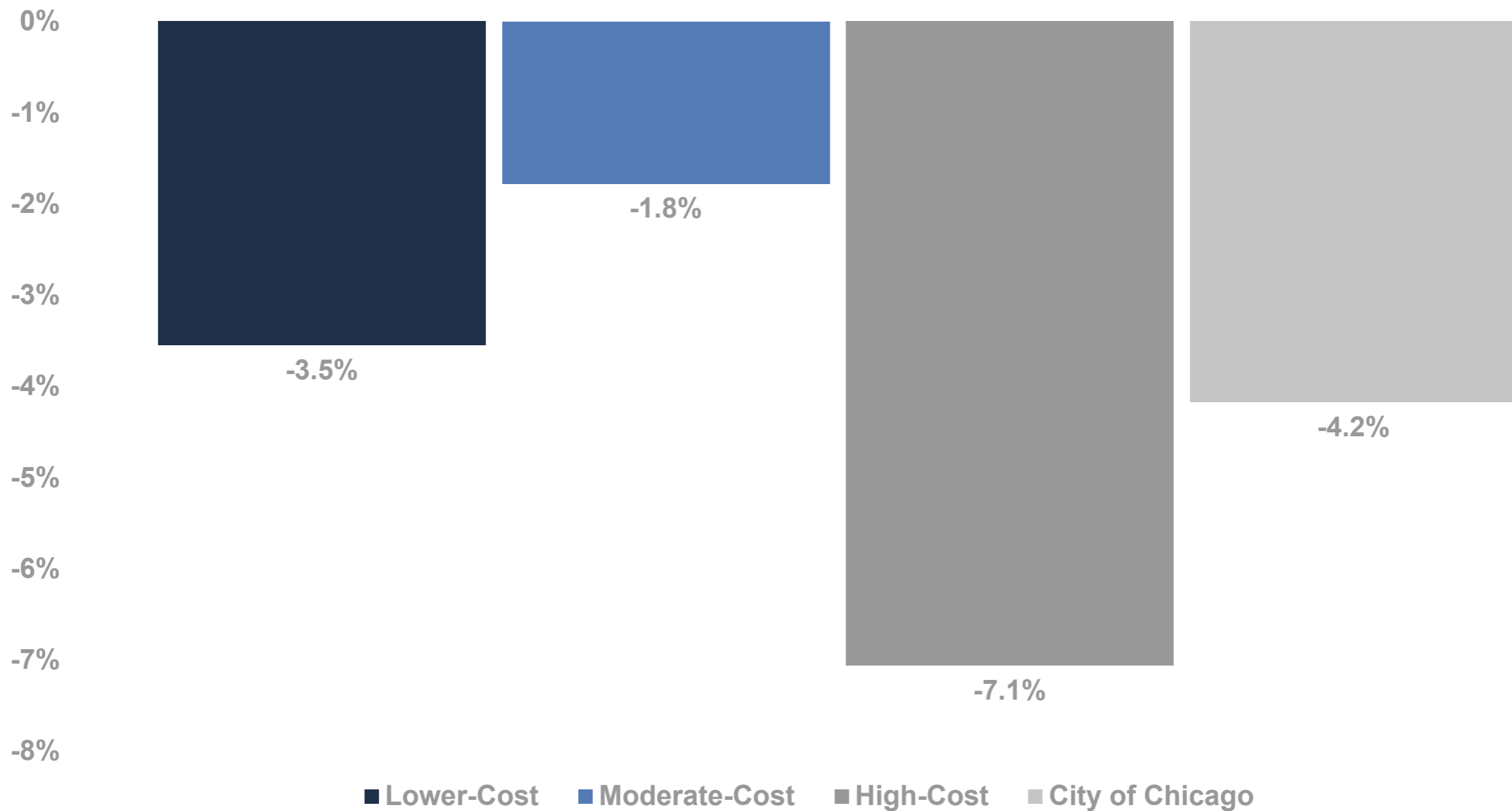
- 2 to 4 unit properties are largely unsubsidized and vulnerable to rising rents driven by increased rental demand
- Turnover of properties owned by long-term owners likely erodes affordability

