# Two Extremes of Residential Segregation: Chicago's Separate Worlds and Policy Strategies for Integration

MARISA NOVARA AND AMY KHARE
Metropolitan Planning Council

Radiating out from a city that for decades fought hand over fist to create and maintain near perfect segregation, the Chicago region faces contemporary challenges that make inclusion and equity an imperative, yet grapples with a history that has deeply entrenched its racial and economic separation. This history is coupled with present-day practices that reinforce its180-year history.

In this paper, we argue that a movement is needed to rethink strategies for desegregation at the region's two poles: concentrated poverty and concentrated wealth. We focus there not because the areas between the poles are unimportant, but because we recognize two factors: integration in these "middle" areas may be less challenging than at the extremes, and as income inequality has increased in recent years, more Chicagoans than ever before are either impoverished or affluent. We present policy recommendations to restructure Chicago's residential segregation and share our reflections along the way about the political realities of doing so.

## OVERVIEW: CHICAGO'S ECONOMIC AND POLITICAL CONTEXT

While admired for its mounting influence in the global economy, the Chicago region is also known for its patterns of racial and economic segregation. The core of the Chicago metro area is dominated by the City of Chicago; with 2.7 million residents, it is by far the largest city in the state despite losing 1 million people since 1950. The city is often characterized through descriptions of its separate neighborhoods, such as the Gold Coast, Englewood, and Logan Square. Beyond the city, however, the surrounding suburbs range from very affluent to desperately poor. Increasingly, the divisions among

Acknowledgements: We would like to thank Rolf Pendall, Urban Institute, for his invitation to participate, as well as his keen insights about how to build regional collaboration towards an inclusive agenda. We would also like to thank Andres Villatoro, Metropolitan Planning Council, for his dedication to helping with the background research and preparation of the paper.

suburbs make intra-regional development and cross-jurisdictional political collaboration difficult, in part due to the heightening diversity among and the range of fiscal stability across suburbs. For example, the affluent North Shore contains predominantly white homeowners, while the South suburbs in Cook County and adjacent areas face rising levels of depopulation and disinvestment.

In the past several decades, intensifying income inequality has exacerbated the longstanding problem of residential segregation. While racial segregation has been a longstanding challenge and remains one to this day, Chicago also ranks in the top quarter of all metro areas with regards to economic segregation.[1] Chicago's white households are wealthier than the national average, while African American households have substantially less wealth than the national average.[2] These broad trends place Chicago in danger of becoming even more residentially segregated by race and class, as demonstrated by evidence that the number of concentrated low-income community areas is on the rise.[3]

Historically, the city's own urban redevelopment and housing policies contributed to the siting of African Americans in particular areas of the South and West sides, while also segmenting immigrants into neighborhoods best described as ethnic enclaves.[4] Chicago's development as a segregated city was largely dominated by powerful political processes, many of which reproduced barriers to housing mobility. As an example, housing and mortgage redlining policies kept African American residents confined to the city of Chicago's lower-income neighborhoods, while other policies encouraged white flight, highway expansions, and the growth of the suburbs.

These patterns of spatial segregation in the city of Chicago and later across the region have been politically controlled, since decisions by mayors, elected officials, zoning board officials, and others determined the opportunities for working-class households and minorities to relocate. State law leaves local governments a lot of discretion, which affluent communities have often used to exclude low-income people despite a state anti-NIMBY law modeled on Massachusetts' Chapter 40B. These spatial patterns are so woven into the fabric of the city that some observers question if and how the enduring configurations can ever truly be transformed.[5]

Chicago's class- and race-based urban development extends beyond its housing markets and into its government institutions. The city has long entertained a powerful mayoral coalition, aided in part by authority delegated to an overly large number of aldermen — fifty — whose allegiance to a central city government controlled by the mayor has been maintained over time. Aldermen enjoy a high level of political control over local zoning and resource allocation decisions within their wards, which in turn leads to a dearth of cross-city neighborhood development approaches that could aid in more comprehensive planning.[6]

