

PRESERVING HOME VALUES IN CHICAGO  
THROUGH A HOME EQUITY GUARANTEE PROGRAM

A Report Submitted to  
the Chicago Neighborhood Organizing Project

by

Arthur Lyons  
Institute on Taxation and Economic Policy  
Chicago, Illinois

Kathleen McCourt  
Department of Sociology and Anthropology  
Loyola University of Chicago

Philip Nyden  
Department of Sociology and Anthropology  
Loyola University of Chicago

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## THE AUTHORS

Arthur Lyons is currently director of The Institute on Taxation and Economic Policy (ITEP), a non-profit research and educational organization which seeks to promote equity in state and local tax and economic development programs. Kathleen McCourt is an associate professor of sociology and chairperson of the Department of Sociology and Anthropology at Loyola University of Chicago. Philip Nyden is also an associate professor of sociology in the Department of Sociology and Anthropology at Loyola University.

They can be contacted at:

Institute on Taxation and Economic Policy  
59 East Van Buren Street, Room 714  
Chicago, Illinois 60605

Department of Sociology and Anthropology  
Loyola University of Chicago  
6525 North Sheridan Road  
Chicago, Illinois 60626

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## PRÉFACE

There can be little doubt today that maintaining viable middle-income communities is crucial to the future of older cities like Chicago. Nor can there be much doubt that maintaining a housing stock that is physically sound and attractive, as well as a good financial investment, is central to keeping the middle-class population in a community. A home equity guarantee program holds out the promise to Chicago and its middle-income families that they can continue to live in this city's neighborhoods. It was with this hope and realization that we embarked upon this project to explore the feasibility of home equity for selected Chicago communities.

Now, as we finish our research, we are convinced even more than when we began that a home equity guarantee program, properly designed and managed, could be a valuable psychological resource for Chicago. It could help give communities and their residents some sense of control over their collective future. Perhaps more than anything else, a home equity program like the one suggested here would be an expression of faith in the future of Chicago and its neighborhoods.

The desirability of housing in a particular neighborhood has

always been more a social and psychological construct than an "objective" market fact. Nevertheless, the belief and the reality, engendered by a home equity guarantee program, that neighborhood property values will stay firm could go a long way toward improving a community's chances for a healthy future.

However, we are also convinced that a home equity guarantee program by itself will make little difference. The role and behavior of real estate brokers needs to be continuously monitored to prevent the kind of business practices that undercut neighborhood stability and set one group of residents against another. The often inadequate investigation of building code violations must be corrected; proper building maintenance must be viewed as a crucial neighborhood right and an important task of local government. Schools, neighborhood safety, and other public services must be maintained and, in too many cases, dramatically improved. Fair housing laws must be enforced. Only to the extent that communities in Chicago and the wider metropolitan area are open to people of all races and ethnic backgrounds will those who take advantage of racial fears be unable to function and those programs which attempt to stabilize neighborhoods have credibility.

A home equity guarantee program like that discussed in these pages is as yet untested on any sizeable population. The possibility that Chicago will provide an important social laboratory for the experiment is an exciting one. As part of a package of city, state, and local efforts to insure good housing for all, we believe that a home equity guarantee program could

play a major role in stabilizing neighborhoods and giving Chicago residents the sense of security about their homes and communities that is essential for this city's future.

We are grateful for the assistance provided us in the course of this research by Josephine Conlon, Tammy Jones, David Sheagley, Fr. John D'Mello, Deborah VandenHoonard, all graduate students in Loyola's sociology program. Others aiding in various stages of the project include Lu Gan, Mike Doyle, Ya-Lan Dien, Jan Ryan, Steven Varnis, and several members of the CNOP staff. We thank them all for their help.

Several of the items used in the survey were developed by Richard P. Taub, D. Garth Taylor, and Jan D. Dunham for use in their study of Chicago communities that resulted in the important book, Paths of Neighborhood Change: Race and Crime in Urban America.

We owe our greatest debt to the many residents of these six Chicago communities who shared with us their experiences, their perceptions, and their hopes for the future of their communities.

## INTRODUCTION

### RECENT POPULATION AND HOUSING DEVELOPMENTS IN THE CHICAGO METROPOLITAN AREA

Chicago, like most other older industrial cities, has been losing population since 1950. Post-World War II suburbanization--of jobs, commercial establishments, and the middle class--has resulted in growth for the surrounding area and decline for the city. The overall metropolitan region has grown steadily since 1950, but suburban growth has masked city decline. The population of the metropolitan area outside Chicago (DuPage, Will, Lake, McHenry, and Kane Counties, as well as suburban Cook) has grown in every decade since 1950. In contrast, the population of Chicago has declined in every decade since reaching its peak of 3.6 million in 1950, and that rate of decline is increasing. (See Tables 1 and 2.)

Population shifts result from a mixture of births, deaths, and migration patterns. In the case of Chicago, the population loss has primarily been due to outmigration. In the 1970s, there was a 6.5 per-cent "natural" increase (more births than deaths),

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but a net outmigration of over 17 percent. The resulting 10.7 percent net loss between 1970 and 1980 left the city with a population just over three million (3,005,072). By 1970, more people in the Chicago Standard Metropolitan Statistical Area (SMSA)<sup>1</sup> were living outside the city than in it. The 1980 suburban population of more than four million represented a 13.5 percent increase over the decade. Part of people's decision to move out of the city is based on the attractions suburban communities appear to offer. Individuals locating in the suburbs see an opportunity to be closer to an expanding job market which matches their skill levels and experience. In recent decades the number of jobs in the city of Chicago has been declining. Between 1972 and 1981, it dropped by 9.4 percent, from 1,324,000 to 1,200,000. At the same time, the number of jobs in the suburbs increased by 26.3 percent, from 1,059,000 to 1,337,000. Thus, the proportion of metropolitan area jobs located in the city has been declining. In 1959, Chicago had 69.9 percent of the jobs in the metropolitan area; by 1981, it had fewer than half (46.6 percent).<sup>2</sup>

The outmigration of jobs and people which began in earnest after World War II has been the result of a mutually reinforcing process. Long before businesses left the city, people were moving out, since the construction of highways made it possible for workers employed in Chicago to live in the suburbs. As more families moved to the suburbs, retail establishments began to

relocate to be closer to their customers.

The first major regional shopping center was built in Park Forest in 1949. In the next decade shopping centers were built in Skokie, Hillside, and Evergreen Park. The big boom was in the 1960s and 1970s when over 20 large shopping centers were constructed, locating hundreds of stores, thousands of jobs, and millions of purchasing dollars outside the city.<sup>3</sup>

With growing numbers of skilled workers living in the suburbs, new companies needing an educated workforce have found it more attractive to build close to the labor force. Other companies have opted to relocate away from the city for other reasons.

Suburban job growth, in turn, has attracted residents who have moved from the city. Since a high proportion of suburban jobs are for better-educated individuals, it is this middle-class sector which has been most likely to leave the city to live closer to their new jobs. When these workers who have moved to the suburbs are added to those who still work in the city but live in the suburbs, we find a suburban occupational profile which is considerably different from the city's. Compared to Chicago residents, suburban residents are more likely to be employed in managerial and professional jobs and skilled trades. (See Graphs A and B.) Put another way, 68.8 percent of all managers and professionals, 63.1 percent of all technical and sales workers, and 66.7 percent of all skilled tradespersons in



the metropolitan area live in the suburbs, as against only 60.8 percent of the labor force.

The suburbs also offer new housing with more space, the perception of lower crime rates, appreciating housing values, and higher quality education. The other side of the outmigration equation, of course, is the desire to escape the negative aspects of city life: older housing needing costly repairs, higher crime rates, poor quality educational systems, and declining employment opportunities. Another major concern leading to outmigration is city homeowners' fear that the value of their property will decline as the population trends differentiating the city from its suburbs become more pronounced.

Income. During the past twenty years, the population in Chicago's suburbs has become increasingly affluent relative to the city's population. This generalization admittedly masks a host of differences among the suburbs. Nonetheless, the median family income of Chicago families in 1980 was \$18,800, while the median income of suburban families was \$23,100.<sup>4</sup> Twenty-one percent of Chicago's white families had household incomes over \$35,000, but one-third of suburban white households had such incomes. Among black households, only 11 percent in the city had incomes over \$35,000, while 19 percent in the suburbs did.<sup>5</sup>

Another way of viewing the disparities is in terms of per capita income. While the metropolitan area as a whole had a per

capita income of \$8,561 in 1980, the city of Chicago's per capita income was only \$6,933.

Tables 3 and 4 reveal more clearly the changes that have taken place in relative income levels of city and suburban families. The first of them shows--for 1960, 1970, and 1980--the number of families with incomes below half the SMSA median in each year, the number with incomes more than 1.5 times the median, and the number between these extremes. Data are reported for the city of Chicago, suburban Cook County, and the balance of the SMSA. Table 3 also shows the percentage of the families in each area in each income group.

The share of families with middle incomes was almost identical for each of the three areas in 1960, between 62 and 64 percent. It declined slightly by 1970, but the spread narrowed to only a single percentage point, 59-60 percent. Thus, although the total number of families in Chicago had decreased--compared to increases in the other two areas--the city was holding its own in terms of the share of its families with middle income.

The situation changed somewhat by 1980, when 59-60 percent of the families in suburban Cook County and the balance of the SMSA still had middle incomes, compared to only 53 percent in the city. At first glance, it may appear that this was due to a large increase in low-income families in the city, since they went from 18 percent to 23 and then to 32 percent of the city's total over the three Censuses, while the low-income shares in the

other two areas held roughly constant between seven and 12 percent. This is, however, not the case, as Table 4 makes clear.

This table shows the percentage change in the number of families in each income group between 1960 and 1970, 1970 and 1980, and the entire 1960-1980 period. In each period, the percentage increase in Chicago's low-income families was substantially below the corresponding increase in the other areas. The difference is particularly pronounced with respect to suburban Cook, which experienced rates of increase in low-income families well over three times Chicago's (138 percent from 1960-1980, compared to only 40 percent). The number of low-income families in the rest of the SMSA increased by 64 percent between 1960 and 1980, more than one and a half times the Chicago rate.<sup>6</sup>

Perhaps the most important point to be made from these data is the dramatic decline in the number of Chicago's middle- and upper-income families, compared to equally dramatic increases or approximate stability in other areas. The city, for example, lost 15 percent of its middle-income families between 1960 and 1970, and another 23 percent from 1970-1980. Suburban Cook saw increases of 27 and ten percent, respectively, while the balance of the SMSA had increases of 26 and 32 percent. It is these differences which account for the declining proportion of middle-income families in Chicago.

The lesson is very clear. Middle-income families have been leaving the city at a rapid rate. Less than two-thirds the

number who lived in it in 1960 remained by 1980. It is this flight, even more than the increase in low-income families, that threatens the city's economic base.

Nevertheless, despite the relative increase in the overall proportion of low-income families outside the city, most individual suburbs have absorbed few such families--at a time when the number of families in poverty is growing. In 1970, 12.2 percent of the metropolitan area's population lived in poverty; in 1980 it had grown to 16.8 percent. Most suburbs--whether through zoning ordinances restricting the number of multiple-family dwellings or the size of lots (and hence the price of housing) or through less visible practices of housing discrimination--have restricted the access of minority and lower-income groups to both rental units and homeownership. While the total number of subsidized housing units in the suburbs increased substantially in the 1970s--from 5,235 units (0.4 percent of all housing) to 29,463 (2.2 percent of all housing), these units tended to be clustered in a few municipalities. Only a handful of Chicago's suburban communities have subsidized housing: 88.5 percent of all suburban assisted housing is in 52 of the region's 260 suburbs.<sup>7</sup>

Finally, even families in stable, moderate-income black and white Chicago communities have suffered substantial losses in real income in recent years. When their median incomes are adjusted by the Consumer Price Index to reflect changes in actual

buying power, they are worse off than they were a decade earlier.

All of the six community areas in this study experienced net declines in real income from 1969 to 1979, although the SMSA as a whole experienced a slight increase. (See Graph C.) The community declines ranged from modest ones of 3.0 percent in Avalon Park and 4.4 percent in Belmont Cragin to more substantial declines of 10.9 percent in Chicago Lawn and 13.2 percent in Hermosa. Real income increases in the city were primarily concentrated in the affluent lakefront communities; Lincoln Park households, for example, experienced an increase in real income of 24 percent. Thus, the inflation of recent years has not hurt the upper-middle class--indeed, it works to the advantage of those who have substantial financial investments-- but it has created a pinch in the neighborhoods of the Northwest, Southwest, and Southeast Sides.

Race and Ethnicity. As the income disparities between city and suburbs have grown, so have the ethnic and racial differences. By 1980, whites constituted only 43 percent of the city's population, blacks were 40 percent, and Latinos 14 percent. Black population growth slowed down in Chicago during the 1970s, increasing by less than nine percent. But Latino population growth was almost 71 percent. In the same decade, the city's white population declined by one-third.

Minorities have increased their numbers in Chicago's

suburbs, but very slowly. By 1980, the black population of the SMSA had grown more than 100,000 since 1970 but was still less than six percent of the total; the Hispanic population was about four percent. Furthermore, those minority families who did live in the suburbs tended to be concentrated in a few communities, generally to the south of Chicago. A number of south suburbs had quite sizeable black populations by 1980, for example, University Park (44 percent) and Calumet Park (30 percent). As some suburbs become more accessible to black families and as problems in the city persist, Chicago's black middle class may well follow the path of the white middle class.

These demographic trends have several implications for Chicago communities. First of all, the declining rate of growth in the black population has, in recent years, meant less pressure on housing in white communities. The number of black families moving into white communities has slowed down. There may be few enough in the coming years that they can be more readily absorbed without creating a sense of panic among whites.

Historically, Chicago's neighborhoods have seen numerous racial and ethnic, as well as economic, shifts. Some change over time is inevitable. Whether that change occurs under orderly or chaotic conditions is always problematic, but has considerable bearing on whether or not a middle-income community can continue to attract new families from comparable income groups. Attracting new homebuyers is essential to the future of any community,

but critical for the immediate future of those with large numbers of elderly owners.

During the course of our study two of the communities under consideration were scenes of violent racial confrontations. In May, a cross was burned in the front yard of a black man's home in Belmont Cragin. In June, the home of a black family that had moved into Chicago Lawn was firebombed.<sup>8</sup> Both incidents are currently under investigation.

Such incidents provide powerful disincentives for middle-income families-- black or white--to move into these communities. When the number of new middle-income buyers declines and does not meet the supply of available housing, prices drop and lower-income families move in to purchase or rent, often with the assistance of unscrupulous realtors.

Another implication of current demographic trends is that white communities will find increasing numbers of Hispanic families eager to move into better housing. As the Hispanic population grows and enters the ranks of the middle class in greater numbers, it will push further outside its former ghetto boundaries and, if past tradition continues, will not seek housing in black communities. While the majority of Hispanics today live segregated in low-income neighborhoods, they have been far more successful than blacks in dispersing throughout the metropolitan area. Chicago's Hispanic population is already scattered throughout the city, with 35 of the city's 77 community

areas housing at least 1,000 Latinos.<sup>9</sup>

### Property Values and Neighborhood Succession

In the past few decades quite a few studies have been done on patterns of racial and ethnic change in urban communities. A number of these studies have examined the effect that changes and anticipation of such changes have on property values. Housing values are influenced by both supply and demand issues as well as homeowners' perceptions of the future market for their houses. While there are some differences in interpretation of data, researchers have identified a general trend in housing prices. A recent study of patterns in Chicago summarizes this cycle:

Controlling for housing characteristics, income differences, etc., price levels of single-family homes in Chicago in the period 1968-1972 were highest in the peripheral white areas, dropped in 'threatened' white neighborhoods, showed a modest increase in zones of black expansion, and collapsed to their lowest levels within the traditional ghetto..."<sup>10</sup>

The same study found that appreciation rates were lowest in "threatened" neighborhoods, higher in "safe" white neighborhoods, and highest in neighborhoods where blacks are entering previously white neighborhoods.

The relatively high appreciation rates for neighborhoods that are changing from white to black are due to two factors. Very often prior to the actual entry of blacks into a previously all-white neighborhood, there is a period of homeowner panic over potential change. This panic can be exacerbated by real estate agents who want to see a high housing ownership turnover because



it produces more commissions. Appreciation rates and housing values also rise in some "changing" neighborhoods because there is a pent-up demand for quality moderate-priced housing among middle-income blacks. Such homebuyers are often excluded from other markets, most notably the suburban housing market. Hence when the opportunity arises to move into an integrated, middle-income neighborhood, black middle-income demand can be strong and bolster the housing market.<sup>11</sup> However, if white panic produces an exceptionally strong supply of housing in a particular community, these market forces do not work for long, reducing housing values in the entire community.

Research has also pointed out that neighborhood succession is very much a self-fulfilling prophecy. Simply put, when white homeowners think that there will be a change for the worse and their housing prices will drop, there usually is a change for the worse, largely because of their own behavior in the housing market. Anticipating a change, homeowners may put their houses on the market in increasing numbers. This floods the market with houses, increases fears about the stability of the neighborhood, and results in lower prices for the houses.<sup>12</sup>

### The Housing Market

Population growth in the suburbs was preceded by an expansion of housing. At first, this was a response to the serious housing shortage which had developed in the metropolitan area during

World War II. In the fifteen years following the war, 688,000 houses were built in the Chicago metropolitan area; 77 percent were located in the suburbs.<sup>13</sup>

As long as this new construction was matched by an increase in the number of previously doubled-up families who could now afford their own separate units and by new households coming into the area, it posed no particular threat to Chicago's existing neighborhoods. Sometime in the 1950s, however, the balance shifted. Substantial public and private resources were invested in building more new units than there were new households to fill them, with few resources allocated to preserving the existing housing stock.

One important reason for this is that the construction industry has been used since the Depression by national policymakers (and at least since the 1960s by state policymakers) as a tool to spur the economy. Numerous direct and indirect subsidy programs, most of them aimed at middle- and upper-income buyers, promote continuous new construction with little consideration of the actual need for it. The trend continues to this day. In the Chicago metropolitan area, 1.59 new housing units were constructed between 1970 and 1980 for every new household.<sup>14</sup>

In order to clear these units from the market people must be pulled from existing neighborhoods. To the extent that public and private resources are not being invested in these city

neighborhoods, the neighborhoods become less attractive and turnover is accelerated. As residents leave and few immigrants replace them, abandonment, arson, and demolition take their final toll. Until the policies which produce these outcomes are modified, existing city neighborhoods will continue to be threatened by new construction in other parts of the metropolitan area, which will continue to capture a disproportionate share of the limited number of middle-income homebuyers.

One consequence of these policies is that houses in many city neighborhoods have not seen the levels of appreciation that have been noted in the suburbs. Even suburbs bordering Chicago frequently saw appreciation rates of over 150 percent between 1970 and 1980, as Table 5 shows.<sup>15</sup> Evanston, where the 1980 median house value was over \$88,000, saw an increase of 163 percent (10.2 percent per year). Oak Park, with housing values averaging \$68,000 in 1980, saw an increase of 159 percent (10.0 percent per year). Cicero's increase of 142 percent (9.2 percent per year) brought the median house price in that town to \$50,800. And in Park Ridge the 1980 average price of \$92,900 reflects an increase of 151 percent (9.6 percent per year). These compare with an increase of 111 percent in the Chicago Consumer Price Index (CPI) or 7.8 percent per year compounded.

Perhaps of some interest to the white residents of neighborhoods concerned about the preservation of home equity values is the fact that Evanston's black population went from 16.1 to 21.4

percent of its total population during the 1970s and Oak Park's black population went from 0.2 to 10.8 percent. Communities to the south of the city which have also seen a growth in their black populations showed housing values appreciating, but not to as great an extent. Chicago Heights, for example, registered an increase of 118 percent (8.1 percent per year) in its housing values over the decade, at the same time as its population shifted from 17.4 percent to 28.8 percent black. In general, suburbs south of Chicago have for years been home for working--class rather than professional families, and they have tended to have more stable housing prices.

The newly growing suburbs of DuPage County, where high-tech industries are mushrooming, have seen some of the largest increases in housing prices in recent years. In Naperville, for example, the median single-family house value in 1980 was \$98,400, a 176 percent increase (10.7 percent per year) over 1970 prices. This community, with more jobs than people and more homeseekers than houses, has an extremely tight housing market that is driving prices to levels that are inaccessible to most middle-income families.

Although it is hard to find a suburb of Chicago that did not see housing appreciation rates of over 100 percent between 1970 and 1980, such communities can be found in the city.<sup>16</sup> These are the communities left behind by virtually all the residents who could afford to go elsewhere and abandoned by public and private

investors alike. West Englewood, for example, where the 1980 median value was only \$27,700, saw an increase of only 86 percent (6.4 percent per year) during the decade. South Chicago, with its serious problems of large corporate disinvestment and consequent unemployment, saw an increase of only 76 percent (5.8 percent per year). And Woodlawn, with huge stretches of housing that fell victim to arson, saw an increase of only 51 percent (4.2 percent per year)--half the increase in the CPI.

At the other extreme, there are communities in Chicago that are doing as well as, or in some cases significantly better than, the suburbs. Lincoln Park, for example, where the average single family home in 1980 was priced at over \$123,000, had an increase of more than 500 percent (20.3 percent per year). This, of course, is a unique situation where public and private money almost totally changed the character of a community in ten years. But other Chicago communities, mostly along the lake-front, have done very well too. Rogers Park and Edgewater saw increases in median prices of 170 and 183 percent (10.4 and 11.0 percent per year), respectively. Far Northwest and Southwest Side communities also showed dramatic increases in value: Portage Park had an increase of 159 percent (10.0 percent per year), Garfield Ridge of 130 percent (8.7 percent per year), and Beverly 120 percent (8.2 percent per year).

The communities in our survey, like the populations who reside in them, fall somewhere in the middle--between the

upscale, lakefront professional communities and the depressed, abandoned, poverty-stricken communities. Belmont Cragin did very well indeed in the 1970s and leads the list. Housing prices in that community jumped from \$23,400 to \$55,800 for an increase of 138 percent (9.1 percent per year). Chicago Lawn, Hermosa, Washington Heights, and Avalon Park all had increases of between 93 and 104 percent, or about 7.3 percent per year. The two of these with the lowest rates of growth during the 1970s, Washington Heights and Avalon Park, showed the healthiest increases from 1980 to 1983, the most recent years for which we could obtain complete data. However, the survey respondents from these two communities seemed singularly unconcerned with the market value of their housing. They see their houses as "home", don't plan to move, and so have little concern over how much the house might be "worth".

Data from the Illinois Department of Revenue for the city of Chicago as a whole, as well as for each of the six community areas we looked at, show that rates of price increase between 1980 and 1983 were significantly below the rates of the 1970s, reflecting changed national economic realities. In all cases, however, median prices continued their upward trend, and we were unable to find a single five-year period in any of the community areas during which prices did not increase. This does not mean that prices have never declined or that they cannot possibly decline in the future, but it does suggest that the likelihood of

a widespread market collapse such as might bankrupt a home equity guarantee program is very minimal.

Investment and Disinvestment.

In spite of the fact that real estate prices have continued to rise, Chicago neighborhoods have had a hard time retaining their viability. We have already alluded to the deterioration of neighborhood commercial districts, as outlying shopping centers pulled retail dollars and jobs from city communities.

Closely related to this are the problems created by the national and state housing policies which promote over-construction. These both encourage and are encouraged by the disinvestment practices of institutional lenders. Local banks and savings and loans, depositories for millions of neighborhood dollars, systematically refused to lend that money back to neighborhood residents during the early 1970s. Investments in the booming downtown area and in the more expensive suburbs were more lucrative and perceived as less risky. A self-fulfilling prophecy was put into place: No resources went into neighborhoods because they were perceived to be on the verge of deterioration; then, they did in fact deteriorate because they are without the infusion of crucial economic resources.

Citywide coalitions of community groups, spearheaded by the Citizens Action Program (CAP) and Metropolitan Area Housing Alliance (MAHA), pressured banks locally to stop redlining

neighborhoods and lobbied at both federal and state levels for legislation that would end redlining abuse and make information on lending patterns accessible to community groups. Two important pieces of legislation--the Home Mortgage Disclosure Act (1975) and the Community Reinvestment Act (1977)--grew out of these efforts. Nonetheless, recent research continues to show Chicago on the short end of the investment stick. What money is loaned for home purchases and improvements in the city tends to be heavily concentrated in a few lakefront communities.<sup>17</sup>

Another problem, and one more clearly under local officials' control, is what survey respondents identified as the dismal quality of the city's public schools. They saw this as without question a major factor in the loss of the city's middle class. If it were not for Chicago's extensive Catholic school system, there would be few moderate-income families with children left in the city.

The net effect of new investments and resources concentrated in the suburbs, coupled with continued serious problems in the city, is an impending crisis in Chicago's future. Those middle-income families who have provided a constant and substantial source of revenue to the city are leaving just when the city needs them most.

#### City Revenue and the Middle Class

Almost 227,000 middle- and upper-income families left the



city between 1970 and 1980. The total population decrease was 361,885. The consequences of this emigration are shifted to all the city's taxpayers--at least to those who remain. Vast acres of land, especially on the South and West Sides, are strewn with the rubble of formerly useful buildings or contain structures which generate little or nothing in property, sales, or utility taxes. The city's wealthier residents may never see these once-thriving neighborhoods, but they pay.

For example, the city's 1985 appropriation ordinance anticipated about \$79 per capita in sales tax revenue (\$237.4 million from 3,006,000 people). If the city had retained its population, and if we assume they would have paid about the same in sales taxes as current residents, then the city would have had an additional \$28.6 million in 1985.

Another way to approach the problem is through total income. Table 3 showed that there were 112,567 fewer middle-income families in Chicago in 1980 than in 1970, and 114,370 fewer high-income families. Suppose these families had stayed in the city and that they had had incomes of \$18,776 and \$28,164, respectively (the actual city median and 150 percent of the median in 1980). They would have accounted for more than \$5.3 billion in additional income. Average sales tax payments to the state were \$17.28 per \$1,000 of personal income in 1983.<sup>18</sup> Since the Chicago sales tax rate is about 40 percent of the state rate (two percent, compared to five, although the city's rate is on a

slightly smaller base), we can estimate that sales taxes in Chicago would be about \$6.90 per \$1,000 of income. Multiplying this by the \$5.3 billion in income which would have been in the city if its middle- and upper-income families had stayed, and assuming the income would have been spent in Chicago, we get about \$36.8 million in potential extra city sales tax.

Whichever of these approaches is correct, it is apparent that the loss to the city in sales taxes alone must be on the order of \$30 million.

One other source of revenue for which we have calculated specific losses is the state income tax distribution. Each year, the Illinois Department of Revenue distributes one-twelfth of all income tax collections to municipalities, on a per capita basis. The allocation to Chicago in fiscal year 1985 was \$22.57 per capita. If the city had retained the 361,885 people who left between 1970 and 1980, it would have received an additional \$8.2 million. If it had retained its 1960 population, it would have received \$12.3 million more than it did in 1985.

We have not been able to calculate specific shifts in the property tax burden arising from the loss of middle-income neighborhoods, although it must be significant. Approximately 60,000 dwelling units in the city were demolished during the 1970's. Even if each one of them had had a market value of only \$10,000, they would have kept \$60-150 million (depending on the size of the structure in which they were) on the tax rolls.

In order to understand how this affects other taxpayers, it is necessary to understand how the property tax rate is computed. Each year, the officials of each government that collects taxes sends a dollar request (the "levy") to the County Clerk. The Clerk divides this request by the total equalized assessed value to obtain the tax rate (subject to certain limitations in state law). Thus, as property is removed from the tax base, the tax rate for that which remains simply goes up to compensate, and the burden of the lost property is directly shifted to all other taxpayers. In other words, the costs of neighborhood decline are borne by all residents, whether they live in the affected area or not.

Using 1984 levies for all the governments that tax Chicago real estate, we estimate that \$12 to 25 million in property tax burdens is shifted each year due to the loss of these 60,000 housing units.

### Conclusion

Chicago needs its moderate-income residents not only as a source of tax revenue for city coffers but also as consumers for its businesses, students for its schools, and leaders in its neighborhoods. Additional losses from the city's middle-class base can only further weaken an already struggling city.

## NOTES

1. The Standard Metropolitan Statistical Area (SMSA) is a U. S. Census Bureau designation for the area surrounding a large city. An SMSA includes at least one city of 50,000 inhabitants or more, the county in which that city is located and contiguous counties which are essentially metropolitan in character and are socially and economically integrated with the central city. The Chicago SMSA encompasses six counties: Cook, DuPage, Lake, Will, McHenry, and Kane.
2. Illinois Bureau of Employment Security, Where Workers Work, Chicago SMSA, 1981. Chicago: Chicago Area Labor Market Information Unit, Illinois Bureau of Employment Security, 1984.
3. Irving Cutler, Chicago: Metropolis of the Mid-Continent. (Dubuque, Iowa: Kendall/Hunt Publishing Company), 1976, p.160-161.
4. Telephone interview with Mary Grady, U.S. Census Bureau, Chicago, Illinois, December 10, 1985.
5. John Schrag and Jorge Casuso, "A Delicate Balance: 'Open' Suburbs Fight to Avoid Racial 'Tipping'" The Chicago Reporter, December 1985.
6. Part of this, of course, is due to the simple statistical fact that the other areas began with much smaller low-income populations, so that relatively small changes in the number of low-income families appear as relatively large changes in the percent. For example, even by 1980 the number of low-income families in the entire SMSA outside Chicago was less than 55 percent of the Chicago number, despite the fact that the total suburban popula-

tion exceeded Chicago's.

7. Elizabeth Warren, Subsidized Housing in the Chicago Suburbs. Chicago: Loyola University Urban Insights Series, Number 8, May, 1981.

8. The Chicago Reporter, January 1986, reports on these incidents in an article by Kevin B. Blackistone, "Violence, Harassment toward Minorities Increase Slightly".

9. Jorge Casuso and Eduardo Camacho (Eds.), Hispanics in Chicago. Chicago: The Chicago Reporter and the Center for Community Research and Assistance of the Community Renewal Society, 1985.

10. Brian J.L. Berry, "Ghetto Expansion and Single-Family Housing Prices: Chicago, 1968-1972", Journal of Urban Economics 3 (1976), p.418.

11. Anthony Downs, "An Economic Analysis of Property Values and Race", in Jon Pynoos, Robert Schafer, Chester W. Hartman, Eds., Housing Urban America, 2nd ed. (New York: Aldine, 1980), 273-279. Also see Luigi Laurenti, Property Values and Race, (Berkeley: University of California Press, 1960), David H. Karlen, "Racial Integration and Property Values in Chicago", Urban Economics Report, #7, University of Chicago (April, 1968), and Chester Rapkin and William Grigsby, The Demand for Housing in Racially Mixed Areas, (Berkeley: University of California Press, 1960).

12. The self-fulfilling prophecy concept and related phenomena are discussed in Laurenti (op.cit.); Eleanor P. Wolf, "The Invasion-Succession Sequence as a Self-Fulfilling Prophecy", Journal of Social Issues, XIII (1957), 7-20; Herbert Gans, "Status and Residential Property Value", paper published by the Institute for Urban Studies, University of Pennsylvania, June 1954; Brian J. L. Berry, Carole Goodwin, Robert W. Lake, and Katherine Smith, "Attitudes Toward Integration: The Role of Status in Community Response to Racial Change", in The Changing Face of the Suburbs, ed., Barry Schwartz, (Chicago: University of Chicago Press, 1976); and Norman Bradburn, Seymour Sudman, and Galen Gockel, Racial Integration in American Neighborhoods, (Chicago: National Opinion Research Center, 1970).

13. Arnold R. Hirsch, Making the Second Ghetto: Race and Housing in Chicago, 1940-1960. (Cambridge: Cambridge University Press, 1983), p. 27.

14. Computations based on U.S. Census of 1970 and 1980.
  
15. Unless otherwise indicated, 1970 and 1980 data reported in this section are from the respective U.S. Censuses. These housing values reflect the perceptions of respondents in answer to a question about what they thought their house would sell for. Actual median sale prices for the city of Chicago and the six community areas in this study are discussed elsewhere, although we do not have figures for any years prior to 1975. A comparison of the actual medians with the Census responses for 1980 indicates a close correspondence.
  
16. This may be an unfair comparison, since prices in the city as a whole did increase during the 1970s. There are presumably sections of some suburbs which did not share in their municipality's price appreciation, just as there are sections of Chicago. The point here is that the neglected sections of Chicago are very large, many with (former) populations far exceeding the populations of many suburbs.
  
17. Disclosure, Newsletter of the National Training and Information Center, Chicago, January-March 1984.
  
18. The Taxpayers' Federation of Illinois, Illinois Tax Climate (12th edition), quoting a U.S. Census Bureau report.

TABLE 1

Population Trends: Chicago and Suburbs  
1950 - 1980

Year	City of Chicago	SMSA Outside of Chicago*
1950	3,620,962	1,556,906
1960	3,550,404	2,670,509
1970	3,366,957	3,611,990
1980	3,005,072	4,098,552

\*SMSA refers to the "Standard Metropolitan Statistical Area." This is a geographical area defined by the U.S. Bureau of the Census which includes Cook, DuPage, Will, Kane, Lake, and McHenry counties.

SOURCE: Local Community Fact Book: Chicago Metropolitan Area. 1980.

TABLE 2:

Rate of Population Change: Chicago and Suburbs  
1950 - 1980

Years	City of Chicago	SMSA Outside of Chicago
1950 - 60	-1.9%	71.5%
1960 - 70	-5.2	35.5
1970 - 80	-10.7	13.5

SOURCE: Computations based on Local Community Fact Book: Chicago Metropolitan Area. 1980.

TABLE 3

## NUMBER AND PERCENT OF FAMILIES IN LOW, MIDDLE, AND UPPER INCOME

## GROUPS, 1960-80

	1960		1970		1980	
	Families	Percent	Families	Percent	Families	Percent
<b>Chicago</b>						
Below 50%	164566	18.10	189255	22.90	230711	32.40
Middle	578254	63.60	489253	59.20	376686	52.90
Above 150%	166384	18.30	147933	17.90	104674	14.70
TOTAL	909204	100.00	826441	100.00	712071	100.00
<b>Suburban Cook</b>						
Below 50%	29991	7.40	46244	8.50	71273	11.90
Middle	250868	61.90	319355	58.70	350375	58.50
Above 150%	124421	30.70	178447	32.80	177284	29.60
TOTAL	405280	100.00	544046	100.00	598932	100.00
<b>SMSA Less Cook</b>						
Below 50%	33329	12.43	40160	11.06	54759	11.37
Middle	172628	64.40	217747	59.95	287596	59.71
Above 150%	62102	23.17	105313	28.99	139322	28.92
TOTAL	268059	100.00	363220	100.00	481677	100.00

NOTE: Table entries based on median SMSA income for families of \$7,342 in 1960, \$11,931 in 1970, and 24,536 in 1980.

SOURCE: Computations based on U.S. Censuses of 1960, 1970, and 1980.



TABLE 4

PERCENT CHANGE IN NUMBER OF FAMILIES IN LOW, MIDDLE,  
AND UPPER INCOME GROUPS, 1960-80

	1960-70	1970-80	1960-80
<b>Chicago</b>			
Below 50%	15.00	21.90	40.19
Middle	-15.39	-23.01	-34.86
Above 150%	-11.09	-29.24	-37.09
TOTAL	-9.10	-13.84	-21.68
<b>Suburban Cook</b>			
Below 50%	54.19	54.12	137.65
Middle	27.30	9.71	39.67
Above 150%	43.42	-0.65	42.49
TOTAL	34.24	10.09	47.78
<b>SMSA Less Cook</b>			
Below 50%	20.50	36.35	64.30
Middle	26.14	32.08	66.60
Above 150%	69.58	32.29	124.34
TOTAL	35.50	32.61	79.69

SOURCE: Computations based on U.S. Censuses of 1960, 1970,  
and 1980.

TABLE 5

Median Value of Single-Family Houses, 1970 and 1980, and Percent Change,  
Selected Suburbs and Chicago Communities

	Median Price		Percent Change	
	1970	1980	Total	Annual Compound
Suburbs				
Naperville	\$35,700	\$ 98,400	176%	10.7%
Evanston	33,700	88,600	163	10.1
Oak Park	26,200	68,000	160	10.0
Park Ridge	37,000	92,900	151	9.6
Cicero	21,000	50,800	142	9.2
Chicago Heights	21,000	45,800	118	8.1
Chicago				
Lincoln Park	19,500	123,700	534	20.3
Edgewater	21,600	61,100	183	11.0
Rogers Park	24,500	66,100	170	10.4
Portage Park	23,600	61,100	159	10.0
Belmont Cragin	23,400	55,800	138	9.1
West Lawn	21,100	50,200	138	9.1
Garfield Ridge	23,100	53,200	130	8.7
Beverly	27,600	60,600	120	8.2
Hermosa	20,600	43,000	109	7.6
Chicago Lawn	19,200	39,300	105	7.4
Washington Heights	20,200	41,000	103	7.3
Avalon Park	19,900	38,400	93	6.8
West Englewood	14,900	27,700	86	6.4
South Chicago	18,400	32,400	76	5.8

SOURCE: U.S. Censuses of 1970 and 1980.

PART ONE

COMMUNITY PROFILES

## CHAPTER ONE

### INTRODUCTION TO THE COMMUNITIES

Homeowners' perceptions of their communities in the present are an important indicator of the future of those communities. To a great extent, if people believe they live in a good neighborhood--and believe it will get better--their neighborhood will improve. People's optimism will be reflected in concrete investments of financial resources into their houses and of time and energy into the life of the community.

In order to gauge homeowners' perceptions of their communities, how they thought those communities had changed, and what they expected for the future, a door-to-door survey was conducted of 979 households in six community areas. This survey was conducted under the supervision of staff of the Chicago Neighborhood Organizing Project (CNOP), who hired and trained the interviewers. The authors of this report played an advisory role in questionnaire design and sample selection, in addition to conducting analysis of the survey responses. The six community areas were: Belmont Cragin, North Austin, Hermosa, Avalon Park, Chicago Lawn, and Washington Heights.

Chicago Lawn and Belmont Cragin were selected because they were considered strong candidates for a home equity guarantee program. These communities have a high ratio of single-family and owner-occupied residences. They are predominantly white, moderate-income areas of relatively high stability. At the same time, each had begun to experience neighborhood change with respect to the racial, ethnic, or social class characteristics of newcomers. Each community has a rich organizational life.

Avalon Park and Washington Heights are both black. They were selected for reasons similar to those for the white communities. Both are residential communities with moderate-income families. The housing stock is heavily single-family and owner-occupied. These middle-class communities, too, are adjacent to lower-income communities which may be perceived as posing a threat to both the stability of the community and its property values.

North Austin and Hermosa were added to the survey for two reasons. First, we hoped to get a sizeable number of Hispanic residents to complement the whites and blacks in the other communities. Secondly, these two communities had already gone through a significant amount of change in the makeup of their populations in recent years. In addition, they are adjacent to Belmont Cragin. Thus, it was thought they might suggest one possible trajectory for change in that northwest section of the city if home equity were not put into place.

A copy of the questionnaire that was used is in Appendix IV.

A more detailed discussion of the survey methodology has been

prepared by the Chicago Neighborhood Organizing Project and can be obtained directly from them.

In addition to the survey of residents, interviews were conducted in each community with leaders in finance, real estate, education, commerce, and religion. From these sources, as well as Census data, the Local Community Fact Book: Chicago Metropolitan Area, 1980, and other published materials, are derived the community profiles that follow.

## CHAPTER TWO

### BELMONT CRAGIN

Located on the northwest side close to the western border of the city, Belmont Cragin is primarily a residential area. While industrial development took place around the edges of the community in the 1930s--particularly along the railroad tracks to the south near Dickens, Armitage and Grand Avenues--the most noticeable feature of Belmont Cragin of the 1980s is its residential character. In 1960, 80 percent of its land use was classified as residential; this has changed little over the past two and one-half decades.<sup>1</sup>

Although there is concern about the future of Belmont Cragin among its residents, this northwest side community is a relatively stable area that shows considerable economic and social vitality. The population loss of 7.5 percent between 1970 and 1980 may be largely attributable to an aging population and the outmigration of adult children of established homeowners. In the survey, homeowners expressed very high levels of satisfaction with public transportation, convenience to place of work, convenience to shopping, and quality of housing for the price paid (see Table A). Commenting on the commitment many residents--particularly homeowners in the northwest neighborhoods--express for staying in the community, one religious leader observed: "people... were born and raised here; they ain't going to move; they're going to carry them out of here. People see this area as a quiet, untroubled neighborhood."

At the same time in other sections of Belmont Cragin there are concerns about changes in the social make-up of the community. One community leader

who has lived in the area for almost 20 years has noticed that "a different class" appears to be moving into her neighborhood. Compared to the past days when her neighborhood was more tightly knit, her neighborhood is now "less coherent... people don't care as much as they did in the past." She illustrates by adding: "I don't understand why they don't have screens in their windows; they don't understand why I get upset when the kids run over the grass." The concerns about day-to-day neighborhood life may appear trivial to the outsider, but these worries are signs of a broader underlying uneasiness about where the community is headed.

Our survey uncovered two major concerns among residents of Belmont Cragin: the deteriorating quality of schools and crime. Declining quality of schools was the number one shortcoming of Belmont Cragin according to its residents: only four out of ten homeowners were "very satisfied" or "satisfied" with schools in the area. This was the lowest confidence rating of area schools found in any of the six surveyed communities. The survey question did not make a distinction between public or private schools. However in community interviews, it was clear that there was a high level of satisfaction with the parochial schools serving the area, while there was extreme dissatisfaction with public schools. In fact, when asked "what schools serve this area," the typical interviewees first listed the parochial elementary and high schools without mentioning public schools. One minister said that "the city school system has not helped this community at all." Parochial schools in the area appear to be doing well. Enrollments--particularly at elementary grade levels--are on the rise.