- 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

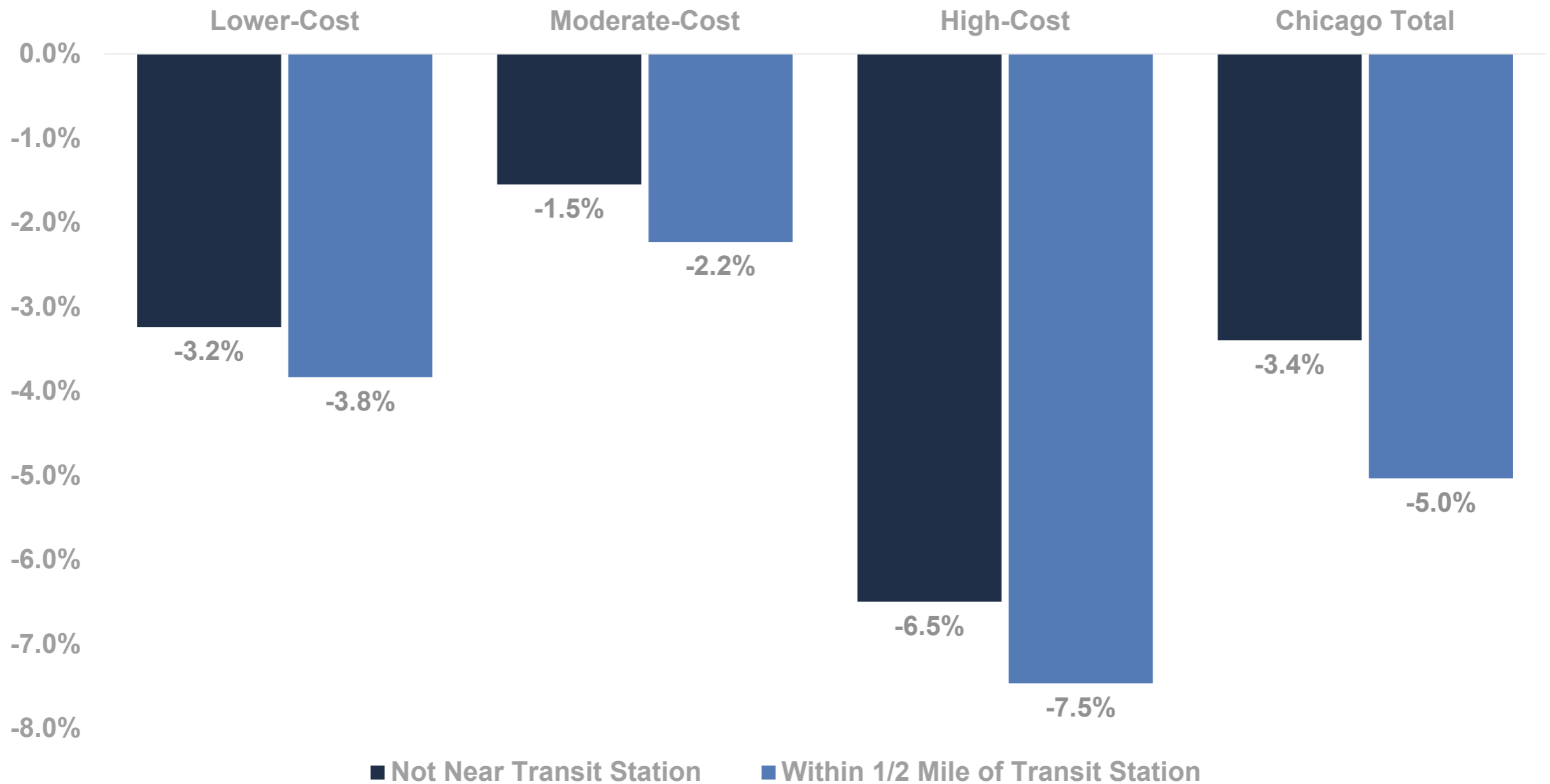
Change in 2 to 4 Unit Parcels by Market Type in City of Chicago, 2013 to 2019