Over the past two decades, the redevelopment of the central city generated profitable investment opportunities, while raising Chicago's global profile. The city of Chicago has moderate housing market demand overall, but demand is hot in some neighborhoods and very depressed, with severe population loss, in others. Select neighborhoods, such as the South and West Loop, were formerly commercial and light industrial, and are now attracting wealthy residential populations. Within this political context, former Mayor Daley and other city officials announced plans to demolish public housing buildings, while also initiating novel redevelopment strategies to create mixed-income communities. Federal HOPE VI funds were used to demolish iconic public housing structures such as the Near North Side's Cabrini-Green and the South Side's three-mile-long State Street Corridor. During this same period, other city neighborhoods were slated for redevelopment through the Local Initiatives Support Corporation (LISC) New Communities program aimed at comprehensive community revitalization. These and other changes laid the groundwork for transforming entire neighborhoods where people of different incomes and ethnic and racial backgrounds would co-habitate. Under Mayor Rahm Emanuel, the city continues its focus on economic development, attracting commercial ventures such as Google and the corporate headquarters relocation of formerly suburban McDonald's to redeveloped corridors.

During this same two-decade period, the entire Chicago region expanded its boundaries, stretching into the periphery of the neighboring states of Indiana and Wisconsin. New development on the edges of the urban bounds provided new opportunities for residential mobility, particularly for Latinos who moved into growing suburbs.

Most recently, the Chicago region has experienced growing levels of economic inequality. This marked increase in the number of extremely wealthy and extremely low-income populations has taken place during a period when middle-class populations have sharply declined in the city of Chicago. Racial shifts are afoot as well: census data show that in just ten years between 2000 and 2010, Chicago's population declined by nearly 200,000, of which 189,000 were African American. Furthermore, the 2008 economic crisis proved detrimental for local job opportunities, home prices, and home foreclosures, with disproportionately negative impacts on low-income communities of color.[7] The impact of the crisis can also be seen in diminishing city revenues as foreclosures reduced property tax payments, leading in turn to deeper shortages in the city's already pressed operating budget.[8]

In the city of Chicago, the socioeconomic characteristics of most low-income, primarily African American areas have changed very little over the past 30 to 40 years, but these areas have lost population, while formerly middle-income African American areas have become increasingly low-income. The net result is that Chicago now has a greater number of low-income African American areas than in the past, but these areas have a smaller total population. This change has occurred over the same time period as a dramatic loss in middle class population. The low-income African American West Side neighborhood of North Lawndale, for instance, saw its population decline from a high of 125,000 in 1960 to 36,000 in 2010, a decrease of 71 percent. More recently, the South Side neighborhood of Chatham, a quintessential African American middle-class area until the 1990s, has experienced a marked socioeconomic decline: from 2000 to 2010 alone, the median income dropped 19 percent and the unemployment rate rose 157 percent.[9]

For African Americans in Chicago, then, segregation has not much changed in recent decades, nor have its causes: government, structural, and individual racism, along with the deindustrialization that first led to disinvestment in these areas. And in African American areas, the socioeconomic changes that *have* taken place have often been for the worse. It is odd, then, that public discourse about housing in Chicago has recently focused on gentrification, so much so that it would seem to be around every corner. The reality says otherwise: a 2014 University of Illinois at Chicago Voorhees Center study of the forty-year span from 1970 to 2010 found that of 77 community areas, nine have gentrified while those in concentrated poverty have increased from 29 to 45.[10] The monoracial, low-income areas that have changed or are presently in the throes of gentrification are Latino. We talk about gentrification in Chicago much more than it is actually happening, especially where African Americans are concerned. Chicago neighborhoods that are more than 40 percent African American do not gentrify, a finding that reflects national trends.[11]

The city is facing century-old and current challenges that make inclusion and equity both imperative, but also incredibly difficult to address. It is within this context that we are working on a project to address Chicago's persistent racial and economic segregation through a cross-sector regional initiative called The Cost of Segregation, led by the Metropolitan Planning Council. In this paper, we argue that a movement is needed to rethink strategies for desegregation at the region's two poles: concentrated poverty and concentrated wealth. In growing areas of concentrated poverty, market-based strategies have long ceased to be effective, and in areas of concentrated affluence, efforts to induce the inclusion of affordable housing through regulatory measures have been met with resistance and even lawsuits. In both, new levels of political will and economic resources are necessary to achieve a less segregated and more equitable Chicago. As pragmatics committed to structural change, we also present initial policy recommendations that could restructure Chicago's persistent patterns of residential segregation. In exploring new policies for these two poles, we share our reflections about how to move the Chicago region decisively toward increased integration by race and income.

