

Preserving Affordable Rental Housing through Innovative Financing Strategies

Lessons from Chicago's Community Investment Corporation

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Naturally occurring affordable housing is rental housing that is [affordable without assistance from public subsidies](#).

The [5.6 million naturally occurring affordable units in the US](#) provide the bulk of housing for eligible households who don't receive federal assistance.

Despite the prevalence of naturally occurring affordable housing and resident demand, [investors often struggle to find conventional lending products to preserve affordable housing units](#).

With the limited supply of public subsidies for affordable housing, [market-driven strategies to preserve naturally occurring affordable housing](#) are important for every region.

Solving America's affordable housing crisis will take more than simply building more housing. It will also require protecting existing affordable housing and ensuring it remains in good quality for future renters. Naturally occurring affordable housing, which is affordable without public subsidies, accounts for most affordable housing in the US. But so far, there has been little research focus on effective preservation strategies.

UNSUBSIDIZED AFFORDABLE RENTAL HOUSING CHALLENGES

Preserving the stock of naturally occurring affordable housing brings several challenges for cities, developers, and investors. This type of housing can be at risk for several reasons, including

- deferred maintenance leading to a shortage of decent, safe units;
- lack of conventional financing products for improving units;
- loss of units from unmet capital needs;
- loss of units from variable operating costs and market-rate conversion; and
- lack of units in high-cost neighborhoods.

Our case study of the Community Investment Corporation (CIC), a community development financial institution (CDFI) in Chicago, shows how one organization is using a market-driven approach to improve preservation, particularly in unsubsidized naturally occurring housing stock. CIC preserves many affordable units with revolving loan products because neighborhood rents can support the costs of rehabilitation, and no public subsidies are needed.

Although CIC tailors its financing strategies to the conditions of the Chicago market (which includes a large share of small-unit multifamily buildings), its approaches can be replicated in other cities looking to preserve their stock of unsubsidized affordable housing through partnerships with CDFIs.

Preserving naturally occurring affordable housing is not well-documented or evaluated. But in this case study, we found that local governments can improve their capacity to preserve this housing stock by partnering proactively with CDFIs.

TACTICS TO ENSURE EFFECTIVE LENDING APPROACHES

Through interviews with CIC, we found common themes that can inform effective strategies for CDFIs exploring ways to preserve naturally occurring affordable housing, particularly in partnership with their local governments:

Proactive program development. CIC brings ideas and resources to the table when meeting with government and private partners, advocates, and affordable housing developers. Rather than waiting for another stakeholder to create new policy to support affordable housing development, CIC operationalizes plans to expand financing for affordable housing, finds seed money to pilot its approaches, and provides evidence of success before expanding the work.

Responsiveness to local conditions. CIC staff have deep knowledge and long-standing relationships in the neighborhoods where the CDFI lends. CIC partners with local university, DePaul University, to identify the housing trends that impact the region. For example, after exploring data about the regional effects of the foreclosure crisis, CIC added to its lending products to better meet the on-the-ground conditions resulting from how the housing crisis destabilized neighborhoods.

Pursuit and leveraging partnerships. CIC leverages the expertise of government, private companies, financial institutions, and other nonprofits to more efficiently pursue shared goals for the sector. The Preservation Compact, a collaborative of public, private, and nonprofit leaders working to preserve affordable rental housing in the greater Chicago region, is led by CIC. The Compact helps CIC identify new opportunities and facilitates ongoing cross-sector support of its efforts.

Strategic use of federal, state, and local policy levers. CIC uses its understanding of the policy context of the greater Chicago region as one tool to drive its programs and approaches. CIC's long-term partnership with the City of Chicago and success supporting pragmatic legislation while retaining a nonpartisan CDFI position enables the organization to inform new affordable housing policy.

This fact sheet draws from the Urban Institute report *Innovative Financing Approaches for Affordable Rental Housing in Cook County: Case Study of Community Investment Corporation*, <https://urban.is/2GKkk6i>.

WHAT IS THE COMMUNITY INVESTMENT CORPORATION?

The Community Investment Corporation is focused on lending for the acquisition, rehabilitation, and preservation of affordable rental housing, especially unsubsidized affordable housing, in the Chicago metropolitan area.

CIC was formed by local financial institutions in 1974 to provide lending products in the Cook County neighborhoods that were hardest to serve. CIC has provided \$1.4 billion for 2,400 loans to rehab and preserve 62,000 housing units, providing affordable rental housing to 155,000 people.

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