SOURCE: IHS CALCULATIONS OF DATA FROM COOK COUNTY ASSESSOR

Loss of 2 to 4s greater near transit

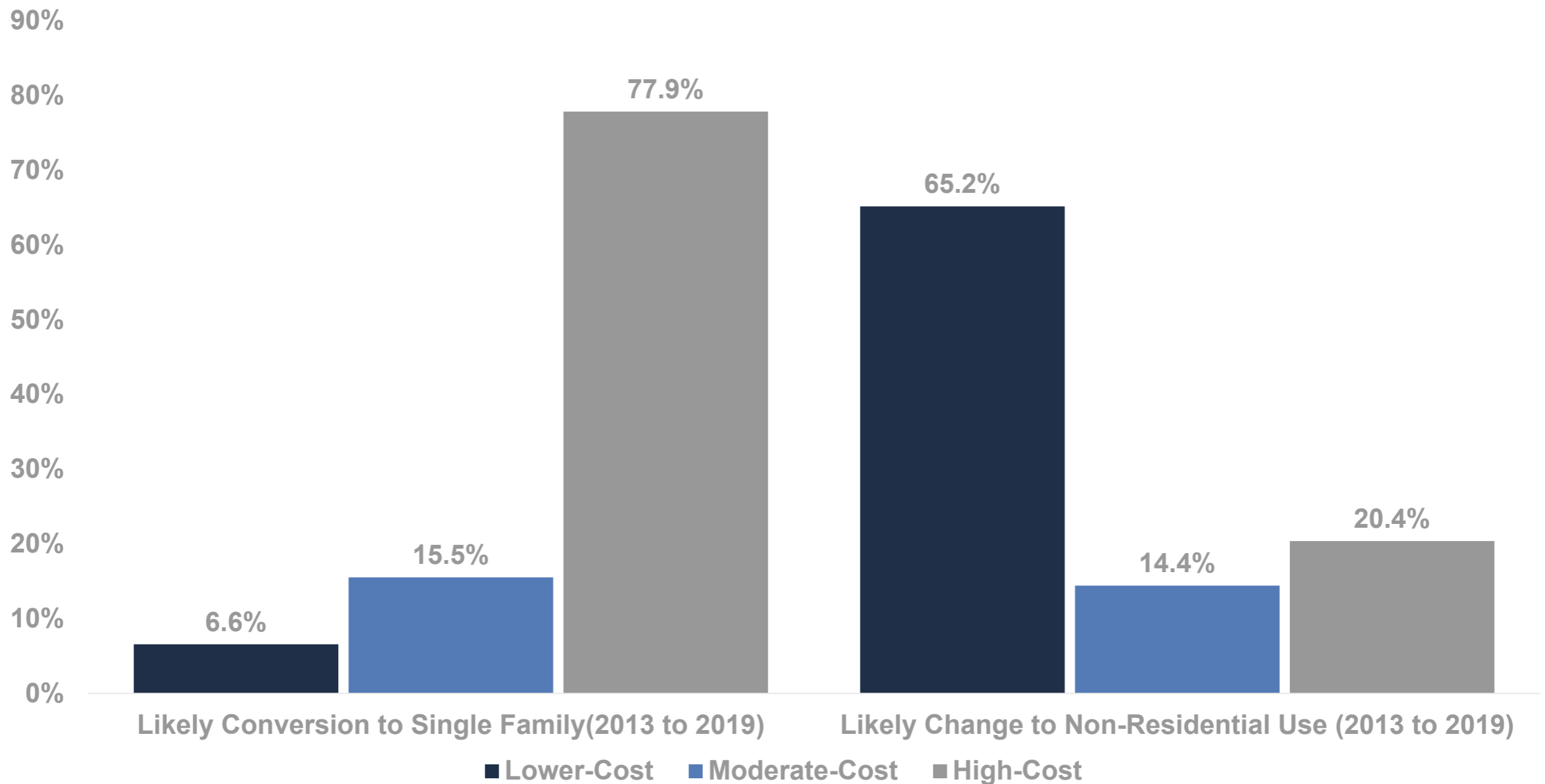
Change in 2 to 4 Unit Parcels by Chicago Market Type and Proximity to Transit, 2013 to 2019