## TACTICS FOR INCREASED INTEGRATION

In our work seeking policy ideas from around the country to advance racial and economic integration, we have noticed a clear trend in housing policy. Strong and gentrifying markets and more affluent areas capture abundant attention from policymakers and others. When it comes to improving integration in strong markets, we have found no shortage of ideas. These range from improved Housing Choice Voucher portability to innovative structures for hard units in opportunity areas, such as Chicago's own Regional Housing Initiative. HUD's recent emphasis on Affirmatively Furthering Fair Housing has furthered this trend, with many state housing authorities, including Illinois', adjusting their Qualified Allocation Plans to provide incentives to develop units in strong markets.

Likewise, we found that areas undergoing or under threat of gentrification are the beneficiaries of much attention, if not of commensurate policy interventions, concerning the protection of affordability. Media stories highlight the deleterious impacts of displacement. Citizens march and attend community meetings to draw attention to the changing dynamics within their neighborhoods, and elected officials publicly vow to protect affordability for their long-time constituents.

As professionals who have spent years in community development in many of Chicago's most disinvested neighborhoods, though, we are struck by how much deeper we had to probe to find comparable innovation, energy, and new ideas regarding cities' most impoverished neighborhoods. For the most part, as a field we seem to be doing the same things we've done for the past thirty years: We support community development corporations, which do the best they can to cobble together Low-Income Housing Tax Credit deals that are slow to come to fruition and not designed to house communities' lowest-income residents. And as scarce as the supply of affordable housing in these areas is, it is bountiful compared to the dearth of living-wage jobs. This is an unfortunate irony, especially given that the community development movement began with an intense focus on jobs and economic development.

We begin with this disinvested geography, and explore what factors might influence the desegregation of our most struggling neighborhoods, where housing markets and community renewal have been stagnant for decades.

## INTEGRATION AND EQUITY IN AREAS OF DISINVESTMENT

Repairing a failed real estate market is extremely difficult. We focus first on the fundamentals of market failure in disinvested areas; we then discuss strategies to address low property values and the challenges of building wealth or just breaking even in disinvested communities.

When property values are low, movement in the real estate market slows to a crawl and makes it less likely that traditional lending products will meet would-be buyers' needs.[12] A rash of foreclosures, as occurred in the wake of the Recession, leaves rock-bottom comparables on which to base appraised values. Many have argued further that, in a phenomenon known as appraisal redlining,[13] appraisers systematically undervalue property in low-income areas. As Squires documented, "The appraisal industry has had relatively little experience with, and simply does not know how to value property in, non-white communities."[14] The opposite problem occurred in the run-up to the Recession, when appraisers often inflated home values under pressure to appease lenders. In both cases, would-be homeowners of color in disinvested areas suffered the most. The combination of low real estate value along with poorly executed appraisals often results in a virtual standstill of market activity, as would-be investors and homeowners cannot get the credit they need to reinvest in the community.

We are interested in strategies to combat these challenges. To address the phenomenon known as the appraisal gap — in which the costs associated with rehabbing or constructing units are higher than the appraised value of the property itself — Chicago and Detroit have tried tactics to make up for this market failure and jumpstart reinvestment. In Detroit in 2014, of 3,500 single-family home sales, 87 percent were cash sales — a number that does not even include homes sold in foreclosure auction.[15] Conventional home loans are nearly impossible to come by due to the combined challenges of low land values and high rehab costs resulting from deferred maintenance. To combat this situation, the Detroit Home Mortgage Program allows qualified buyers to borrow against the replacement value of a home rather than the appraised value. This program addresses the appraisal gap by offering two mortgages: one for the appraised value of a home, and a second to cover the gap between the appraised value and the replacement value or the cost of renovations needed.