Another area of concern expressed by homeowners was personal safety.



Perceptions of crime as a problem are not wholly unrelated to the concern with public schools. One community leader explained that "everyone is worried about Steinmetz [High School]. There are gangs, drug dealers, and kids constantly milling about there. There is a perception that many of the gang problems come from Steinmetz." Community groups are addressing themselves to the issue of crime. The Northwest Neighborhood Federation--a community organization which is very active in Belmont Cragin--has one of the most successful crime prevention "block watch" networks in the city.

In a ranking of median value of housing stock in the city's community areas, Belmont Cragin is in the top third. According to the U.S. Census, the median price of owner-occupied housing units was \$55,800 in 1980.<sup>2</sup> Analysis of actual sales data shows that the median price of single-family units sold in 1983 was \$59,500 (see Table 2.2). The annual change in housing prices between 1975 and 1983 (based on actual sales) was 7.4 percent (see Table 2.3). While this was not as high a rate of change as experienced in many other Chicago neighborhoods, Belmont Cragin consistently has maintained housing values higher than the city average. Housing stock varies, but primarily consists of bungalows, although there are larger houses in the northwestern sections. Generally, houses north of Fullerton have higher values than those south of Fullerton (see Map 2.7). According to our sales data the census tracts south of Fullerton had median single-family house prices in the \$40,000s and \$50,000s in 1983, while the tracts north of Fullerton had median prices in the \$50,000s and \$60,000s.

Differences in annual appreciation rates within Belmont Cragin neighborhoods have not been striking. Nevertheless, there are some patterns.

Generally, the higher appreciation rates have been found along the eastern and southern edges of the community in the 1975-1983 period studied (see Map 2.8). As shown in Table 2.3, the tracts experiencing an annual rate of appreciation greater than 8 percent from 1975 to 1983 are 1901, 1906, 1908, 1909, 1911, 1912, 1913, and 1914. With the exception of 1906 and 1908, these are all in the southern and eastern sections of the community. They are also areas in which the characteristics of the population have been changing. These eastern and southern neighborhoods have witnessed an increase in Hispanics. Housing turnover in these neighborhoods has generally been higher than that in other Belmont Cragin tracts, although the differences are not strong.

All of these statistics seem to indicate that an influx of new residents has increased the demand for housing in these areas and has consequently increased its value. It is quite possible that the high rates of appreciation are, in part, the result of previously depressed housing prices. Past research has shown that white homeowners fearing racial or ethnic change in their neighborhood "panic" and sell their houses below market value immediately prior to and during the period when new ethnic or racial groups are moving into the area. The market typically recovers, as has apparently been the case in the eastern and southern Belmont Cragin neighborhoods. For example as shown in Table 2.4, the census tracts south of Fullerton--tracts 1910-1914--all showed prices much lower than the Belmont Cragin average in 1975. It was in the mid-1970s that the major increase in the Hispanic population was taking place. By 1983 most of these areas had rebounded and showed significantly increased housing values (with the exception of the two tracts south of Fullerton and east of Lararmie). The same process appears to

have taken place in the eastern tracts--1901, 1908, and 1909. Thus, housing values in these tracts along with 1912 and 1913 have returned to housing price levels--relative to the rest of Belmont Cragin--that are close to or better than what existed prior to the ethnic change. Given the fact that ethnic changes may be still occurring in the neighborhood, this price recovery is an indication of a relatively resilient housing market (Tables 2.4 and 2.5).

In other words, areas in Belmont Cragin with relatively lower priced housing have seen an improvement in prices, while areas with already relatively high prices have remained stable. A similar price and appreciation pattern is present when one compares the east and west portions of tracts 1904, 1906, and 1913. Using Austin Boulevard as the dividing line, these tracts show slightly higher housing prices and slightly higher appreciation rates in the eastern sections. The western sections show slightly higher housing prices, but lower appreciation rates (see Maps 2.7 and 2.8). Again this is a sign of a stable or improving housing market. Another factor showing a strong neighborhood economic base is the fact that a high proportion of new homeowners in all areas of Belmont Cragin have household incomes over \$30,000. Our survey showed that 60.8 percent of new house buyers (those who have owned their houses for five years or less) have incomes over \$30,000. This compares to a figure of 35.0 percent for more established homeowners (those who have owned their houses for six years or more). This is particularly significant since one would expect to find quite the opposite pattern in most neighborhoods. One would assume that the newer, younger homeowners would not have attained peak lifetime earnings, while established more middle-aged residents would have peak incomes. The high proportion of

residents who are over 65 and on fixed incomes might reduce the income figure for established homeowners. However, this still would not account for the substantial income difference between new and established homeowners.

There is strong confidence in the neighborhood according to our survey. Seven out of ten homeowners feel that Belmont Cragin is "better than" or the "same as" it was two years ago (Table B). However, there is some concern about the future; only six out of ten homeowners feel that their neighborhood would be better or remain the same two years from now (Table C). Similarly, 62 percent believe that buying in the neighborhood would be a good investment for a young family (Table D). Clearly, confidence in the future is still high; the majority of respondents remain positive about their community.

Confidence is also indicated by the finding that more than two thirds of Belmont Cragin homeowners feel that their property is worth more now than it was five years ago (Table E). Actual housing sales data do show that property values have increased substantially--at a rate close to the city average. However, the fact that one third of the homeowners perceive stable or dropping home values indicates some concern. A home equity program could be a big step toward reducing anxiety over housing values among Belmont Cragin residents and could reinforce their current relatively strong commitment to the community. As shown in Table F, residents are receptive to the home equity concept. Sixty-six percent of all respondents in our survey said that home equity would help their neighborhood. The majority of residents--56.8 percent--are willing to pay for such insurance. Although there is support for a home equity program, there are numerous indicators that Belmont Cragin has a strong identity as a stable community of homeowners.

The owner occupancy level for housing units in Belmont Cragin is 53.0 percent, higher than the city figure of 36.3 percent. The neighborhoods are quite stable. At the time of the 1980 Census, 72 percent of homeowners in the community had lived in their current houses for more than five years; this is identical to the citywide figure. In our survey only 5.8 percent of the homeowners report that they are likely to move in one year; 32.2 percent indicate that they are "very likely" or "somewhat likely" to move in five years (Table G). Among both renters and homeowners, turnover at the time of the 1980 Census was higher in the southern and eastern census tracts than in the northern and western census tracts. Even considering this, Belmont Cragin provides a contrast to stability to North Austin to the south and Hermosa to the east where there have been considerably higher rates of turnover among both owners and renters.

There are some signs of modest neighborhood change in sections of the community. A 1970 Chicago Housing Survey commissioned by the city's Department of Planning found that approximately 15 percent of Belmont Cragin's housing stock was "deteriorating and tending toward dilapidation." While the wording may have been stronger than necessary, there is some cause for concern, again particularly in the eastern and southern sections. The 1981 Melaniphy report found that the decline was concentrated in the area east of Cicero and in the area south of Fullerton Avenue between Central and Cicero Avenues. The report referred to the southern area as "deficient in the quality of maintenance rather than a lack of maintenance."

Belmont Cragin is predominantly white. The 1980 Census showed that fewer than 100 of its 53,371 residents were black. The most prominent ethnic

group is Polish. However, families of Italian, German, and Irish ancestry are well represented. As mentioned above there has been a marked increase in the number of Hispanic residents--particularly in the southern and eastern neighborhoods.

The population of Belmont Cragin is considerably older than that of the city as a whole. While the median age in Chicago was 29.4 years in 1980, in none of its 14 census tracts did Belmont Cragin show a median age below 30. In fact, only three of Belmont Cragin's 14 tracts showed a median age under 35. As shown in Map 2.5, the northwestern section of the community has a relatively older population, and the southern and eastern sections have relatively younger populations. In tracts 1903, 1904, 1905, and 1906 over 20 percent of the population is over age 65. In contrast, some eastern and southern tracts reported as little as 13 percent of the population over 65. This may correspond with the housing stock--houses in these southern and eastern neighborhoods are cheaper; there are also more rental units in these neighborhoods. Thus, newer and younger homeowners are more likely to move into these areas first.

Income levels in Belmont Cragin are considerably higher than the citywide average. Median income in 1979 was \$22,246--\$3,470 more than the Chicago median of \$18,776. The high proportion of Belmont Cragin residents with well-paid white-collar and skilled blue-collar jobs (see Graph 2.1) provides a stable income base for the community. This strength is evident when one looks at income changes between 1969 and 1979. The national recession which took place at the end of this decade hit Chicago particularly hard. If one adjusts for inflation, the average Chicago family experienced more than a

ten percent loss in real earnings during the 1970s. At the same time, wage earners in Belmont Cragin experienced a smaller decline in real wages--4.4 percent. This decline is not dissimilar to that experienced by older suburbs of Chicago, including such communities as Oak Park and Arlington Heights. The absence of any substantial loss in real earnings during this economically troubled period is a strong indication of the stable earnings base of the community. As pointed out above, one of the strongest signs of Belmont Cragin's stability is the high percentage of new homebuyers who have annual household incomes in excess of \$30,000. This certainly indicates a substantial strengthening of an already solid income base.

Perhaps the most noticeable change in Belmont Cragin between 1970 and 1980 was the increase in its Hispanic population. In 1980 5.8 percent of the community's residents were of Spanish origin, compared to only 1.2 percent in 1970. According to the survey, approximately one-quarter of the people buying houses in Belmont Cragin over the last five years have been Hispanic. These new residents of the community are concentrated in neighborhoods east of Cicero Avenue, bordering on the Hispanic neighborhoods of Hermosa. In addition there is also a concentration of Hispanics south of Fullerton. It does appear that a high proportion of the Hispanic families are well above the Chicago median income for Hispanics. In the two Census tracts where 1980 Census data on Hispanic income are available--tracts 1911 and 1913--Hispanic median family income is close to or higher than the overall Belmont Cragin median family income of \$22,246. Moreover the \$21,563 and \$22,716 Hispanic median family incomes in tracts 1911 and 1913 represent incomes 45.4 percent and 38.0 percent higher than the median incomes for Spanish origin individuals

in the city as a whole. It appears that a significant number of moderate-income Hispanics have been attracted to the community's neighborhoods. Community leaders see this trend as continuing.

In recent years retail developments in this part of the city have drawn shoppers and business away from the older business district that had established itself in the area around the intersection of Belmont and Central. As has been the case in many other storefront retail districts, shoppers and stores themselves have been enticed to nearby shopping malls. However, in the case of Belmont Cragin, one of the primary malls attracting business is within its boundaries--at the western edge of the community along Narragansett at Diversey. Opened in 1978, the Brickyard Mall houses more than 170 stores. Another concentration of retail establishments, anchored by a Sears Department store is located at "Six Corners" just northwest of Belmont Cragin at the intersection of Cicero, Milwaukee and Irving Park Road.

There have been some efforts to revitalize the older business district in Belmont Cragin. The Belmont Central Chamber of Commerce has made efforts to attract shoppers to the older business district, most notably by building a parking garage a few years ago. However, there is no indication that this area will offer serious competition to the newer shopping malls. A local banker is quite pessimistic about the future of this retail district. Although our survey found that 90.7 percent of the people living in Belmont Cragin are "very satisfied" or "somewhat satisfied" with the convenience of shopping, there is some concern about how a visibly deteriorating commercial district affects housing prices in the area and the image of the community. There are options for the retail district. While a number of well-established



businesses will continue to function, it is possible that mixed use with more emphasis on professional service offices, e.g. lawyers and doctors, could stabilize the district. This central business development in the heart of the community is not a "blighted area" and there is no reason for it to detract from housing values in the immediate future.

Older residents of Belmont Cragin are anxious about their future and, as is the case with many older persons, they are worried about their ability to maintain their housing in the coming years. While housing in the northern and western sections is quite well kept up now, as noted earlier, these are also sections with much higher than average elderly populations. The needs, concerns, and perceptions of these residents should not be ignored. One minister points to the problem and a potential solution: the older residents are "puzzled as to what to do about their own future and housing needs; they are unsure of their ability to take care of their property as they get older. What we need is some kind of youth corps" to help them out and build more bridges between the younger and older residents of the community.

The need for strong community involvement was echoed by another community organization leader who addresssed residents' fears of racial and ethnic change in Belmont Cragin: "If you have a solid community, you have a chance of integrating the community instead of resegregating the community. I don't want to feel that I am running away from my community." A number of interviewees, including a banker, religious leader, and a community organizer, were critical of past practices of local real estate agents who stirred up fears about a "changing community." At least one local real estate agency has been censured by the State for violating the anti-solicitation ordinance now

in effect.

Nevertheless, the brick and mortar of a strong community are still in place in Belmont Cragin. A full two thirds of Belmont Cragin residents surveyed felt that home equity insurance would help their neighborhood. Over 56 percent would consider paying for such insurance; of this 56 percent, eight out of ten would be willing to pay up to \$100 per year for such coverage. This certainly is a vote of confidence for the home equity concept. At the same time the reason for such strong support may be an underlying concern over property value stability. Compared to the other neighborhoods studied, a higher proportion of Belmont Cragin homeowners--53.5 percent--indicated that they would move if they thought that the value of property was going to drop (see Table H). Another set of responses showed that residents were particularly sensitive--compared to residents of other communities--to panic peddling by real estate agents (see Table I).

One community organizer and long-time resident observed that "when you go through the bungalow belts, it is apparent that people take pride in their buildings" and do not want to see the community deteriorating around them and do not want to lose their investments in their homes. Familiar with the home equity insurance concept, he added that "if Belmont Cragin doesn't get home equity the neighborhood will change and change dramatically." Given the overall strengths of this community, this statement may be correct; home equity insurance may provide Belmont Cragin residents with the measure of confidence needed to counteract concerns about the future.

## Notes

1. Unless otherwise noted, 1950, 1960, 1970, and 1980 data on all six communities studied are from the U.S. Census Reports or from the 1960 and 1980 Chicago Factbooks.
2. There are two different sets of housing price data used in this section of the report. The Census data are self reported prices, that is, homeowners who filled out the Census form reported what they thought their house would be worth if they sold it at that time. Census price data are also for all owner-occupied housing units; this would therefore include owner-occupied single-family houses as well as owner-occupied multiple-family units.

The other data source is a set of computer tapes from the Illinois Department of Revenue. We were able to obtain the data for 1975, 1976, and 1979-83, the last being the most recent available year. The tapes include actual sale prices (as reported by parties to the transaction on the state's real estate transfer tax declaration form), that is, not estimated prices. However, there is some ambiguity in determining the size or type of multiple-unit structures when using the tapes. Hence, we selected only single-family units, including town-homes but not condominiums, for analysis. We more frequently refer to these data than to the Census prices because these are more recent and likely to be more accurate.

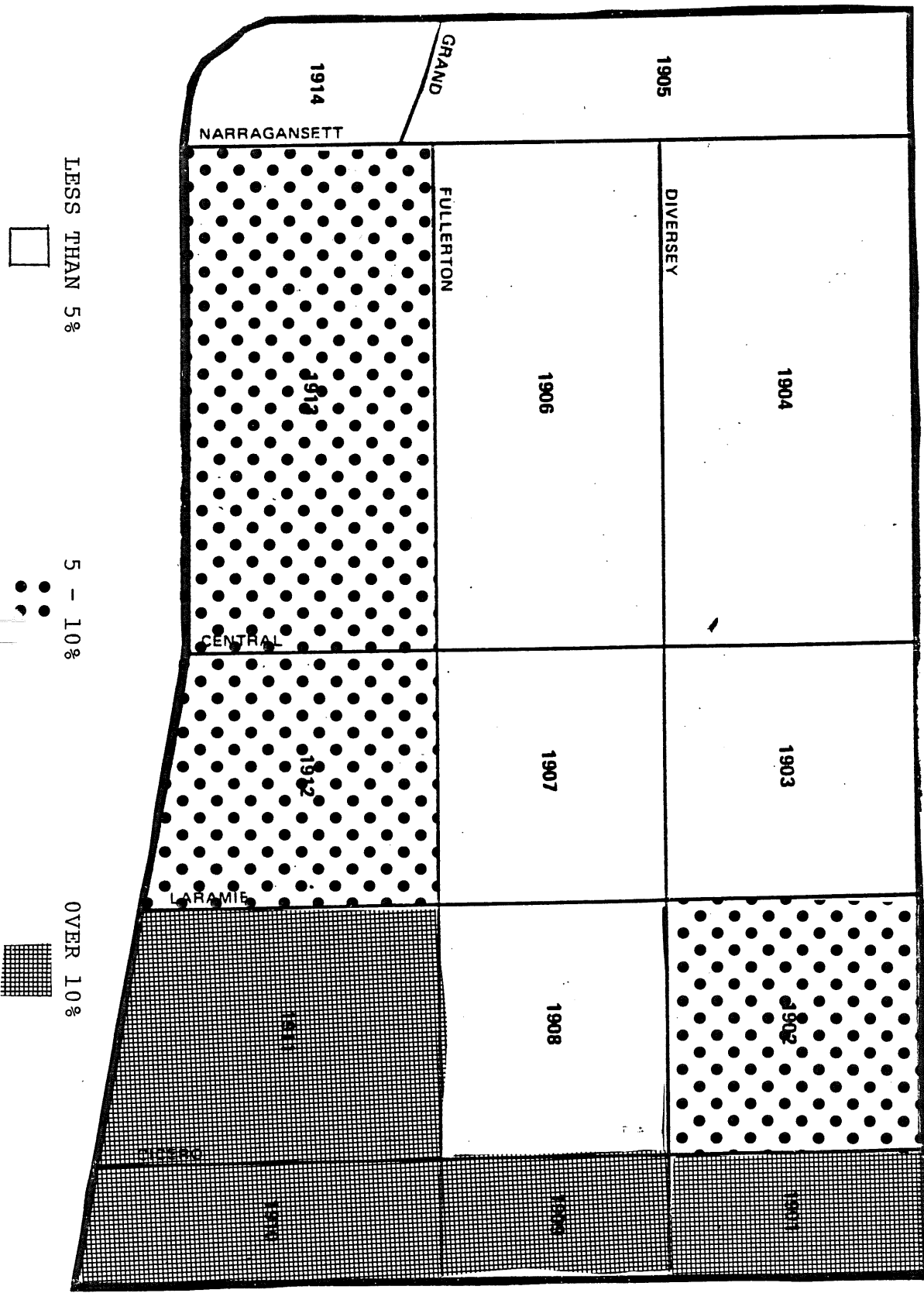
3. Citywide Findings and Conclusions: Chicago Comprehensive Neighborhood Needs Analysis Project, 1982. Submitted to the Honorable Jane M. Byrne, 1982, by Melaniphy and Associates, Inc., section on Belmont Cragin, p. 19.
4. Melaniphy report, section on Belmont Cragin. p. 19.

MAP 2.1  
 BELMONT CRAGIN

1905 GRAND	1904 (1904.1) DIVERSEY	1906 (1906.1) FULLERTON	1913 (1913.1) NARRAGANSETT
1905 GRAND	(1904.2) 1903	(1906.2) 1907	(1913.2) 1912 CENTRAL
1905 GRAND	1902	1908	1911 LARAMIE
1905 GRAND	1901	1909	1910 CICERO

MAP 2.2

BELMONT CRAGIN  
PERCENT HISPANIC, 1980



LESS THAN 5%



5 - 10%

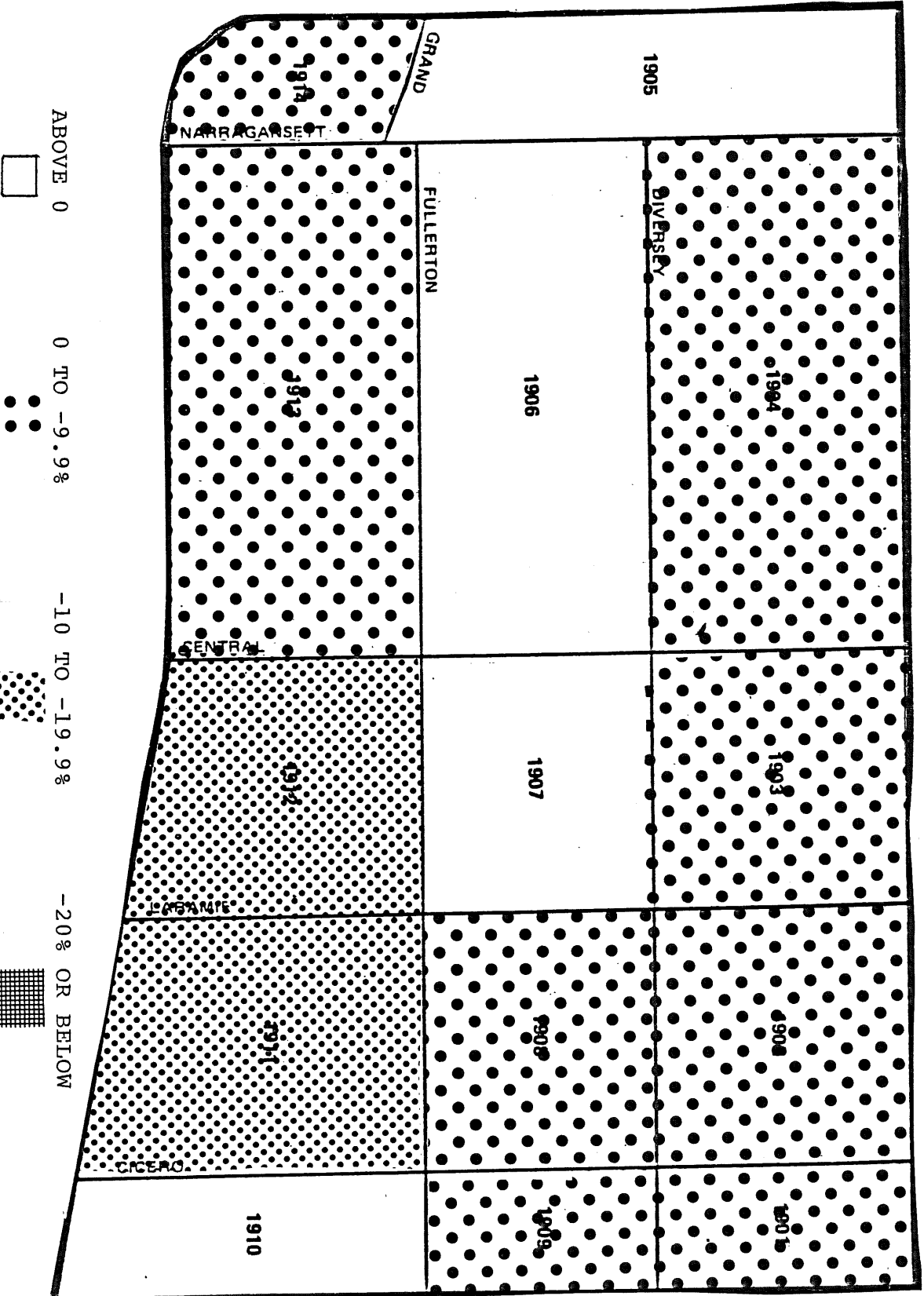


OVER 10%



BELMONT CRAGIN

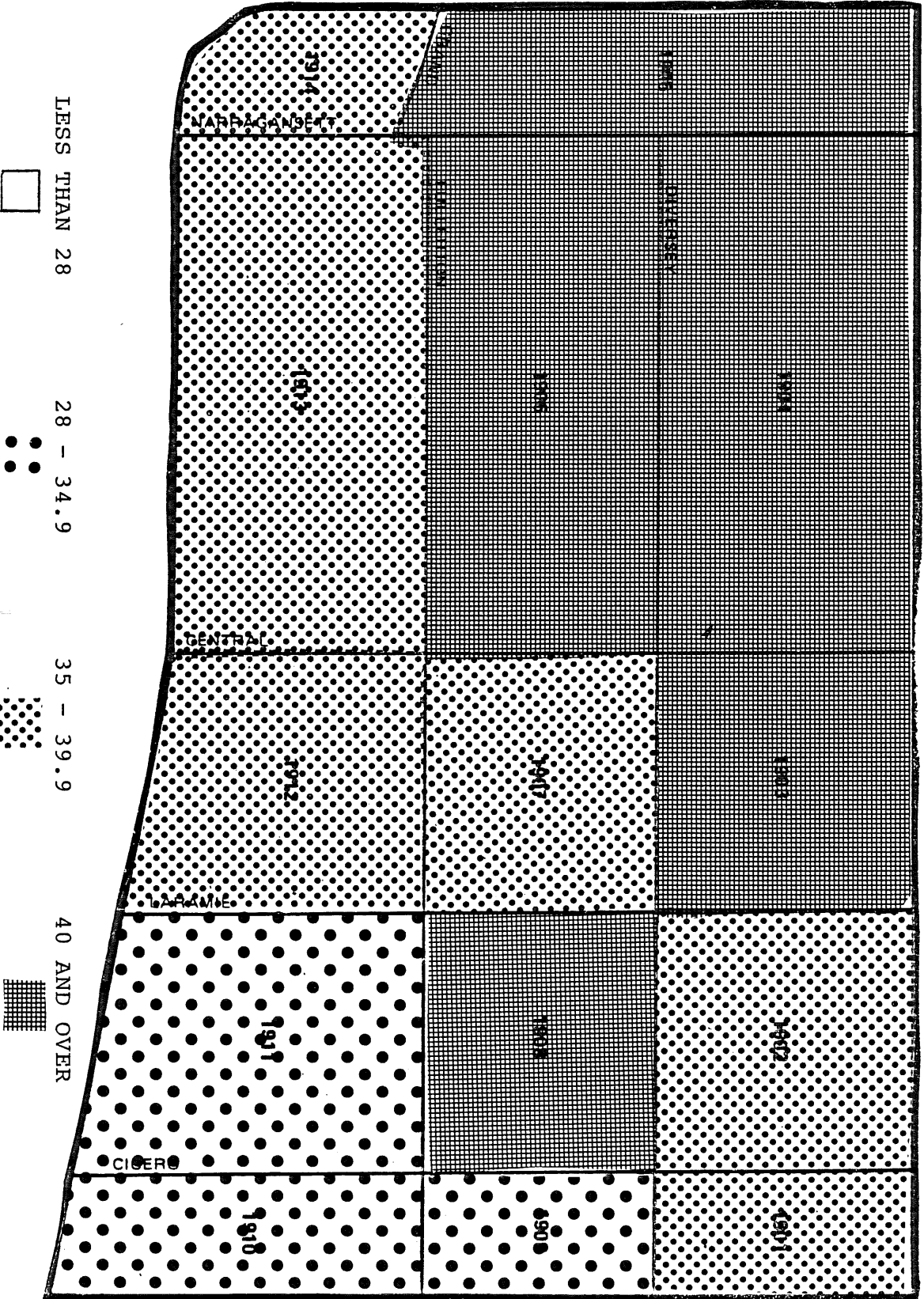
CHANGE IN MEDIAN FAMILY INCOME: 1969 - 1979



MAP 2.5

BELMONT CRAGIN

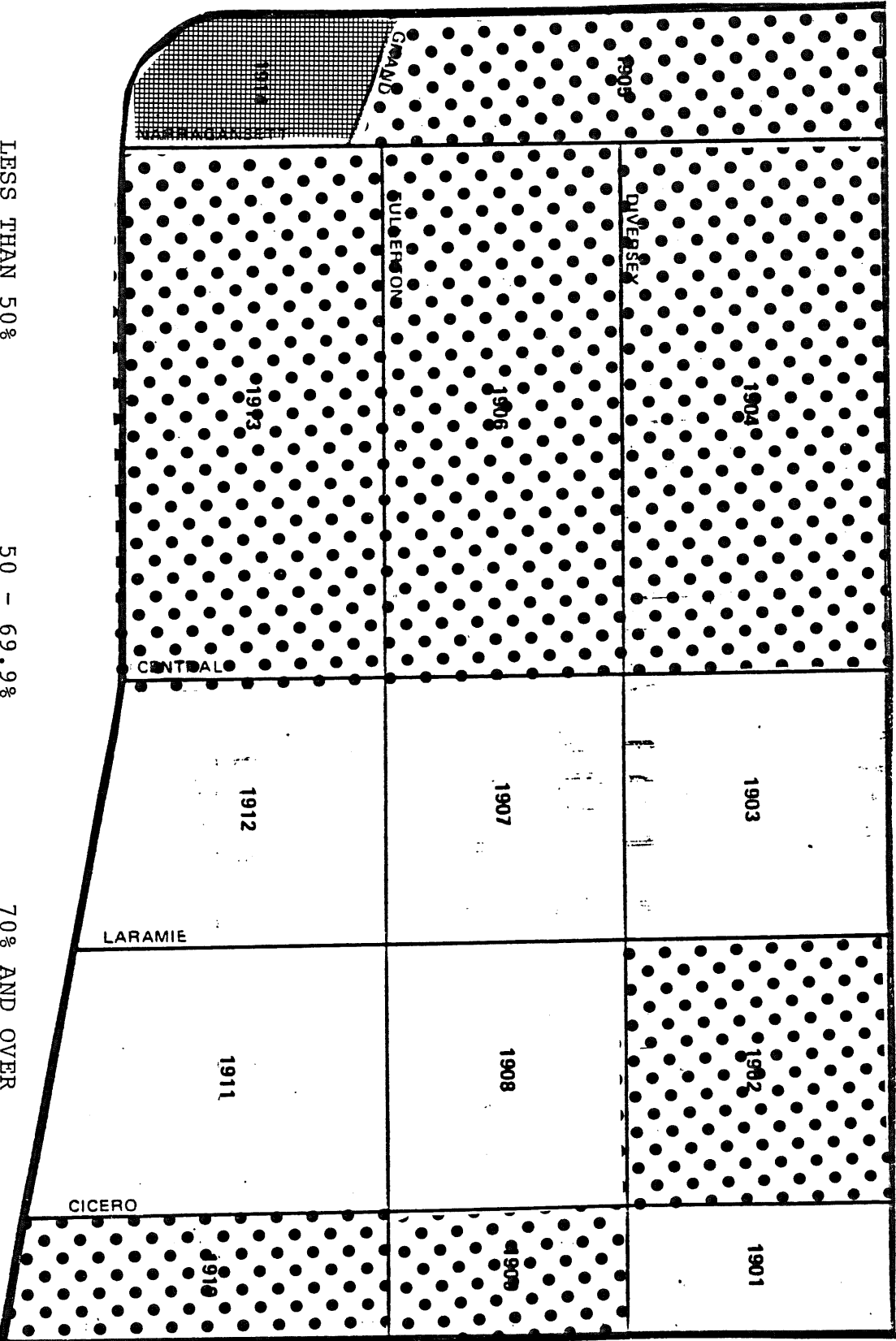
MEDIAN AGE, 1980



MAP 2.6

BELMONT CRAGIN

PERCENT OWNER OCCUPIED: PERCENT OF HOUSING



LESS THAN 50%



50 - 69.9%



70% AND OVER

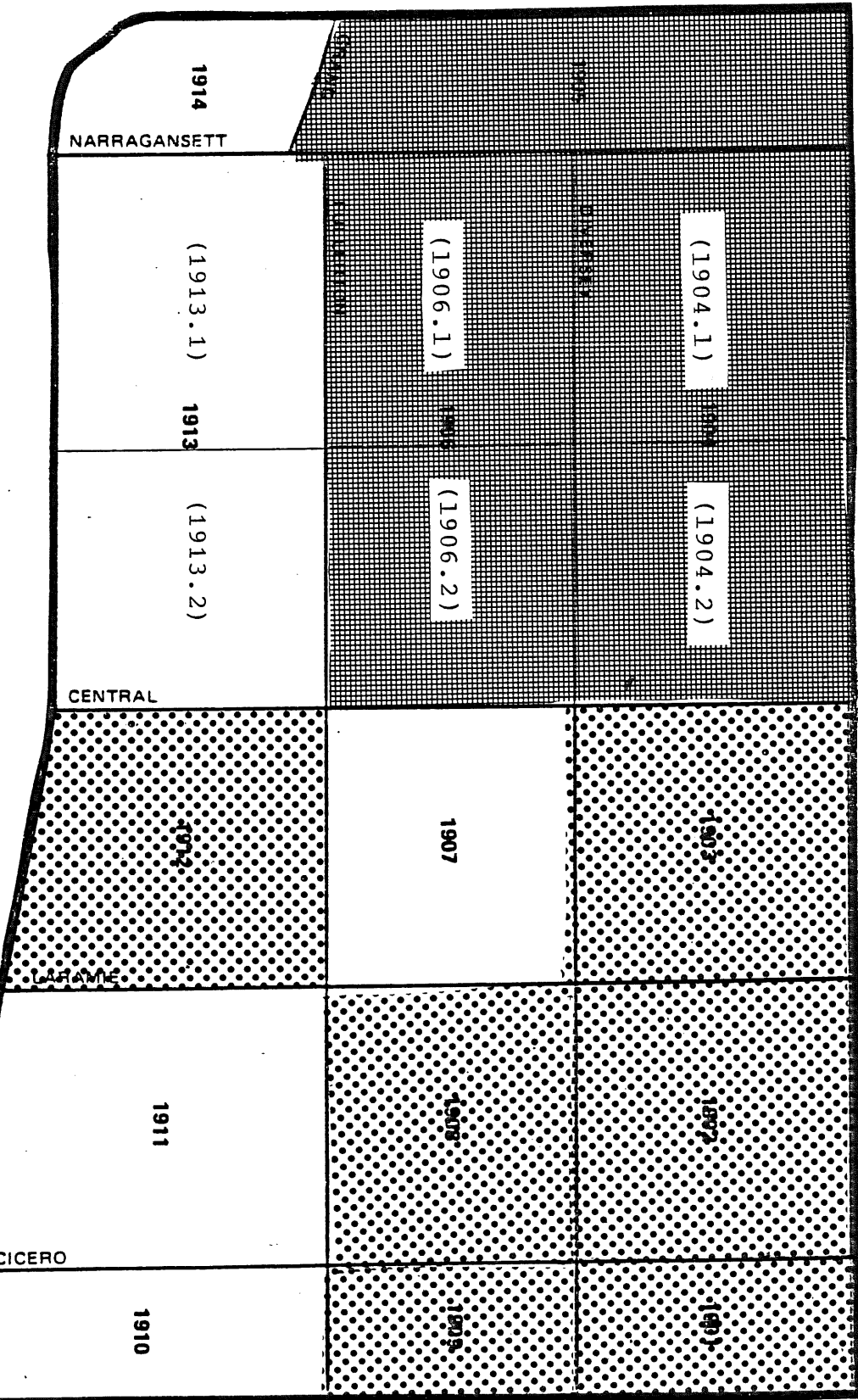




MAP 2.7

BELMONT CRAGIN

MEDIAN HOUSE PRICE, 1983



LESS THAN \$56,525



\$56,525 - \$62,475

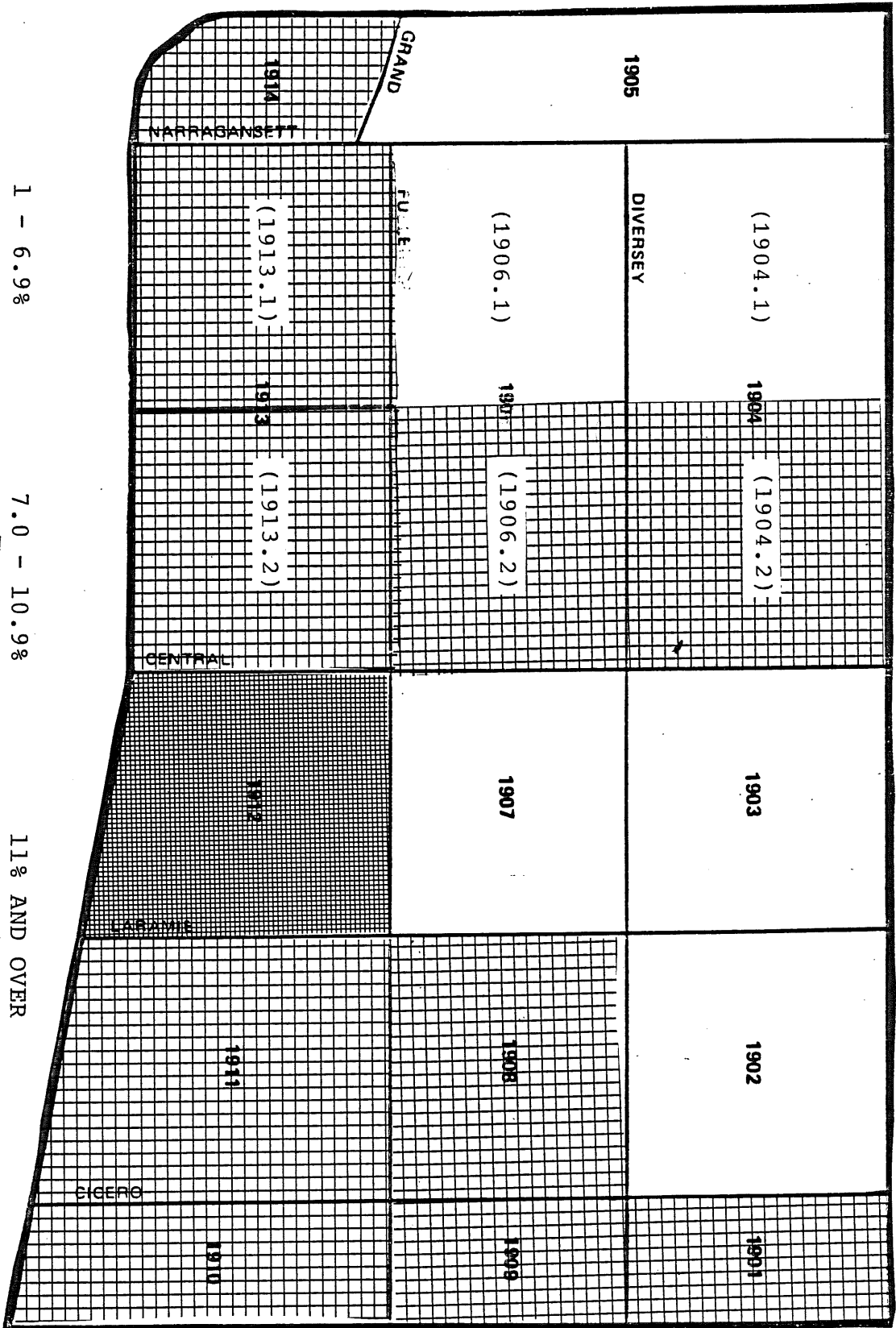


HIGHER THAN \$62,475



MAP 2.8  
 BELMONT CRAGIN

PERCENT CHANGE IN MEDIAN HOUSE PRICES: 1975 -1983



1 - 6.9%



7.0 - 10.9%



11% AND OVER



## Explanation of Legend on Graphs

### Graph: Homeowner Satisfaction With Community

sch = quality of public schools  
apr = appearance of streets, grounds, and buildings  
rep = reputation of neighborhood  
shop = convenience to shopping  
prpv = the way property values are going  
safe = safety of the neighborhood  
cwk = convenience to work  
trns = availability of public transportation  
inco = income level of others in the neighborhood  
race = racial make-up of the neighborhood  
qhs = quality of housing for the money  
apts = maintenance of apartment buildings in the neighborhood

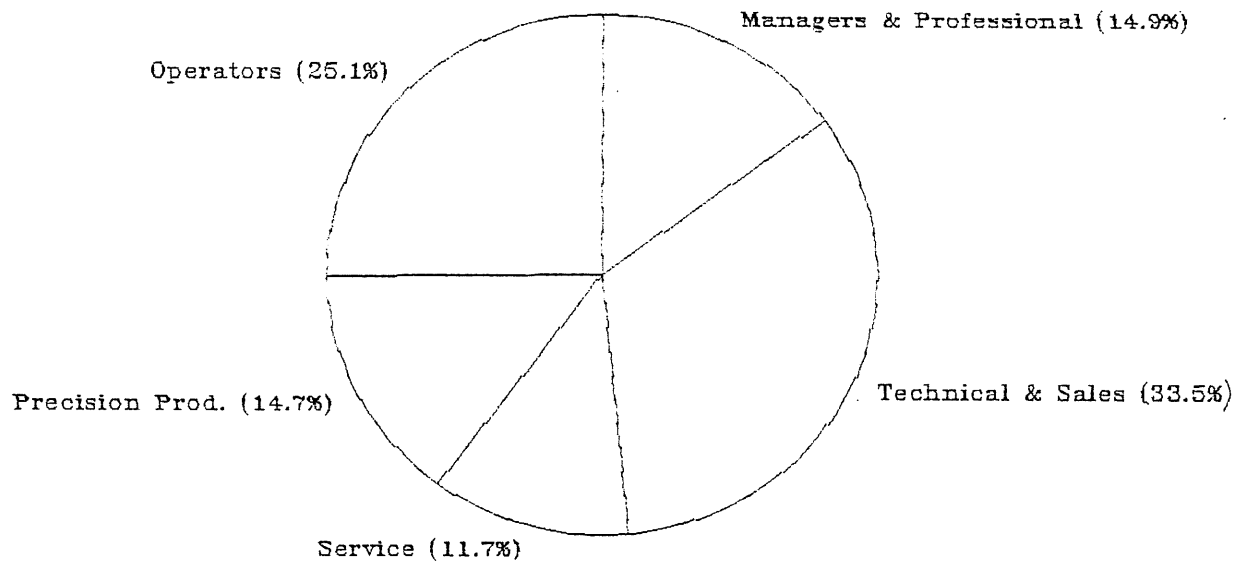
### Graph: Why Moved to Neighborhood

schl = quality of public schools  
appr = appearance of streets, grounds, and buildings  
repu = reputation of neighborhood  
shop = convenience to shopping  
sfty = safety of the neighborhood  
work = closeness to work  
trnsp = availability of public transportation  
prval = likelihood that property values would go up  
inco = having neighbors of a similar income level  
race = having neighbors mostly of your own race  
hou = affordable housing for the money  
frnds = friends or relatives lived here  
grew = this is where you grew up