SOURCE: IHS CALCULATIONS OF DATA FROM COOK COUNTY ASSESSOR

Market context is important to understanding lost 2-flats

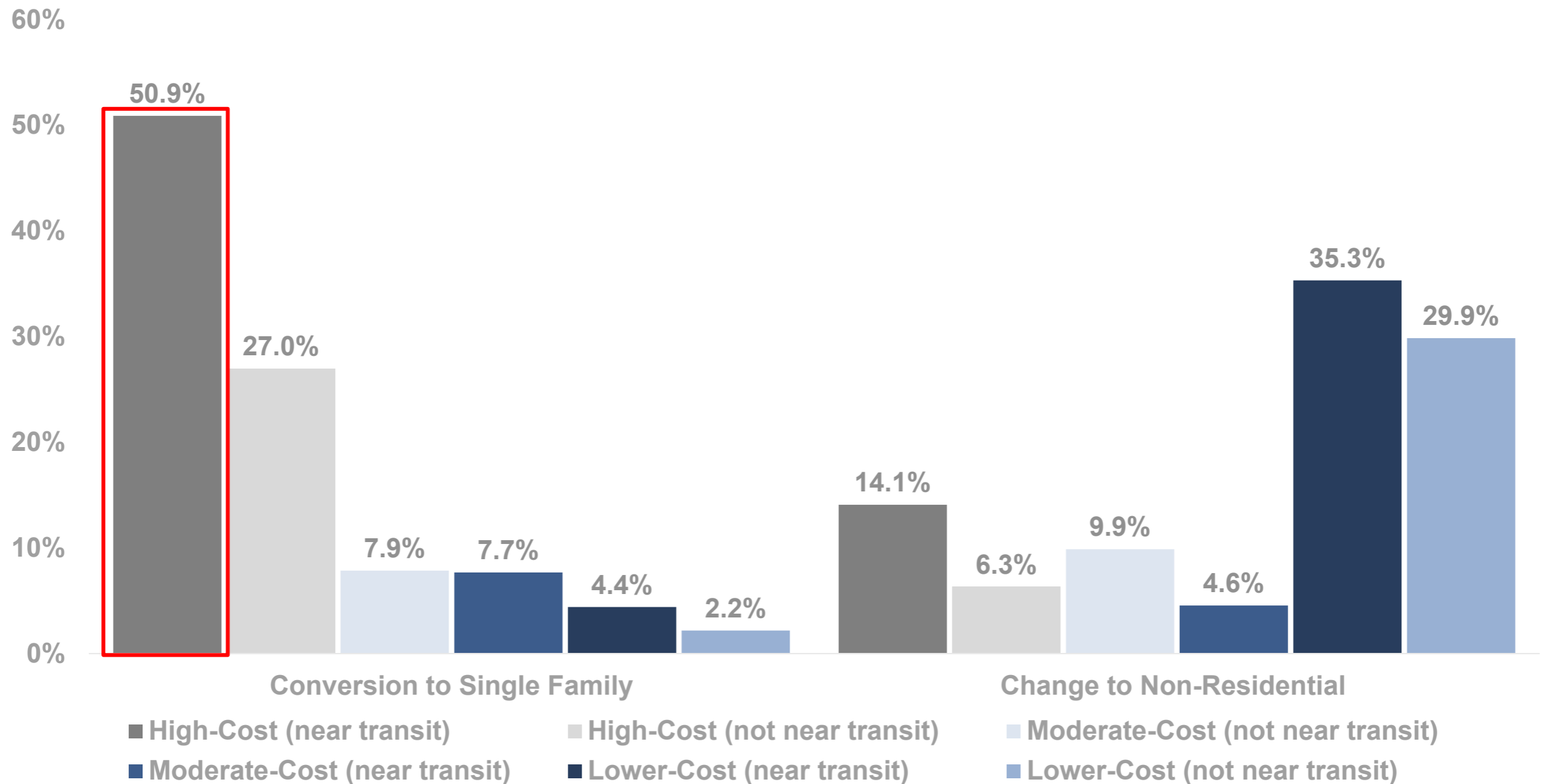
Distribution of 2 to 4 Unit Parcels (2019) and Parcels that Changed Minor Class by Market Type, 2013 to 2019