In Chicago, appraisal gap issues and lack of access to credit are less rampant overall than in Detroit, but they are just as severe where they do exist, mostly in African American and (to a lesser extent) Latino areas that have experienced an outmigration of middle-income homeowners. One strong sign of an appraisal gap in a given area is the amount of cash homebuying, which signals the collapse of a more traditional homebuyer market in favor of one dominated by investors. In the South Side neighborhood of Englewood, 87 percent of 2012 home purchases in one census tract were cash, compared to 23 percent citywide.[16] In 2009, values dropped so precipitously that nearly a quarter of sales in high-foreclosure areas were paid in cash for under

$20,000.[17] In Cook County in 2011, 90 percent of sales of bank-owned properties in high foreclosure areas were cash.[18]

Basing lending so heavily on property values led these areas to experience what Cook County Land Bank President Rob Rose calls a "self-fulfilling prophecy" in both the run-up and rundown of a housing bubble, as "irrationally exuberant" values build on themselves in a run-up and, when values disappear, collapse just as definitively. Several Chicago-based CDFIs with strong track records have designed alternative loan products that allow would-be investors and owners to borrow based not on property value but rather on ability to repay the loan. Products like these, which generally reach up to 140 percent of loan-to-value, work to establish value in areas that have experienced significant losses. (Such programs may sound uncomfortably close to the irresponsible lending practices that led to the Great Recession, but CDFIs' careful assessment of a borrower's ability to repay, which subprime mortgage lenders disregarded, is a crucial difference).

The City of Chicago recently announced the Chicago Neighborhood Rebuild Pilot Program, a $2 million pilot program for local contractors and developers to rehab vacant homes in disinvested areas. Partially intended as a jobs program for out-of-work young adults, it is also intended to increase homeownership and property values in areas where both are below the citywide average. The CDFI involved, Chicago Community Loan Fund, is able to reach 120 percent loan-to-value, and has recruited a loan loss reserve/first loss capital fund to provide the credit enhancement these markets demand.[19] While its current iteration is supported by one-time surplus funds from unclaimed property tax rebates, we recommend expanding it in similar markets across the city and suburban Cook County. Criteria for defining such similar markets could include percentage of foreclosures, or percent of mortgage activity compared to overall transactions. Traditional lenders could provide credit enhancement and count the loans in their Community Reinvestment Act portfolio.

A nascent proposal for a national Neighborhood Homes Tax Credit would provide a substantial boost to this framework. Modeled after the Low-Income Housing and New Markets Tax Credits, the Neighborhood Homes Tax Credit would focus on homeownership for disinvested areas suffering from appraisal gaps, with the credit bridging the financing gap between the cost of construction or rehabilitation and the sale price of the home. The proposal is not yet a bill, but has substantial support from groups such as NeighborWorks and the National Association of Affordable Housing Lenders. Notwithstanding valid criticism of over-reliance on tax credits versus directly allocating benefits, their use and proliferation is pragmatic, in contrast to an almost certainly doomed fight for direct allocations for investment in struggling areas. When President Trump threatens to "send in the Feds" to Chicago,[20] we wish it were actually a promise to do so with the kind of investment that would make the Neighborhood Homes Tax Credit unnecessary. Until then, we support its development and passage.

Revised lending criteria and improved appraisals would positively impact a large portion of the Chicago region's disinvested areas, making them more ripe for investment and, ultimately, more attractive for integration. Allowing appraisers to base their valuations on the cost and income approaches rather than the sales comparison approach is a key recommendation. This is far from the only need, however. Strategies warranting further exploration include: a comprehensive plan for the productive reuse of vacant land; home equity assurance; community and developer education on the value of dense, transit-oriented development to both connect to transit and leverage first-floor retail; and housing cooperatives and other shared equity options.