GRAPH 2.1

# Percent in Occupational Categories

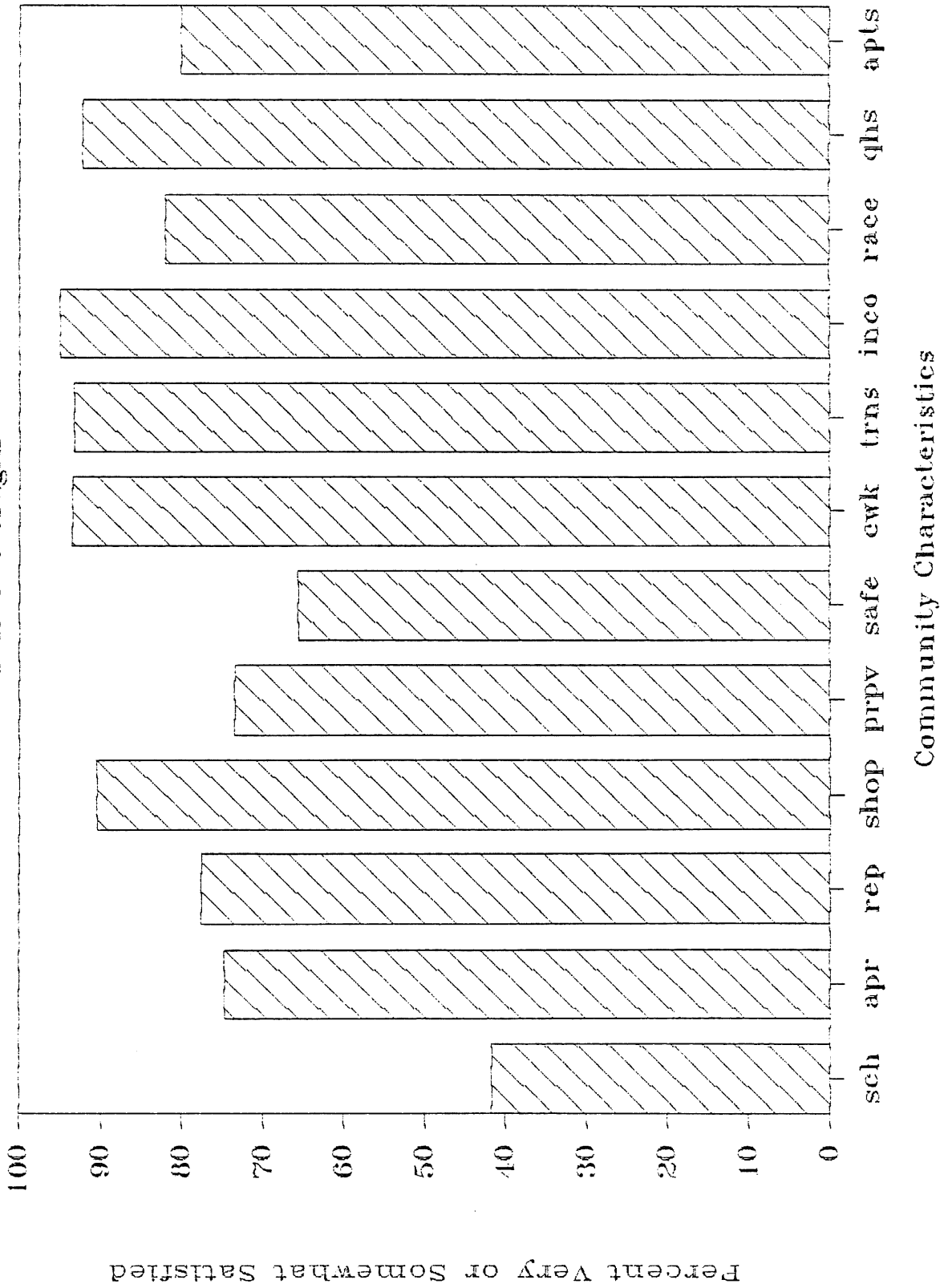
Belmont Cragin (1980)



GRAPH 2.2

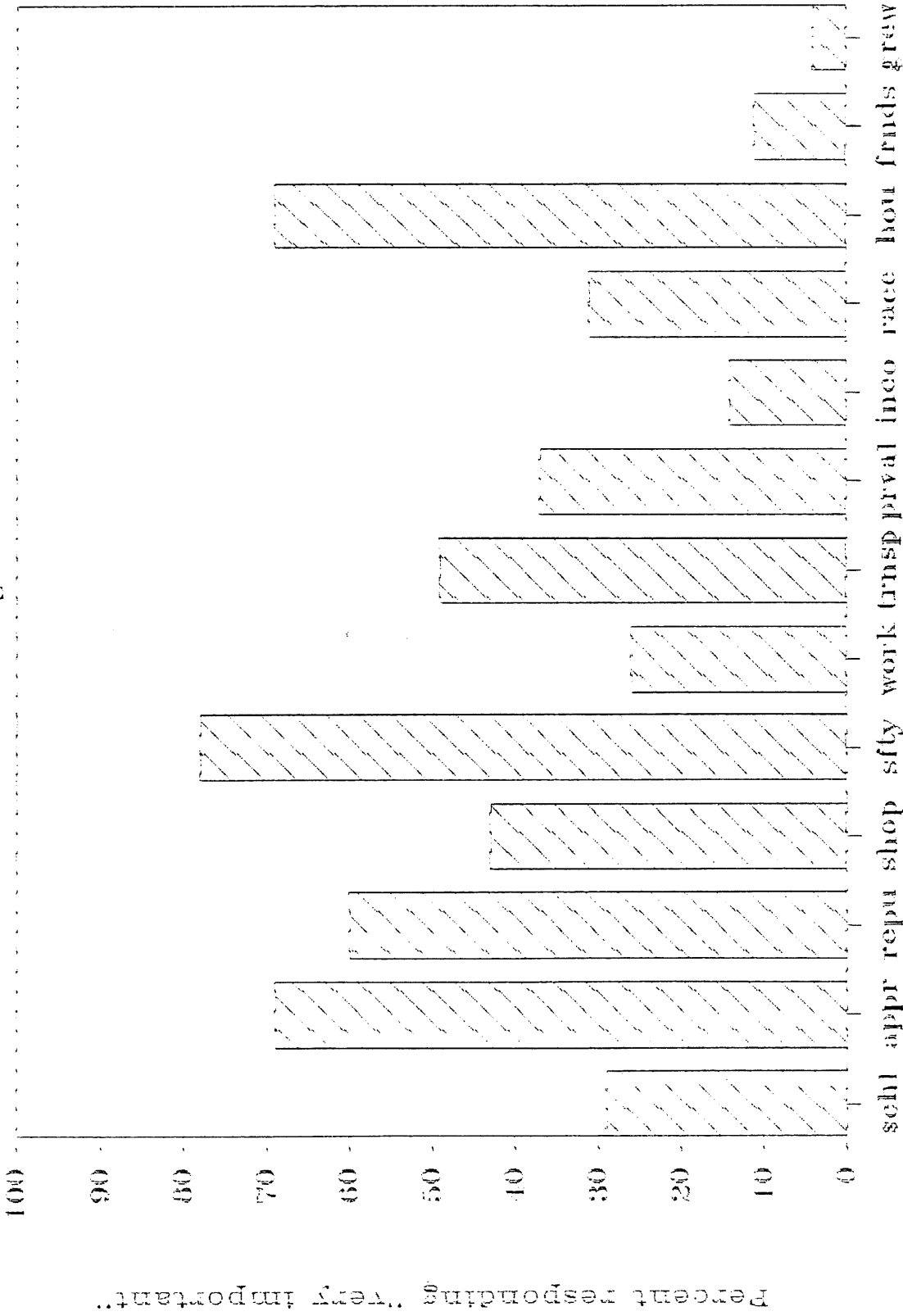
# Homeowner Satisfaction With Community

Belmont Cragin



# WHY MOVED TO NEIGHBORHOOD

Belmont Crain Homeowners



Factors Important in Decision to Move

GRAPH 2.3

Table 2.1  
 COMMUNITY PROFILE  
 Belmont Cragin

Total Population, 1980	53,371
change from 1970	-7.5%
percent black, 1980	0.1
percent Hispanic, 1980	5.8
Population in different home five years ago, as of 1980	37.2%
Median Years, education	11.9
Median Family Income	\$22,246
percent change in real income, 1969-79	-4.4
percent families earning over \$30,000, 1979	27.1
percent families in poverty, 1979	4.0
Total Housing Units	22,183
percent single units	34.7
percent owner-occupied	53.0
Median Value, single-family house, 1980	\$56,000
Percent households with female head, 1980	15.5

TABLE 2.2

## MEDIAN SINGLE-FAMILY HOME PRICES - 1975, 1980, 1983

## BELMONT-CRAGIN COMMUNITY AREA

		1975		1980		1983	
		SALES/MEDIAN		SALES/MEDIAN		SALES/MEDIAN	
Entire							
Community Area		311	\$ 33,500	219	\$ 56,000	275	\$ 59,500
Tract	1901	5	30,000	8(b)	57,000(b)	9	57,500
	1902	28	36,000	18	57,000	25	60,000
	1903	21	36,900	19	58,500	15	61,500
	1904.1	29	43,500	17	65,000	22	70,750
	1904.2	22	39,500	18	57,500	27	68,500
	1905	9	43,000	9	75,000	8	69,250
	1906.1	17	41,000	17(b)	63,000(b)	5	65,000
	1906.2	27	33,000	19	60,000	33	64,000
	1907	14	34,000	14	56,000	15	50,000
	1908	22	29,500	18	54,750	22	60,000
	1909	14	26,750	15	52,000	6	59,000
	1910	13	25,000	11	38,000	15	43,000
	1911	29	25,000	23	53,000	16	47,500
	1912	11	26,225	5	45,000	7	61,000
	1913.1	26	30,250	11	58,000	22	54,950
	1913.2	17	28,500	10	46,250	23	55,000
	1914	7	25,000	6	46,500	5	55,000

Notes: (a) means that the sales from 1975 and 1976 were combined in order to have a total for each tract of five sales.

(b) means that the sales from 1979 and 1980 were combined in order to have a total for each tract of five sales.

(c) means that the sales from 1982 and 1983 were combined in order to have a total for each tract of five sales.

(\*) means that the combining of sales from two selected years still did not give the minimum of five.



TABLE 2.3

## CHANGE IN MEDIAN PRICES BETWEEN SELECTED YEARS

## BELMONT-CRAGIN COMMUNITY AREA

		AVERAGE ANNUAL COMPOUND RATE OF CHANGE		
		1975/1980	1980/1983	1975/1983
Entire	Community Area	10.8	2.0	7.4
Tract	1901	15.3	0.2	8.5
	1902	9.6	1.7	6.6
	1903	9.7	1.7	6.6
	1904.1	8.4	2.9	6.3
	1904.2	7.8	6.0	7.1
	1905	11.8	-2.6	6.1
	1906.1	10.8	0.9	5.9
	1906.2	12.7	2.2	8.6
	1907	10.5	-3.7	4.9
	1908	13.2	3.1	9.3
	1909	14.2	4.3	10.4
	1910	8.7	4.2	7.0
	1911	16.2	-3.6	8.4
	1912	11.4	10.7	11.1
	1913.1	13.9	-1.8	7.7
	1913.2	10.2	5.9	8.6
	1914	13.2	5.8	10.4

Table 2.4:

Belmont Cragin  
Housing Sales Prices in Census Tracts  
as Percent of Community Median,  
1975 and 1983 (actual sales data)

Tract	1975 median sales price as percent of community (number of houses sold)	1983 median sales price as percent of community (number of houses sold)
1901	89.6% (5)	96.6% (9)
1902	107.5 (28)	100.8 (25)
1903	110.1 (21)	103.4 (15)
1904	122.3 (51)	117.6 (49)
1905	128.4 (9)	116.4 (8)
1906	107.5 (44)	107.7 (38)
1907	101.5 (14)	84.0 (15)
1908	88.0 (22)	100.8 (22)
1909	79.7 (14)	99.2 (6)
1910	74.6 (13)	72.3 (15)
1911	74.6 (29)	79.8 (16)
1912	78.3 (11)	102.5 (7)
1913	86.6 (43)	92.4 (45)
1914	74.6 (7)	92.4 (5)

The median sales price for single-family houses in Belmont Cragin was \$33,500 in 1975 and \$59,500 in 1983.

Table 2.5:

Belmont Cragin  
Self Reported Housing Prices in Census Tracts  
as Percent of Community Median,  
1960, 1970, and 1980

Tract	Median sales price as percent of community		
	1960	1970	1980
1901	95.8%	98.3%	105.0%
1902	98.9	99.6	106.1
1903	109.5	106.0	107.1
1904	111.6	112.8	110.9
1905	108.4	114.1	107.7
1906	102.1	100.4	103.2
1907	98.9	97.9	98.4
1908	96.8	97.9	95.7
1909	97.4	94.4	91.6
1910	85.8	85.9	73.5
1911	92.1	88.9	77.4
1912	85.3	85.9	79.6
1913	88.9	87.6	84.9
1914	85.2	88.9	89.1

Median house values for Belmont Cragin were \$19,000 in 1960; \$23,400 in 1970; and \$55,800 in 1980.

Source: 1960, 1970 and 1980 U.S. Census.

TABLE 2.6

## BELMONT CRAGIN

Percent Single Units Sold (1979-1983), Rank, and  
Average Annual Rate of Change, Rank, by Tract

Tract	Percent Single Units Sold, 1979-1983	Sales Rank	Average Annual Rate of Change, 1975-1983	Change Rank
1901	15.3	6	8.5	7
1902	14.7	7	6.6	12
1903	11.0	13	6.6	12
1904	11.8	11	6.9	
1904.1			6.3	14
1904.2			7.1	10
1905	7.5	14	6.1	15
1906	12.3	10	7.5	
1906.1			5.9	16
1906.2			8.6	5
1907	18.6	3	4.9	17
1908	14.0	9	9.3	4
1909	14.5	8	10.4	2
1910	20.6	1	7.0	11
1911	15.9	5	8.4	8
1912	20.5	2	11.1	1
1913	17.0	4	8.3	
1913.1			7.7	9
1913.2			8.6	5
1914	11.5	12	10.4	2
Total	13.7		7.4	

## CHAPTER THREE

### HERMOSA

One of the smaller community areas in Chicago, Hermosa lies just east of Belmont Cragin. The eastern boundary of Hermosa is dominated by factories. The community is primarily residential; single-family homes dominate the northernmost Census tract. Multiple-unit dwellings--particularly two-flats--are common in the rest of the community. Hermosa has the highest concentration of two-flats of the six community areas studied. Residents of Hermosa are predominantly blue collar workers. Of those in the labor force in 1980, 46.7 percent were semi-skilled or skilled blue-collar workers ("operators" and "precision production workers"). This is considerably higher than the citywide figure of 32.7 percent. Judging from our survey results, many people have settled in Hermosa because of its convenience to work and public transportation. It is likely that a substantial portion of resident blue-collar workers are employed in the factories that surround Hermosa. One of the most significant changes in this community in the past decade has been the increase in its Hispanic population.

Between 1970 and 1980 the proportion of Hispanics jumped from less than four percent to more than 30 percent. In 1980 there were 3,400 Puerto Ricans and 2,000 Mexican-Americans in Hermosa. Most of the Hispanic population growth was concentrated in the area south of Fullerton. Map 3.2 shows the proportion of Hispanics living in the different areas of Hermosa. This proportion ranged from a low of 6.8 percent in the north to a high of 56.1 percent in the south. Less than one percent of Hermosa's population is black.

According to the U.S. Census, the 1980 median housing price for owner-occupied units was \$43,000. Our analysis of actual sales indicates that the median price of Hermosa single-family homes was \$48,750 in 1983 (Table 3.2). Most of the housing stock is over 40 years old. In 1970, 79 percent of the housing structures in the area were judged to be architecturally sound in a survey by the Chicago Dept. of Planning. However, there has been some concern over lack of repairs and related deterioration.

Actual sales data from 1975 to 1983, show a 9.6 percent annual rate of appreciation (Table 3.3). This is higher than that experienced in Belmont Cragin, although Hermosa housing prices are generally lower. However, Hermosa seemed to be more severely affected by the general housing market downturn for the 1980-1983 period. Its annual rate of housing appreciation was 2.8 percent in this period, considerably lower than all community areas except Belmont Cragin. This could be related to its weak resident income base. As indicated below, Hermosa's real income dropped over ten percent between 1969 and 1979. It is likely that this trend has continued. First, its large semi-skilled blue collar population (see Graph 3.1) has been a group particularly hard-hit by plant shutdowns, layoffs, and the general economic downturn of the late 1970s and early 1980s. Second, as discussed in more detail below, new residents of Hermosa appear to have lower incomes than the new residents of other areas studied. Such an economic situation with new homeowners and renters is not likely to aid in stabilizing the area's housing market, much less provide the revenue to maintain property.

Within Hermosa, the two northern census tracts--2001 and 2002--appear to have the strongest housing market for single family housing. As shown in

Table 3.2, 1983 median single-family house prices were \$55,000 and \$52,000, respectively, for these two tracts. Owner occupancy in the northernmost tract is also relatively high--over 50 percent. However, the fact that the proportion of families living below the poverty line in tract 2002 jumped from 3.0 percent in 1969 to 10.3 percent in 1979, does raise some concern about the future stability of this area.

The southern tracts had much lower median prices compared to the northern two tracts. Their median prices ranged from \$39,000 (tract 2005) to \$45,650 (tract 2003). However, there were no large differences in the rates of appreciation of these tracts in the 1975 to 1983 period. As shown in Table 3.3, when compared to other Hermosa tracts, there were slightly stronger appreciation rates for tracts 2003 and 2005. Of particular interest is that these two tracts did very well in the 1980-1983 period, when most city housing was appreciating at a relatively low rate. Housing turnover rates were also high at this time (see Table 3.4), indicating an influx of new homebuyers. This is also evidenced in the growing proportion of younger families living in areas south of Diversey. A recent growth in the school-age population has strained already over-extended schools serving this area.

In fact, these were two areas that experienced noticeable population changes in the past decade--particularly an increase in the Hispanic population. Despite the fact that the real income of these areas declined in the 1970s, the increased activity in the housing market caused by neighborhood change in the late 1970s and early 1980s, as well as the concomitant increased demand for housing, may have influenced appreciation rates.

Owner-occupied housing units are 44.3 percent of the total, compared to 53 percent in neighboring Belmont Cragin. The different character of housing in Hermosa is further underlined by the fact that 74.7 percent of its housing units are multiple-unit dwellings, while 65.3 percent of Belmont Cragin's housing units are multiple units. Aside from the northern area, most of Hermosa's neighborhoods are dominated by two-flats. Forty to fifty percent of the units in these neighborhoods are two-flats. Overall 40.2 percent of Hermosa's housing units are in two-flat buildings, while only 25.2 percent of its units are single-unit structures. The high proportion of multiple-family units is certainly a key factor in Hermosa's housing market and community character.

As indicated earlier, the existence of a higher proportion of multiple unit structures can facilitate rapid population shifts in a community under certain circumstances. However, community leaders indicate that it is common practice among new Hermosa owners to rent to family members. Tenants--particularly newly arrived tenants--are typically seen as a relatively transient population relatively unconnected to the community. However, because of the family link in Hermosa, the owner-occupancy rate may understate the owner-tenant link; because tenants are related to owners, unlike other neighborhoods, they are more likely to reflect the stability of homeowners rather than the instability of renters. This might imply a greater stability in the community. However, in our survey homeowners express a high likelihood of moving in five years (Table G). In this community when the homeowners leave, they may take a significant number of tenants, who are their relatives, with them. This would result in a very rapid turnover and



potential population transition. There is also some concern that absentee owners of larger apartment buildings have not been providing adequate maintenance. This has particularly been the case with multiple-unit structures in the southern sections of the community south of Armitage.

Satisfaction levels among Hermosa homeowners suggest a cautious attitude toward the community. Only four out of ten survey respondents were "very satisfied" with their community now (Table A). Of the communities studied this ranked (with Chicago Lawn) among the lowest satisfaction in levels. On the other hand, Hispanic residents--who make up a growing proportion of Hermosa's population--gave a much higher satisfaction rating. Better than five out of ten Hispanics were "very satisfied." On specific items, the greatest concern was with poor quality schools. This mirrors the dissatisfaction in the other communities studied. Aside from education, among the issues that community residents were most concerned about were physical appearance of the neighborhoods and poor maintenance of apartment buildings. In fact, Hermosa residents had the lowest satisfaction levels with apartment building maintenance of all communities studied.

Nevertheless, residents in Hermosa have positive attitudes toward their community. As shown in Table B, almost eight out of ten homeowners feel that their neighborhood has remained the same or improved over the past two years. A slightly higher proportion feel that their property values have increased over the past five years (Table E); this is a perception that is supported by recent housing sales data. Confidence levels in the neighborhood are higher among new homeowners (those who have bought houses in the past five years) than they are among more established homeowners (see Table 3.5)

On the other hand, when asked if they were likely to move out within the next five years, 43.2 percent of the new homeowners said they were "very or somewhat likely" to move; 39.4 percent of the established homeowners responded in a similar manner (Table G). These high proportions--particularly among new homeowners--may be partially explained by the high percentage of Hispanic homeowners. Of new homeowners in Hermosa, 54.3 percent are Hispanic; only 32.6 percent of the established homeowners are Hispanic. Hispanic homeowners in Hermosa were much more likely than non-Hispanic homeowners to express an intention of moving out of the community within the next five years. Sixty-seven percent of the Hispanic homeowners in Hermosa said they were "very likely" or "somewhat likely" to move out in five years compared to only 37 percent of the non-Hispanics.<sup>2</sup> There is some indication in our survey and in our community leader interviews that a significant proportion of Hermosa Hispanics plan to move back to either Puerto Rico or Mexico.<sup>3</sup> This is different than the attitudes of new Hispanic homeowners in Belmont Cragin and Chicago Lawn. In these two communities Hispanic homeowners express a strong desire to stay in their community for more than five years. Moreover, unlike Hermosa Hispanics, new Hispanic homeowners in neighboring Belmont Cragin have the same or higher income levels when compared to people already living in the neighborhoods to which they have moved. This all indicates that Hispanics moving into Belmont Cragin and Chicago Lawn neighborhoods have more stable incomes and a stronger commitment to their communities than Hermosa's Hispanics.

There is also a possibility that Hispanic homeowners see Hermosa as a "stepping stone" to a more affluent community in the city or suburbs. This

mobility pattern is different from that of blacks. Unlike blacks, who are more likely to stay in middle-income city neighborhoods because of discrimination in urban and suburban housing markets, Hispanics have more housing options and therefore may be less likely to settle into a community for a long period of time.

It is unclear how the recent increase in Hispanic residents will affect community stability, housing upkeep, and housing values. There have been no sharp declines in housing prices. However as discussed above, there are indicators that new residents do not have a strong commitment to staying in Hermosa. Not only are they not strongly involved in the newly developing community organizations, but there are signs that they will move out of the area if their personal circumstances change. The recent high level of housing appreciation may not be maintained if Hermosa homeowners leave the community shortly and if the supply of new buyers is not maintained at present levels.

The business picture in Hermosa is certainly not bright. Boarded up stores can be seen along Armitage Avenue. One community leader referred to this area as a "sty." While there have been a few new stores opening up, the commercial strip has a long way to go before it can shed its depressed look. These signs of decline--along with general lack of upkeep of curbs, sewers, trees, and streets by the city--are likely to have a depressing effect on home values if not remedied.

Despite the relatively strong housing market in Hermosa, there are indicators that the community may be experiencing a transition away from its past moderate-income character. Most notable is the 10 percent drop in real

family income between 1969 and 1979. Of the six community areas under study, only North Austin fared worse (see Graph C). Accompanying this income decline has been an increase in the percent of families living below the poverty line--10 percent in 1979 compared to less than five percent in 1969. Areas with relatively high concentrations of poverty are tracts 2006, 2004, and 2002, which had 1979 family poverty rates of 27.6, 14.4, and 10.3 percent respectively. Almost 20 percent of Hermosa residents received some form of public assistance in 1980 (general assistance, aid to families with dependent children, or aid to the blind, aged, or disabled). While this is well under the citywide figure of 39 percent, it is significantly higher than the six percent figure in neighboring Belmont Cragin. The percent of female-headed households has risen from 12.7 in 1970 to over 20 percent in 1980.

Hermosa has not seen the level of citizen involvement and prominence of community organizations that has been evident in recent years in Belmont Cragin. However, this does appear to be changing. One organization--United Neighbors in Action--has been in existence for about 15 years. A number of newer community organizations have been increasingly visible in various parts of the community; these include the Hermosa Community Organization, the Kelvyn-Kenwell Community Organization, and the Hermosa Neighbors for Improvement. Pressing issues mentioned by community leaders are crime, sanitation, and schools. Burglaries and robberies are considered by some to be routine events. A clergyman in the area pointed to the gang problems, although he and other community leaders emphasized that gangs have not reached the scale and level of violence seen in some other Chicago neighborhoods. In fact, many of the new residents of Hermosa moved to the area to escape crime

in other areas of the city. In our survey, Hermosa residents (along with North Austin residents) ranked highest in saying that "safety" was a "very important" factor in moving to their current residence. Blockwatch groups have been organized to fight crime. In the southern section of the community 25 out of 60 blocks now have such groups; this is a positive step toward reducing crime.

Despite this level of community involvement, community organization is relatively new to Hermosa. Community organizers refer to the need to address "basic" issues that have been ignored during years of relatively low community activity. At some points they are fighting apathy. For example, while there are significant overcrowding problems in area elementary schools--due in part to the recent influx of young families into the area--some community leaders have found it difficult to mobilize parents to influence policies at local schools where multiple classes are being held in auditoriums and gyms. Related to the limited community organization has been limited help from elected officials. Community leaders were quite emphatic about the lack of help from local aldermen; as one person put it: "one of the biggest fronts going in the area is the alderman's office." One concern in particular has been the lack of city inspections of multiple-unit dwellings in the area.

Although Hermosa's housing market has not collapsed in the past ten years, there are a number of signs that could spell instability in the future. The changing economic profile of the residents--for example, increased levels of poverty and increased numbers of female-headed households--raise some concern. The existence of deteriorating commercial and rental properties is weakening confidence in the community as well. Perhaps

most important is the strong possibility that relatively large numbers of residents will move out of the area in the next five years. This residential instability casts doubt on the future. Trends over the past ten years indicate a decline in income. Unless substantial efforts are made by the city, the schools, and elected officials to improve the neighborhood, further deterioration is likely to take place.

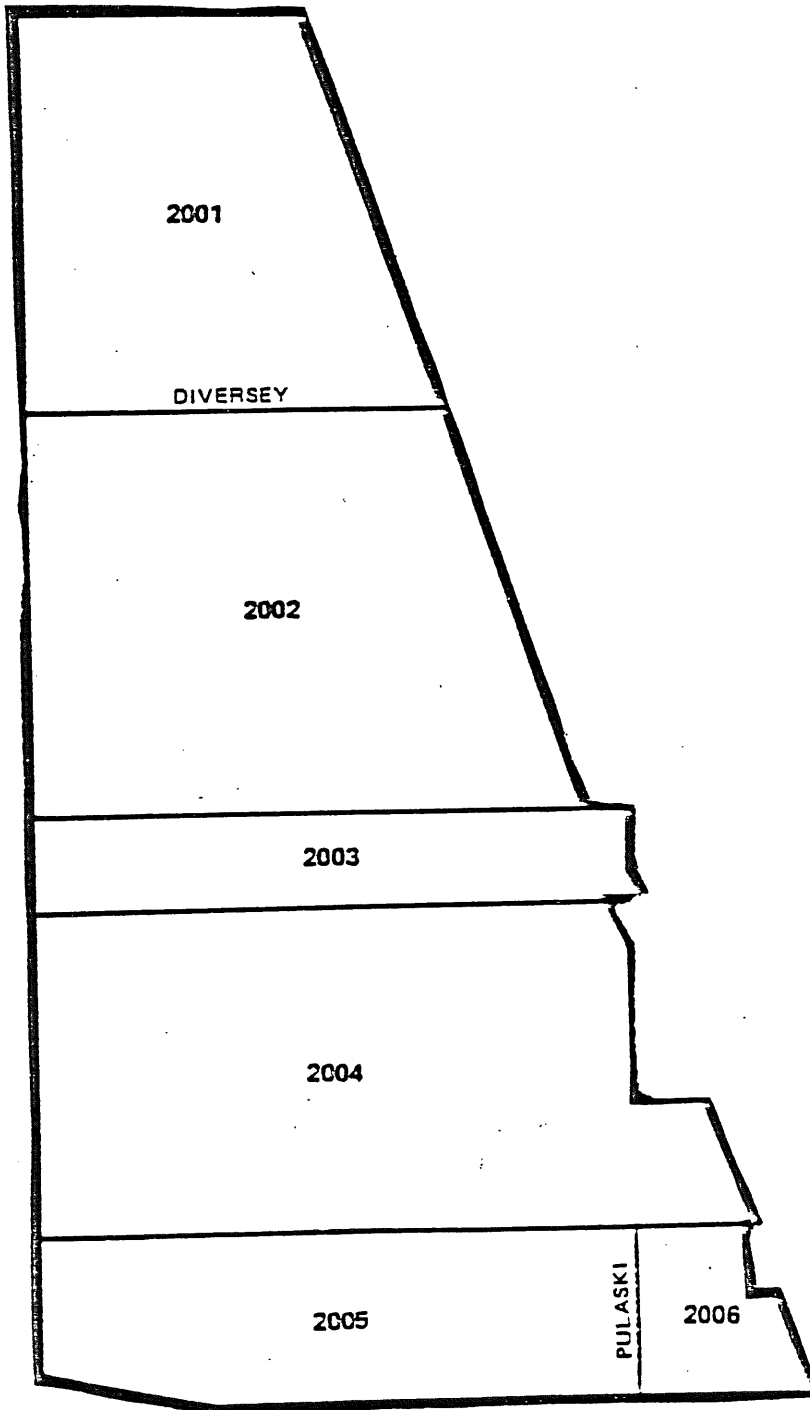
A home equity program could help to maintain some confidence in Hermosa's housing market. The majority of Hermosa residents favored the program; of this group a majority were willing to pay for the coverage (Table F). However, this would only be a temporary stabilizing measure if nothing else were done. Clearly, Hermosa is facing problems that are making homeowners quite uneasy. The majority of Hermosa homeowners felt that a number of factors will cause housing values to drop: increased crime, housing deterioration, low-income people moving into the neighborhood, and realtors' panic peddling (see Table I). Most of these factors are now present, therefore, it will not be surprising if homeowners leave the area if they have the opportunity. There is a need for a very basic improvement of various facets of the community. The city should provide support for community organizations trying to deal with the more troubling facets of this community--most notably poor city services, perceptions of rising crime, poor maintenance of apartment buildings, lack of city building code enforcement, and deteriorated commercial properties. Home equity might work for Hermosa, but only in the context of substantial improvement in city services to the community.

Notes

1. Chicago Community Factbook 1980, p. 52.
2. People who answered questions, "don't know" are not included in these figures.
3. Over 40 percent of those responding that they were likely to move also indicated that they planned to move outside the Chicago metropolitan area. This could mean that Mexican Americans hope to move back to Mexico and Puerto Ricans plan to move back to Puerto Rico, but this specific question was not asked on the survey.