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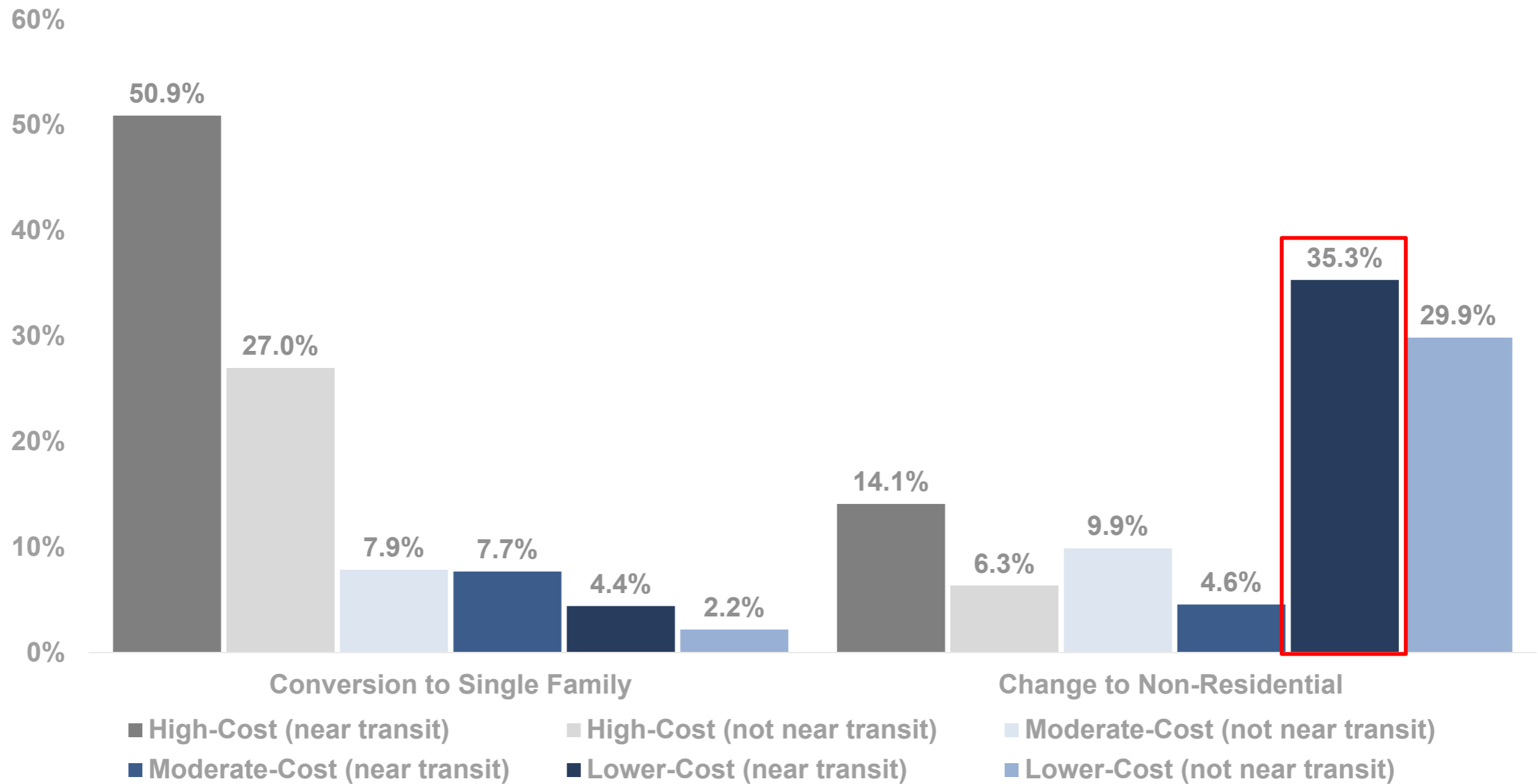