## INTEGRATION AND EQUITY IN AREAS OF AFFLUENCE

Strong markets have their own set of unique challenges to increased integration as well. We are intrigued by efforts in other states to regulate their way to higher integration. Housing policymakers often cite Massachusetts' 40B, the Comprehensive Permit Act, which allows developers to override local zoning in areas where less than 10 percent of housing stock is affordable. Since it was enacted in 1969, studies show that 40B has accounted for 60 percent of all new affordable units in the state.[21]

This sounds like an ideal model, except for the political realities in Illinois. Our own attempt at a similar statewide law, the Affordable Housing Planning and Appeals Act (AHPAA) of 2004, was so gutted in negotiations for passage that it has no enforcement mechanism. In 2015, 68 Illinois municipalities fell short of meeting the 10 percent affordable housing goal, yet 40 of those municipalities, or nearly 60 percent, begged off the need to reach that goal because of their home rule status. Further, while more than 500 developments have been appealed in Massachusetts since 1970, in Illinois' 12-year AHPAA history, exactly zero developers have sued under the law. It turns out that developers in Illinois, at least, don't relish biting the hands of communities that they hope will feed them. A key difference from the Massachusetts law: if a community has under 10 percent affordability and rejects an affordable project, it immediately goes to court; in other words, it is not incumbent on the developer to sue.

A colleague at Massachusetts' Metropolitan Area Planning Council described 40B as an anti-home rule law in a very pro-home rule state, noting that the moment of its passage in the late 1960s is impossible to recreate. If we in Illinois did not manage passage of anything remotely comparable in the relatively shared chaotic aftermath of our own more recent Great Recession, is there any reason for hope here, where a stronger bill could reap substantial gains for affordability in the Chicago region?

It is possible that Massachusetts again provides a roadmap. As an alternative for communities chafing against 40B, the state more recently enacted two measures with incentives (rather than regulations) to provide affordable housing. We will focus on one of those, 40R, which provides financial incentives to communities that establish a smart growth zoning district (SGZD) requiring dense residential development of which at least 20 percent of must be affordable to those earning 80 percent of the area median income. Approved SGZDs receive a one-time incentive payment ranging from $10,000 to $600,000, depending on the number of units planned, along with a "density bonus payment" of $3,000 per housing unit once the building permit is issued, and the affordable units are as-of-right (read: no contentious public meetings need apply).

There are both empirical and politically practical reasons to like this approach. Lens and Monkkonen found that the higher the level of involvement of local government and citizens in permitting processes, the higher the segregation of all kinds and of segregated wealth in particular.[22] If the goal is more integrated communities, in other words, land use decisions cannot be concentrated solely in the hands of local actors.

From a political standpoint, while the State of Illinois is mired in budget gridlock, incentive payments created out of real estate transaction fees have some chance of passage, particularly if they were initially enacted in a smaller, more progressive geography than the state as a whole. Perhaps Cook County — the county in which the city of Chicago resides, and in which the current county president and multiple towns are notably progressive — could be a test case.

Yet, we're skeptical: as-of-right zoning is considered downright un-American in most of Illinois. This has also been true in Massachusetts. According to a 2004 report by the Metropolitan Area Planning Council, local officials were "critical or completely opposed to giving the state a degree of control over their zoning decisions" and felt that "the trade-off of giving up control to the state was not worth the money and possibly not worth any amount of money."[23]

Still, Illinois' attempt at a regulatory approach has been a dismal failure, and something incentive-based may be the only political possibility. Our experience with the City of Chicago's Affordable Requirements Ordinance (ARO) and Transit Oriented Development Ordinances has been that incremental change is possible and perhaps even preferable when it comes to changing the hearts and minds of developers and community members alike.[24] Importantly, the ARO is a requirement, but one that is mandated only when the developer needs a concession — city land, city money, or a zoning change — from the city. If local control is king, incremental but steady change may be our best hope.

On a final note specific to the City of Chicago: Chicago is one of only two cities with its own allocation of Low-Income Housing Tax Credits. At the state level, the Qualified Allocation Plan is based on a publicly reviewed and precise point system which recently underwent a change to include points for both "opportunity" and "revitalizing" areas. The city's QAP has always been an opaque instrument that, in contrast to the state's, has not been used to proactively set policy.