MAP 3.1

HERMOSA

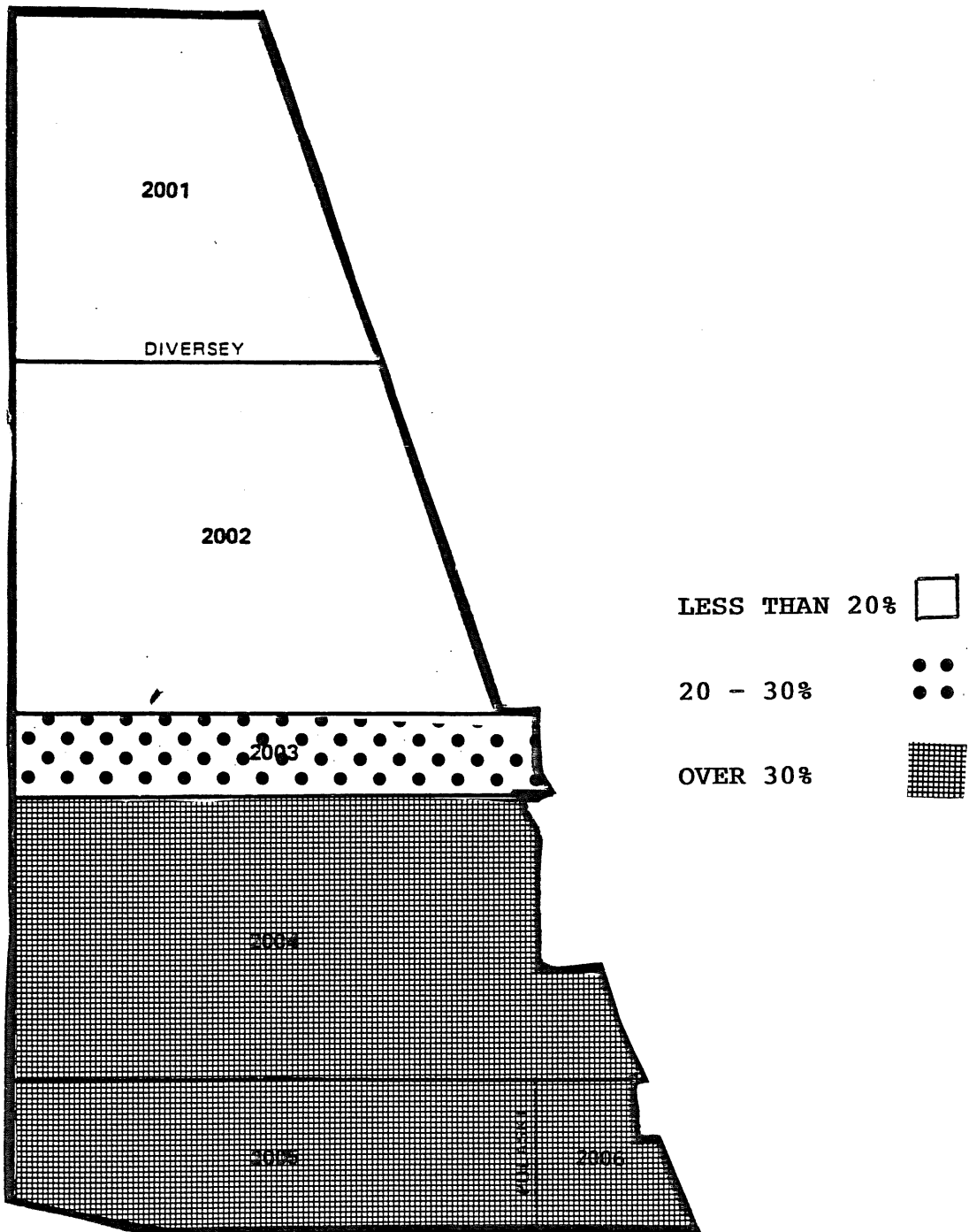




MAP 3.2

HERMOSA

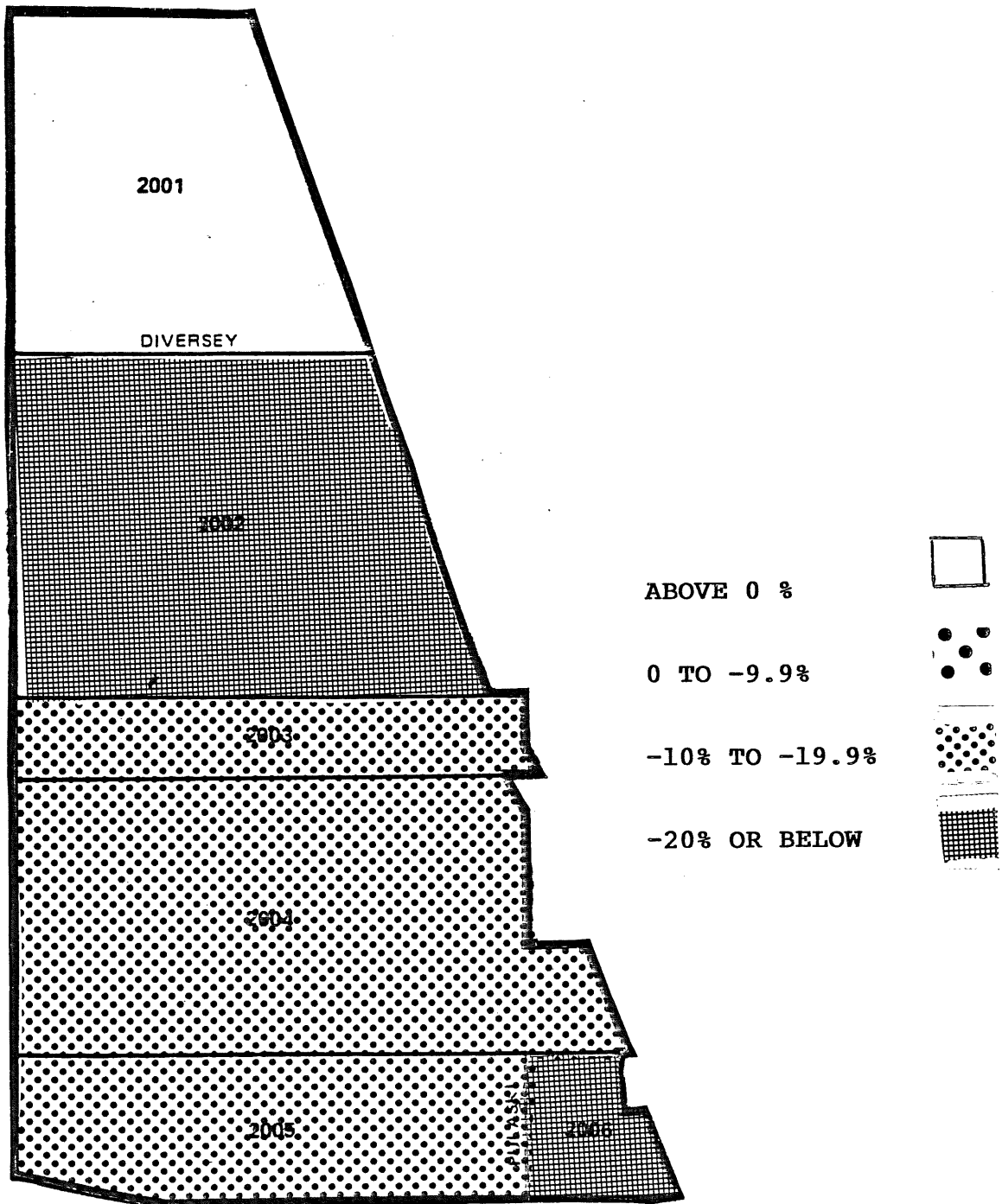
PERCENT HISPANIC, 1980



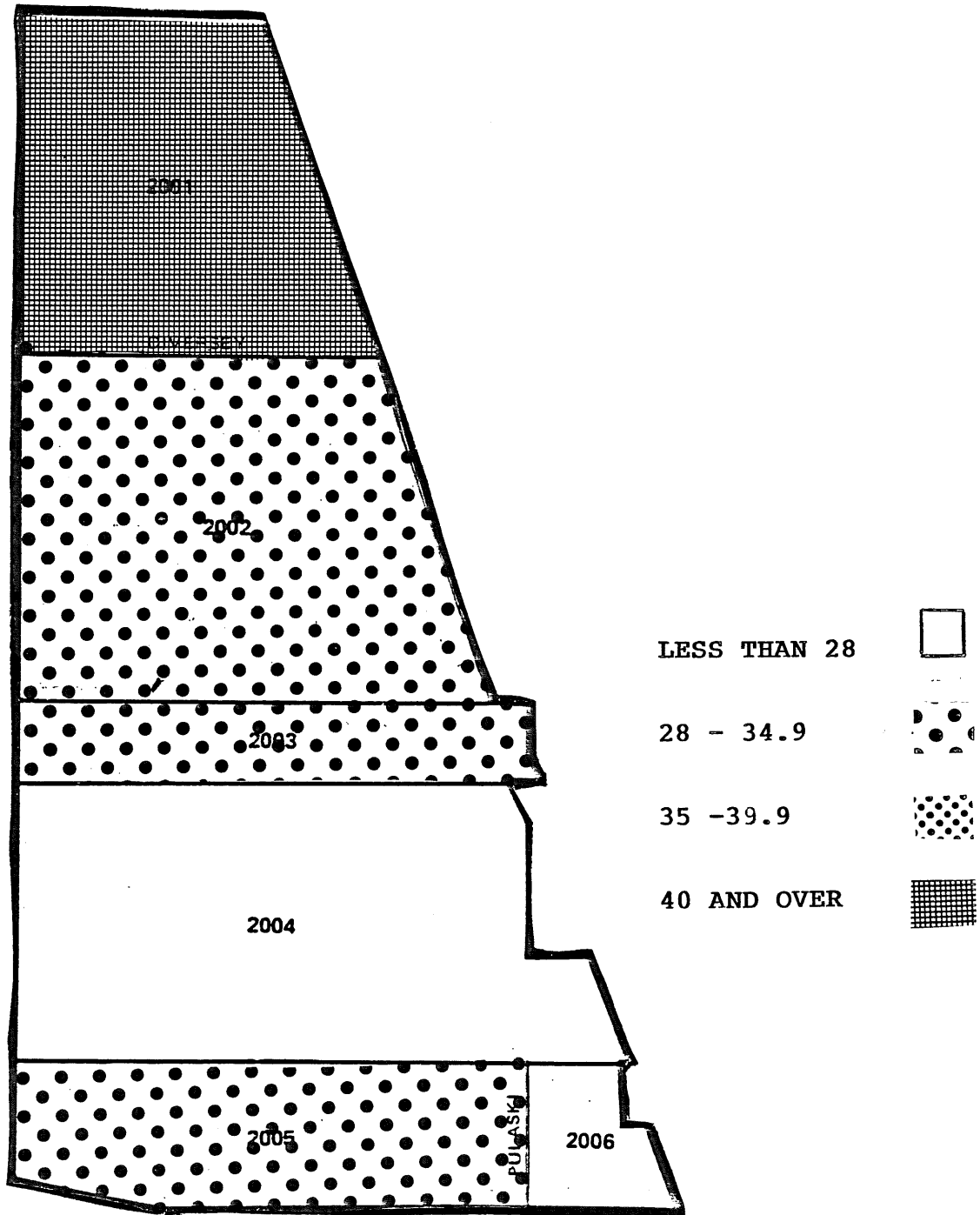
MAP 3.4

HERMOSA

CHANGE IN MEDIAN FAMILY INCOME, 1969 - 1979



MAP 3.5  
HERMOSA  
MEDIAN AGE, 1980

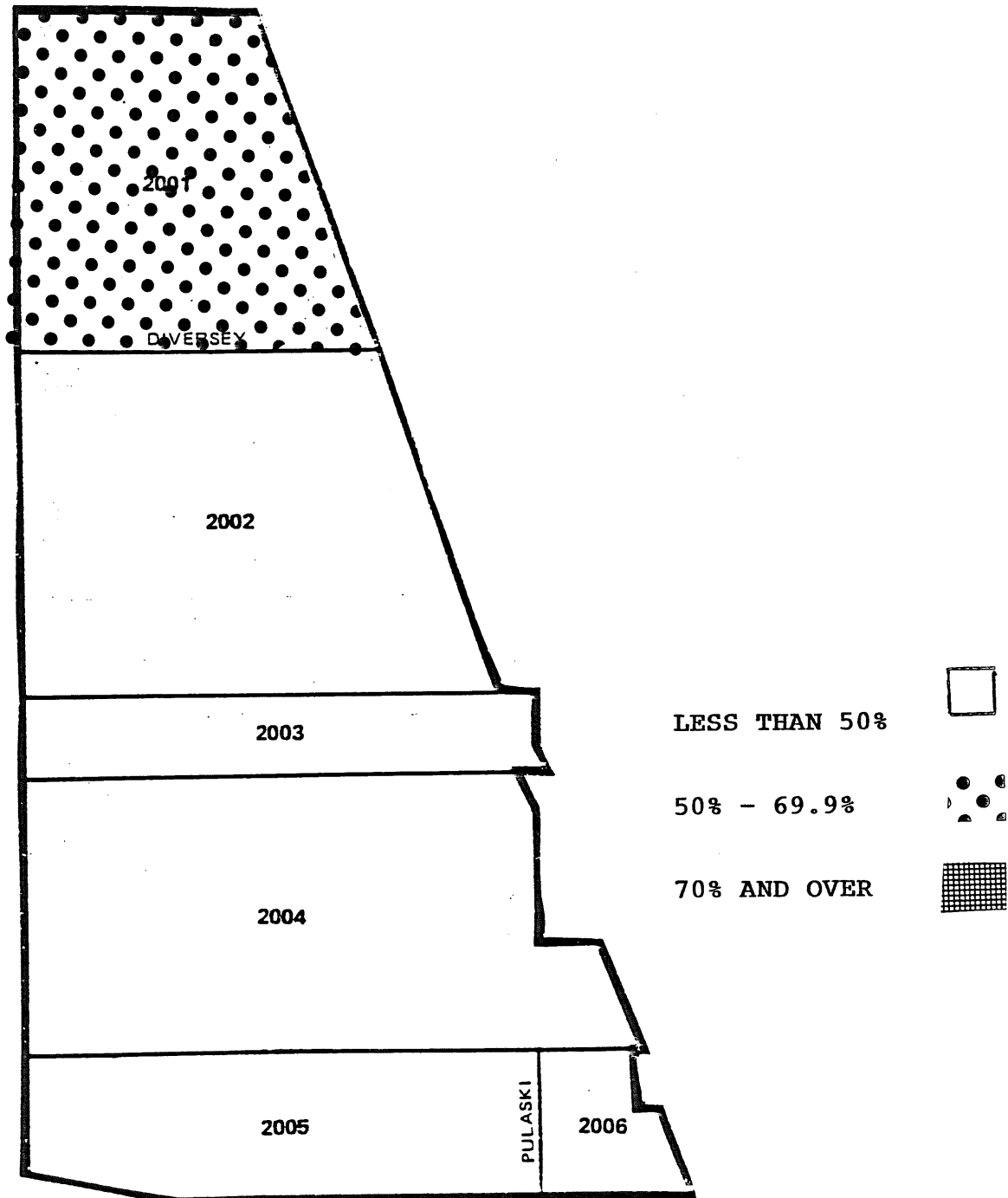


MAP 3.6

HERMOSA

PERCENT OWNER OCCUPIED, 1980

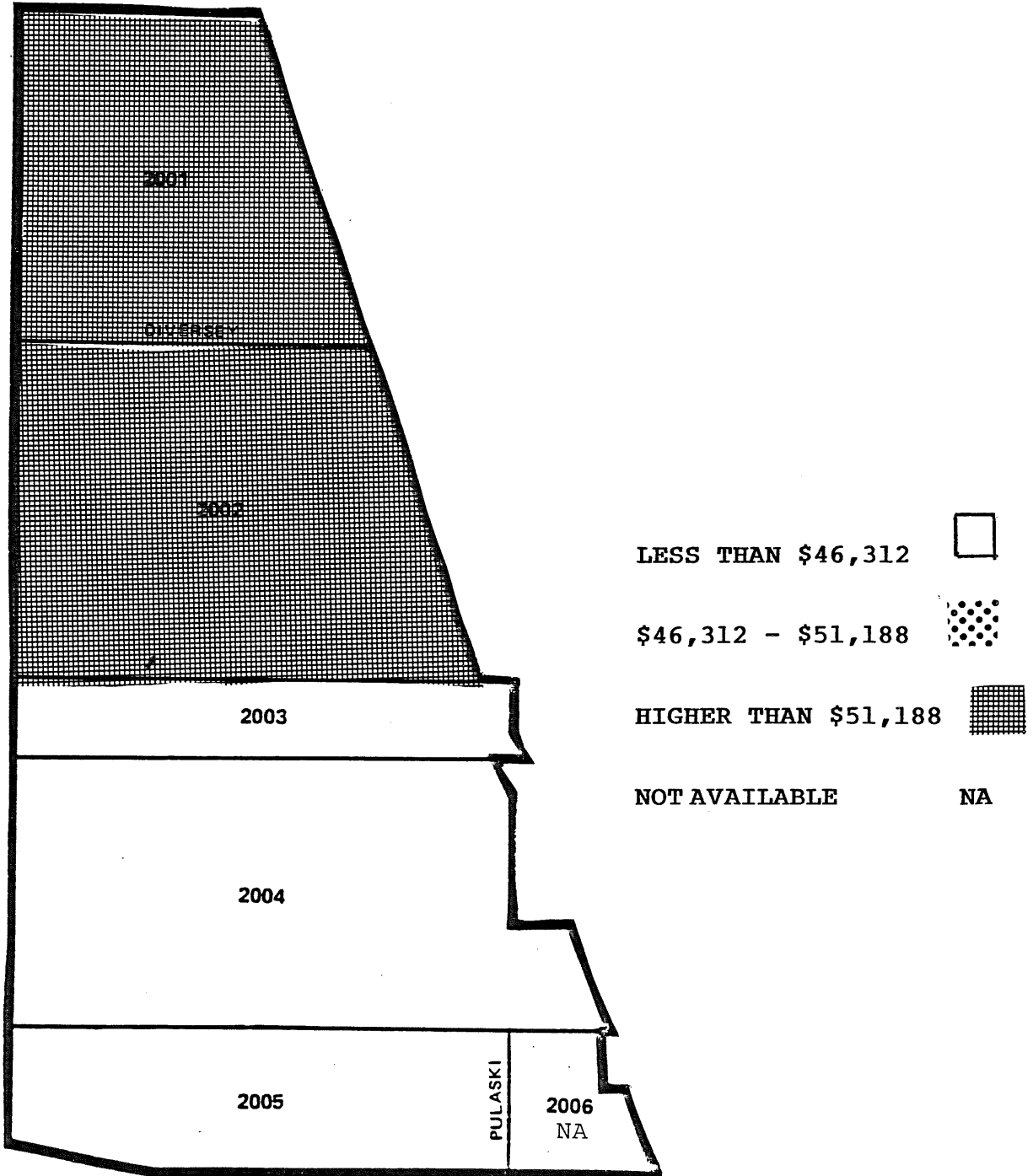
PERCENT OF HOUSING



MAP 3.7

HERMOSA

MEDIAN HOUSE PRICE, 1983

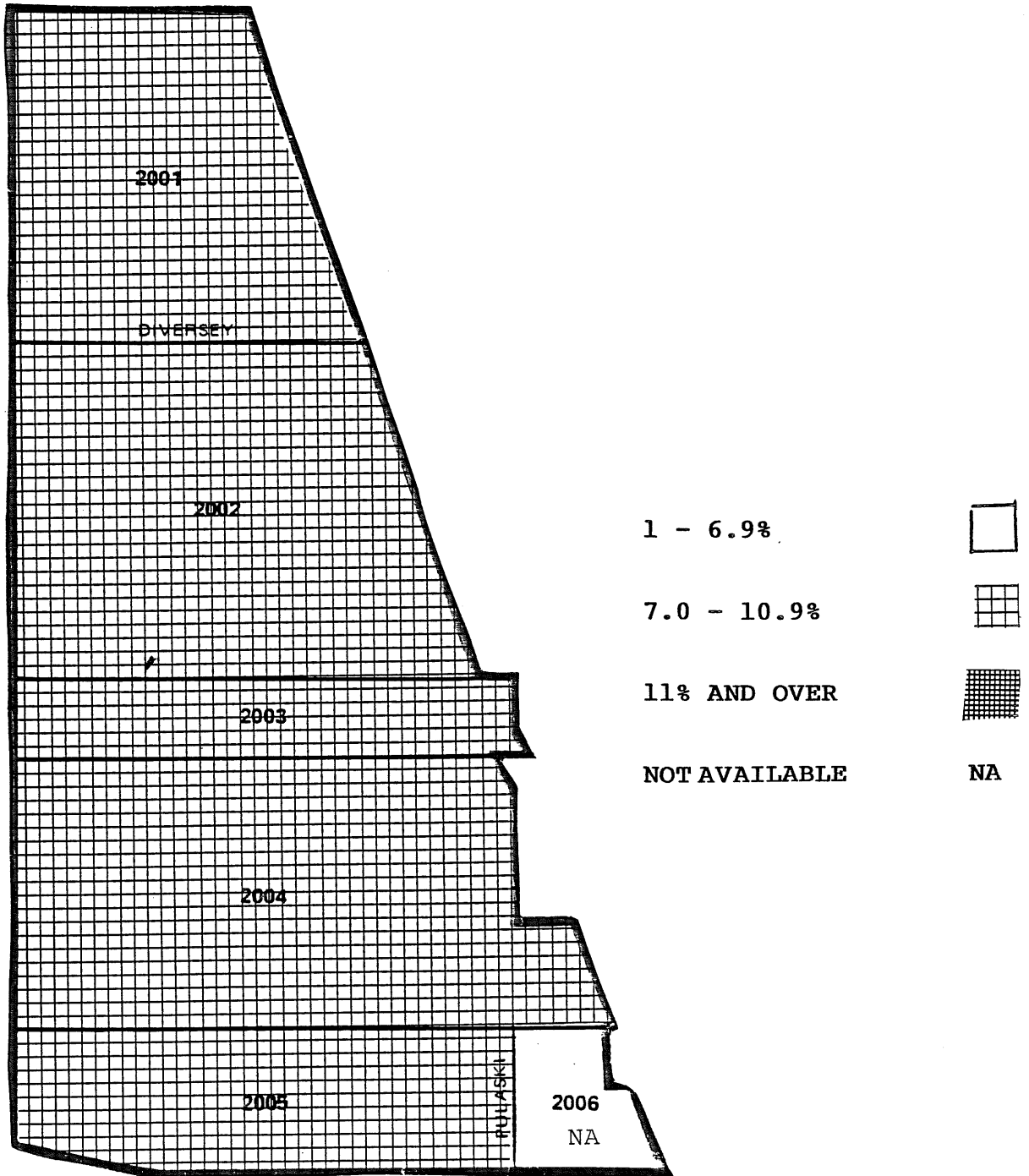


MAP 3.8

HERMOSA

PERCENT OF CHANGE IN MEDIAN HOUSE PRICES

1975 - 1983



## Explanation of Legend on Graphs

### Graph: Homeowner Satisfaction With Community

sch = quality of public schools  
apr = appearance of streets, grounds, and buildings  
rep = reputation of neighborhood  
shop = convenience to shopping  
prpv = the way property values are going  
safe = safety of the neighborhood  
cwk = convenience to work  
trns = availability of public transportation  
inco = income level of others in the neighborhood  
race = racial make-up of the neighborhood  
qhs = quality of housing for the money  
apts = maintenance of apartment buildings in the neighborhood

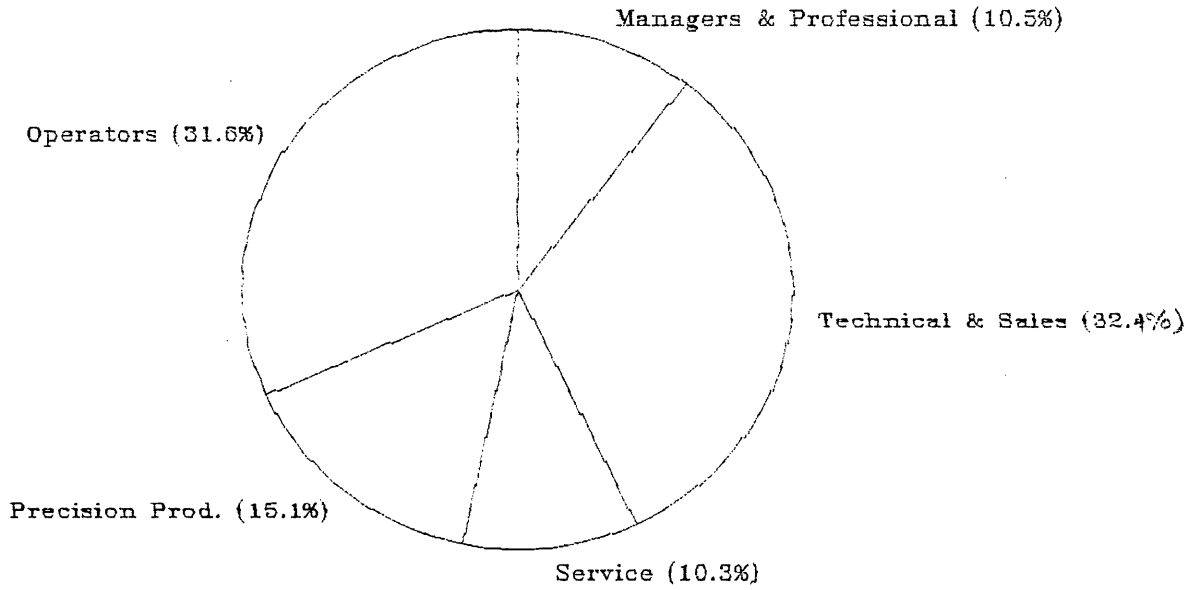
### Graph: Why Moved to Neighborhood

schl = quality of public schools  
appr = appearance of streets, grounds, and buildings  
repu = reputation of neighborhood  
shop = convenience to shopping  
sfty = safety of the neighborhood  
work = closeness to work  
trnsp = availability of public transportation  
prval = likelihood that property values would go up  
inco = having neighbors of a similar income level  
race = having neighbors mostly of your own race  
hou = affordable housing for the money  
frnds = friends or relatives lived here  
grew = this is where you grew up

GRAPH 3.1

# Percent in Occupational Categories

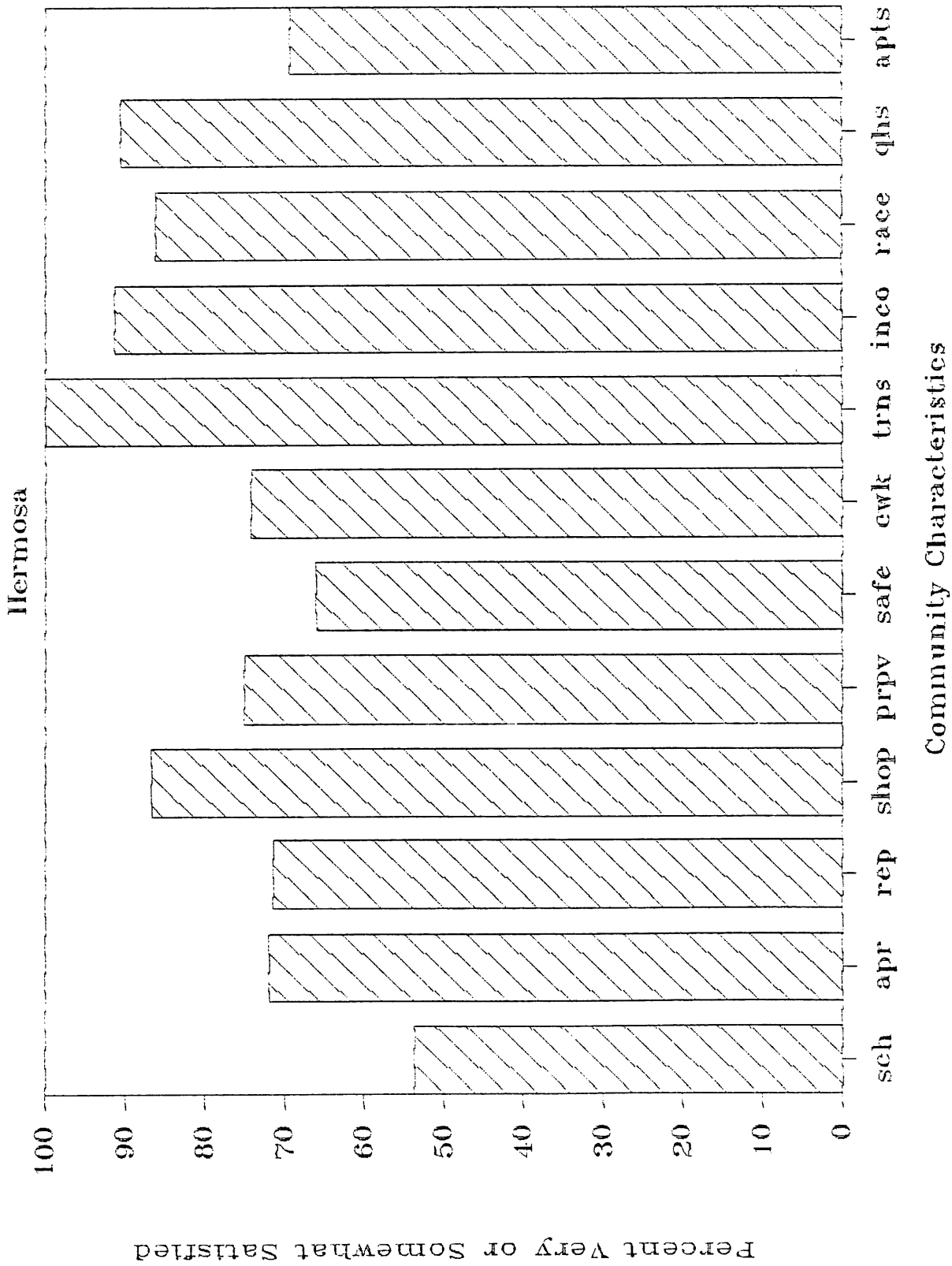
Hermosa (1980)





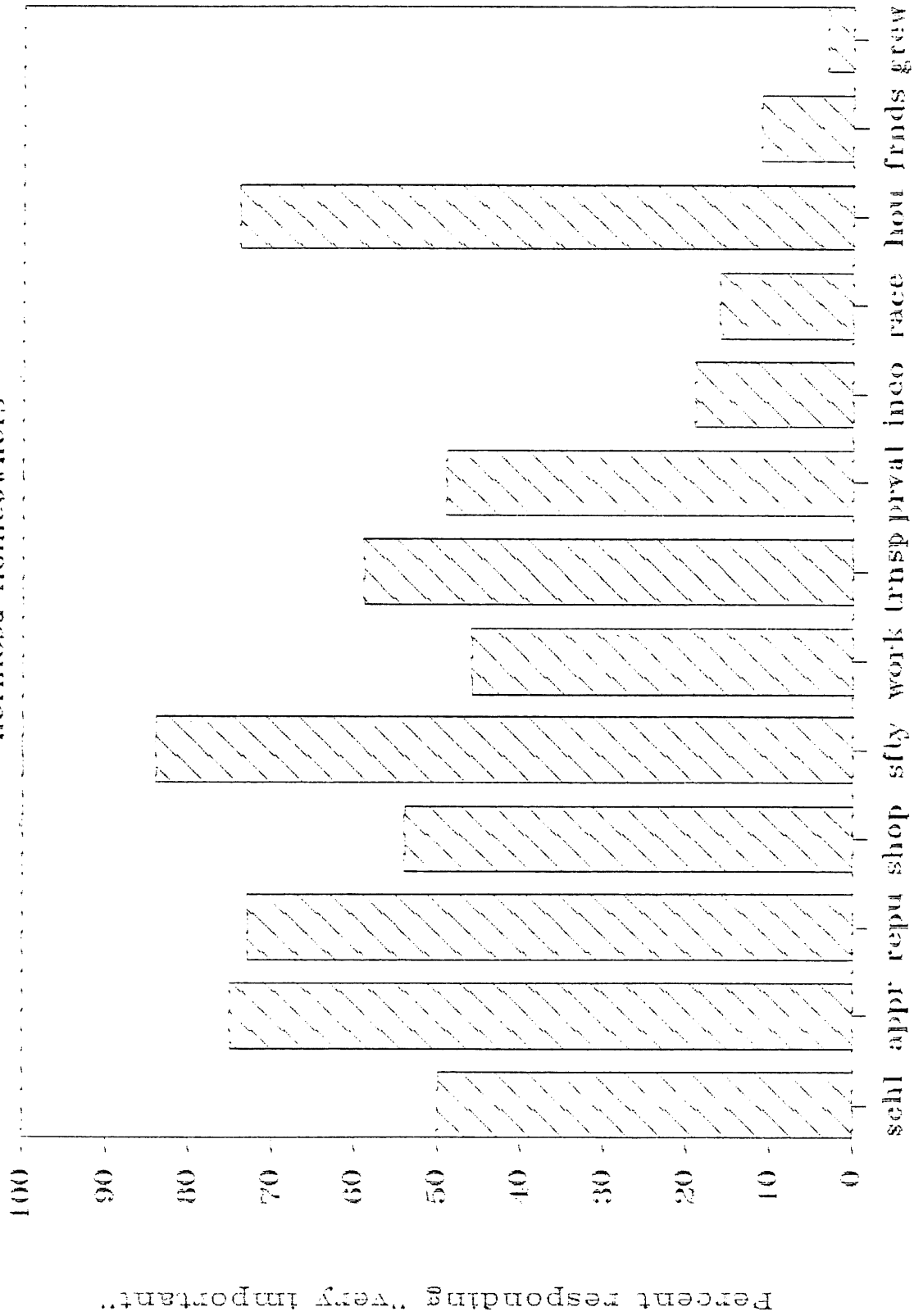
# Homeowner Satisfaction With Community

GRAPH 3.2



# WHY MOVED TO NEIGHBORHOOD

Hermosa Homeowners



Factors Important in Decision to Move

GRAPH 3.3

Table 3.1

## COMMUNITY PROFILE

## Hermosa

Total Population, 1980	19,457
change from 1970	-1.4%
percent black, 1980	0.4
percent Hispanic, 1980	31.2
Population in different home five years ago, as of 1980	46.7%
Median Years, education	11.4
Median Family Income	\$19,118
percent change in real income, 1969-79	-13.2
percent families earning over \$30,000, 1979	20.3
percent families in poverty, 1979	10.0
Total Housing Units	7,372
percent single units	25.2
percent owner-occupied	44.3
Median Value, single-family house, 1980	\$44,900
Percent households with female head, 1980	20.0

TABLE 3.2

## MEDIAN SINGLE-FAMILY HOME PRICES - 1975, 1980, 1983

## HERMOSA

	1975		1980		1983	
	SALES	MEDIAN	SALES	MEDIAN	SALES	MEDIAN
Entire Community Area	80	\$23,400	57	\$44,900	92	\$48,750
Tract 2001	12	30,250	13	58,500	25	55,000
2002	14	26,750	7	55,000	19	52,000
2003	15	23,000	13(b)	35,000(b)	6	45,650
2004	32	21,500	22	42,000	31	43,000
2005	5	17,500	10	30,000	11	39,000
2006	*	*	*	*	*	*

Notes: (a) means that the sales from 1975 and 1976 were combined in order to have a total for each tract of five sales.

(b) means that the sales from 1979 and 1980 were combined in order to have a total for each tract of five sales.

(c) means that the sales from 1982 and 1983 were combined in order to have a total for each tract of five sales.

(\*) means that the combining of sales from two selected years still did not give the minimum of five.

TABLE 3.3

## CHANGE IN MEDIAN PRICES BETWEEN SELECTED YEARS

## HERMOSA

	AVERAGE ANNUAL COMPOUND RATE OF CHANGE		
	1975/1980	1980/1983	1975/1983
Entire Community Area	13.9	2.8	9.6
Tract 2001	14.1	-2.0	7.8
2002	15.5	-1.9	8.7
2003	9.7	7.8	8.9
2004	14.3	0.8	9.1
2005	11.4	9.1	10.5
2006	*	*	*

TABLE 3.4

## HERMOSA

Percent Single Units Sold (1979-1983), Rank, and  
Average Annual Rate of Change, Rank, by Tract

Tract	Percent Single Units Sold, 1979-1983	Sales Rank	Average Annual Rate of Change, 1975-1983	Change Rank
2001	14.2	5	7.8	5
2002	25.1	1	8.7	4
2003	21.3	4	8.9	3
2004	22.0	3	9.1	2
2005	23.6	2	10.5	1
2006	12.2	6	*	*
Total	19.8		9.6	

TABLE 3.5

New and Established Homeowner Satisfaction in Hermosa  
(percent)

	Homeowners	
	New	Established
very satisfied with neighborhood	50.0%	34.9
neighborhood will be the same or better in the future	71.4%	66.1

## CHAPTER FOUR

### NORTH AUSTIN

North Austin is a case study in rapid community change. It is a changing community which can be contrasted with more stable moderate-income communities. While this chapter will focus on the nine North Austin census tracts north of Division Street (see Map 4.1), characteristics of the entire Austin community are relevant to the present discussion. The northern nine tracts were selected because in 1980 the area had a moderate-income level, a high homeownership rate, and a high percentage of black residents. To most Chicagoans Austin has become synonymous with community instability, racial change, housing deterioration, and all the problems associated with economic decline in urban neighborhoods. With a 1980 population of 138,000, Austin is the largest of Chicago's 77 community areas.

The population of North Austin was 37,000 in 1980. This represented an increase of 6.5 percent over the 1970 population. Up until 1960 North Austin was all white; virtually no Hispanics, blacks, or other minorities lived in the community. By 1980, 21.4 percent of the population was black, 16.8 percent Hispanic, and 6.0 percent Oriental. The Asians now living in North Austin are predominantly Filipinos. Given the rapid changes that have taken place since 1980, these figures underestimate the percentage of minority groups in North Austin. For example, the survey indicates that approximately 60 percent of the population in North Austin is now black. Racial resegregation has followed a path from the southwest corner of the community toward the northwest.



There have been increased signs of economic stress in North Austin. When one compares North Austin between 1970 and 1980, in all census tracts, except the isolated tract in the northwest corner of the community, the proportion of residents living below the poverty line increased substantially; in most cases the poverty rate more than doubled. (Table 4.2 shows the 1980 poverty rates). Another measure of socioeconomic stress is the sharp rise in female-headed families between 1970 and 1980. Rates increased substantially for all tracts east of Central Avenue. Tracts 2507, 2508, and 2509 reported proportions of female-headed families in 1980 which were at least double, and in one case almost triple, the rate ten years earlier. Almost one third of the families in this area are female-headed. This is consistent with the high poverty rates shown in 1980. Not surprisingly, North Austin witnessed an 11.3 percent decline in real wages in the 1970s. All indicators are that this decline has continued into the 1980s. What relationship has there been between the economic instability of North Austin's population and the character of the community's housing market?

Housing value trends do not mirror the income decline and poverty trends of the community's new residents. There has not been a precipitous drop in property values. Even though by some measures this might be the most rapidly changing of the six communities studied, it has maintained reasonably strong property values. Examining actual sales data from 1975 to 1983, North Austin single-family housing prices have been consistently higher than all communities except Belmont Cragin. North Austin had the second highest median sales prices in five of the seven years we examined--1975, 1976, and 1979-1983 (see Table 4.3). While prices in the eastern neighborhoods were weak, these

were compensated for by higher prices in the rest of the community. From 1975 to 1983, the annual rate of appreciation was 8.5 percent for the entire community (Table 4.4).

There has been a shifting in the pattern of North Austin house values relative to neighboring Belmont Cragin. For example, calculating North Austin single-family median prices as a percentage of Belmont Cragin median prices, it appears that the relationship between North Austin and Belmont Cragin reversed in the 1970s. In 1970, North Austin had higher housing prices than Belmont Cragin as a whole. According to the U.S. Census the median-priced, single-family house in North Austin was 106.5 percent of Belmont Cragin's median-priced single-family house in 1970. By 1980, the Census shows that Belmont Cragin had higher housing values; in that year, North Austin single-family houses had dropped to only 93.9 percent of the Belmont Cragin median. Using data from actual sales, one still sees a changing relationship between Belmont Cragin and North Austin. As shown in Table 4.6, actual sales data from 1975, 1976, and 1979 show a similar relative drop in North Austin values. However, by the early 1980s this trend has apparently changed. Higher appreciation rates in North Austin and lower appreciation rates in Belmont Cragin appear to have contributed to a narrowing gap in housing values--although Belmont Cragin still has higher values. There is, however, substantial variation in housing values from tract to tract in North Austin.

The two easternmost census tracts--2501 and 2509--had the lowest median single-family housing values of all North Austin tracts, \$38,500 and \$25,000, respectively. Because these are small tracts, housing appreciation data are not entirely reliable. However, the fact that housing prices are so low,

combined with the poverty rate in these tracts--20.7 percent of the families in tract 2501 and 16.5 percent in 2509--indicates that these neighborhoods are best characterized as poor, not middle-income areas. Moreover, this appears to have been the case in tract 2501 as early as 1970. The area that seems to be distinguished from the rest of North Austin is that area between Narragansett and Harlem, north of North Avenue. The median income, median house value, level of home ownership, and median age are all higher in this area. This is an area of neat brick bungalows that are well maintained. In 1983 the median price of a single-family house in Census tract 2505 was \$75,000; the next highest median house price in North Austin was \$52,000. The tract 2505 median is also higher than the median price for any census tract in all of Belmont Cragin in 1983. There is a noticeable difference between this neighborhood and streets just a few blocks east. It seems closer in character to Belmont Cragin a few blocks to the north and Oak Park a few blocks to the south. What is interesting to see is how change has spread from the eastern area, and the effect, if any, it has had on housing prices in North Austin neighborhoods.

The entire area east of Austin Boulevard has shown higher appreciation rates than the blocks west of Austin Boulevard--an area which actually has higher housing prices. Between 1975 and 1983, tracts 2506, 2507, and 2508 saw houses appreciate at annual rates close to or above the city average (see Table 4.4). The section of tract 2504 east of Austin Boulevard (tract 2504.2) and the whole of tracts 2503 and 2502 also reported rates approaching or above the city average. At the same time, the area of North Austin with the highest housing prices--tract 2505--and the western portion of tract 2504 (tract

2504.1) reported appreciation rates much lower than the city or community area. The annual appreciation rates in these two areas were 6.9 and 5.6 percent, respectively. Nevertheless, these areas did still maintain their significantly higher housing prices; the median sales price in 1983 was \$75,000 in tract 2505 and \$57,000 in the western portion of tract 2504. This raises some questions as to the pattern of housing values and what factors make certain areas susceptible to change.

Housing prices do not change in a strict geographical sequence. For example, although the easternmost tracts have exhibited the most economic stress, poverty has not moved in an even pattern westward. Although the poverty level increased in both 2507 and 2508 in the 1970s, it was more marked in 2507--further to the west. The difference between the two tracts is the proportion of single-family dwellings and owner-occupied units. Thirty-three percent of the housing in 2508 is single-family, while less than 20 percent of the housing in 2507 is single-family. Although both areas have a substantial number of two-flats, tract 2507 has a higher proportion of multiple unit buildings with three or more apartments. In tract 2507, 36 percent of all units are in three-flats or larger buildings, while only 28 percent of the units in tract 2508 are in such multi-unit buildings. It is not surprising that the 1980 owner-occupancy rate in tract 2508 is higher than that in 2507--51 percent versus 40 percent. It is likely that this has contributed to the slower rate at which the low-income population has moved into tract 2508. This shows a leapfrogging of neighborhood change toward those neighborhoods with more apartment units--units which represent opportunities for quicker population change. These changes may ultimately affect homeowners' perception

of the neighborhood. This does not suggest that areas of high single-family building concentration and high owner-occupancy rates are resistant to change. It merely shows that change may occur more slowly--and may give elected officials and community leaders more time to intervene to halt neighborhood deterioration. However, one must realize that even though we have been talking about negative neighborhood change, housing prices have been appreciating at rapid rates in these "changing" neighborhoods.

Particularly striking in the sales data for North Austin has been the high volume of sales. No other community studied showed such high percentages of houses sold. As shown in Table 4.5, between 1979 and 1983, the ratio of house sales to total housing units was as high as 42.6 percent.<sup>1</sup> Five of North Austin's nine Census tracts recorded rates above 30 percent. No tract in any other community studied had rates as high. What is even more interesting is that these five census tracts (2502, 2503, 2506, 2507, and 2508) reported the highest annual appreciation rates for North Austin in the time period studied.

The relatively strong real estate prices were seen in census tracts that have experienced racial resegregation. Therefore, the experience of North Austin is evidence of what sociologists and economists have already reported--initial racial change does not generally result in a drop in housing prices. As noted earlier in this report, past research has indicated that anticipation of racial change on the part of white homeowners can lead to "panic selling" which can reduce housing prices temporarily. Prices generally return to or exceed previous levels when integration and resegregation actually occur. The increase of house values in North Austin seems to

represent this tendency to return to previous levels after racial change has taken place. In addition to this factor, housing prices may remain the same or even increase because of the pent-up demand for quality single-family houses by moderate-income blacks. In the case of North Austin, that demand was further increased by Hispanics and Asian-Americans who also sought housing in the area. As indicated in interviews with community leaders, this fast-paced housing market may have been further fired up by questionable tactics among some real estate agents who have put pressure on long-time residents to move out.

However, what may be following shortly (within ten to 15 years) on the heels of housing succession from middle-income whites to middle income blacks is a second wave of succession to lower income individuals. As already noted, census tracts 2502, 2507, and 2508 have experienced substantial jumps in poverty rates in the 1970s. Tracts 2501 and 2509 (tracts with relatively small populations) already had high levels of poor residents in 1970. Similarly, the real income decline in these extreme eastern tracts was higher than that experienced in the western tracts. The decline in the income base of the community may have been due to practices of some real estate agents who have steered lower income families into the area. One community leader reported that at certain times over the past ten years real estate agents--many of whom did not have established offices in the area, but were instead "working out of their cars"--have been significant forces in changing the character of North Austin. Both the Chicago Fact Book and the Melaniphy report identified Austin's problems: overcrowded schools, an increasing number of absentee landlords, and "unscrupulous" real estate companies that "manipulated" racial

2

fears of the community.

Commercial property decline has fed negative perceptions of the North Austin community. Small businesses are also showing signs of stress. Deterioration of commercial strips on major thoroughfares is quite apparent. Other than the Brickyard Mall, which is actually outside of Austin, there is no business strip that displays any vitality. North Avenue east of Austin Avenue, an area that had been seen as a solid business strip a few years ago, has deteriorated. This last remaining strong commercial area in the community clearly has suffered from the general problems facing pedestrian oriented businesses in an automobile age and from the more specific competition from the nearby Brickyard shopping mall built in 1978.

Much of the community organization activity over the past two decades has centered around real estate agent policies and red-lining practices of insurance companies and banks. The primary community organization representing North Austin--the Northeast Austin Organization (NAO)--has continued to pressure for more control of real estate practices in the northern area. Community leaders have indicated that in the past few years the remaining homeowners in North Austin--particularly those north of North Avenue--have "panicked" and, fearing racial change, have sold houses at low prices. Despite this fear, many of the new residents of North Austin are professionals often with incomes higher than previous white owners.

Future buying and selling behavior in extreme northwest Austin and in southern Belmont Cragin may be based on whether or not residents in those neighborhoods see the changes, which already have taken place in most of

Austin, as inevitably affecting their adjacent neighborhoods. The psychological fears of nearby residents is based on tangible changes over the last decade. However, a variety of intervention strategies could not only slow down the rapid change, but could slowly change the perceptions of residents in contiguous areas.

Although a high proportion of present North Austin homeowners indicated that they would participate in a home equity program (see Table F), it is unlikely that such a program would go far in solving many of the problems facing North Austin. Over 70 percent of the respondents in our survey felt that a home equity program would benefit their neighborhood. Of this group, over 60 percent were willing to pay for such a plan. However, with the exception of the homeowners in census tract 2505, home equity insurance alone is not likely to have a substantial impact in stabilizing the community. Unlike the other communities studied, which are now stable or seeing the beginning of some economic and social change, North Austin is right in the middle of major changes. Those programs which are most likely to be beneficial to North Austin are income support, job placement, day care, strict building code enforcement, support for housing rehabilitation, closer monitoring of the quality of rental properties, help for small retail businesses, alleviation of overcrowding in the schools, cooperation with community organizations attempting to fight neighborhood crime, and improved city services. In many ways stabilization of this area is one factor that will help to short-circuit any fears that residents in now stable areas of Belmont Cragin may have about neighborhood change.



Notes

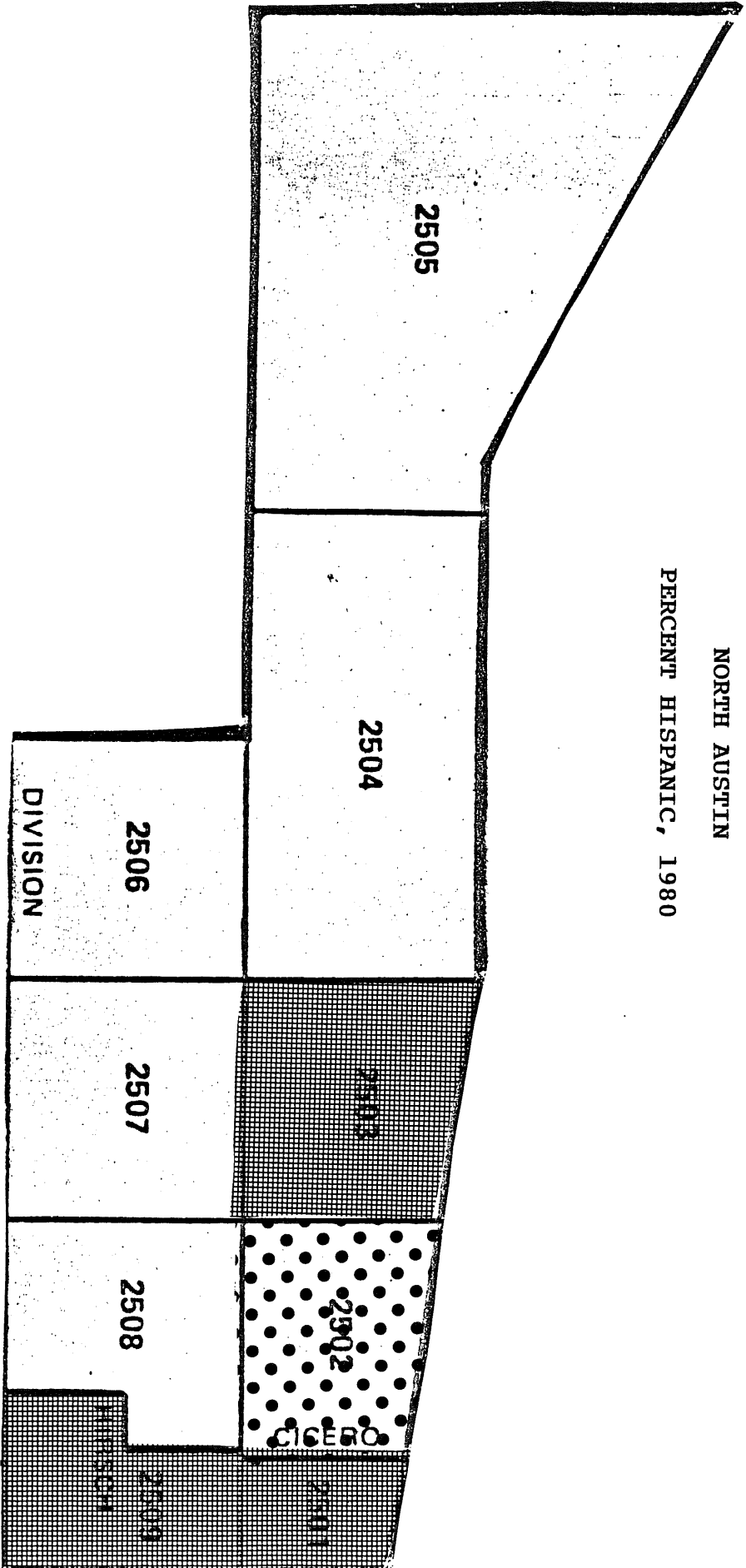
1. This does not necessarily mean that 42.6 percent of the houses sold; some houses may have been sold twice. Nevertheless, this is a very high ratio.
2. Citywide Findings and Conclusions: Chicago Comprehensive Neighborhood Needs Analysis Project, 1982. Submitted to the Honorable Jane M. Byrne, 1982, by Melaniphy and Associates, Inc.; and Chicago Community Factbook, 1980.