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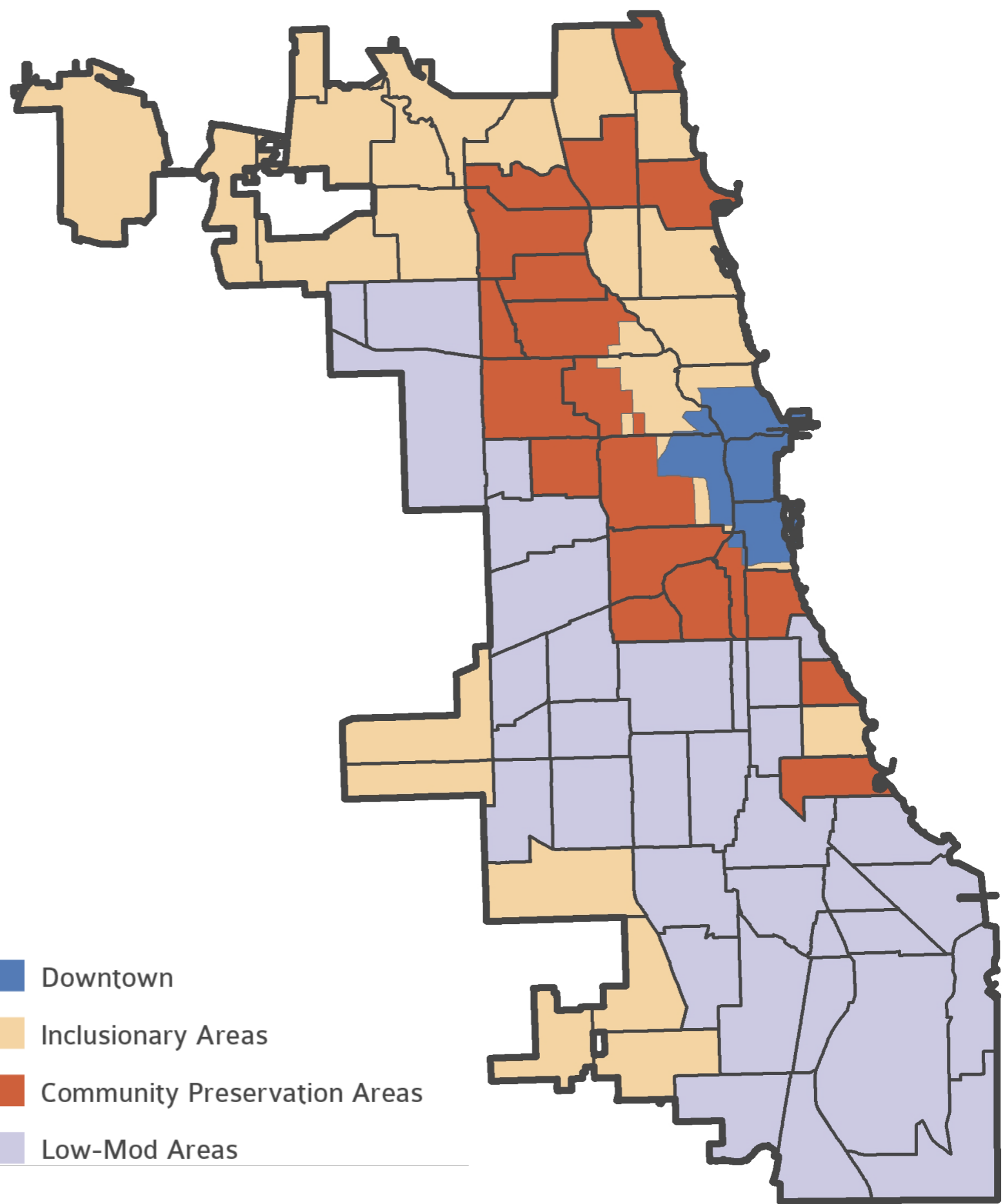