The result is that we've settled into a pattern in Chicago in which community development corporations and nonprofit developers produce subsidized housing, which is needed everywhere, in predominantly low-income communities on the South and West sides of the city. We err when we make these areas the predominant recipients of what should be city-wide and region-wide investments in affordable housing. Doing so not only further entrenches poverty and segregation, but also damages our overall economy. We are encouraged that the city's Department of Planning and Development recently released a draft QAP that, for the first time, sets the expectation for affordability throughout the city.

## CONCLUSION

Chicago's current political and economic dynamics create conditions that make policy change both difficult and necessary. The latest findings from our Cost of Segregation study, in partnership with Urban Institute, demonstrate how residential segregation has negative effects on the social and economic outcomes of entire regions. Our findings show that while the Chicago region has decreased its economic, black-white, and Latino-white segregation by 10 to 11 percent between 1990 and 2010, such modest gains are far from sufficient. At our current pace, the region would not reach the median level of segregation of the nation's largest 100 regions until 2070. What then can we achieve within our lifetimes? If we can't reach the median by 2030, could we at least cut the distance in half through facilitated intervention in the most stubborn market types? Both growing income inequality in Chicago and the region's enduring spatial segregation require creative policy solutions, unprecedented levels of political courage and will, and the willingness to reallocate resources even in times of fiscal challenge for the city, region, and state.

In other times in history, we have seen massive shifts in political will and policy due to catastrophic national and worldwide events: the Great Depression, the Civil Rights Movement and social unrest of the 1960s, the Great Recession. Perhaps for Chicago, this time the impetus is much more local: murder rates not seen in 20 years, multiple police shootings of unarmed young African American men, and a mayor forced into a runoff election against a massively underfunded opponent combine to make the present moment ripe for boldness.

## Bibliography


Acs, Gregory, Rolf Pendall, Mark Treskon, and Amy Khare. 2017. "The Cost of Segregation, National Trends and the Case of Chicago, 1990–2010." Washington, DC: Urban Institute.

Berkowitz, Karen. 2015. "Many Towns Snub State's Affordable Housing Mandate." *Chicago Tribune*, August 7.

Betancur, John, Karen Mossberger, and Yue Zhang. 2015. "Standing in Two Worlds: Neighborhood Policy, the Civic Arena, and Ward-Based Politics in Chicago." *Urban Neighborhoods in a New Era: Revitalization Politics in the Postindustrial City*, edited by Clarence Sone and Robert Stoker, 81–107. Chicago: University of Chicago Press.

Breymaier, Rob, Morgan Davis, and Patricia Fron. 2013. *Fair Housing and Equity Assessment: Metropolitan Chicago*. 2013. Chicago: Chicago Metropolitan Agency for Planning.

CFED (Corporation for Enterprise Development). 2017. "Racial Wealth Divide in Chicago." Washington, DC: Racial Wealth Divide Initiative, Corporation for Enterprise Development.

Chicago Defender Editorial Team. 2017. "Chicago Announces Pilot Program to Develop Vacant Homes." *Chicago Defender,* January, 10.

Chicago Rehab Network. 2013. "Chatham Community Area Fact Sheet." http://www.chicagorehab.org/resources/docs/fact_books/2015_ca_fact_sheets_extended/crn_extended_community_area_fact_sheets_chatham.pdf.

Clark, Anna. 2015. "The Threat to Detroit's Rebound Isn't Crime or the Economy, It's the Mortgage Industry." *Next City,* December 7. https://nextcity.org/features/view/detroit-bankruptcy-revival-crime-economy-mortgage-loans-redlininghttps://nextcity.org/features/view/detroit-bankruptcy-revival-crime-economy-mortgage-loans-redlining (accessed March 22, 2017).

Ellen, Ingrid Gould, Keren Horn, and Katherine O'Regan. 2012. "Pathways to Integration: Examining Changes in the Prevalence of Racially Integrated Neighborhoods." *Cityscape* 14, no. 3: 33–53.