MAP 4.2

NORTH AUSTIN

PERCENT HISPANIC, 1980



LESS THAN 20%



20 - 30%

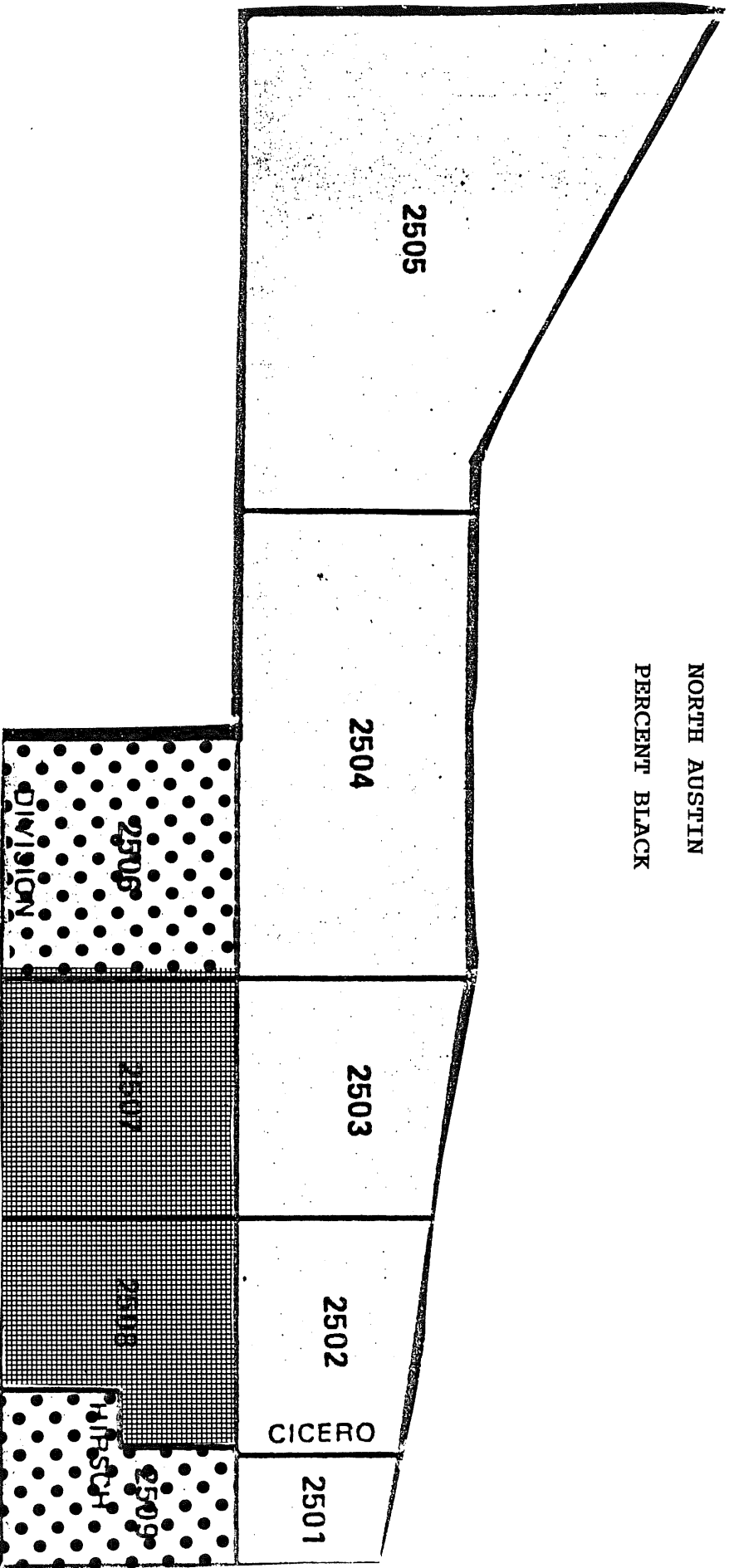


OVER 30%



MAP 4.3

NORTH AUSTIN  
PERCENT BLACK



LESS THAN 10%



10 - 35%



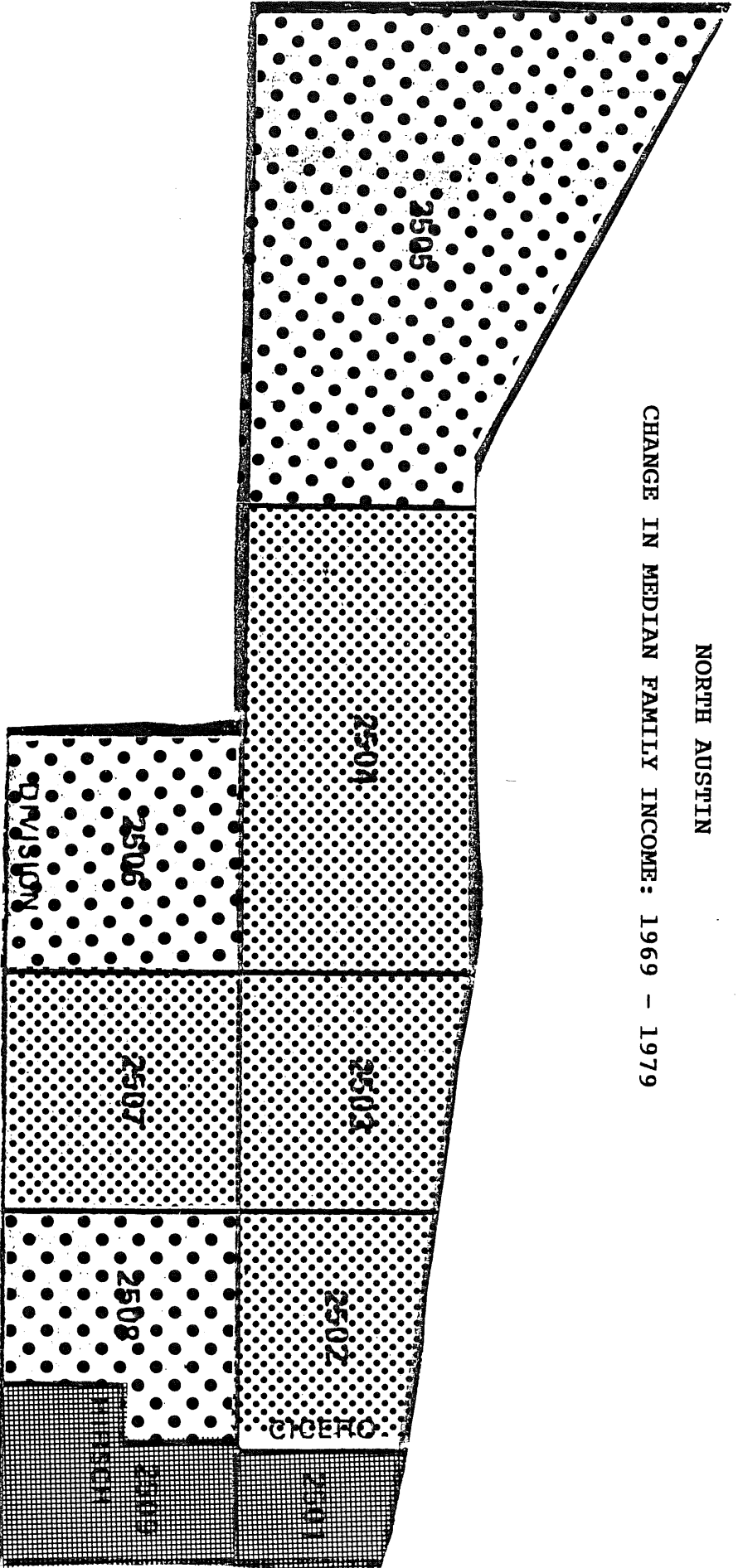
OVER 35%



MAP 4.4

NORTH AUSTIN

CHANGE IN MEDIAN FAMILY INCOME: 1969 - 1979



ABOVE 0



0 TO -9.9%



-10 TO -19.9%



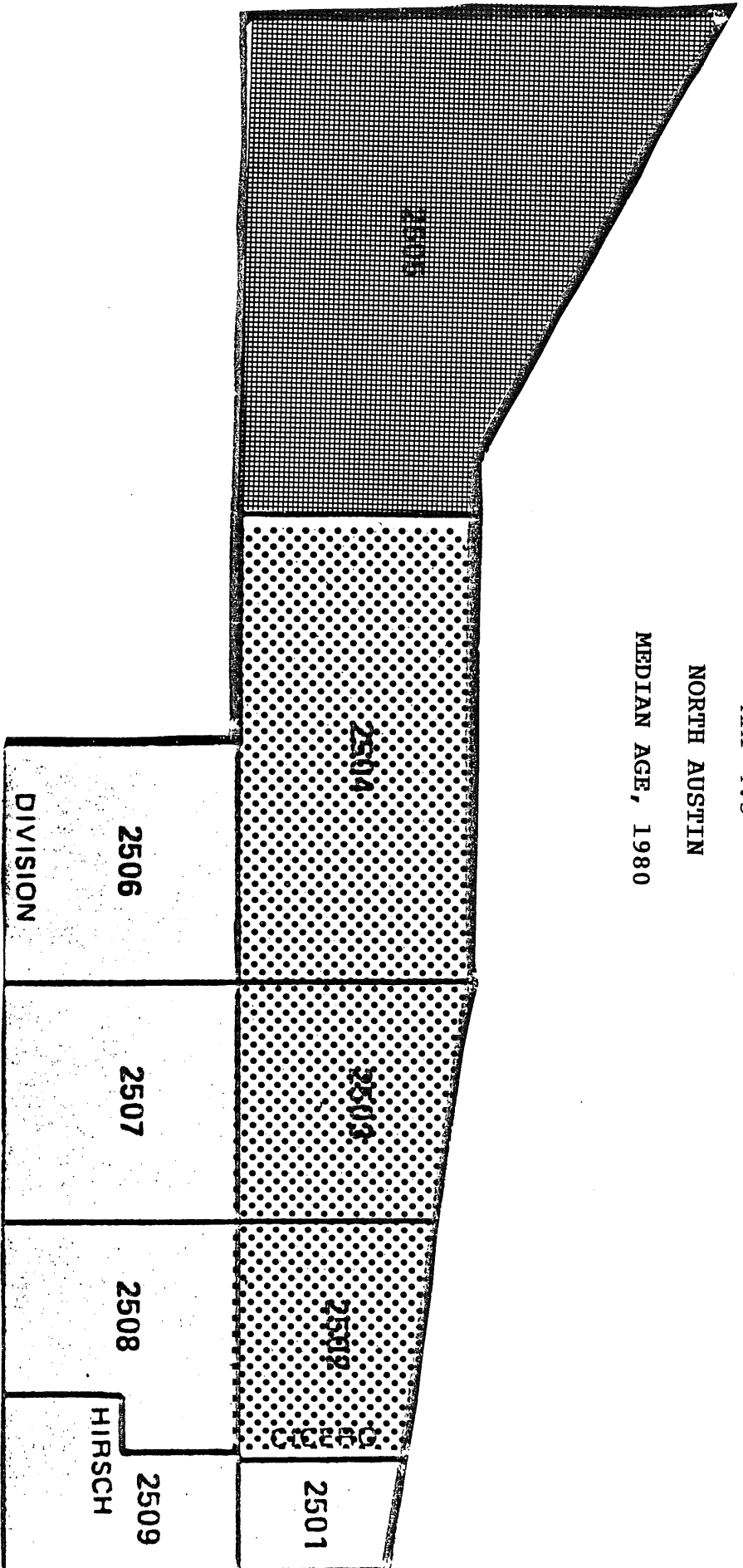
-20% OR BELOW



MAP 4.5

NORTH AUSTIN

MEDIAN AGE, 1980



LESS THAN 28



28 - 34.9



35 - 39.9



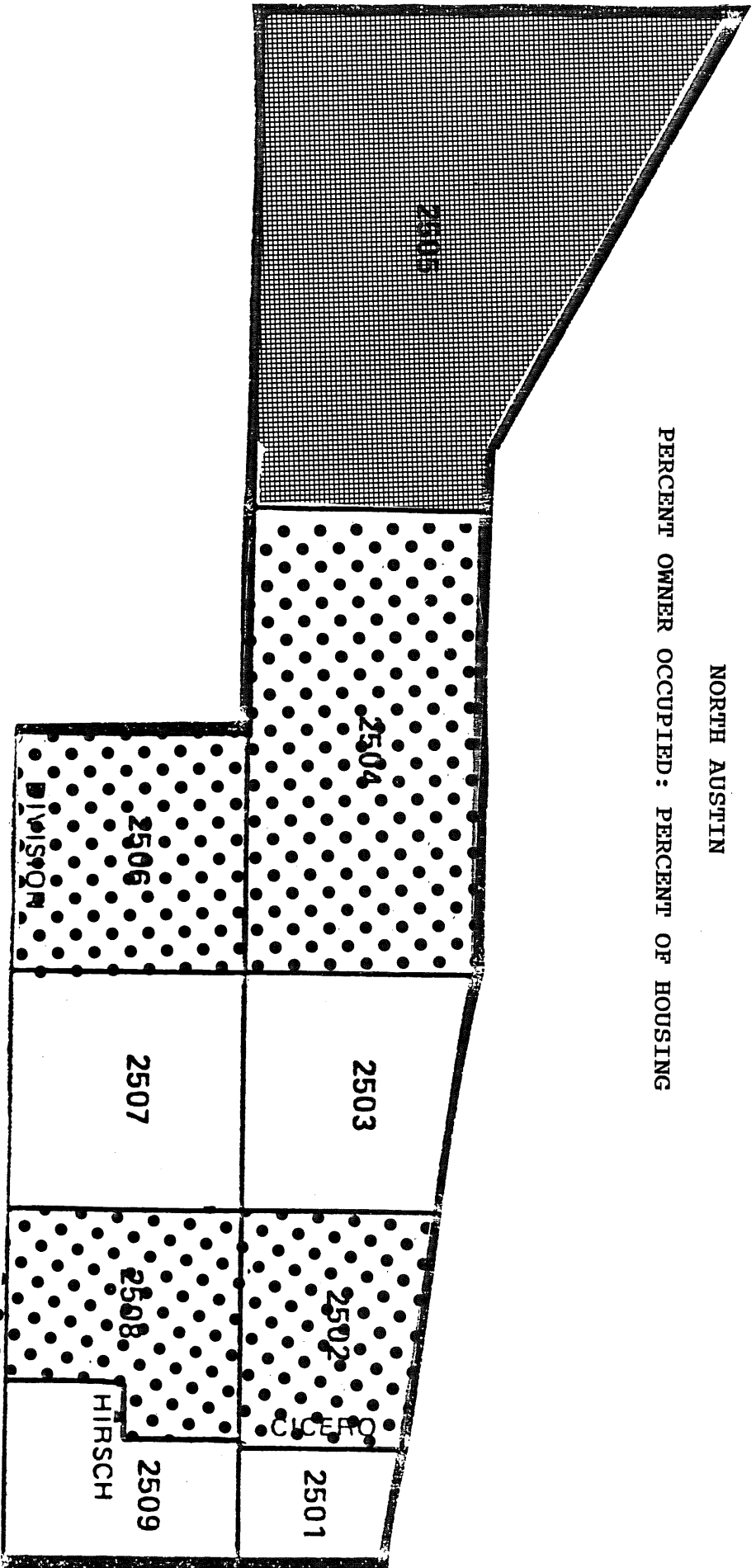
40 AND OVER



MAP 4.6

NORTH AUSTIN

PERCENT OWNER OCCUPIED: PERCENT OF HOUSING



LESS THAN 50%



50 - 69.9%



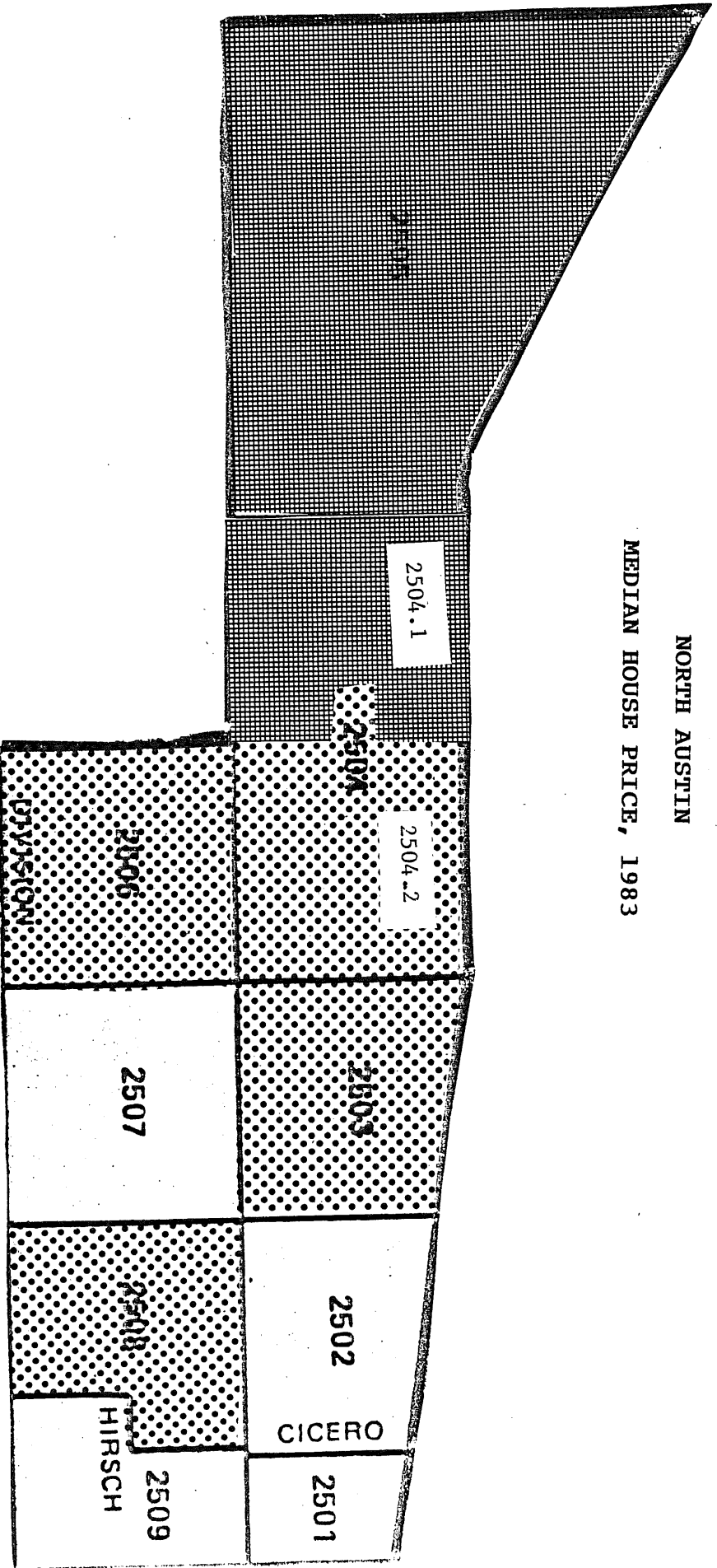
70% AND OVER



MAP 4.7

NORTH AUSTIN

MEDIAN HOUSE PRICE, 1983



LESS THAN \$47,500



\$47,500 - \$52,500



HIGHER THAN \$52,500

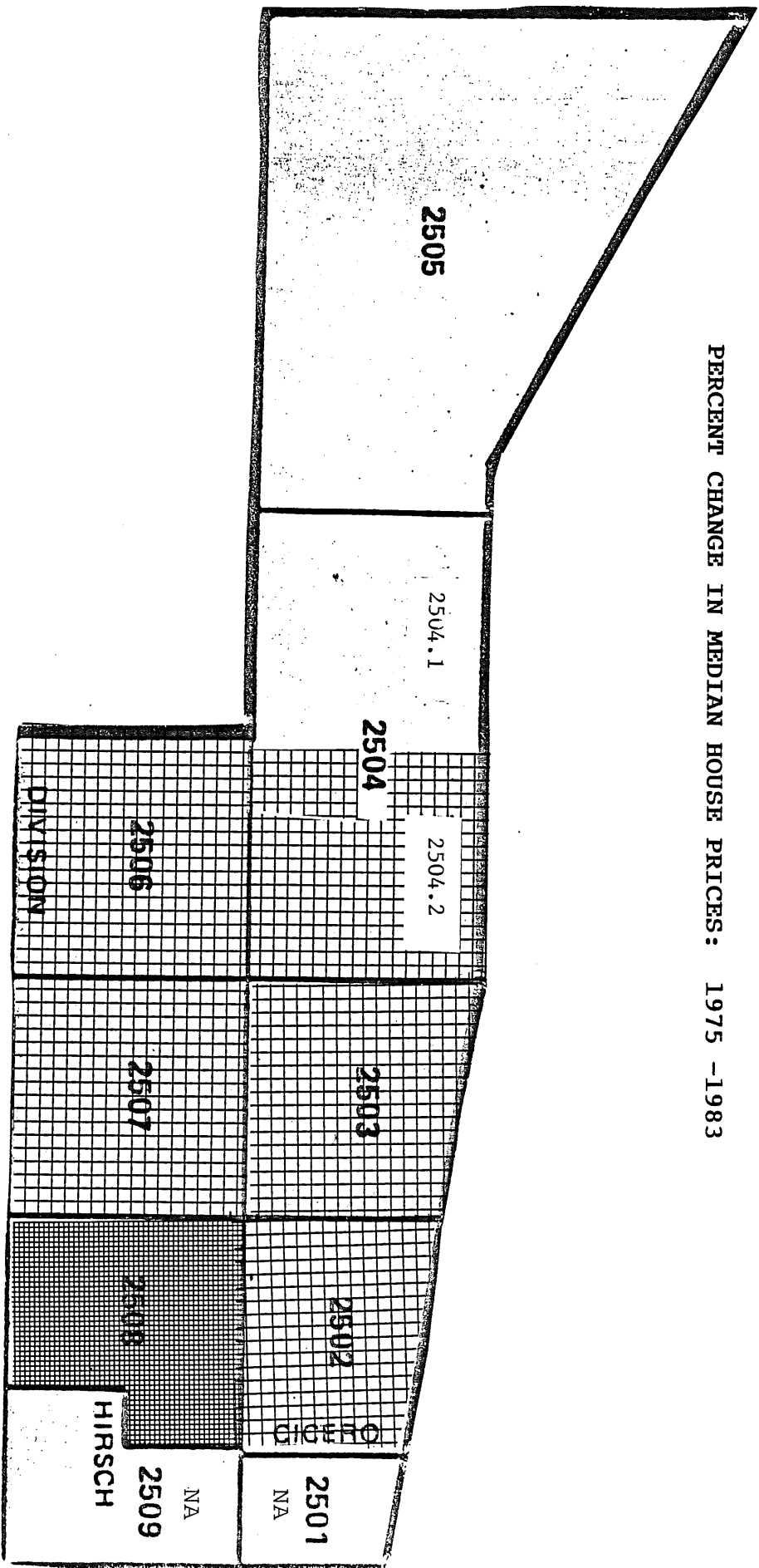




MAP 4.8

NORTH AUSTIN

PERCENT CHANGE IN MEDIAN HOUSE PRICES: 1975 - 1983



1 - 6.9%



7.0 - 10.9%



11% AND OVER



## Explanation of Legend on Graphs

### Graph: Homeowner Satisfaction With Community

sch = quality of public schools  
apr = appearance of streets, grounds, and buildings  
rep = reputation of neighborhood  
shop = convenience to shopping  
prpv = the way property values are going  
safe = safety of the neighborhood  
cwk = convenience to work  
trns = availability of public transportation  
inco = income level of others in the neighborhood  
race = racial make-up of the neighborhood  
qhs = quality of housing for the money  
apts = maintenance of apartment buildings in the neighborhood

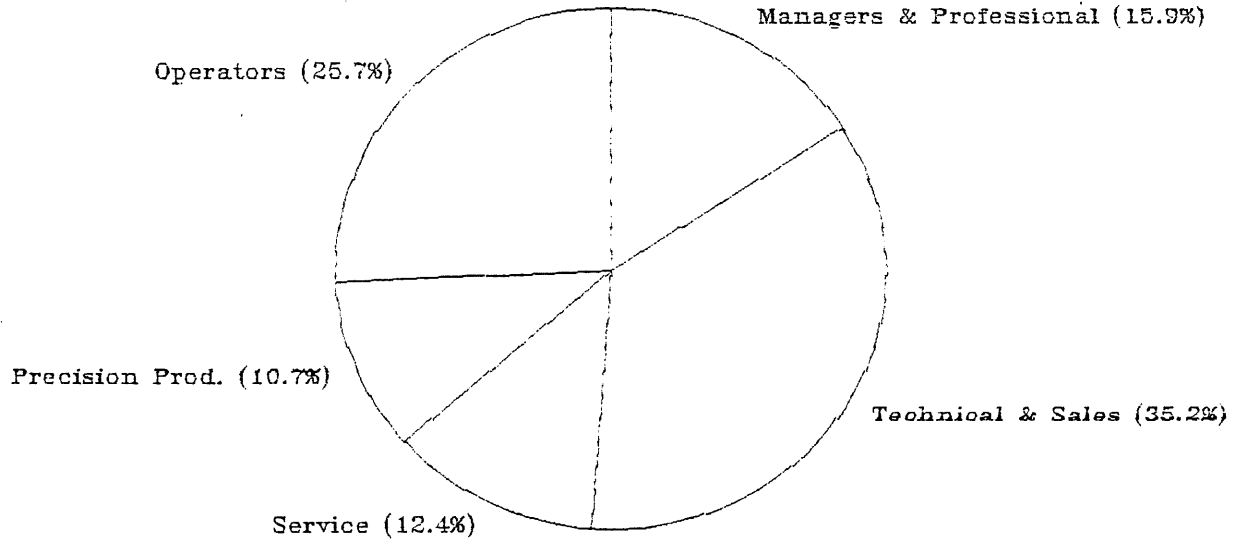
### Graph: Why Moved to Neighborhood

schl = quality of public schools  
appr = appearance of streets, grounds, and buildings  
repu = reputation of neighborhood  
shop = convenience to shopping  
sfty = safety of the neighborhood  
work = closeness to work  
trnsp = availability of public transportation  
prval = likelihood that property values would go up  
inco = having neighbors of a similar income level  
race = having neighbors mostly of your own race  
hou = affordable housing for the money  
frnds = friends or relatives lived here  
grew = this is where you grew up

GRAPH 4.1

# Percent in Occupational Categories

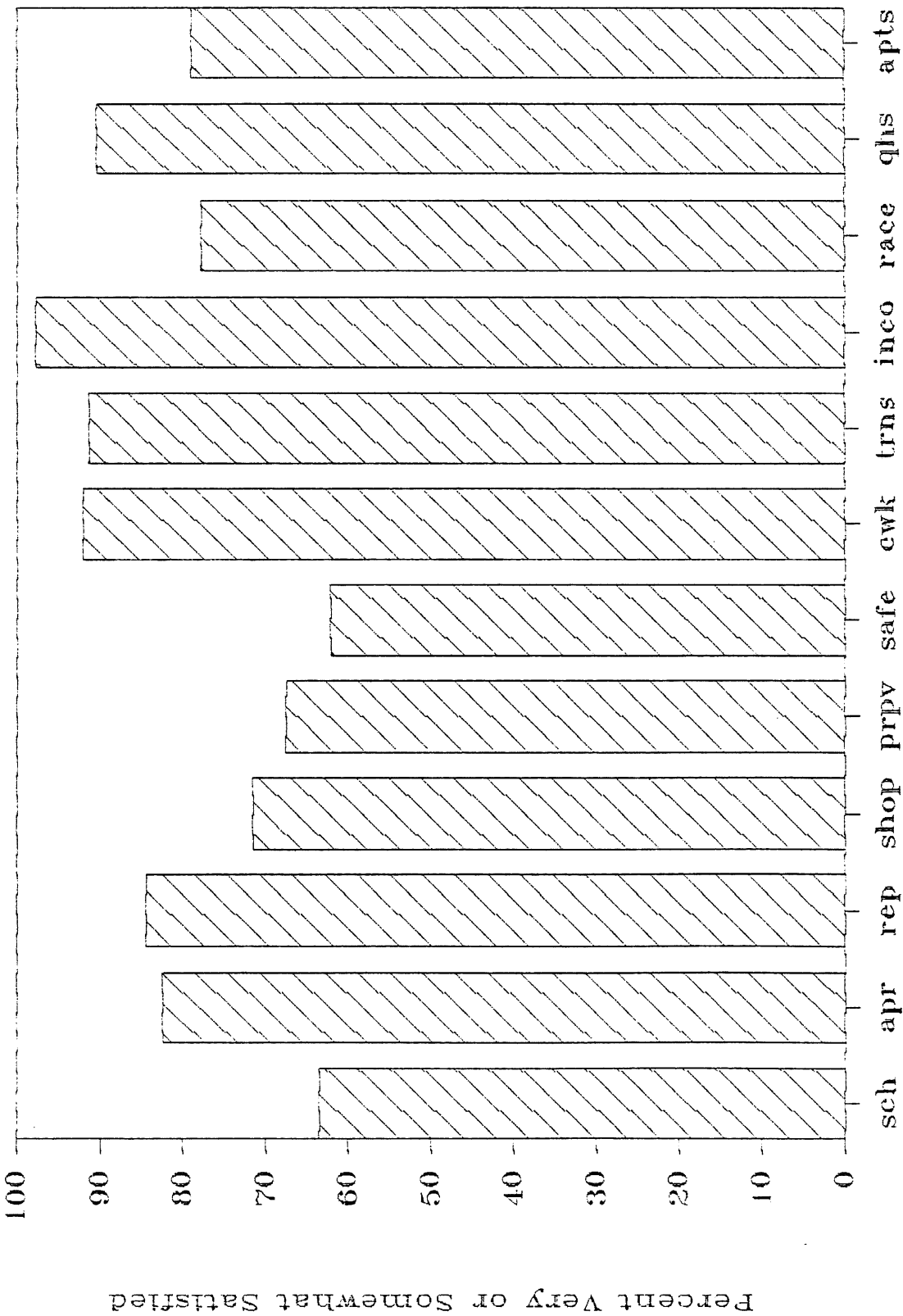
North Austin (1980)



GRAPH 4.2

# Homeowner Satisfaction With Community

North Austin



Community Characteristics

# WHY MOVED TO NEIGHBORHOOD

North Austin Homeowners



Factors Important in Decision to Move

GRAPH 4.3

Table 4.1  
COMMUNITY PROFILE  
North Austin

Total Population, 1980	37,116
change from 1970	+6.5%
percent black, 1980	21.4
percent Hispanic, 1980	16.8
Population in different home five years ago, as of 1980	47.5%
Median Years, education	12.1*
Median Family Income	\$21,890*
percent change in real income, 1969-79	-11.3*
percent families earning over \$30,000, 1979	11.0*
percent families in poverty, 1979	9.9*
Total Housing Units	13,059
percent single units	38.2
percent owner-occupied	56.6
Median Value, single-family house, 1980	\$43,555
Percent households with female head, 1980	20.7

\* Weighted Average

TABLE 4.2

Families with Income Below the Poverty Line  
North Austin, 1970 and 1980  
(percent)

Tract	Percent Families Below Poverty Line	
	1970	1980
2501	15.7%	20.7%
2502	3.5	10.4
2503	6.6	9.2
2504	3.8	9.7
2505	2.2	1.8
2506	5.4	7.9
2507	7.0	17.9
2508	4.4	11.3
2509	5.6	16.5

TABLE 4.3

## MEDIAN SINGLE-FAMILY HOME PRICES - 1975, 1980, 1983

## NORTH AUSTIN

	1975		1980		1983	
	SALES/MEDIAN		SALES/MEDIAN		SALES/MEDIAN	
Entire Community Area	243	\$ 26,000	228	\$ 42,500	333	\$ 50,000
Tract 2501	*	*	*	*	6(c)	38,500(c)
2502	28	23,000	30	39,000	51	46,500
2503	13	24,200	21	41,000	38	49,450
2504.1	17	37,000	12(b)	48,850(b)	21	57,000
2504.2	8	22,000	7	41,000	25	50,000
2505	79	44,000	37	68,000	59	75,000
2506	51	21,500	60	42,500	81	48,000
2507	18	21,500	29	41,000	31	46,000
2508	26	20,875	28	37,750	16	48,750
2509	*	*	10	37,950	7	25,000

- Notes: (a) means that the sales from 1975 and 1976 were combined in order to have a total for each tract of five sales.
- (b) means that the sales from 1979 and 1980 were combined in order to have a total for each tract of five sales.
- (c) means that the sales from 1982 and 1983 were combined in order to have a total for each tract of five sales.
- (\*) means that the combining of sales from two selected years still did not give the minimum of five.



TABLE 4.4  
CHANGE IN MEDIAN PRICES BETWEEN SELECTED YEARS  
NORTH AUSTIN

	AVERAGE ANNUAL COMPOUND RATE OF CHANGE		
	1975/1980	1980/1983	1975/1983
Entire Community Area	10.3	5.6	8.5
Tract 2501	*	*	*
2502	11.1	6.0	9.2
2503	11.1	6.4	9.3
2504.1	6.4	4.5	5.6
2504.2	13.3	6.8	10.8
2505	9.1	3.3	6.9
2506	14.6	4.1	10.6
2507	13.8	3.9	10.0
2508	12.6	8.9	11.2
2509	*	-13.0	*

TABLE 4.5

## NORTH AUSTIN

Percent Single Units Sold (1979-1983), Rank, and  
Average Annual Rate of Change, Rank, by Tract

Tract	Percent Single Units Sold, 1979-1983	Sales Rank	Average Annual Rate of Change, 1975-1983	Change Rank
2501	20.0	7	13.6	1
2502	35.0	4	9.2	7
2503	42.6	1	9.3	6
2504	17.6	8	8.5	
2504.1			5.6	9
2504.2			10.8	3
2505	10.1	9	6.9	8
2506	41.1	2	10.6	4
2507	36.5	3	10.0	5
2508	33.3	5	11.2	2
2509	25.5	6	5.1	10
TOTAL	24.4		8.5	

TABLE 4.6

Median Price of Single-Family Houses  
North Austin Median as a Percent of Belmont Cragin Median  
1975-1983 (actual sales)

Year	Percentage
1975	77.6%
1976	72.0
1979	69.0
1980	75.9
1981	80.5
1982	81.6
1983	84.0

## CHAPTER FIVE

### AVALON PARK

Avalon Park is by all indications a strong middle-class community. It is small, compared to other Chicago community areas, with a population of only 13,782. Two-thirds of its housing units are single-family homes, most of which are owner-occupied.

Residents who were interviewed frequently used the term "stable" to describe this community. Since Avalon Park went from all white in 1960 to 83 percent black by 1970, the decade of the 60s was one of considerable population turnover. Those black families that moved in during that period, however, tended to stay; indeed, many remain in 1985. While the city of Chicago lost 10.8 percent of its population between 1970 and 1980 and while a dozen communities lost more than 20 percent of their population during that decade, Avalon Park declined by only 4.3 percent. The comparable white communities of Chicago Lawn and Belmont Cragin declined by 3.9 percent and 7.0 percent, respectively.

However, there is one important difference between Avalon Park and the white communities. The stability of the numbers in

Chicago Lawn and Belmont Cragin hide the fact that there has been a considerable turnover in who is living in those communities. In Belmont Cragin, 37.2 percent of the families had lived in a different house five years previously; in Chicago Lawn, 43.1 percent of the families had moved during the five-year period. In Avalon Park, however, fewer than 24 percent of the residents responding to the 1980 Census had lived in a different house in 1975. This offers a striking contrast to the white communities under study. While white neighborhoods have undergone population changes, particularly in their peripheral areas, the middle-class black neighborhoods (that is, Washington Heights as well as Avalon Park) have retained the families that moved there once the racial barriers broke down.

Because the black families that moved in have stayed, the median age in Avalon Park is older now than it was a decade ago. (See Map 4.5.) Median age in Avalon Park census tracts ranges from 26.5 to 30.7, in contrast to a black city-wide median of 24.9 years.

Avalon Park is a relatively comfortable community with a median family income in 1979 of \$24,209, well above the city family median of \$18,776 and substantially above the black family median of \$13,724. Although 9.7 percent of the families had incomes below the poverty level, 37.5 percent of the families were earning in excess of \$30,000. Avalon Park residents experienced a very modest decline of 3.0 percent in real income dollars between 1969 and 1979. This was the smallest decline of

all six community areas and considerably better than the ten percent decline experienced by the city as a whole.

Avalon Park residents tend to be well educated, averaging a median education of 12.6 years in 1980. Fifty-nine percent are white-collar workers, located primarily in the technical/sales and managerial/professional categories (36.7 percent and 23.3 percent, respectively.) These residents, on the average, are more highly educated and have a higher family income than residents of Washington Heights, Belmont Cragin or Chicago Lawn. Perhaps this helps explain why the percentage of homeowners financing their homes through FHA has decreased in Avalon Park at a time when such financing is increasing in some other neighborhoods. (See Table J.) Nonetheless, only 37.5 percent of new homebuyers in this community are using conventional mortgage financing packages. One-quarter of the new buyers used financing other than conventional, FHA, or VA mortgages. These may be homes that are passed down from parents to children with financing handled within the family unit or they may be purchases handled through other kinds of seller financing.

Several respondents indicated that houses tend to stay in families and be purchased by the next generation after parents die or moved away. In fact, ten percent of respondents in the survey indicated that the fact that they grew up here was very important in their decision to buy a home in the community. Others mentioned that children of homeowners often wanted to purchase in Avalon Park but were unable to because nothing was

for sale. The relatively low population turnover supports this perception.

Avalon Park residents in the survey were uniformly optimistic about the future of their community: there were no homeowners who thought the community would be a worse place to live in two years; Avalon Park is the only community that had such unanimous optimism. (See Table C.) Over 90 percent believed it had become better or remained the same during the past two years. (See Table B.) Ninety-seven percent believe the value of their property has improved in recent years and 77 percent believe that buying in the neighborhood now is a good investment. (Tables D and E.) Unlike some other areas of the city, homeowners who have been in the community for six years or more are just as pleased with their neighborhood as the newcomers. In fact, most of the homeowners (55.1 percent) even claim they would not move if property values were to drop. With this kind of enthusiasm for their community, it is little wonder that the adult children wish to remain.

The major institutions in the community include Chicago Vocational High School, two public elementary schools and a Catholic school that draws heavily from neighborhood families. One respondent noted that "anybody making \$30,000 or more will probably send their children to a magnet school or a private school."

This community area appears to have a strong block club structure. It also shares a community organization, the Avalon

Park-Chatham Community Council, with its neighboring community.- This group, according to its president, has 1100 paid members and monthly meetings that average over 100 in attendance. A major concern of the membership is housing. The Council is developing a program of monitoring problem buildings to insure that complaints get some action, in housing court if necessary. Their major concern is multi-unit buildings, particularly those with more than six units, where there is frequently absentee ownership.

As in other Chicago communities, the residents are worried about crime, gangs, and the quality of their schools and the business people are concerned with the vitality of the commercial area. Eighty-seventh Street, which is the southern boundary of Avalon Park, is the major shopping strip. According to local business people, there has been an infusion of new small businesses along this street in recent years. The 87th Street Business Association has received annually increased amounts of money from the city's Department of Economic Development over the past five years. The Melaniphy Report noted that some residents believe the strength of this commercial strip is due to the fact that it lies within a precinct which has been dry for years: no bars, taverns, or liquor stores are allowed in these blocks.<sup>1</sup>

Citicorp Federal Savings and Loan and Talman Home Federal Savings both have branch offices in the community. Talman opened its office about five years ago, and one of its executives estimates that it and Citicorp now probably handle about 50 percent of the mortgages in the community. Independence Bank and



Seaway Bank, both large black-owned banks, also do a lot of mortgage business in the community.

In recent years there has emerged a major threat to the stability of this community: unemployment. Many of the white-collar workers here found employment with local or federal government agencies during times of expansion and affirmative action; the cutbacks in recent years have had a disproportionately severe effect on the black middle class. Many of the blue-collar workers had jobs with the steel mills, jobs with union security and wages. The plant shutdowns in South Chicago have put many of these middle-aged men and women out of work and worried about the mortgage payments.

Another sign of instability may be the increased numbers of households with female heads. The total has jumped from 14.5 percent of families in 1970 to 32 percent in 1980. In the small Census tract in the northeastern corner of Avalon Park, 4501, over 50 percent of the families are female-headed now and over 25 percent have incomes below the poverty level. This Census tract is out of character with the rest of Avalon Park, but it is very small, populated by only 555 people, and somewhat set off by itself due to the Skyway to the north and east and 79th Street to the south.

There are only 212 housing units in tract 4501, 50 percent of which are owner occupied. Of the 97 single-family homes here, 18.6 percent were sold between 1979 and 1983. (Table 5.4.) In 1980 the actual median selling price was \$26,000, although the

median value which people reported to the census was \$30,200. In tract 4502 actual sales figures in 1980 were virtually identical to census reports; in tract 4503 the actual sales median price of \$42,750 was considerably higher than the census reported value of \$37,000.

In tract 4502 the median single-family house selling price had risen to \$45,000 by 1983, an average increase of 4.3 percent per year. Tract 4503 had a 1983 median selling price of \$47,500, an annual compound increase of 3.6 percent over those three years. Property values here are solid and stable, as Tables 5.2 and 5.3 show.

