

Concept Paper  
***TIF-Supported Affordable Housing  
In Gentrifying Communities***

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**Introduction:** Loyola's Center for Urban Research (CURL) is actively partnering with community-based organizations on applied research projects throughout Chicago. CURL is particularly engaged in efforts with north lakefront communities to mitigate the negative consequences of gentrification/reinvestment by enabling affordable housing, small-business development, and child care opportunities via the efforts of local non-profit organizations. *This concept paper is one aspect of ad hoc discussions between the university and community groups on possible ways to make TIFs more responsive to community needs and less problematic for residential/commercial displacement.*

**Problem:** *Providing housing opportunities to lower income people in reinvesting/gentrifying communities is becoming increasingly difficult.* The financial challenges for rental property owners are significant, and the lure to convert to condominiums is strong. Affordable housing development financing has become complex, time consuming, and inordinately expensive. The resources are sometimes allocated in a political way or committed years in advance. Low-income housing property management is difficult when forced to carry significant debt service. When successful, community developments do not always serve lower income, working class people without rent subsidies and may inadvertently fuel more displacement/gentrification. Section 8 rent subsidies are highly valued by some, and disregarded as bureaucratic and undesirable by many private owners/managers, but are in short supply in any case.

**Question/Concept:** We know that TIFs are one of the few focus area development strategies most in vogue now and that they receive priority funding from various city departments in tandem with TIF increment funds. *Considering that the Chicago Low Income Housing Trust Fund (CLIHTF) provides rent subsidies, is highly regarded by residents and owners/managers alike, yet lacks for new and dedicated sources of support -- why not utilize a restricted percentage of TIF proceeds annually to fund CLIHTF to be dedicated back to its originating TIF community area?*

Such a program could be established theoretically with the enabling ordinance of a new TIF or by clearing the normal project approval process for an existing TIF. With encouragement to local landlords/owners, an income mix could be achieved in rental housing in the TIF area or designated community area almost immediately. (This is in sharp contrast to community development strategies that become increasing less feasible as land/acquisition costs go up.) Affordable units would be "produced" by working with existing managers/properties of good repute or owner-managers improving their buildings. As a restricted percentage of the TIF increment, the pot of rent subsidies available could grow and increase the number of subsidized units over time or be a hedge to preserve the already committed rent subsidy units. The legalities of such an approach should be explored.<sup>1</sup> (Legalities sometimes hinge on political will to favorably interpret the intent of legislation.)

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<sup>1</sup> Since this writing, it has become clear that state reform legislation to amend wording for TIF eligible expenditures would be needed, but that this was well within the realm of possibilities.

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## Benefits/Options for Programs:

**Reserve.** If a restricted percentage of TIF increment funds supports the Trust Fund and a slightly lower amount is dedicated back to the TIF/Community Area on an annual basis, a reserve could be established for rent subsidies. This reserve could then respond to and/or support justified rent increases requested by the participating owner-managers or be used to extend the life of the subsidies past the 23-year term of the TIF.

**Community/Planning.** Community planning efforts could be enhanced in different ways with this kind of program. Property owners/managers might apply for CLIHTF subsidies in the normal way, but community support letters could heavily influence decisions also. Community groups or the aldermanic offices could also play a role in educating owner-managers about the program or assisting them in completing applications. As with “inclusionary housing” strategies, new owner-developers seeking aldermanic and community approvals for developments could be required or encouraged to accept some income mix in their buildings or be required or encouraged to contribute to the trust fund pot for the community’s benefit. Finally, this program could deliberately or informally be a resource to prevent or manage displacement when it occurs.

**Relationship Building/Outreach & Organizing.** This kind of program could facilitate new kinds of collaborations and positive relationships with people/parties who may sometimes consider their interests at odds. These include owner-managers of low, middle, and upper income housing; politicians, city officials, and non-profit organizations; as well as community reinvestment lenders who know about CLIHTF and maintain ongoing relationships with borrowers and city officials.

**Enhanced viability of multi-family rental housing.** One of the toughest problems of all is maintaining the viability of rental housing/property management in multi-unit buildings. It is possible however, with this kind of program, for owners to increase their rents to maintain profitability and to adjust their rent subsidies to retain an income mix in their buildings. Presumably, it is healthy for all communities to have a mix of ownership and rental housing.

**Area Served.** Rent subsidies could or should be used primarily in the TIF designated area. There may be good arguments, however, to broaden the area of the rent subsidy benefits because of the make-up of the housing stock within the TIF boundaries or by virtue of the impact of tax appreciation on rental housing nearby. The amount of flexibility allowable on the community area served should be researched and tested.

**Prospects/Possibilities:** This concept has been shared with the north lakefront community organizations that partner with Loyola on applied research/community efforts, some of whom do not support TIFs because of the real and anticipated negative consequences of displacement/ gentrification. This idea has also been shared with a few aldermen in the same communities, Department of Housing staff, and leaders of the Chicago Low Income Housing Trust Fund. Such a program may be under active consideration for one new, pending TIF.

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