Hendrick, Rebecca, Martin Luby, and Jill Mason Terzakis. 2010. "The Great Recession's Impact on the City of Chicago." Chicago: Great Cities Institute.

Heudorfer, Bonnie, Chase Billingham, Barry Bluestone, and Lauren Nicoll. 2007. "The Greater Boston Housing Report Card 2006–2007: An Assessment of Progress on Housing in the Greater Boston Area." Boston: The Center for Urban and Regional Policy.

Hirsch, Arnold R. 2009. *Making the Second Ghetto: Race and Housing in Chicago 1940–1960*. Chicago: University of Chicago Press.

Hwang, Jackelyn, and Robert J. Sampson. 2014. "Divergent Pathways of Gentrification Racial Inequality and the Social Order of Renewal in Chicago Neighborhoods." *American Sociological Review* 79, no. 4: 726–51.

Hyra, Derek, and Jacob S. Rugh. 2016. "The US Great Recession: Exploring its Association with Black Neighborhood Rise, Decline and Recovery." *Urban Geography* 37, no. 5: 700–26.

Institute for Housing Studies at DePaul University. 2013. "Examining Cash Purchases of Residential Property in Cook County." Insititute for Housing Studies blog, August, 21. https://www.housingstudies.org/news/blog/examining-cash-purchases/ (accessed March 22, 2017).

Lens, Michael C., and Paavo Monkkonen. 2016. "Do Strict Land Use Regulations Make Metropolitan Areas More Segregated by Income?" *Journal of the American Planning Association* 82, no. 1: 6–21.

Louis, Errol T. 1997. "The Price is Wrong: Appraisal 'Redlining' Understate Millions in Community Assests." *Shelterforce: The Voice for Community Development*, May 1. http://shelterforce.org/1997/05/01/the-price-is-wrong/ (accessed July 13, 2017).

Massey, Douglas S., and Nancy A. Denton. 1993. *American Apartheid: Segregation and the Making of the Underclass*. Cambridge, MA: Harvard University Press.

Orfield, Gary, and Chungmei Lee. 2005. *Why Segregation Matters: Poverty and Educational Inequality.* Cambridge, MA: The Civil Rights Project, Harvard University.

Rollins, Darcy. 2006. "An Overview of Chapters 40R and 40S: Massachusetts' Newest Housing Policies." Policy Brief 06–1. Boston: New England Public Policy Center at the Federal Reserve Bank of Boston. https://core.ac.uk/download/pdf/6707059.pdf.

Sampson, Robert J. 2012. *Great American City: Chicago and the Enduring Neighborhood Effect.* University of Chicago Press.

Smith, Geoff, and Sarah Duda. "Cash or Credit: The Role of Cash Buyers in Cook County's Housing Market." 2012. Chicago: Institute for Housing Studies at DePaul University. https://www.housingstudies.org/media/filer/2012/06/05/researchreportfin.pdf.

Squires, Gregory D. 2014. "Appraisals: A Missing Link in Fair Housing/Fair Lending Debates." *Huffington Post*, July 22. http://www.huffingtonpost.com/gregory-d-squires/appraisals-a-missing link_b_5596879.html (accessed March 22, 2017).

Sternberg, Carolina, and Matthew Anderson. 2014. "Contestation and the Local Trajectories of Neoliberal Urban Governance in Chicago's Bronzeville and Pilsen." *Urban Studies* 51, no. 15: 3198–3214.

Voorhees Center for Neighborhood and Community Development. 2014. "The Socioeconomic Change of Chicago's Community Areas (1970–2010)." Chicago. https://docs.wixstatic.com/ugd/992726_a60305a8ecc34951a0f48e55f5366c5b.pdf.

Wagner, John, and Mark Berman. 2017. "Trump Threatens to 'Send in the Feds' to Address Chicago 'Carnage.'" *Washington Post*, January 25.

Williams, Sonya, George Galster, and Nandita Verma. 2013. "The Disparate Neighborhood Impacts of the Great Recession: Evidence from Chicago." *Urban Geography* 34, no. 6: 737–63.