Avalon Park residents do not subscribe to the notion that minorities moving into a white neighborhood cause property values to drop. However, a substantial proportion (39.7 percent) do believe that low-income people moving into a neighborhood has a negative effect on property values. (See Table I.) One-third of the homeowners indicated that having neighbors of a similar income was a very important reason for their moving into Avalon Park. Even more see realtors' unscrupulous practices (56.5 percent) and fear and ignorance on the part of residents (63.2 percent) as negative forces. Virtually all of the residents here, as in the other communities, believe crime and housing deterioration are major factors in neighborhood decline. Unlike other communities, however, these residents do not think their neighborhood has experienced such declines.

It is interesting to note the similarities in this community

between 1980, when it was all black, and 1960, when it was all white. Household density is an identical 3.3 persons. The percent of the population living below the poverty level is slightly higher (9.7 percent in 1980 compared to 6.1 percent in 1960), but this is still far below the city average of 16.8 percent in poverty in 1980. The percent of white collar workers has increased and the median school years completed has gone up over those two decades. The picture is one of a community that changed totally with respect to race but virtually not at all with respect to economic and social class characteristics. Housing values remained strong.

In fact, compared to all the other communities, Avalon Park had the highest median years of education in both 1970 and 1980. Washington Heights persisted as second highest during the period that it also changed racially. The lower average education in the white communities is likely due to the fact that their populations are more heavily comprised of elderly people, who tend to have less education.

Two-thirds of the homeowners in Avalon Park (65.9 percent) think home equity would benefit the community, but only 39 percent would consider paying for it themselves. Most of those who would consider paying would be willing to pay \$100 per year, but few are willing to pay more than that.

Open-ended responses in the interviews suggest this lukewarm response is a result of the fact that most owners do not think it necessary. We received responses like the following:

"This is home. I don't plan to move."

"It's not important to me if [property values] drop; this is my home."

"No concern to you whether values go up or down [if you are] not planning to move."

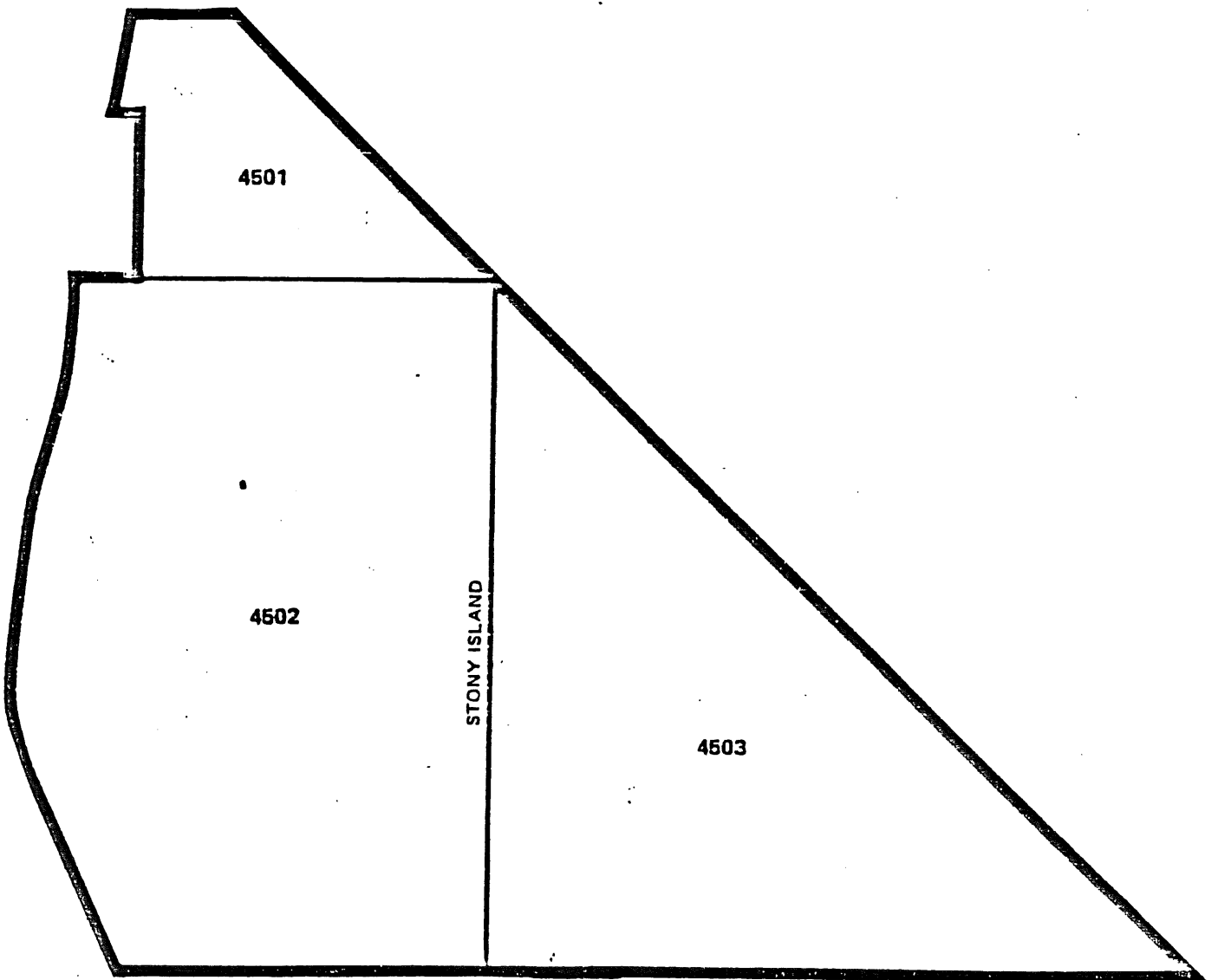
Community leaders also express their belief that a home equity guarantee program may not be all that attractive here. As one banker put it, "The only advantage of the program is if people are thinking about selling. If [you] are not selling, the value of your property makes no difference to you." The president of the Chatham-Avalon Park Community Council expressed similar feelings: "When home turnover is as small as we have it here, it doesn't seem that insurance would be that inviting."

Indeed, a majority of the homeowners (55.1 percent) answered "No" when asked if they would move out of their neighborhood if they thought the value of their property was going to drop. In a similar vein, only 4.3 percent of the homeowners consider themselves very likely to move out in the next five years. Adding those who are "somewhat likely" to move in five years increases that figure only to 7.2 percent. There is a stronger commitment to remaining in their community among Avalon Park residents than was found in any of the other communities surveyed. While a home equity guarantee program might provide additional security to these homeowners, they seem already to have a very high degree of confidence in the future of their neighborhood.

1. Citywide Findings and Conclusions: Chicago Comprehensive Neighborhood Needs Analysis Project, 1982. Submitted to the Honorable Jane M. Byrne, 1982, by Melaniphy and Associates, Inc.

MAP 5.1

AVALON PARK

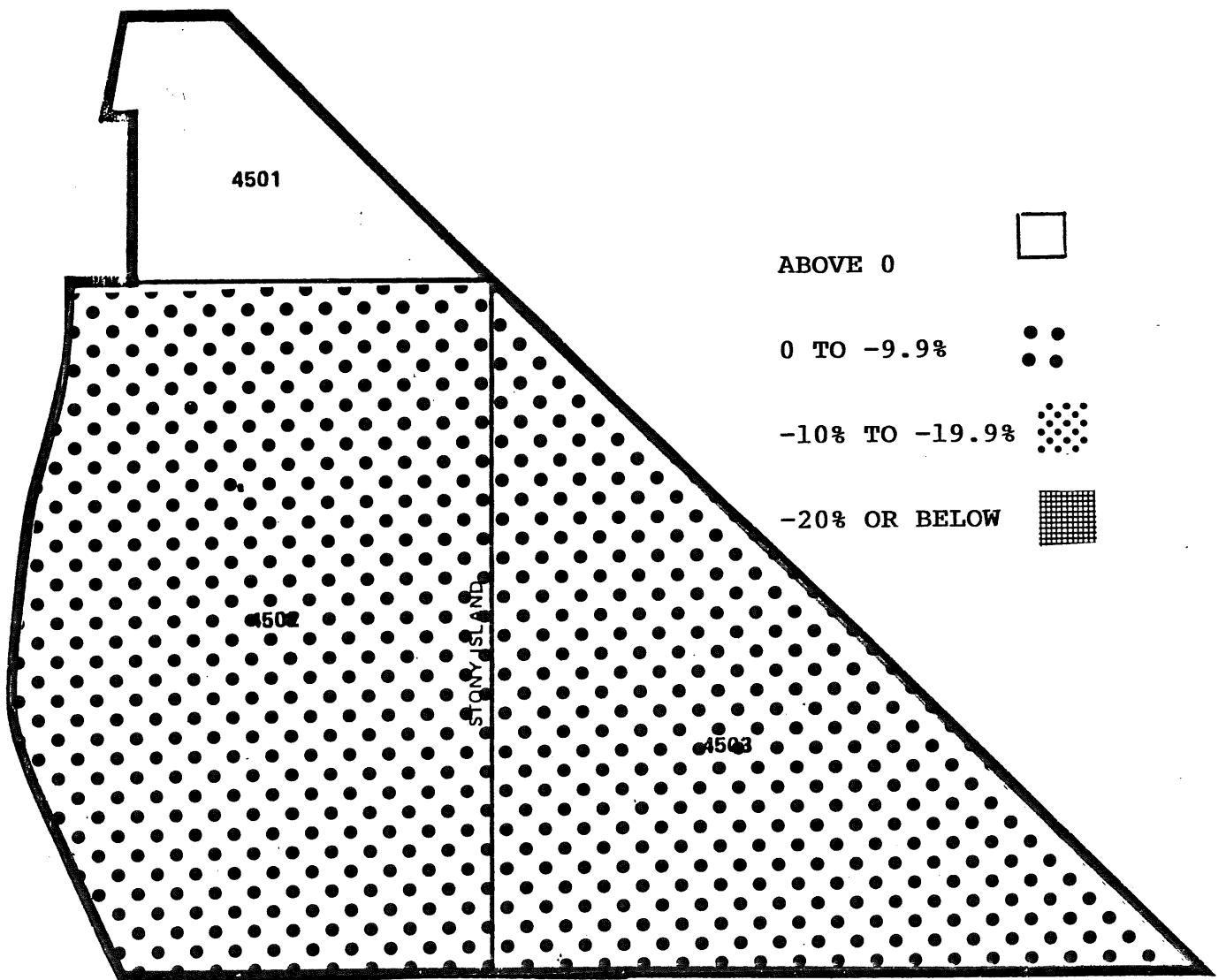


MAP 5.4

AVALON PARK

CHANGE IN MEDIAN FAMILY INCOME

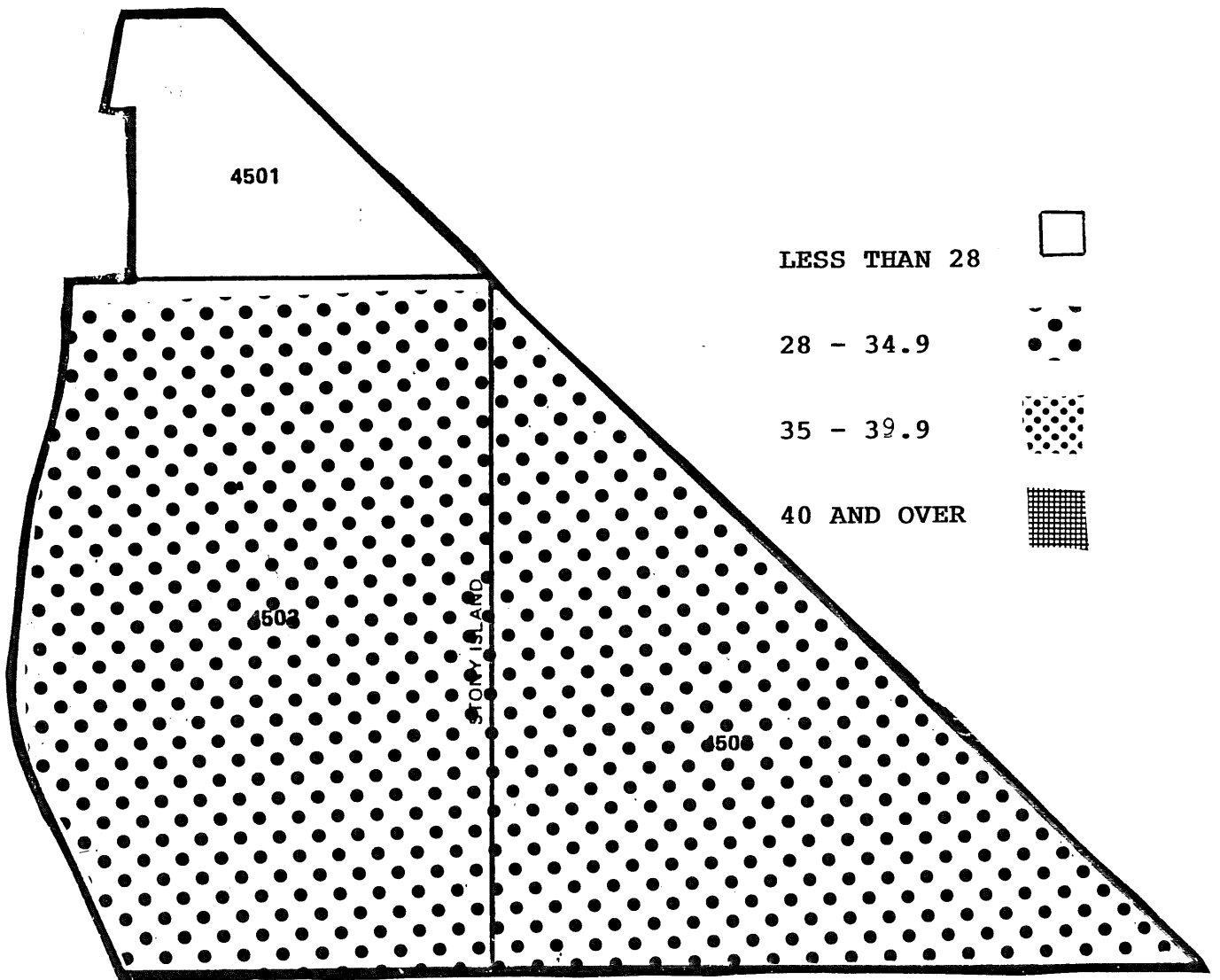
1969 -1979



MAP 5.5

AVALON PARK

MEDIAN AGE, 1980



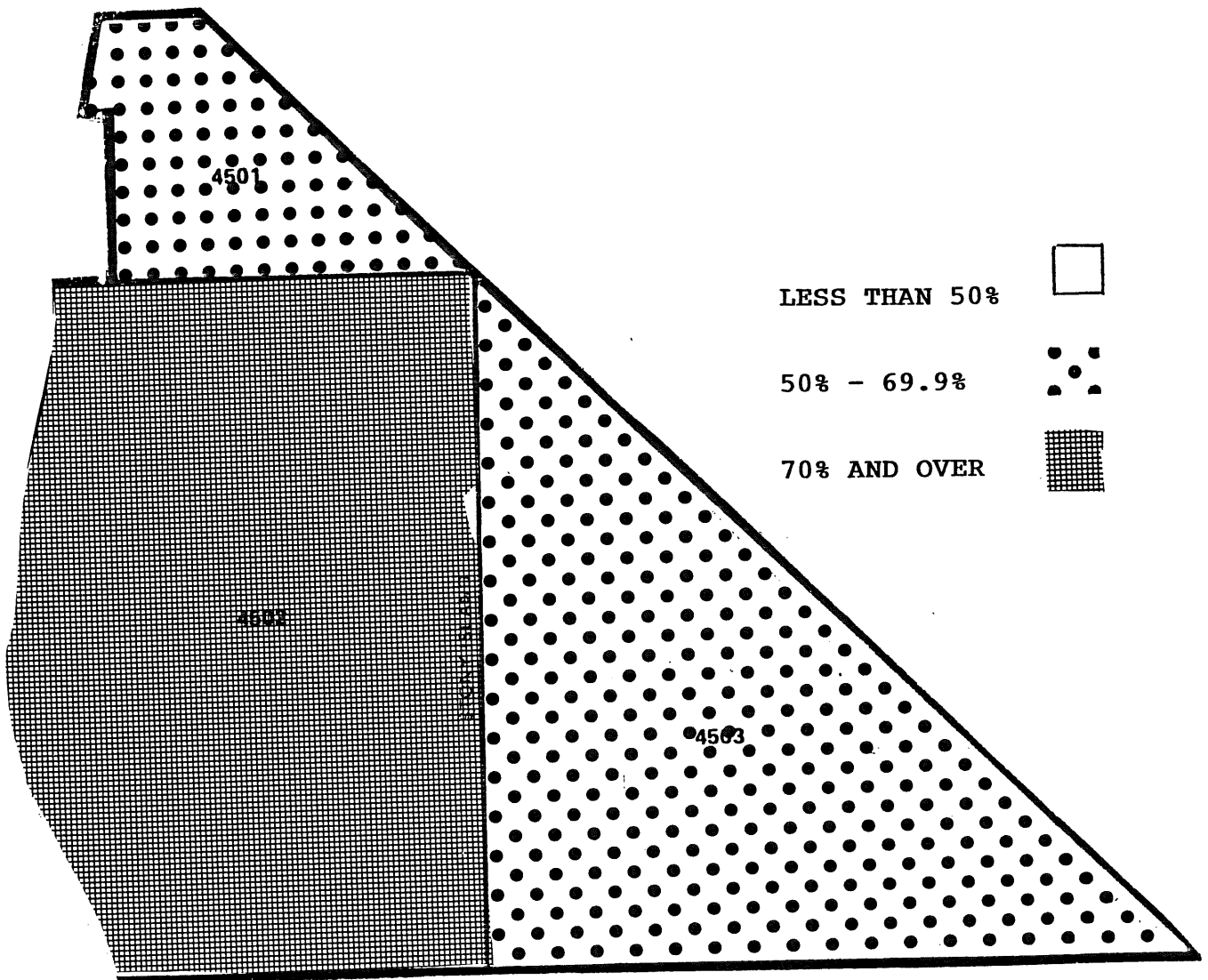


MAP 5.6

AVALON PARK

PERCENT OWNER OCCUPIED, 1980

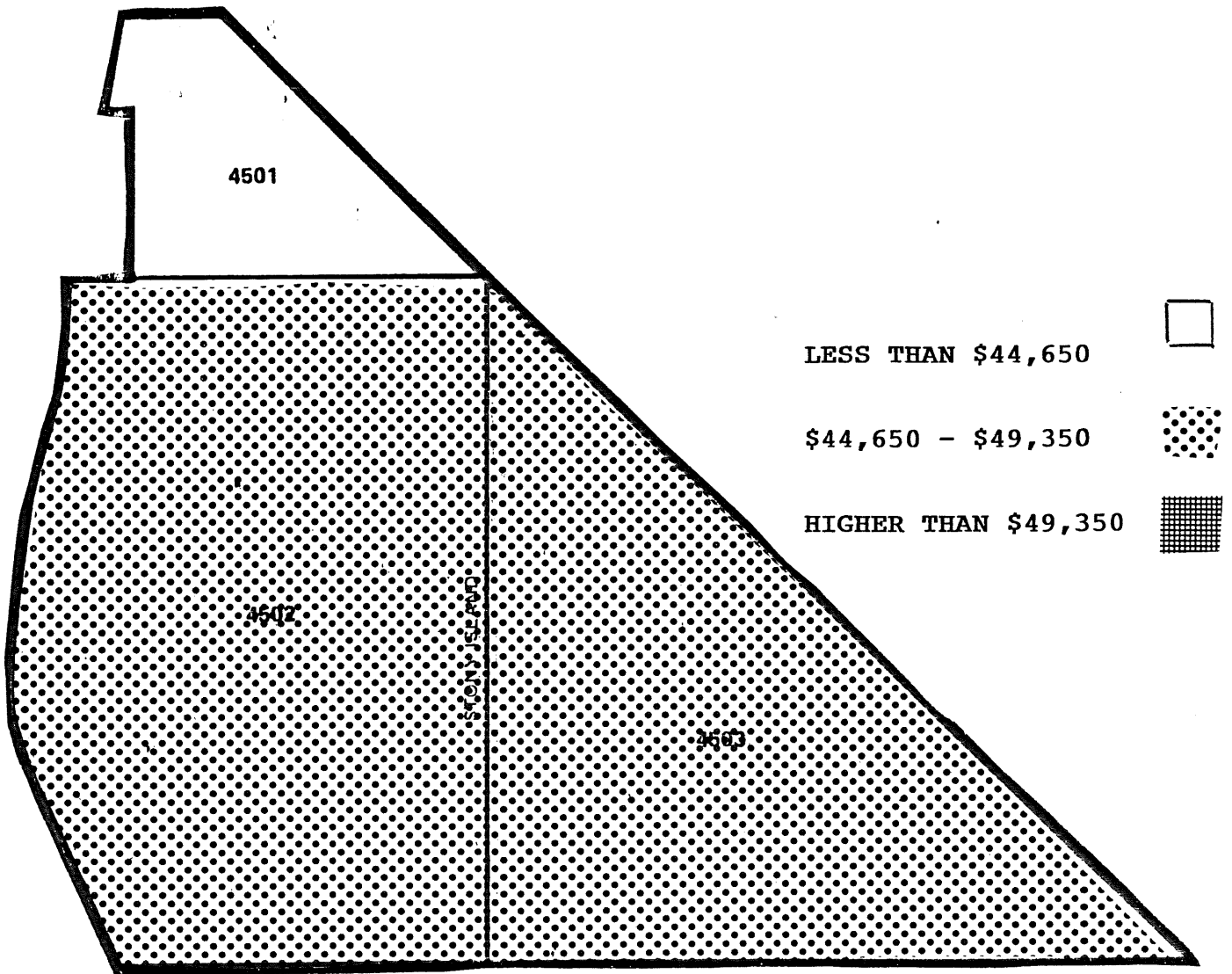
PERCENT OF HOUSING



MAP 5.7

AVALON PARK

MEDIAN HOUSE PRICE, 1983

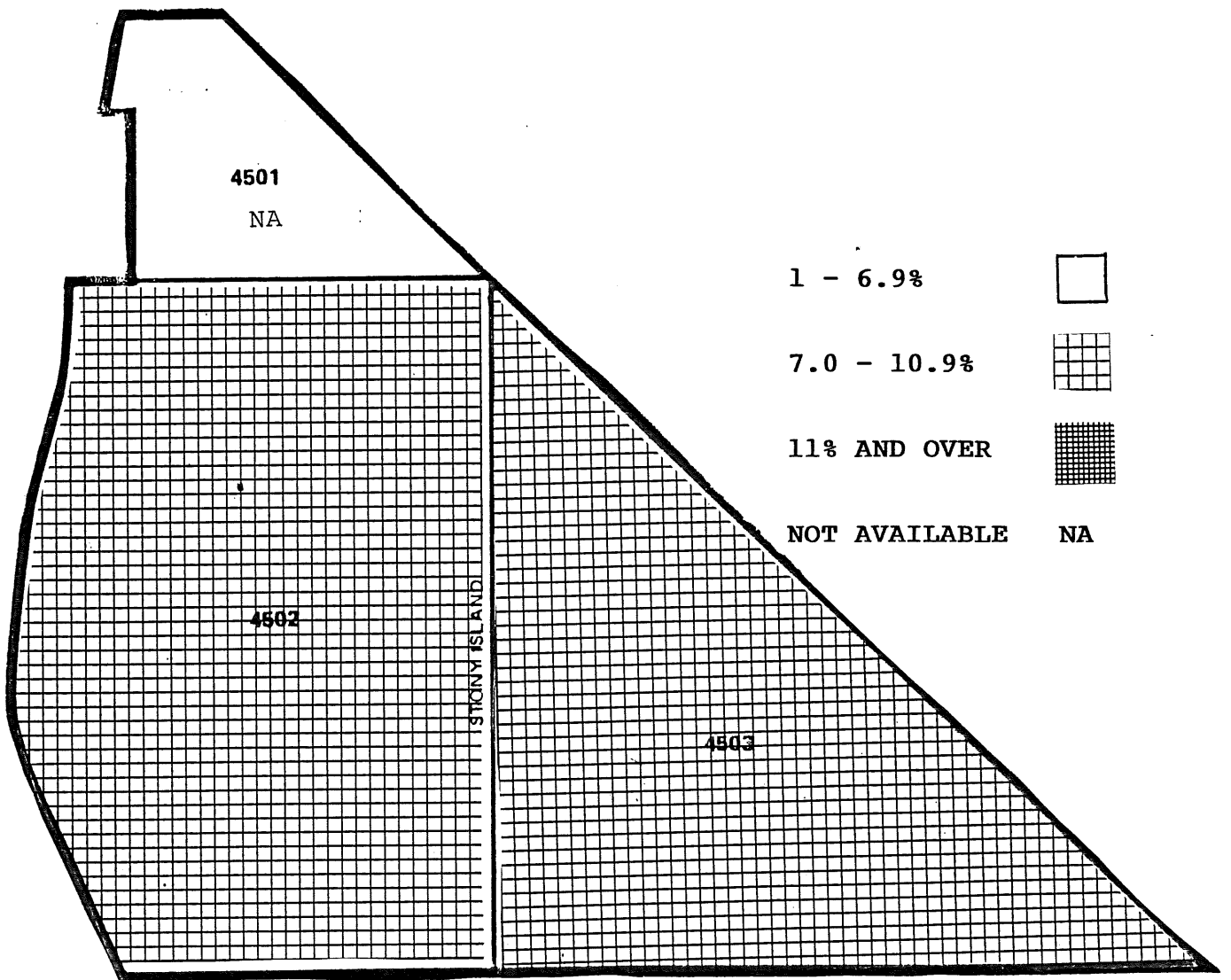


MAP 5.8

AVALON PARK

PERCENT CHANGE IN MEDIAN HOUSE PRICES

1975 - 1983



## Explanation of Legend on Graphs

### Graph: Homeowner Satisfaction With Community

sch = quality of public schools  
apr = appearance of streets, grounds, and buildings  
rep = reputation of neighborhood  
shop = convenience to shopping  
prpv = the way property values are going  
safe = safety of the neighborhood  
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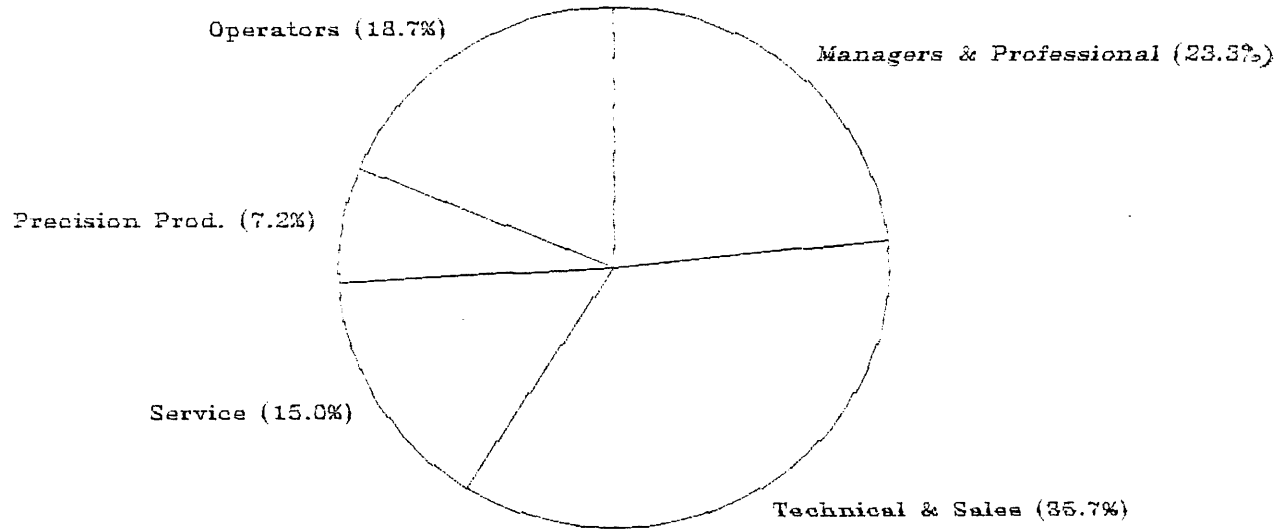
### Graph: Why Moved to Neighborhood

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work = closeness to work  
trnsp = availability of public transportation  
prval = likelihood that property values would go up  
inco = having neighbors of a similar income level  
race = having neighbors mostly of your own race  
hou = affordable housing for the money  
frnds = friends or relatives lived here  
grew = this is where you grew up

GRAPH 5.1

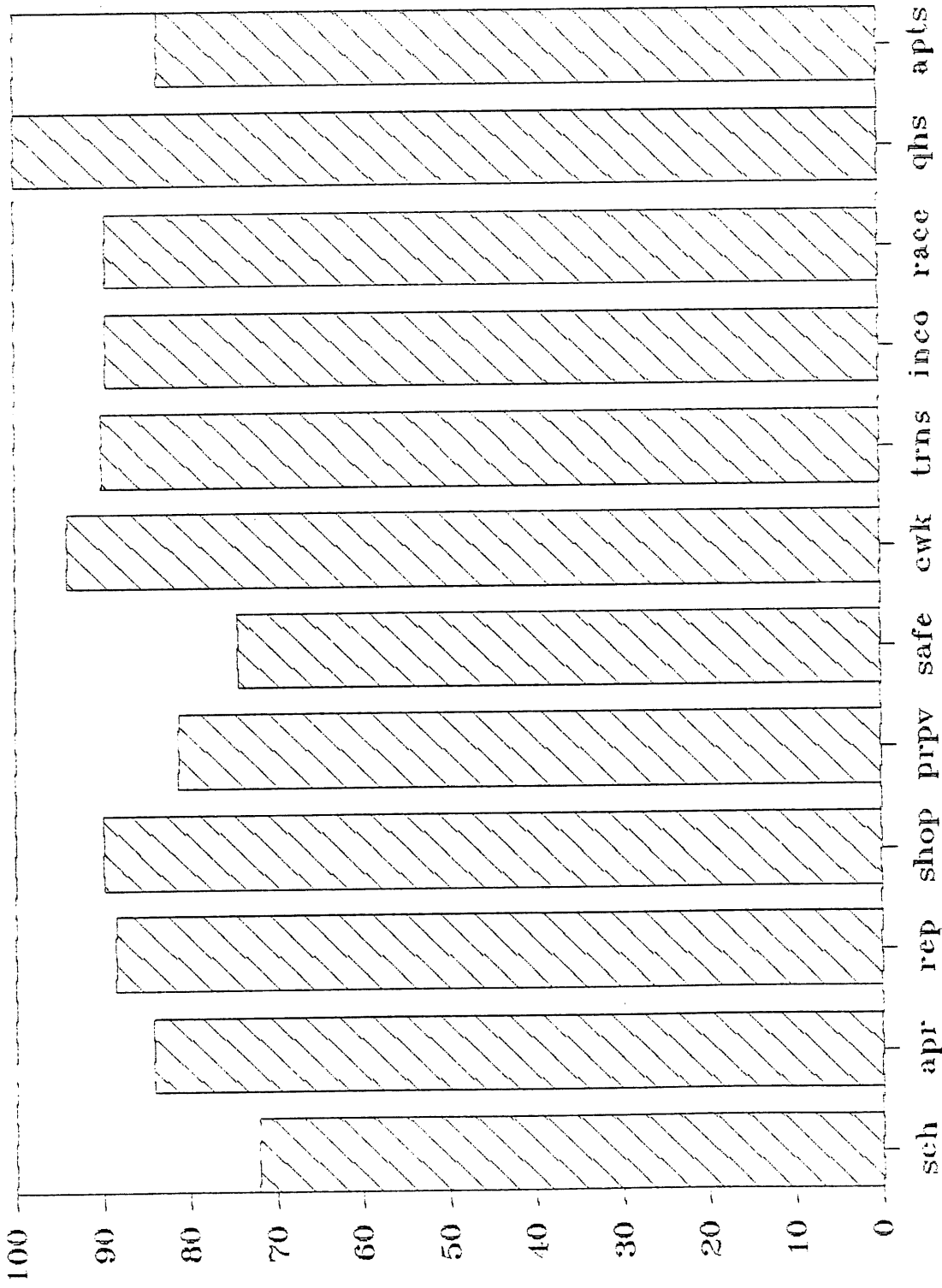
# Percent in Occupational Categories

Avalon Park (1980)



# Homeowner Satisfaction With Community

Avalon Park



Community Characteristics

GRAPH 5.2

Percent Very or Somewhat Satisfied

# WHY MOVED TO NEIGHBORHOOD

Avdon Park Homeowners



Factors Important in Decision to Move

GRAPH 5.3

Table 5.1  
COMMUNITY PROFILE  
Avalon Park

Total Population, 1980	13,782
change from 1970	-4.4%
percent black, 1980	96.1
percent Hispanic, 1980	0.8
Population in different home five years ago, as of 1980	23.5%
Median Years, education	12.6
Median Family Income	\$24,209
percent change in real income, 1969-79	-3.0
percent families earning over \$30,000, 1979	37.5
percent families in poverty, 1979	9.7
Total Housing Units	4,302
percent single units	67.1
percent owner-occupied	71.2
Median Value, single-family house, 1980	\$39,200
Percent households with female head, 1980	32.0



TABLE 5.2

## MEDIAN SINGLE-FAMILY HOME PRICES - 1975, 1980, 1983

## AVALON PARK

	1975		1980		1983	
	SALES	MEDIAN	SALES	MEDIAN	SALES	MEDIAN
Entire Community Area	97	\$22,000	36	\$39,200	55	\$47,000
Tract 4501	8(a)	15,450(a)	9(b)	26,000(b)	*	*
4502	61	22,000	22	39,700	35	45,000
4503	32	21,725	10	42,750	19	47,500

- Notes: (a) means that the sales from 1975 and 1976 were combined in order to have a total for each tract of five sales.
- (b) means that the sales from 1979 and 1980 were combined in order to have a total for each tract of five sales.
- (c) means that the sales from 1982 and 1983 were combined in order to have a total for each tract of five sales.
- (\*) means that the combining of sales from two selected years still did not give the minimum of five.

TABLE 5.3  
CHANGE IN MEDIAN PRICES BETWEEN SELECTED YEARS  
AVALON PARK

	AVERAGE ANNUAL COMPOUND RATE OF CHANGE		
	1975/1980	1980/1983	1975/1983
Entire Community Area	12.2	6.2	10.0
Tract 4501	12.2	*	*
4502	12.5	4.3	9.4
4503	14.5	3.9	10.3

TABLE 5.4

## AVALON PARK

Percent Single Units Sold (1979-1983), Rank, and  
Average Annual Rate of Change, Rank, by Tract

Tract	Percent Single Units Sold, 1979-1983	Sales Rank	Average Annual Rate of Change, 1975-1983	Change Rank
4501	18.6	1	16.2	1
4502	7.5	2	9.4	3
4503	5.5	3	10.3	2
TOTAL	6.3		10.0	

## CHAPTER SIX

### Chicago Lawn

Chicago Lawn, a community in the heart of the city's Southwest Side, was originally proposed to be the site of a home equity insurance program in 1979. That original proposal, put forth by the Southwest Parish and Neighborhood Federation grew from the conviction among some community leaders that a dramatic measure was necessary to stabilize the area.

By the 1970s Chicago Lawn was beginning to undergo the kind of rapid racial change that had been the experience of its neighbors to the east, West Englewood and Auburn Gresham, in the 1960s and early 1970s. Change was slower here, partly because the serious shortage of housing in the black community had been somewhat alleviated and partly because high interest rates in the housing market of the late 1970s made it more difficult for families to relocate. But change did occur. Twenty percent of the white population left during the decade. This decline in white population was offset by the growth of minority groups, so on balance Chicago Lawn's total population decline was only four percent. Chicago Lawn went from a community with no blacks and very few Hispanics (1.1 percent of the total population) in 1970 to a community that was 10.3 percent black and 10.6 percent

Hispanic by 1980. At the time of the 1980 census, 43.1 percent of Chicago Lawn's population was living in a different home than five years previously.

During the 1970s racial change was localized in a few census tracts along the eastern edge of the community. While tract 6607 in 1980 was 90 percent black, tract 6601 (with only 166 residents) was 38 percent black, and tract 6610 was 36 percent black, the other tracts showed no black residents at all in 1980. These three tracts that had experienced substantial change all lie entirely or substantially to the east of Western Avenue, the street which became the new community boundary to most white residents during the 1970s.

The Hispanic population, by contrast, is sprinkled throughout the area. By 1980 every census tract, with one exception, had more than 5 percent of its population designated as Spanish-speaking. The one exception was the census tract (6607) that was virtually all black.

Thus, while the community-wide figures of 10 percent black and 11 percent Hispanic show these two groups to be in Chicago Lawn in comparable numbers, the actual distribution of their populations follows strikingly different patterns. Those who know the community estimate that, since the last census, there has been a substantial increase in blacks east of Western Avenue and a few black families locating west of Western, but there has been a significant increase in Hispanics throughout the community, with some estimating Hispanics to now be over one-third of this

community's population.

Other new immigrant groups, notably those from Asian and Middle Eastern countries, have also begun to settle here in sizeable numbers during the past decade. Thus, this area continues the ethnic diversity that was its characteristic for years as Lithuanian, Polish, German, Irish, and Italian families settled here. The new ethnic groups, however, have not always been readily accepted by some of the older white ethnic groups. Particularly, some residents of this community have been resistant to the prospect of racial integration. Many, viewing the experiences of other communities, are convinced that integration is not possible and fear a total resegregation if black families move in.

Prior to World War II, black Chicagoans were restricted to an area of the city that was increasingly unable to contain their growing numbers. When those boundaries finally dissolved in the 1950s and 1960s, black families, overcrowded in ghetto residences, rapidly spilled into the communities adjacent to the "black belt". In addition, a number of black families had by then achieved middle-class status. Once the opportunity for home ownership became available, they eagerly seized it. As black families moved in to South Side neighborhoods, white families moved out. Many South Side communities resegregated rapidly. Some white families in Chicago Lawn have relocated two or three times, continually moving a few blocks west to stay ahead of racial change. Other South Side white families simply made a

single jump to the suburbs.

Chicago Lawn is going to look different in ten years. There is consensus on that point among the leaders of the community. As indicated above, the ethnic make-up of the community is shifting. In addition, the white population is aging: in 1980, 17.7 percent of the population of Chicago Lawn was 65 years of age or older. As these elderly residents die or leave their homes, there will inevitably be new families moving in.

The percentage elderly in Chicago Lawn is comparable to the percentages found in other white Northwest and Southwest Side communities (Belmont Cragin, for example, has 18.8 percent over 65), but it is markedly different from the age structure in black and Hispanic communities. In Washington Heights, for example, only 4.9 percent of the population is over 65; in Avalon Park, 6.1 percent of the population is elderly.

Median age figures for each census tract provide another way of looking at this situation. In 1980, in the city as a whole, Latinos had a median age of 22.2, blacks of 24.9 and whites of 38.7.1 Two census tracts in Chicago Lawn (6609 and 6611) had median ages over 40. Tract 6609 in the heart of Marquette Park had a median age of 49.4 and was all white in 1980; it is adjacent to tract 6607, which is 90 percent black and has a median age of 22.3.

The age characteristics of these populations are important in understanding reactions to social change. A neighborhood where most people are middle-aged or older is used to having few

children around and social structures and relationships geared to an older population. The population per household figure is another indication of these differences. Chicago Lawn families average only 2.6 persons per household; by contrast, neighboring West Englewood averages 3.9 and Auburn Gresham averages 3.4 persons. Even the middle-class black communities of Avalon Park (3.3 persons) and Washington Heights (3.6 persons) show a greater per household population. When a community comprised overwhelmingly of children and young adults begins to encroach upon a neighborhood of older people--particularly when racial differences are added to the picture--a clash of lifestyles is almost inevitable.

Another consequence of an aging population was pointed out to us by a number of people: Older residents often do not have the resources or the ability to provide proper maintenance on their homes. Thus, property may more rapidly deteriorate. One respondent in the survey observed: "This neighborhood is dying because 80 percent of the people on this block are retired. They're ready to die. They're not going to upgrade their property. The only way this neighborhood could stay alive is to sell houses to younger people." Elderly residents on fixed incomes may also have more difficulty finding the financial resources necessary to invest in an additional program such as that proposed for home equity.

In some instances, the new ethnic groups and the old are similar. In those Chicago Lawn census tracts where information is



available for minority families, their family income differs little from that of the white families living there. In tract 6610, for example, the 1980 median family income for the entire population was \$20,761; for black families it was \$22,316. In tracts 6602, 6603, 6606, and 6608 where income of Spanish-speaking families was reported, it was comparable to white family income and consistently higher than the city-wide median of \$15,627 for Spanish-speaking families.

Tract 6607, however, which is now all black, has a median income of \$16,759, which is considerably below the community average. In 1970, before racial change occurred, this tract had a median family income that was just about at the community median.<sup>2</sup>

These figures--across the census tracts--support one classic theory of racial change. The first minority families to move into a community are comparable in income to the white families living there. Housing values in such communities may remain strong as long as the market is not suddenly flooded with houses. However, massive white flight produces a supply of homes that far exceeds the demand among middle-income blacks, depresses the value of housing, and facilitates the movement into the neighborhood of minority families who are not in a comparable economic bracket.

One of the unanswered questions in the community is whether young white families, black families, Hispanic families, or some combination of the three will be the future homebuyers. Another,

related question has to do with the future of local institutions that have been central to community life for decades, specifically churches, Catholic schools, and community organizations. Whether or not these institutions can adapt to the new populations and remain viable remains to be seen.

Only 40.8 percent of the housing units in Chicago Lawn are single-family homes and only 52.2 percent of housing units are owner-occupied. The heaviest concentration of owner-occupied units is in the southwesternmost tract (6611), where 81 percent of the houses are in this category. This is also the tract with the highest housing values.