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Policy responses to lost 2 to 4s

- **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

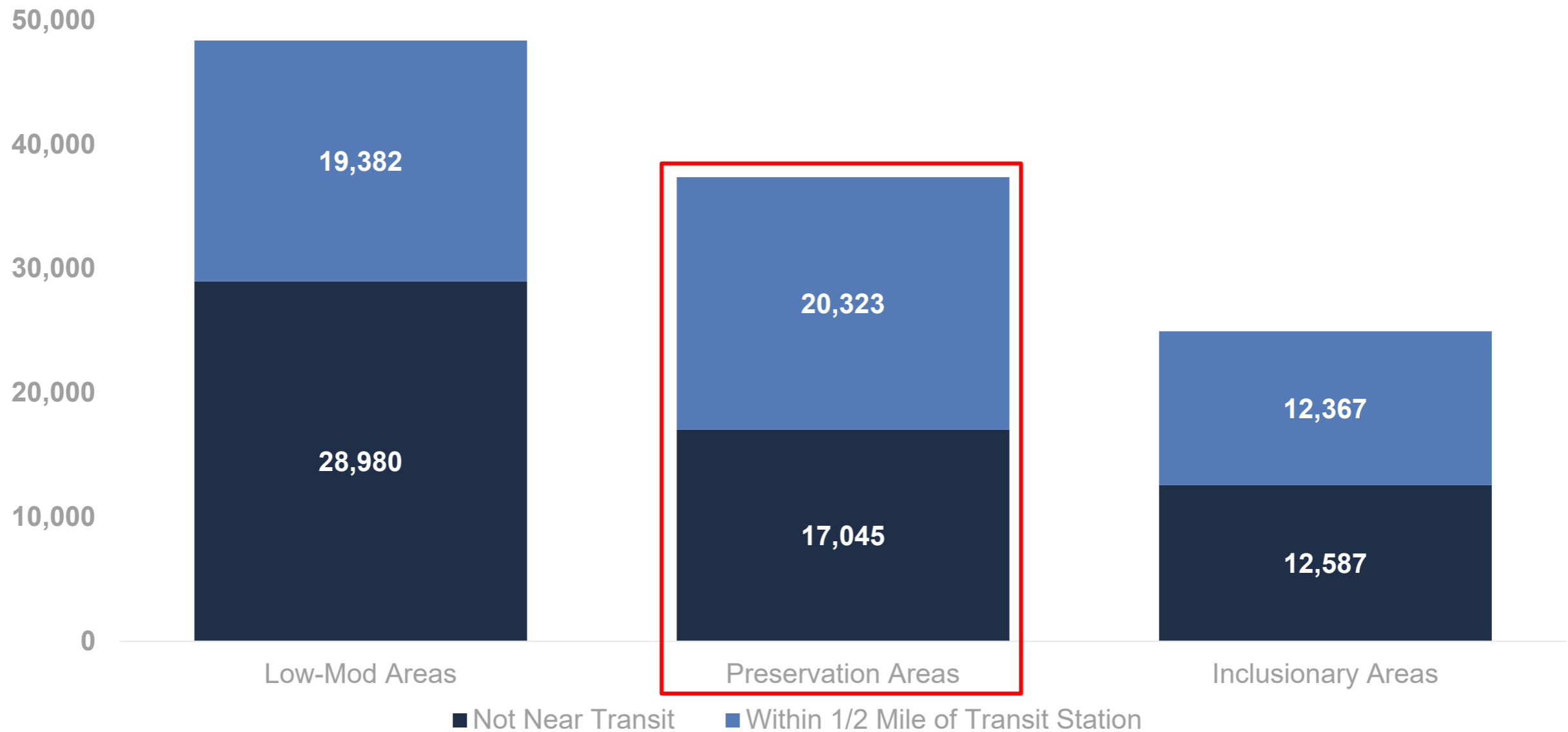


SOURCE: IHS DATA CLEARINGHOUSE

-  Downtown
-  Inclusionary Areas
-  Community Preservation Areas
-  Low-Mod Areas

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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