## Endnotes

1 Acs et al. (2017). Urban Institute used two indices to determine the trend and level of segregation in its 2017 study with the Metropolitan Planning Council. To analyze economic segregation, the study uses the Generalized Neighborhood Sorting Index (GNSI). The GNSI measures the extent to which people of similar incomes "clump" together within a given metropolitan region. To analyze racial segregation, the study measures both African American-white and Latino-white racial segregation using a spatial proximity (SP) index. This index explores the extent to which groups cluster together within a region.

2 CFED (2017).

3 Breymaier, Davis, and Fron (2013); Voorhees Center (2014).

4 Hirsch (2009); Massey and Denton (1993); Orfield and Lee (2005); Sampson (2012).

5 Sternberg and Anderson (2014).

6 Betancur, Mossberger, and Zhang (2015).

7 Hwang and Sampson (2014); Hyra and Rugh (2016); Williams, Galster, and Verma (2013).

8 Hendrick, Luby, and Terzakis (2010).

9 Chicago Rehab Network (2013).

10 Voorhees Center (2014).

11 On Chicago, see Hwang and Sampson (2014); on national trends, see Ellen, Horn, and O'Regan (2012).

12 We refer in this section to individual homebuyers in particular. For corporate investors, a bottomed-out real estate market is ideal due to low prices and high inventory in close proximity, and cash sales are not a barrier. While responsible investor ownership of formerly single family homes is certainly an improvement over buildings sitting vacant, community-based groups with which we work would prefer actual homeowners in single-family homes. We therefore refer to the barriers and needs of these individuals in this section.

13 Louis (1997).

14 Squires (2014).

15 Clark (2015).

16 Institute for Housing Studies at DePaul University (2013).

17 Smith and Duda (2012).

18 Smith and Duda (2012).

19 The Chicago Community Loan Fund's Neighborhood Investor Lending Program (NILP) lends 90 percent Loan to Cost and maxes out at 120 percent Loan to Value. Both features are non-conventional and allow more distressed properties to be financed. For example, if a property cost $30,000 to acquire and $70,000 to rehab and thus had a total development cost of $100,000, CCLF could make a loan of $90,000 as long as the appraisal was at least $75,000, resulting in 120 percent Loan to Value. The $15,000 gap in this scenario would stop most lenders from making this loan. CCLF's balance sheet and loan loss reserves that they have recruited for this purpose allow them to finance the deal, but if they had more at-risk capital on hand, they could finance properties with larger appraisal gaps. A 140 percent Loan to Value in this scenario would represent a property appraising at approximately $64,000 ($26,000 gap).

20 Wagner and Berman (2017).

21 Heudorfer et al. (2007).

22 Lens and Monkkonen (2016).

23 Metropolitan Area Planning Council report, quoted in Rollins (2006), 4.

24 Originally created in 2003, the City's Affordable Requirements Ordinance (ARO) was revised in 2015 to require that any residential development seeking city land, city financial assistance, or a zoning change provide 10 percent of its units as affordable to tenants making 60 percent of the Area Median Income. Twenty-five percent of the required affordable units must be built on site, and developers have the option to build the remaining units off-site (according to specified conditions) or to pay a "fee in lieu" for them. Some aldermen with strong markets require the full 10 percent of affordable units to be built on site, and one alderman requires as much as 21 percent. While much of the for-profit development community protested this change and one group even sued the City (the suit was dismissed), the City's Department of Planning and Development reports that development applications increased 36 percent in the year after the new rules went into effect as compared to the year before.

Originally passed in 2013, the Transit Oriented Development Ordinance was revised by the City of Chicago in 2015 to increase incentives for quality development near transit stations. The revised ordinance increased allowable parking reductions, density, and affordability, and expanded the applicable radius for these changes. To date, developers have taken advantage of this ordinance largely in strong markets. The Metropolitan Planning Council is working to raise awareness of the benefits of dense development near transit in weak markets as well, and has created an online calculator to assist the public with quantifying the benefits of increased tax base, local spending, transit riders, and affordability.