Interestingly, the second highest concentration of single-family homes--70 percent--is in the tract (6607) that is now all black. This goes against the common wisdom that argues that neighborhoods with many multi-unit dwellings experience racial change first. However, one could easily argue that this census tract was in many ways the western section of West Englewood, rather than the eastern section of Chicago Lawn. In 1970, it was very similar to tract 6614 in West Englewood, which bordered it to the east, in terms of racial make-up, family income, and value of housing. And it was isolated from most of Chicago Lawn by a major thoroughfare. It is important to keep in mind that the official community boundaries may not always correspond to the ways in which communities actually develop and change.

While values of Chicago Lawn single-family homes appreciated considerably over the decade of the 70s, by 1980 they were lower

relative to city-wide values than they had been in 1970. Median prices reported in the 1980 Census ranged from a low of \$32,000 (68 percent of the city value) in tract 6607 to a high of \$45,300 (96 percent of the city value) in tract 6611 in the southwest corner of the community.

A look at the actual data on median sale prices of single-family homes in 1975, 1980, and 1983 may be more illuminating. (See Table 6.2.) These data show an increase over those eight years from a community wide median of \$23,000 to one of \$45,000, an average annual rate of change of 8.8 percent. (See Table 6.3.)

That part of census tract 6611 west of Kedzie (6611.1) showed the highest median selling prices at all three points in time, followed by tracts 6604, 6605, and 6611.2, the eastern part of 6611; these tracts also maintained higher than average selling prices over time. All three, however, experienced average annual rates of change below the rate for either the city or the community as a whole.

During the five-year period between 1979 and 1983, 13.2 percent of the single-family units in Chicago Lawn were sold. (See Table 6.4.) Tracts 6601, 6606, 6608, and 6609 all saw over 16 percent of their single-family homes change hands. All of these neighborhoods are east of California Avenue, where racial change has been occurring. The least turnover was in the southwest corner of the community, tract 6611 again, where only 10.1 percent of the units were sold.

The census tract that experienced the most dramatic increase

in median single-family house prices, with an average annual rate of change of 11.2 percent over the full eight years, was 6607. This is the tract that went from all white in 1970 to 90 percent black by 1980. From 1975 to 1980, as the neighborhood was changing from white to black, the housing increase of 8.6 percent was below the community-wide average of 11.7; between 1980 and 1983, when the city showed an average increase of only four percent and most of Chicago Lawn was well below this, prices in tract 6607 increased 15.5 percent, with the median sales price going from \$26,100 to \$40,250.

This startling shift in race and housing values in this tract provides an opportunity to explore the dynamics of such change. In 1960, when tract 6607 was entirely white, the \$13,600 median value of a house was 78 percent of the community wide median of \$17,500. In 1970, when the neighborhood was still all white but beginning to fear the threat of racial change, the tract median of \$16,200 had gone up to 84 percent of the community-wide median value. In 1980 when the neighborhood was 90 percent black, the tract median of \$32,000 was 81 percent of the community median. (See Table 6.6.) There has been, then, a slight up and down movement in housing values, but by 1980, at least in terms of resident perceptions, housing here was closer to the community-wide median than it was in 1960.

Our actual sales data provide additional insights. In 1975, presumably when resegregation was in full gear, the house values in tract 6607 dropped to 75 percent of the community median.

That year 50 single family houses, almost 10 percent of the single-family housing stock in the tract, were sold. There is no way of knowing how many of these houses were sold directly to new owners and how many might have been sold to brokers who would later resell at a higher price. In 1983 when resegregation was complete, the median value of \$40,250 was 89 percent of the community-wide median, higher than it had been in either 1970 or 1960. Also in 1983, only six houses changed hands, suggesting this tract reached a new stability with a black home-owning population, a population with incomes somewhere between their black neighbors to the east and their white neighbors to the west.

Between 1980 and 1983, only one census tract in Chicago Lawn (tract 6603) showed an actual decline in housing value; it was a modest decline of 1.1 percent, but a decline nonetheless--at a time when housing nearly everywhere else was increasing. Several other tracts (6602, 6606, and 6611.2) showed increases of less than one percent. Property in all these tracts, however, had appreciated substantially and above the community median during the previous five years, 1975-1983.

One tract stands out as having experienced declining property values in recent years. This is 6609.3, that section of the tract that is immediately to the east of Marquette Park. In 1975, actual sales data show that this tract had housing values that were 103.3 percent of the community median; by 1983, actual sales prices were only 87.7 percent of the community median. This

is the tract that has experienced the lowest rate of appreciation (6.5 percent) between 1975 and 1983. People's perceptions reflect this decline: At the time of the 1960 census, reported values were 106 percent of the community median, in 1970 they had dropped to 96 percent, and by 1980 to 78 percent.

The declining viability of the commercial strips in Chicago Lawn has been a major concern to leaders in recent years. Twenty-five years ago the area around 63rd and Halsted was a regional shopping center. Not today. Leaders in Chicago Lawn echo the concerns of leaders in Belmont-Cragin: The outlying shopping centers have destroyed the community retail establishments, and residents are perceived to be unhappy with the shopping facilities. The neighborhood today does appear to offer insufficient parking and an inadequate selection for many shoppers. However, in the survey we found the new homeowners (those who had owned their houses five years or less) to be quite pleased with the availability of shopping; 92 percent claimed to be "very" or "somewhat" satisfied. Among homeowners who had lived in the neighborhood longer, only 59.6 percent were satisfied. They may remember better days or they may be less satisfied because many of the shops now cater to the newer ethnic groups.

There is a devastating financing cycle for commercial establishments that was pointed out to us by the director of the Greater Southwest Development Corporation: In a high turnover market (which this community has been) the new owner is paying off an expensive mortgage and needs to charge high rents to his

tenants, thus driving out the small shopowner who cannot afford high rent. Furthermore, many aging communities today have not creatively come to grips with how best to utilize the old commercial strips that no longer serve the neighborhood functions they once did.

Recognizing the importance of a healthy commercial district that provides jobs, the Greater Southwest Development Corporation worked for almost four years to convince Sears to stay on Western and 62nd and Jewel-Osco to locate across the street from Sears, thus providing a commercial anchor for the area. Importantly, the final presentation to the city on what assistance was needed was made jointly by four key community groups: the Development Corporation, the Southwest Parish and Neighborhood Federation, the Southwest Community Congress, and the local chambers of commerce. By the summer of 1985, Jewel-Osco was well established and an additional \$4 million in investments was completed or planned. These new investments include a number of fast-food franchises, auto parts stores, and small dress shops.

Compared to the other communities we studied, residents of Chicago Lawn are not very happy with how things are going in their neighborhoods: 36 percent think the neighborhood is worse now than it was two years ago and 44 percent anticipate it will be worse in another two years. (See Tables B and C.) Fewer than half (49.3 percent) believe buying a house in the neighborhood now would be a good investment; 21 percent are not sure, which is a greater expression of uncertainty than is seen in the other

communities. (Table D.) Only 61 percent believe their property is worth more today than five years ago; 24 percent believe it is worth about the same and another 15 percent believe it is actually worth less today than five years ago. (Table E.) This last perception stands in contrast to the data presented above which showed that property in all but one census tract (6603) has appreciated since 1980.

While satisfaction with public transportation remains high, satisfaction with public schools, safety, and property values are low, especially among long-time residents. Only 54 percent of the long-time owners are satisfied with the racial make-up of the neighborhood and only 57 percent with the appearance. On both these items, new homeowners are considerably more content, 82 percent being satisfied with the racial make-up and 84 percent with the appearance.

Although new buyers in the neighborhood are significantly more satisfied than the long-time homeowners, they are not very pleased with either the quality of the schools or the way property values are going. Obviously, these are two issues of major concern to young families and therefore crucial for this community's future. While home equity could do nothing about the conditions in public schools, it could address the concern about property values.

Satisfaction with the community also varies depending on where property owners live. Among those living east of California Avenue, only 22 percent are very satisfied with their



community; among those living west of California, 50 percent are very satisfied. (Table 6.7.) Perceptions of the neighborhood's future also vary by location. Fifty-five percent of homeowners in the eastern section think things will get worse, while only 35 percent of owners in the western portion of the community are that pessimistic.

Eighty-four percent of Chicago Lawn homeowners think increased crime is very important in causing property values to drop and 83 percent think housing deterioration is a major factor. These two items are consistently perceived to be major causes of property decline in all six community areas under study. (Table I.) Sixty-nine percent of the homeowners in this community think minorities moving in to an all-white neighborhood cause property values to decline. A very high percentage (over 65 percent) see realtor panic peddling and the fear and ignorance of residents--which often function together--as factors in property values dropping. Here testimony of numerous community residents offers empirical evidence that unscrupulous realtor tactics have continued unabated in this community for years, and indeed may play the major role in influencing perceptions of property values.

A substantial percentage of residents in this community (17 percent) anticipate moving in the coming year. Almost one third say they are very likely to move within five years and over 40 percent are at least somewhat likely to move in five years. If nothing changes this community can anticipate considerable

residential turnover in the next few years. Interestingly, residents east of California are only slightly more likely to anticipate moving than are residents in the western part of the community. At the same time, eastern residents are substantially less likely to believe their property is worth more now than it was five years ago. While 64 percent of those living in the western part of the community think their property values have improved over the past five years, only 48 percent of those in the eastern part of the community believe they have experienced appreciation in their property values. An analysis of actual average annual rates of change between 1975 and 1983, however, shows virtually no difference in the two sectors of the community. (See Table 6.8.)

Most of the residents who anticipate moving do not plan on remaining in the city. Only 21 percent indicated they would probably move to another neighborhood in Chicago; some of these may be city employees who have no choice if they are to keep their jobs. Most of the movers (44 percent) anticipated moving to the suburbs, but another 22 percent thought they might move outside the metropolitan area altogether.

Among Chicago Lawn homeowners, almost three-fifths (56.8 percent) believe that a program like home equity would benefit the neighborhood. Over 20 percent (21.6 percent) think it would be of no benefit; an equal number are not sure. Residents west of California Avenue are slightly more likely to believe the program would be beneficial (59 percent versus 52 percent).

Some of the respondents who were negative about the feasibility of home equity felt the neighborhood was "too far gone" to be saved; others expressed serious reservations about such a program and the risks entailed. One respondent who thought the program would be of no benefit said, "The only way to guarantee neighborhood stability is to guarantee that people don't move out...". Ironically, of course, this is just what the program proposes to do.

Somewhat more than one third of the respondents (37.7 percent) indicated they would consider paying for such a program and most of these (79.8 percent) would be willing to pay \$100 per year. But fewer than half of that number would pay \$200 per year and only one fifth of that number would consider going higher. Residents west of California Avenue again are somewhat more supportive, with 40 percent willing to pay, compared to 34 percent of the homeowners east of California.

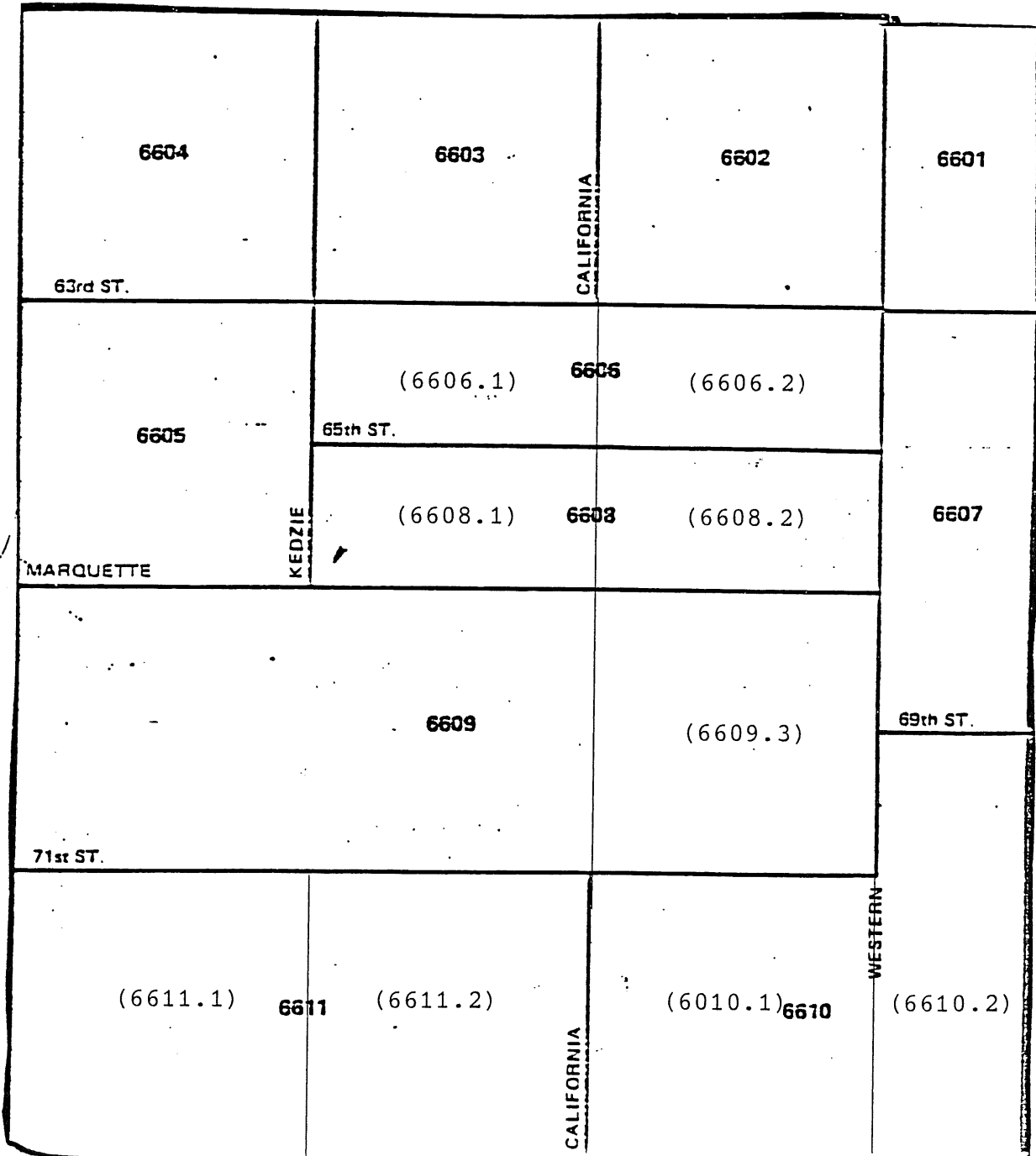
Clearly, home equity is a program that needs to be sold to a somewhat skeptical populace in Chicago Lawn. Although a majority of homeowners here believe the program would be of benefit, there is less enthusiasm in this community than in any of the others we looked at. (See Table F.) Many homeowners would apparently not remain even if such a program were in place; many white residents admit they simply do not want to live in a community where growing numbers of neighbors are black, Hispanic, or Middle Eastern. On the other hand, in the words of one community leader, "Home equity would give people a choice." If some

1. Gary Orfield and Ricardo M. Tostado (eds.), Latinos in Metropolitan Chicago: A Study of Housing and Employment. A Report to the Latino Institute, Chicago, 1983.

2. The community wide median family income for Chicago Lawn in 1970 was \$11,582. For census tract 6607, the median family income was \$11,333.

MAP 6.1

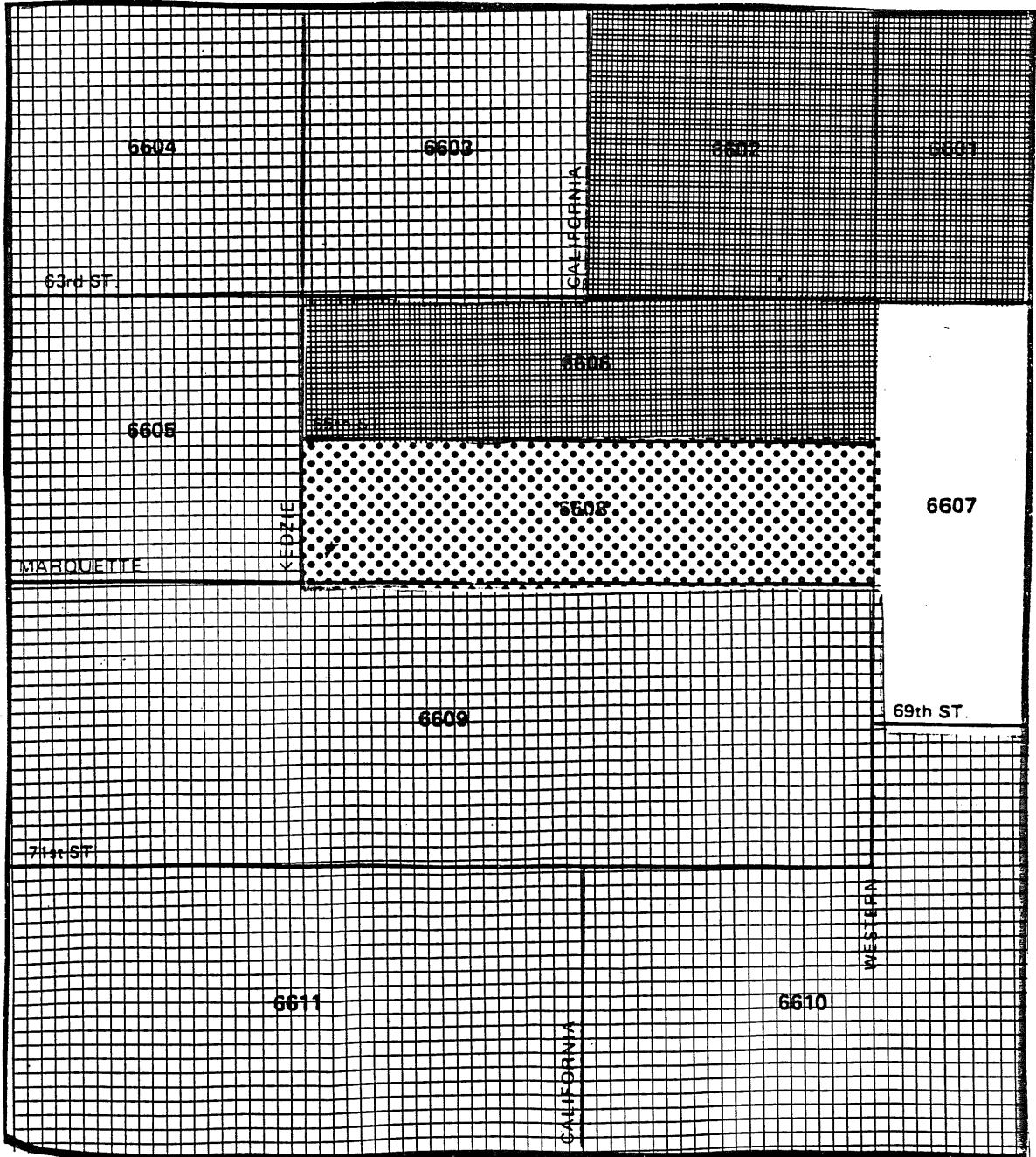
CHICAGO LAWN



MAP 6.2

CHICAGO LAWN

PERCENT HISPANIC, 1980



LESS THAN 5%



10 - 14.9%



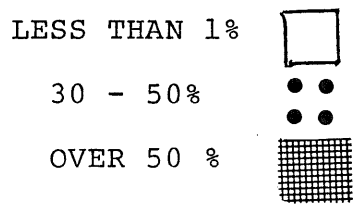
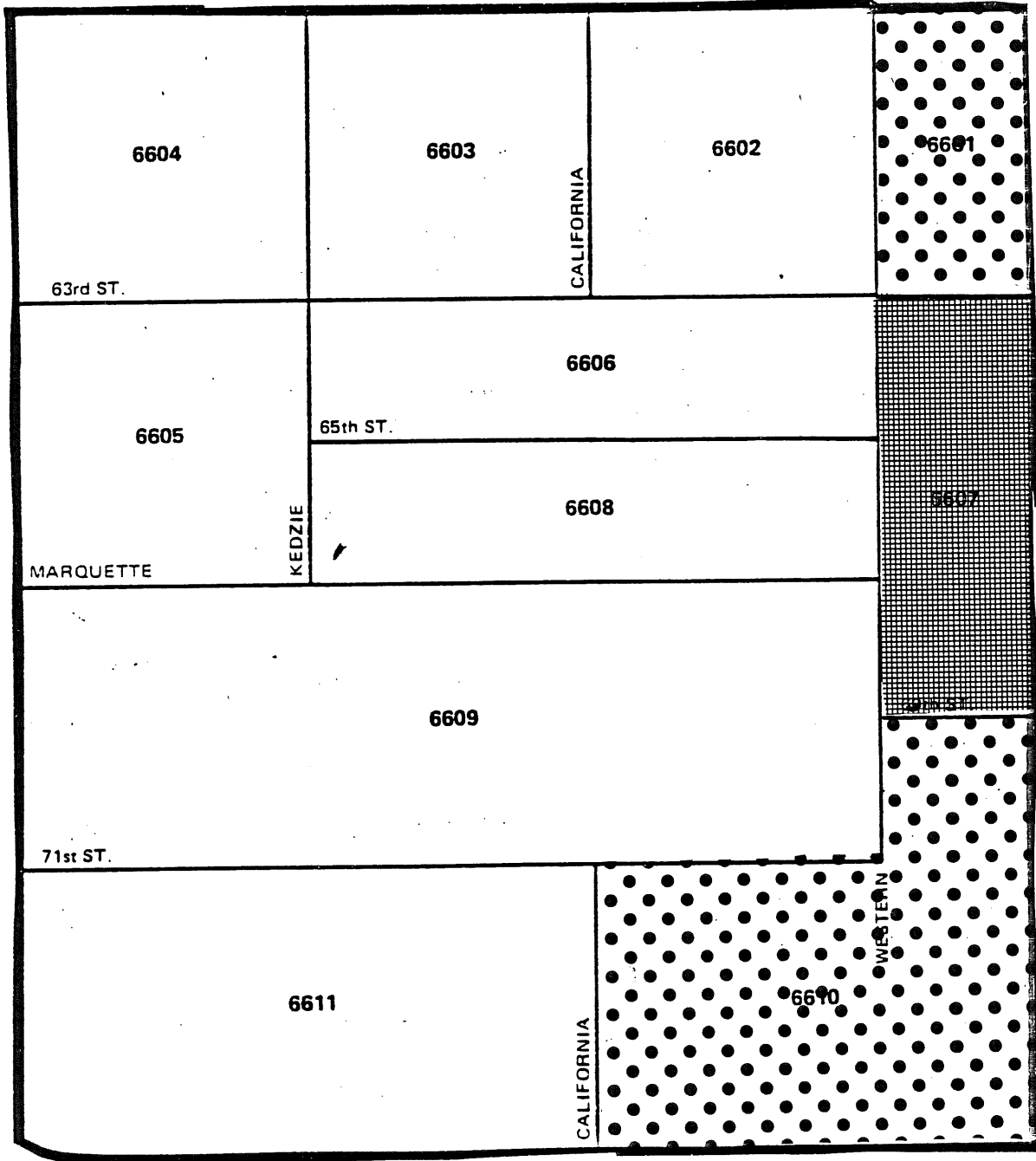
5 - 9.9%



OVER 15%



MAP 6.3  
 CHICAGO LAWN  
 PERCENT BLACK, 1980

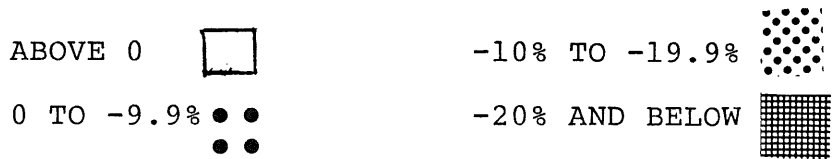
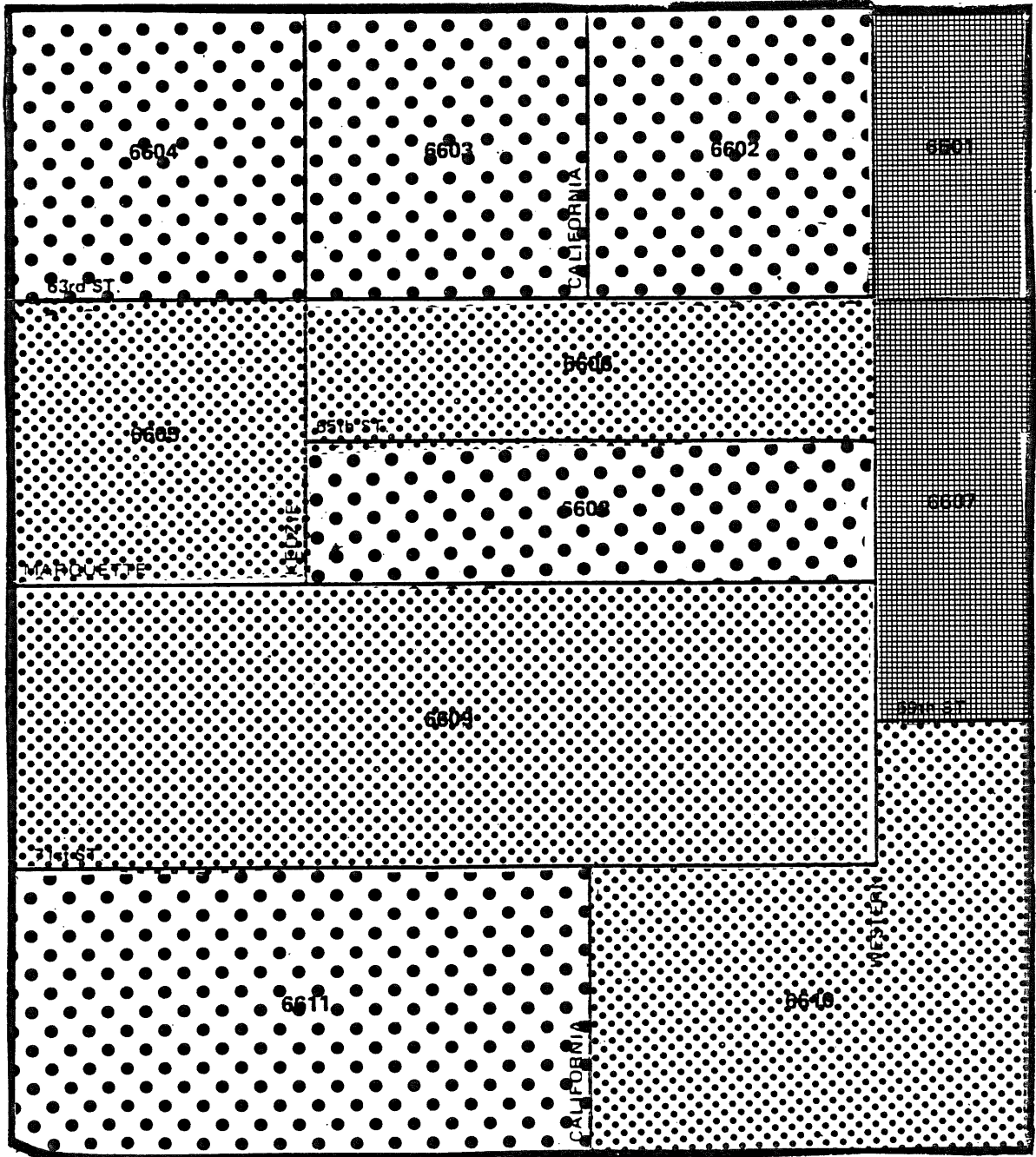


MAP 6.4

CHICAGO LAWN

CHANGE IN MEDIAN FAMILY INCOME

1969 - 1979

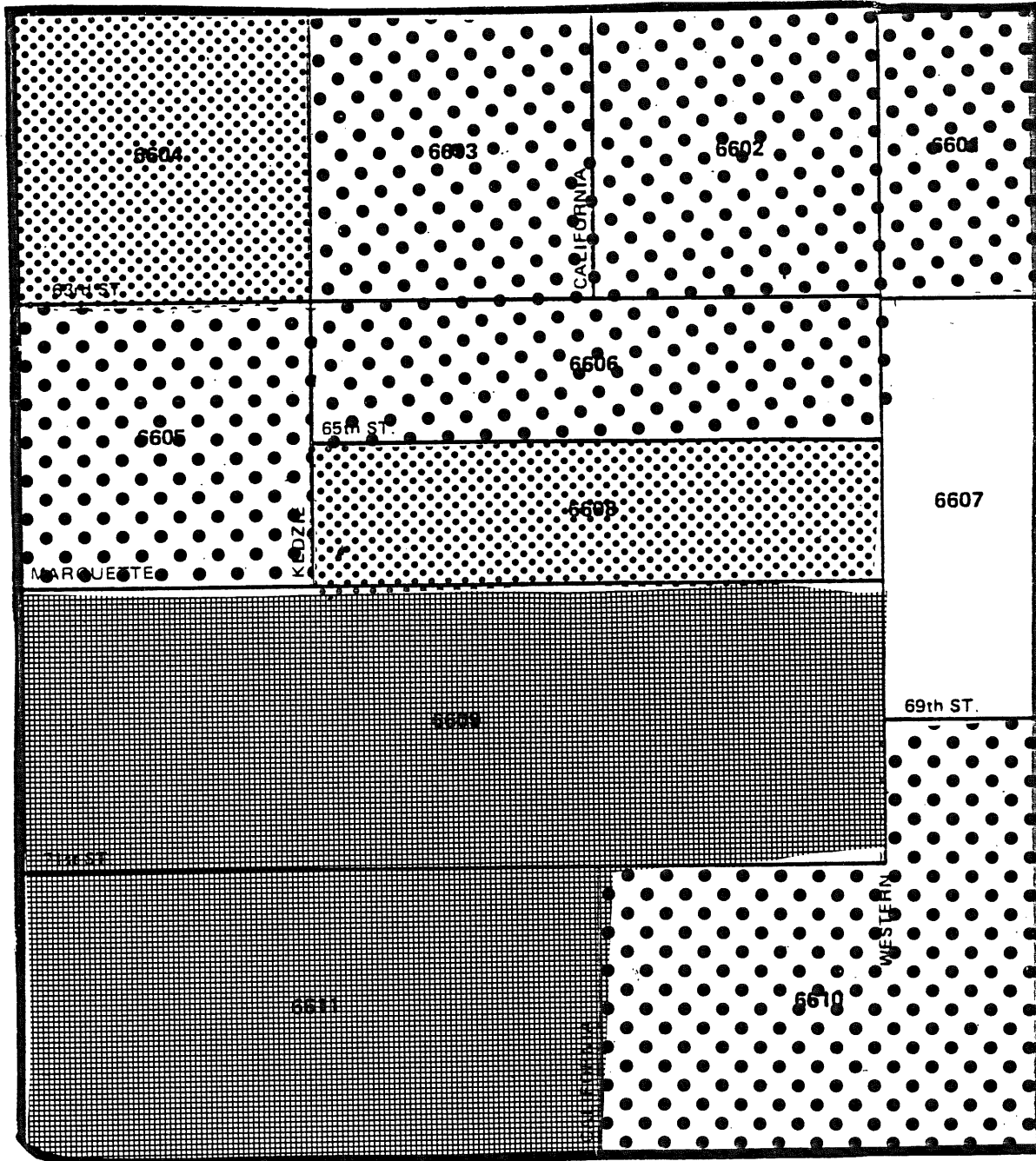




MAP 6.5

CHICAGO LAWN

MEDIAN AGE, 1980



LESS THAN 28



28 - 34.9



35 - 39.9



40 AND OVER

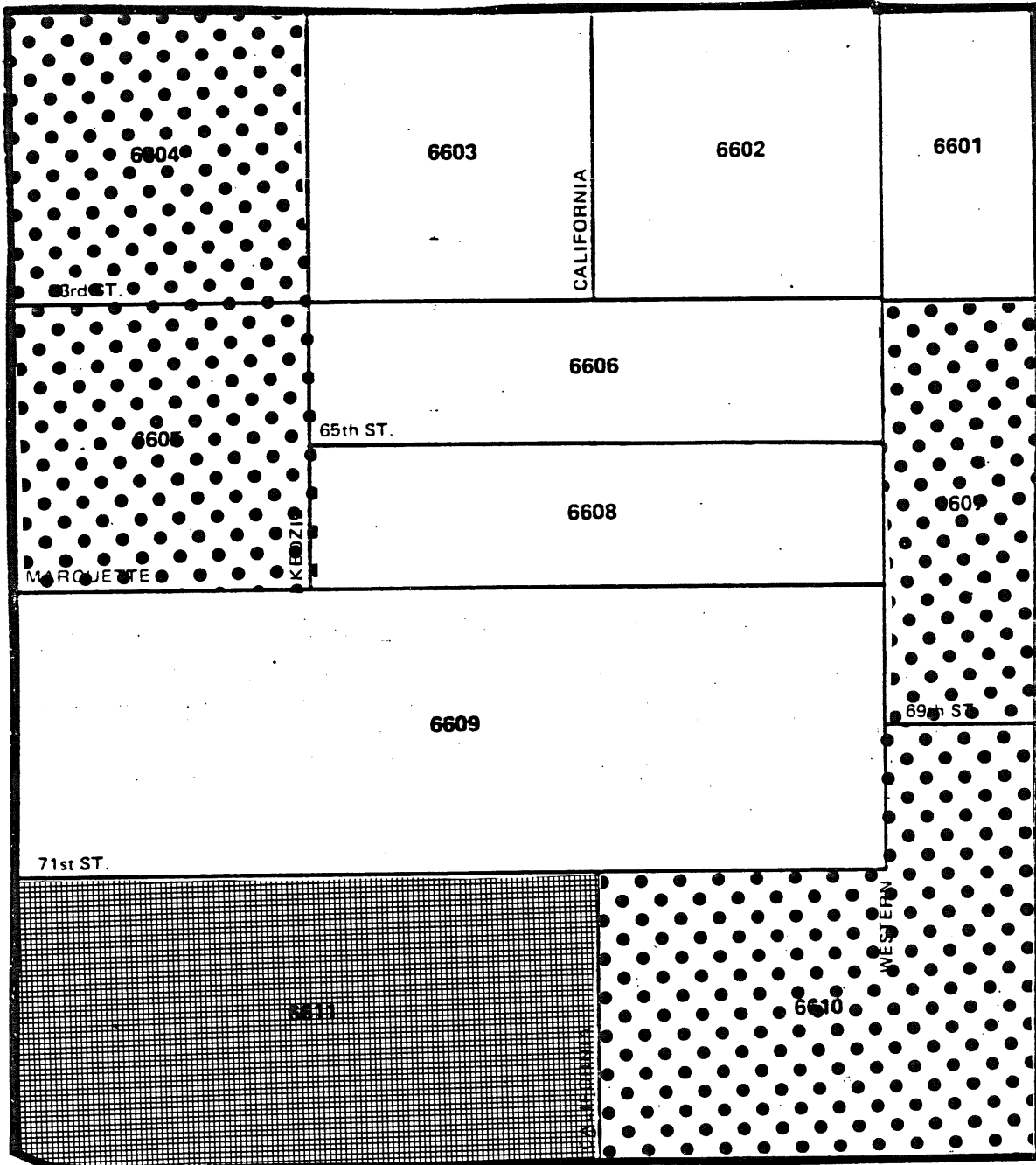


MAP 6.6

CHICAGO LAWN

PERCENT OWNER OCCUPIED, 1980

PERCENT OF HOUSING



LESS THAN 50%

50 - 69.9%

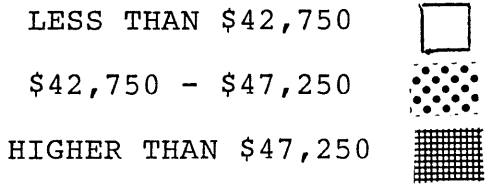
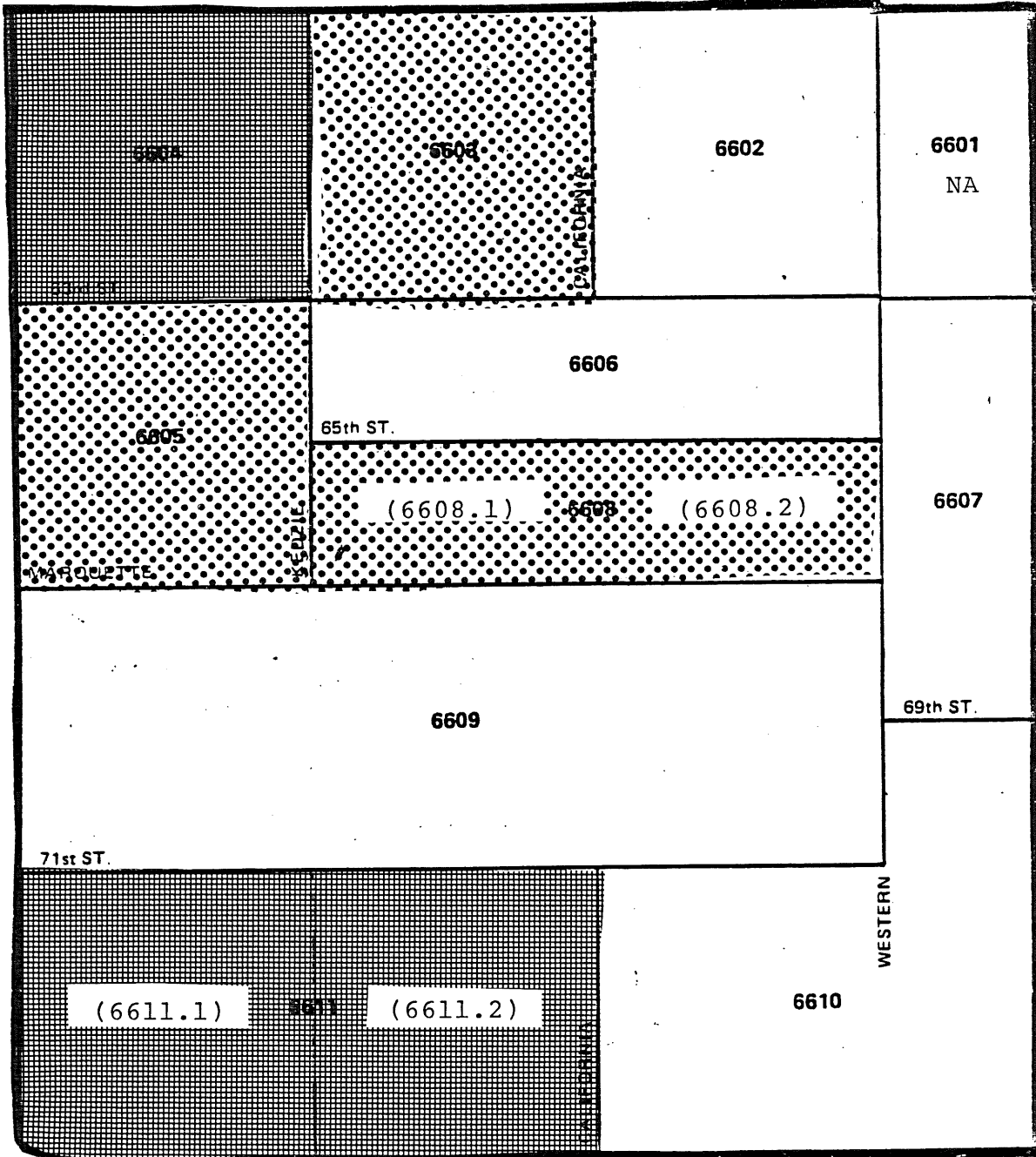
70% AND OVER



MAP 6.7

CHICAGO LAWN

MEDIAN HOUSE PRICE, 1983

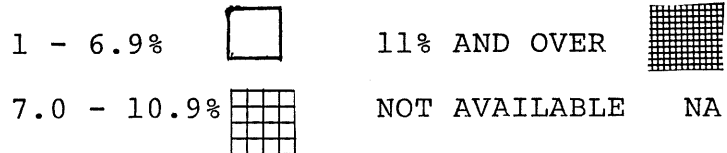
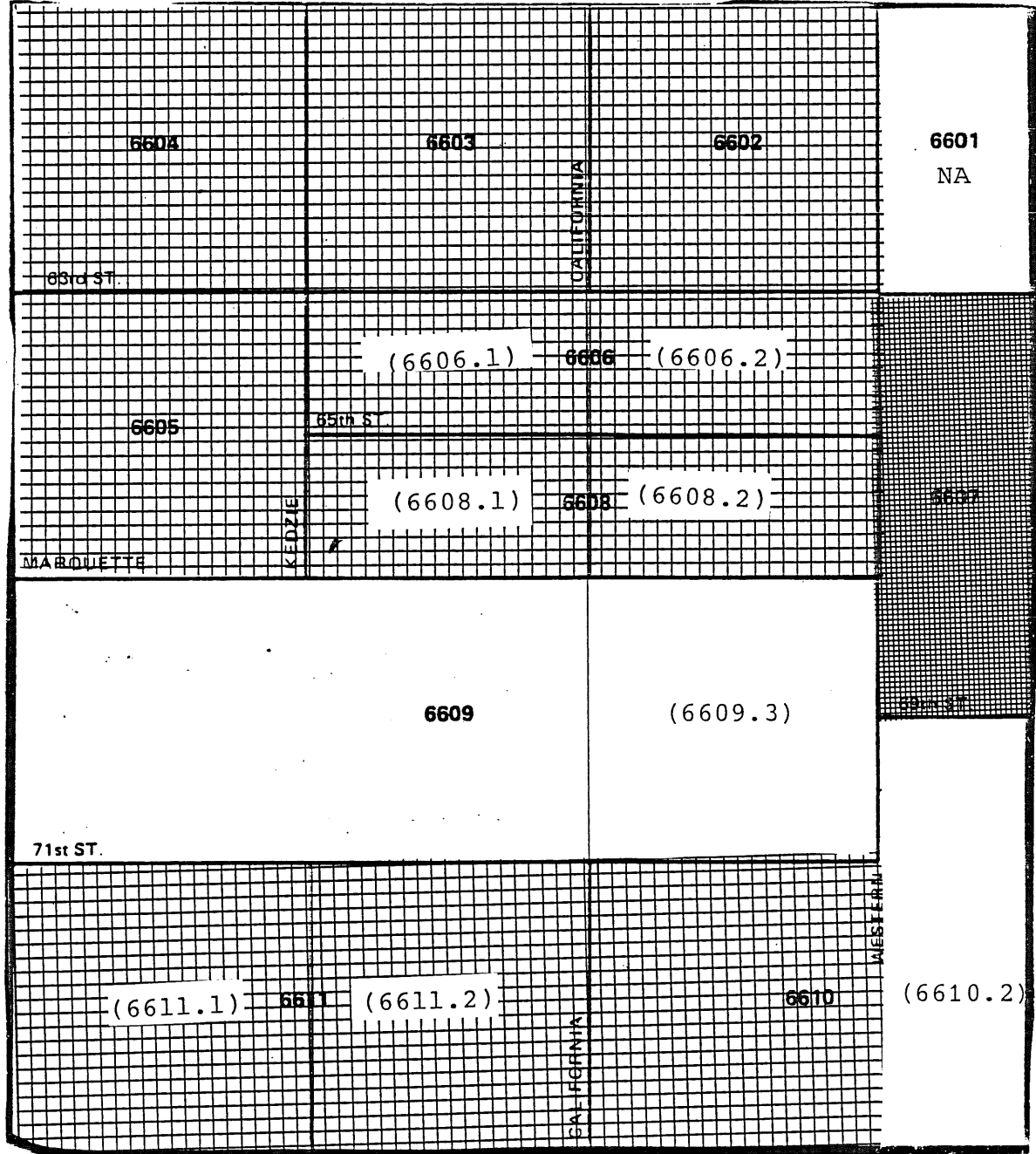


MAP 6.8

CHICAGO LAWN

PERCENT OF CHANGE IN MEDIAN HOUSE PRICES

1975 - 1983



## Explanation of Legend on Graphs

### Graph: Homeowner Satisfaction With Community

sch = quality of public schools  
appr = appearance of streets, grounds, and buildings  
rep = reputation of neighborhood  
shop = convenience to shopping  
prpv = the way property values are going  
safe = safety of the neighborhood  
cwk = convenience to work  
trns = availability of public transportation  
inco = income level of others in the neighborhood  
race = racial make-up of the neighborhood  
qhs = quality of housing for the money  
apts = maintenance of apartment buildings in the neighborhood

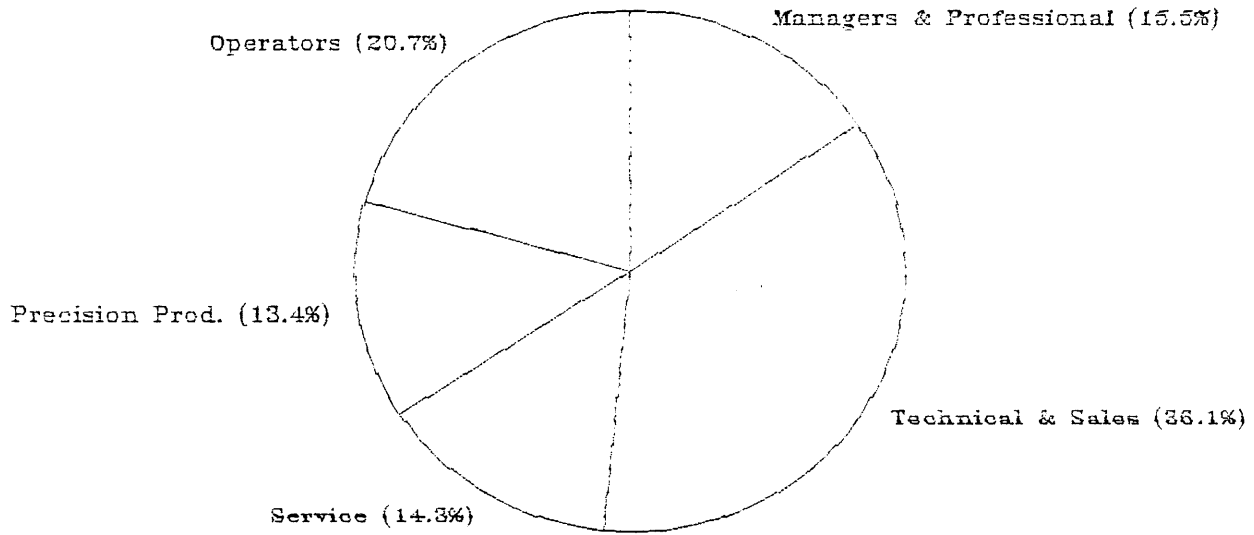
### Graph: Why Moved to Neighborhood

schl = quality of public schools  
appr = appearance of streets, grounds, and buildings  
repu = reputation of neighborhood  
shop = convenience to shopping  
sfty = safety of the neighborhood  
work = closeness to work  
trnsp = availability of public transportation  
prval = likelihood that property values would go up  
inco = having neighbors of a similar income level  
race = having neighbors mostly of your own race  
hou = affordable housing for the money  
frnds = friends or relatives lived here  
grew = this is where you grew up

GRAPH 6.1

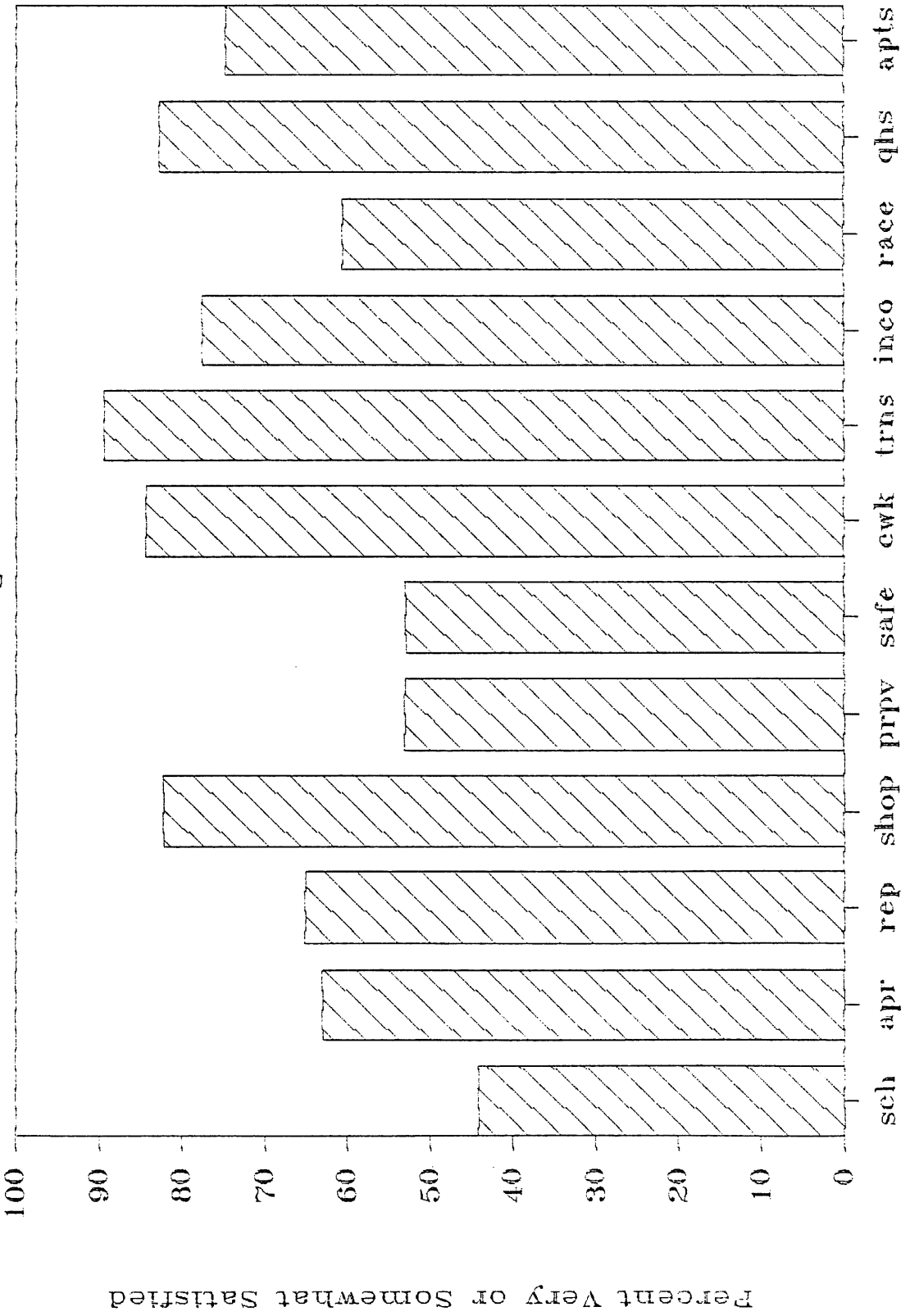
# Percent in Occupational Categories

Chicago Lawn (1980)



# Homeowner Satisfaction With Community

Chicago Lawn

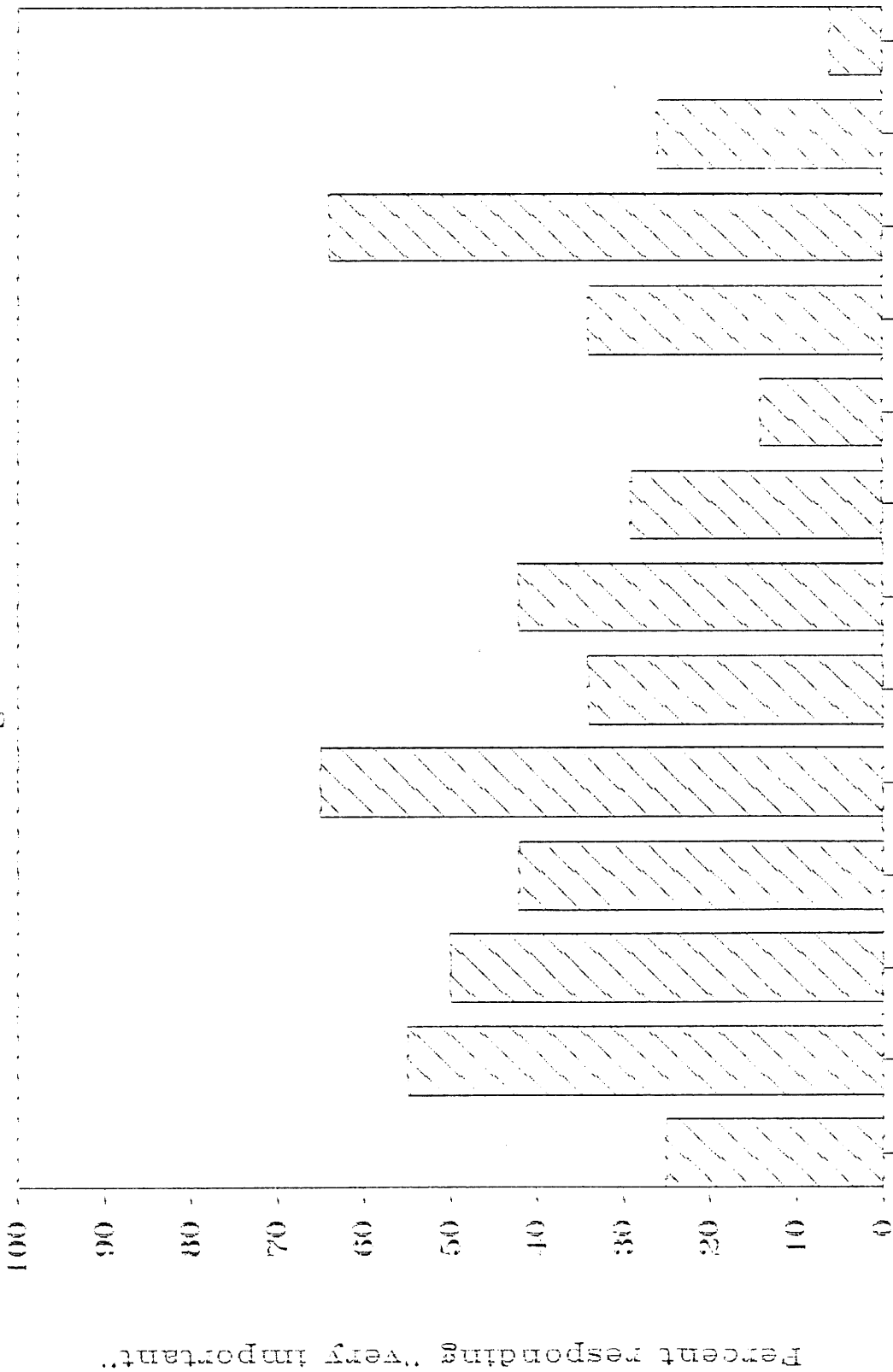


Community Characteristics

GRAPH 6.2

# WHY MOVED TO NEIGHBORHOOD

Chicago Lawn Homeowners



Factors Important in Decision to Move



Table 6.1  
 COMMUNITY PROFILE  
 Chicago Lawn

Total Population, 1980	46,568
change from 1970	-3.8%
percent black, 1980	10.3
percent Hispanic, 1980	10.5
Population in different home five years ago, as of 1980	43.1%
Median Years, education	12.2
Median Family Income	\$21,057
percent change in real income, 1969-79	-10.9
percent families earning over \$30,000, 1979	24.7
percent families in poverty, 1979	7.8
Total Housing Units	18,165
percent single units	40.8
percent owner-occupied	52.2
Median Value, single-family house, 1980	\$40,000
Percent households with female head, 1980	18.4

TABLE 6.2

## MEDIAN SINGLE-FAMILY HOME PRICES - 1975, 1980, 1983

## CHICAGO LAWN

	1975		1980		1983	
	SALES/MEDIAN		SALES/MEDIAN		SALES/MEDIAN	
Entire Community Area	466	\$23,000	193	\$40,000	202	\$45,000
Tract 6601	*	*	*	*	*	*
6602	21	23,500	19	42,000	19	42,000
6603	38	23,950	14	46,500	19	45,000
6604	47	26,732	17	41,500	19	48,000
6605	39	24,900	17	44,000	20	46,400
6606.1	18	22,000	14	39,000	6	39,500
6606.2	21	22,900	9	40,000	10	41,000
6607	50	17,250	18	26,100	6	40,250
6608.1	21	24,500	12	43,000	14	45,000
6608.2	13	24,000	9	38,500	9	45,000
6609.3	10	23,750	8	37,000	12	39,450
6610.1	43	22,500	17	40,000	20	42,000
6610.2	82	21,250	13	34,500	12	36,200
6611.1	29	29,900	10	51,250	17	56,000
6611.2	32	26,750	13	47,000	19	48,000

Notes: (a) means that the sales from 1975 and 1976 were combined in order to have a total for each tract of five sales.

(b) means that the sales from 1979 and 1980 were combined in order to have a total for each tract of five sales.

(c) means that the sales from 1982 and 1983 were combined in order to have a total for each tract of five sales.

(\*) means that the combining of sales from two selected years still did not give a minimum of five.

TABLE 6.3  
CHANGE IN MEDIAN PRICES BETWEEN SELECTED YEARS

CHICAGO LAWN

	AVERAGE ANNUAL COMPOUND RATE OF CHANGE		
	1975/1980	1980/1983	1975/1983
Entire Community Area	11.7	4.0	8.8
Tract 6601	*	*	*
6602	12.3	0.0	7.5
6603	14.2	-1.1	8.2
6604	9.2	5.0	7.6
6605	12.1	1.8	8.1
6606.1	12.1	0.4	7.6
6606.2	11.8	0.8	7.6
6607	8.6	15.5	11.2
6608.1	11.9	1.5	7.9
6608.2	9.9	5.3	8.2
6609.3	9.3	2.2	6.5
6610.1	12.2	1.6	8.1
6610.2	10.2	1.6	6.9
6611.1	11.4	3.0	8.2
6611.2	11.9	0.7	7.6

TABLE 6.4

## CHICAGO LAWN

Percent Single Units Sold (1979-1983), Rank, and  
Average Annual Rate of Change, Rank, by Tract

Tract	Percent Single Units Sold, 1979-1983	Sales Rank	Average Annual Rate of Change, 1975-1983	Change Rank
6601	16.7	1	*	
6602	15.4	5	7.5	12
6603	12.0	9	8.2	2
6604	12.2	7	7.6	8
6605	11.8	10	8.1	5
6606	16.6	2	7.5	
6606.1			7.6	8
6606.2			7.6	8
6607	12.1	8	11.2	1
6608	16.6	2	7.9	
6608.1			7.9	7
6608.2			8.2	2
6609	16.5	4	6.5	14
6610	14.5	6	8.0	
6610.1			8.1	5
6610.2			6.9	13
6611	10.1	11	7.1	
6611.1			8.2	2
6611.2			7.6	8
TOTAL	13.2		8.8	

TABLE 6.5  
Chicago Lawn  
Housing Sales Prices in Census Tracts  
as Percent of Community Median,  
1975 and 1983 (actual sales data)

Tract	1975 median sales price as % of community (number of houses sold)	1983 median sales price price as % of community (number of houses sold)
6601	-----	-----
6602	102.2 (21)	93.3 (19)
6603	104.1 (38)	100.0 (19)
6604	116.2 (47)	106.7 (19)
6605	108.3 (39)	103.1 (20)
6606.1	95.6 (18)	87.8 (6)
6606.2	99.6 (21)	91.1 (10)
6607	75.0 (50)	89.4 (6)
6608.1	106.5 (21)	100.0 (14)
6608.2	104.4 (13)	100.0 (9)
6609.3	103.3 (10)	87.7 (12)
6610.1	97.8 (43)	93.3 (20)
6610.2	92.4 (82)	80.4 (12)
6611.1	130.0 (29)	124.4 (17)
6611.2	116.3 (32)	106.7 (19)

The median sales price for single-family houses in Chicago Lawn was \$23,000 in 1975 and \$45,000 in 1983.

TABLE 6. 6  
Chicago Lawn  
Self Reported Housing Prices in Census Tracts  
as Percent of Community Median,  
1960, 1970, 1980

Tract:	Median sales price as percent of community		
	1960	1970	1980
6601	----	----	----
6602	101.7	98.9	97.7
6603	100.0	100.5	95.4
6604	92.0	94.8	100.8
6605	97.7	100.5	109.4
6606	97.7	95.8	95.7
6607	77.7	84.4	81.4
6608	105.7	100.5	98.7
6609	105.7	96.4	78.4
6610	97.7	96.4	92.4
6611	108.0	113.5	115.3

Median house values for Chicago Lawn were \$17,500 in 1960; \$19,200 in 1970; and \$39,300 in 1980.

Source: 1960, 1970, and 1980 U.S. Census

TABLE 6.7

## CHICAGO LAWN

Differences Between Homeowners Living East of California Ave  
and Homeowners Living West of California Ave

	Eastern Homeowners -----	Western Homeowners -----
Present Satisfaction with Neighborhood:		
very satisfied	22.0	50.0
somewhat satisfied	42.4	37.2
not satisfied	35.6	12.8
Perception of Neighbor- hood's Future:		
better	3.6	4.9
worse	55.4	35.4
same	37.5	59.8
Neighborhood is a Good Investment	33.3	50.0
Very Likely to Move in One Year	18.3	17.0
Very Likely to Move in Five Years	25.5	22.5
Somewhat Likely to Move in Five Years	14.9	11.2
House is Worth More Now than Five Years Ago	48.3	64.1
Home Equit Would Benefit N'hood	52	59
Would be Willing to Pay for Home Equity	34	40

TABLE 6.8

Average Annual Rates of Change in Median Value of Single Family Houses from 1975 to 1983

Tracts/Sub-tracts East of California Ave		Tracts/Sub-Tracts West of California Ave	
6602	7.5	6603	8.2
6606.2	7.6	6604	7.6
6607	11.2	6605	8.1
6608.2	8.2	6606.1	7.6
6609.3	6.5	6608.1	7.9
6610	8.0	6611	7.1



TABLE 6.9

## CHICAGO LAWN

"How Satisfied Are you Right Now with Things  
in Your Neighborhood?"

(% saying "very" or "somewhat" satisfied)

	New Buyers (N=38)	Long-Time Owners (N=116)
Quality of Public Schools	61.9	39.2
Appearance of Neighborhood	84.2	56.9
Reputation of Neighborhood	85.7	58.6
Availability of shopping	92.1	59.6
Property Values	66.7	51.5
Safety	78.9	45.2
Convenience to work	82.4	85.2
Public transportation	91.2	88.9
Income level of residents	90.0	75.4
Racial make-up of neighborhood	81.6	54.1
Housing for the money	100.0	76.9
Maintenance of apartment bldgs	83.3	71.8

## CHAPTER SEVEN

### Washington Heights

On the far Southwest Side of the city, bordered by fashionable Beverly to the west, Roseland to the east, and Auburn-Gresham to the north, lies Washington Heights. This community, settled by northern and western European immigrants and their descendants prior to 1930, grew rapidly between 1930 and 1970, reaching its peak population of 36,540 at the end of that period. During the 1950s, a few black families began to move into the census tracts east of Halsted, but they comprised only 12.5 percent of the community's total population by 1960. During the next two decades, however, black in-migration was accompanied by accelerated white out-migration, and by 1980 Washington Heights was a totally black community.

Many of those original black settlers of the 1960s and 1970s have stayed, making the community a stable one in recent years. Of all six community areas in our study, Washington Heights had the least turnover between 1979 and 1983 with only 5.6 percent of its one-unit structures changing owners. Eighty-eight percent of the Washington Heights homeowners in the survey were living in the first home they had ever owned and 71 percent had lived there

for over 10 years.

It was the Federal Housing Administration (FHA) mortgage program of the 1960s and 70s that made homeownership possible. Among those who have owned homes in Washington Heights for more than five years, 61.2 percent indicated they bought their homes through FHA; Veterans Administration loans accounted for an additional 15.5 percent of home financing. Only 21.4 percent of long-time home owners had purchased homes with conventional mortgages. This remains the pattern even today in Washington Heights: among new home owners only 31 percent purchased with conventional loans.

Over 75 percent of the housing in this community is in one-unit structures and owner-occupied. The median reported value of single-family homes was \$41,000 at the time of the 1980 census. This was 87 percent of the city median, a drop from 1970, when the median reported value of \$20,200 was 95 percent of the city median.

On the other hand, property values here appear to have increased substantially since 1980. Our sales data show the median 1983 price for a single-family home was \$49,900; prices ranged from \$33,500 in the western half of tract 7306 to \$58,500 in the eastern part of tract 7304. As Table 7.2 and 7.3 show home values increased substantially in the period from 1975 to 1983. The 10.3 percent annual increase was the highest registered for any community in our study; in many parts of Washington Heights

increases over the eight-year period were in excess of 11 or 12 percent per year.

Not only has Washington Heights been stable in the past, but survey responses also indicate a good likelihood of stability in the future. Virtually no one in this community (2.2 percent of the homeowners) plans to relocate in the course of the next year and relatively few residents anticipate moving in the next five years: Only 8.8 percent are very likely to move and only 15.4 percent are even somewhat likely to move in the coming five years. (See Table G.) The only community with fewer residents planning to move is Avalon Park.

Washington Heights is a middle-class community. Its median family income of \$23,422 in 1979 was \$4,500 above the city-wide median. Nonetheless, in real dollars, this community suffered a five percent decline in income over the decade of the 1970s. One third of the community's families had incomes over \$30,000 in 1980. The number of white-collar workers rose substantially during the past decade, increasing from 23 percent to 52 percent of the work force. But during that same decade, unemployment almost tripled, rising from 4.8 percent to 12.9 percent. Such high levels of unemployment pose a serious threat to any community.

On the whole, the residents of Washington Heights appear satisfied with their community. An overwhelming majority are at least somewhat satisfied with the various elements of community life about which we inquired. Yet there are some differences

between the new homebuyers and those who have been there longer. Long-time owners are substantially less satisfied than new buyers with the quality of public schools--58 percent compared to 85 percent--and less satisfied as well with the appearance and reputation of their neighborhood, with community safety, and with the way property values are going. Nonetheless, with the exception of schools, the numbers remain above 60 percent registering satisfaction with the range of aspects of community life.

In general, then, the survey depicts Washington Heights homeowners as a stable group, satisfied with their community and planning to stay. Only eight percent feel their neighborhood has become a worse place to live in recent years, and only ten percent foresee a downturn.

Virtually all homeowners in Washington Heights (96 percent) believe that their property is worth more now than it was five years ago, and 63 percent believe that buying in the community today would be a good investment. (See Tables D and E.) There is slightly less optimism about the future here than in Avalon Park. On the other hand, residents are considerably more positive than homeowners in nearby Chicago Lawn, among whom only 61 percent believe their property is worth more today than five years ago and fewer than half of whom believe that buying in the community would be a good investment.

Housing in Washington Heights and Chicago Lawn is in fact comparable in terms of value and price. The median 1980 census

reported value of \$41,000 for a Washington Heights single-family house was a 103 percent (7.3 percent per year) increase over the 1970 value; for Chicago Lawn, the 1980 median reported value of \$39,300 was an increase of 105 percent (7.4 percent per year) over the decade. Our actual sales data, however, show that Washington Heights had an average annual rate of change from 1975 to 1983 that was 10.5 percent compared to an 8.8 percent average annual appreciation rate in Chicago Lawn. (See Table 7.3.) Significantly, between 1979 and 1983 only 5.6 percent of single-family homes in Washington Heights were sold, compared to 13.2 percent in Chicago Lawn.

Despite optimism about their community's future, homeowners in Washington Heights expressed a good deal of support for the idea of a home equity program: 74 percent think it would be a benefit to the community, while eight percent are uncertain and only 17 percent think it would be of no benefit at all. Almost three fifths of these owners (58.8 percent) indicate a willingness to pay for such insurance if it were available. Older homeowners tend to be more supportive of the concept than new homebuyers (80 percent vs. 67 percent) and more willing to pay. This is the case despite the fact that new homebuyers are considerably more likely to be making over \$30,000 than those who have been in their homes longer. While 85 percent of those who express a willingness to buy into such a program would be willing to pay \$100 per year, only 50 percent of that group would pay

\$200 per year and only 22 percent of that group would go as high as \$300 per year.

Despite indicators of healthy property appreciation rates and resident optimism, Washington Heights in the 1980s is struggling to retain its middle-class character. Churches, which thrive in this community, are playing an important role in the process. Residents also are putting enormous efforts into preserving important community institutions. In Washington Heights, as in Avalon Park and the white middle-income communities, families that can afford to do so will frequently use private rather than public schools. One Catholic high school has been operating in Washington Heights for over 40 years. For decades this school drew white students from all over the city. It now has 850 students, all black. Tuition is over \$1,200 per year and the school continues Catholic school traditions, such as uniforms for the students, although two thirds of those who attend today are not Catholic. As in the white ethnic neighborhoods, the future of this community depends to some considerable extent on the continuing commitment of the Catholic archdiocese to maintain community churches and schools.

The principal of the Catholic high school expressed her belief that the school keeps property values up in the community even while it offers an important educational alternative to concerned and ambitious parents. "These parents will sacrifice everything to send their kids to a good school," she said. "Once

they have a half-way decent home and a half-way decent job, the next thing is their children's education."

Washington Heights' struggle to maintain its viability as a middle-class community is also evident in the battles waged recently around several community ventures. A few years ago an ad hoc group of citizens organized to protest the construction of a motel on 95th Street and later to protest the fact that a new Walgreen's Drug Store would be selling liquor. While the motel and the liquor license became realities, community residents made it clear to the proprietors that they would be monitoring business operations. This community, so close geographically to lower-income blacks, feels the need constantly to defend its boundaries. Thirty-four percent of the homeowners believe that low-income people moving into a neighborhood is a very important factor in causing property values to drop. While this reflects a concern, much higher numbers see crime, housing deterioration, realtor panic peddling, and residents' fear and ignorance as more serious factors contributing to a decline in property values.

The most recent struggle to defend community boundaries centered on a proposed shelter for the homeless. A 15-year resident of Washington Heights organized a group called Protective of Our Neighborhood (PON) to oppose the location of the shelter in Washington Heights. Her concern was that the community could not absorb the occupants of such a shelter: "They need to be located in a place where they could be filtered into the community." Even those in the community who are sympathetic



to the need for a shelter fear that Washington Heights cannot afford additional destabilizing components.

Over 20 percent of the Washington Heights residents in the survey cite drugs as a serious community problem. This is higher than the percentages in the other communities, but not significantly so. No other problem in the list of ten posed to respondents was viewed as a big problem by more than 12 percent of the residents. Only eight percent of the respondents view street crime as a big problem in Washington Heights.

While the interviews paint an optimistic picture, a number of community leaders indicated problems. The pastor of a local Catholic parish said, "You don't have to be a community organizer to figure out that this neighborhood is changing." There is a certain desperation in the way some residents view their community these days. "Hurry up and offer it," said another leader when he was asked about home equity, "the community is starting to deteriorate."

Gangs is one growing problem. Management of the FHA program is another. The very same government-backed mortgage program that made it possible for moderate-income minority families to move to a better neighborhood in the late 1960s and early 1970s is now viewed by some as a threat to the community's future. Proper management of the program, along with adequate screening and counseling of clients, appears absolutely crucial. When the program is properly administered, a community may become integrated racially or economically without losing its middle-class

character. A community may even--as Washington Heights did--go through a complete racial transition and still stay middle-class. Yet when the program is poorly administered and numerous high-risk individuals are allowed to purchase without proper counseling, the program can be a key element in housing deterioration and neighborhood decline.

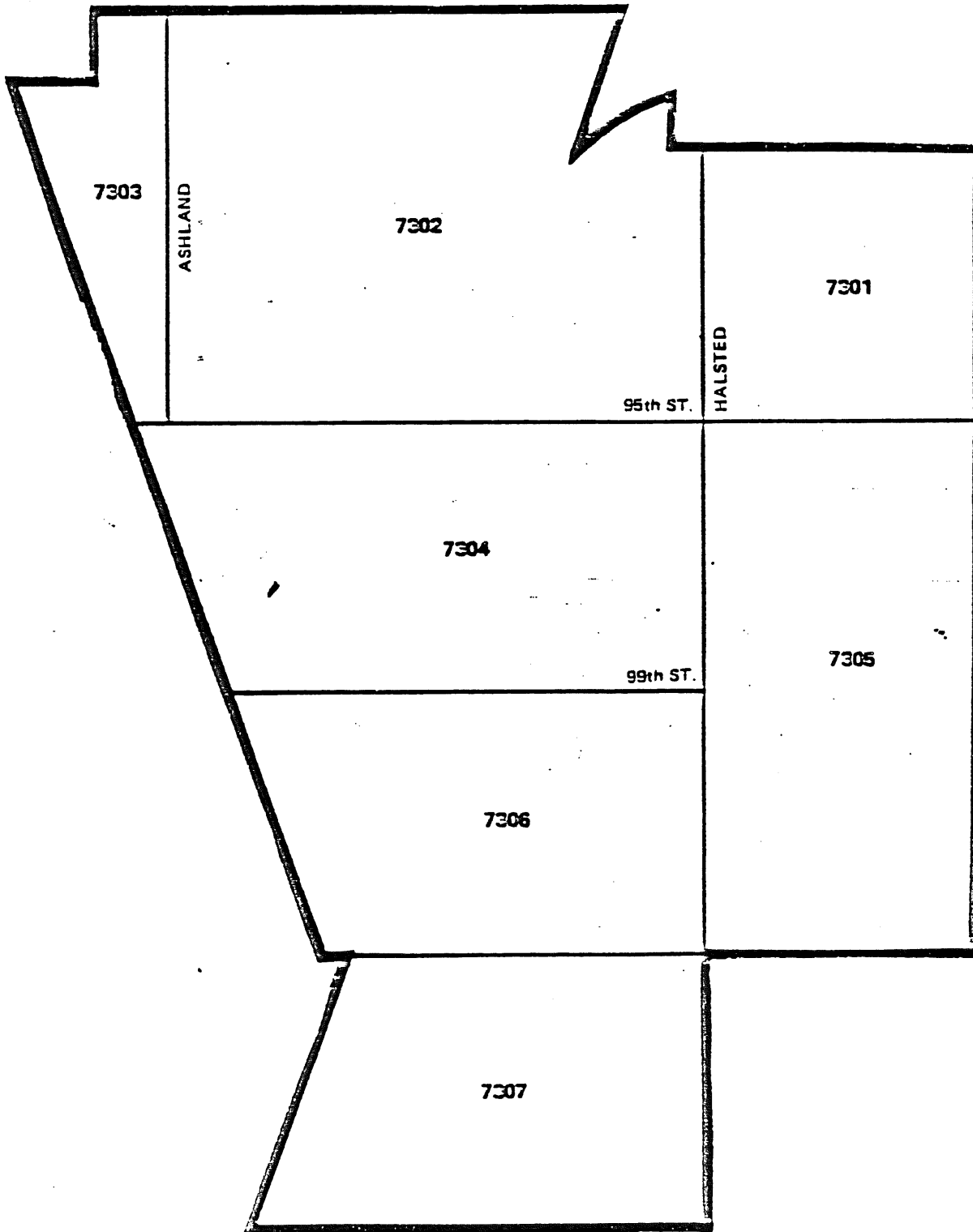
This is the future that many feel threatens Washington Heights. If economically marginal owners purchase they are unable to provide adequate maintenance and repairs; families may double up in order to make payments; and houses with mortgage foreclosures then may lie vacant throughout the community. Like the residents of Chicago Lawn, the residents of Washington Heights have seen this happen in other neighborhoods and fear for their own stability.

In many ways, Washington Heights would appear to be an ideal candidate for a program that would guarantee home values. It is a stable community with homeowners who have lived in the neighborhood for a long time, are satisfied with the neighborhood, and plan to remain. Only 30 percent indicate they would move even if they thought property values would drop. (See Table H.) Prices for single-family homes have shown healthy increases in recent years. Nonetheless, there is concern that the community may be unable to retain its middle-class character, as the problems of the black underclass threaten to cross the permeable boundaries of this city neighborhood. As we will indicate later in this

report, the costs to this community of a program guaranteeing home values would be relatively minimal.

MAP 7.1

WASHINGTON HEIGHTS

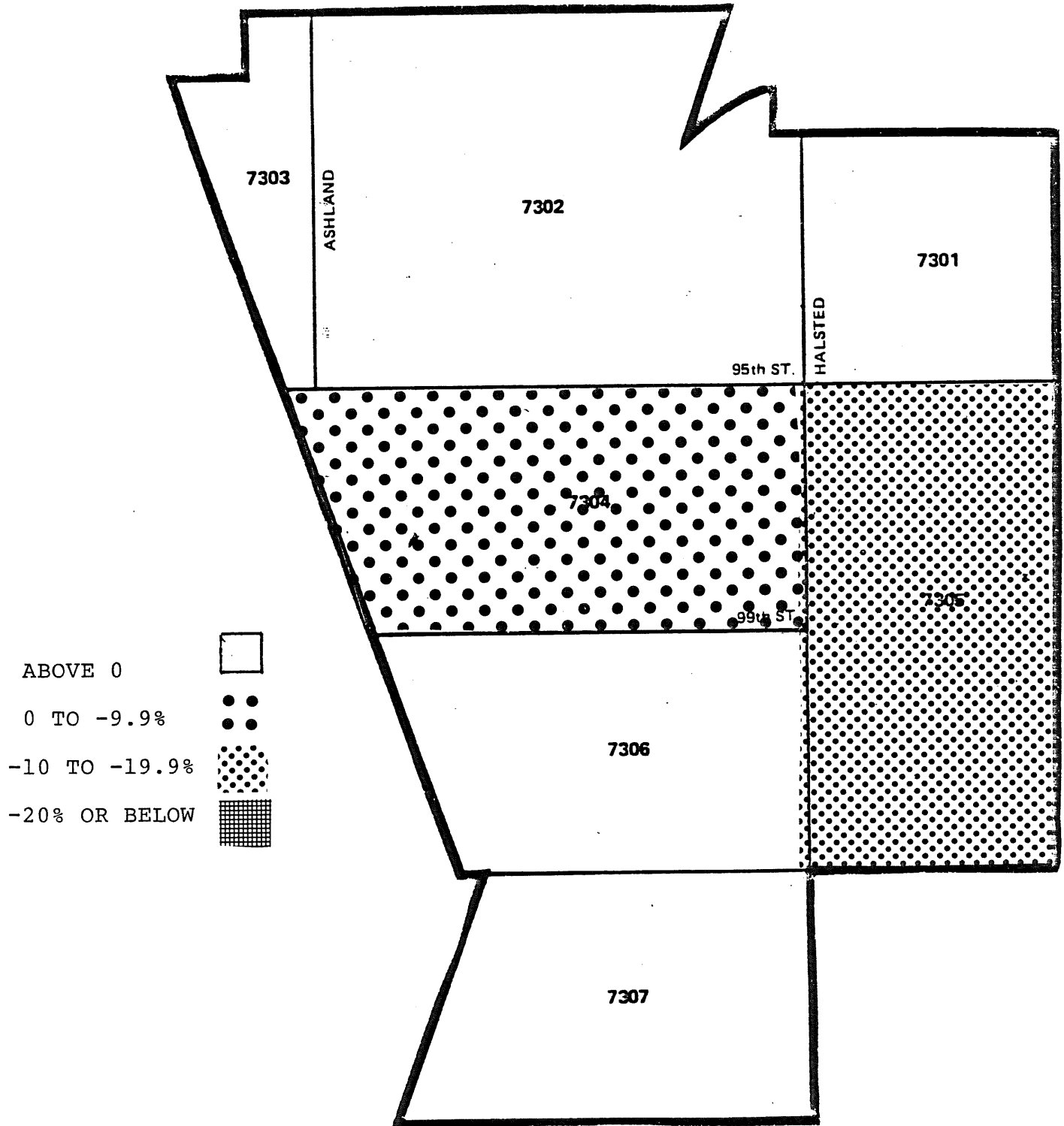


MAP 7.4

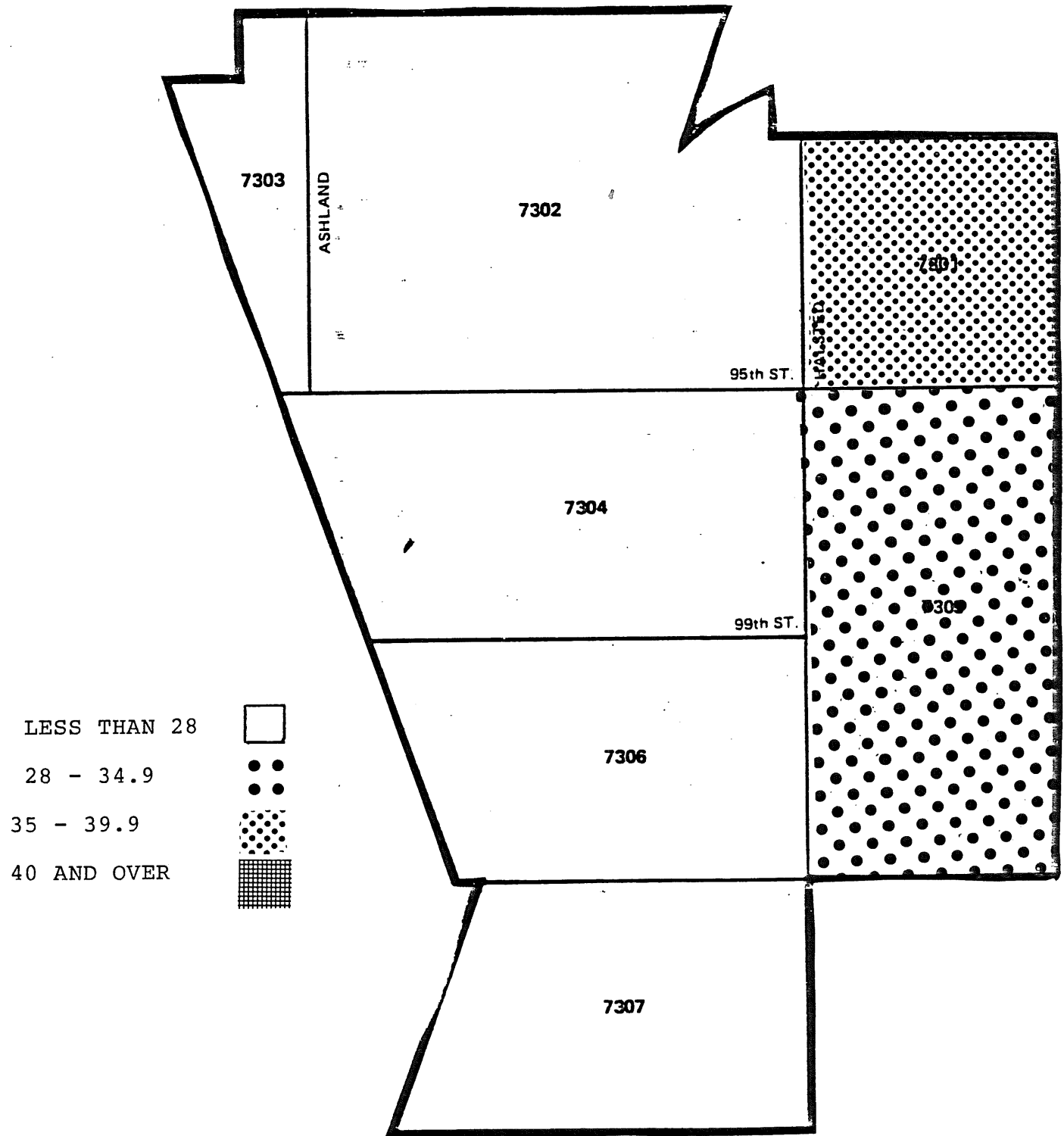
WASHINGTON HEIGHTS

CHANGE IN MEDIAN INCOME

1969 - 1979



MAP 7.5  
WASHINGTON HEIGHTS  
MEDIAN AGE, 1980

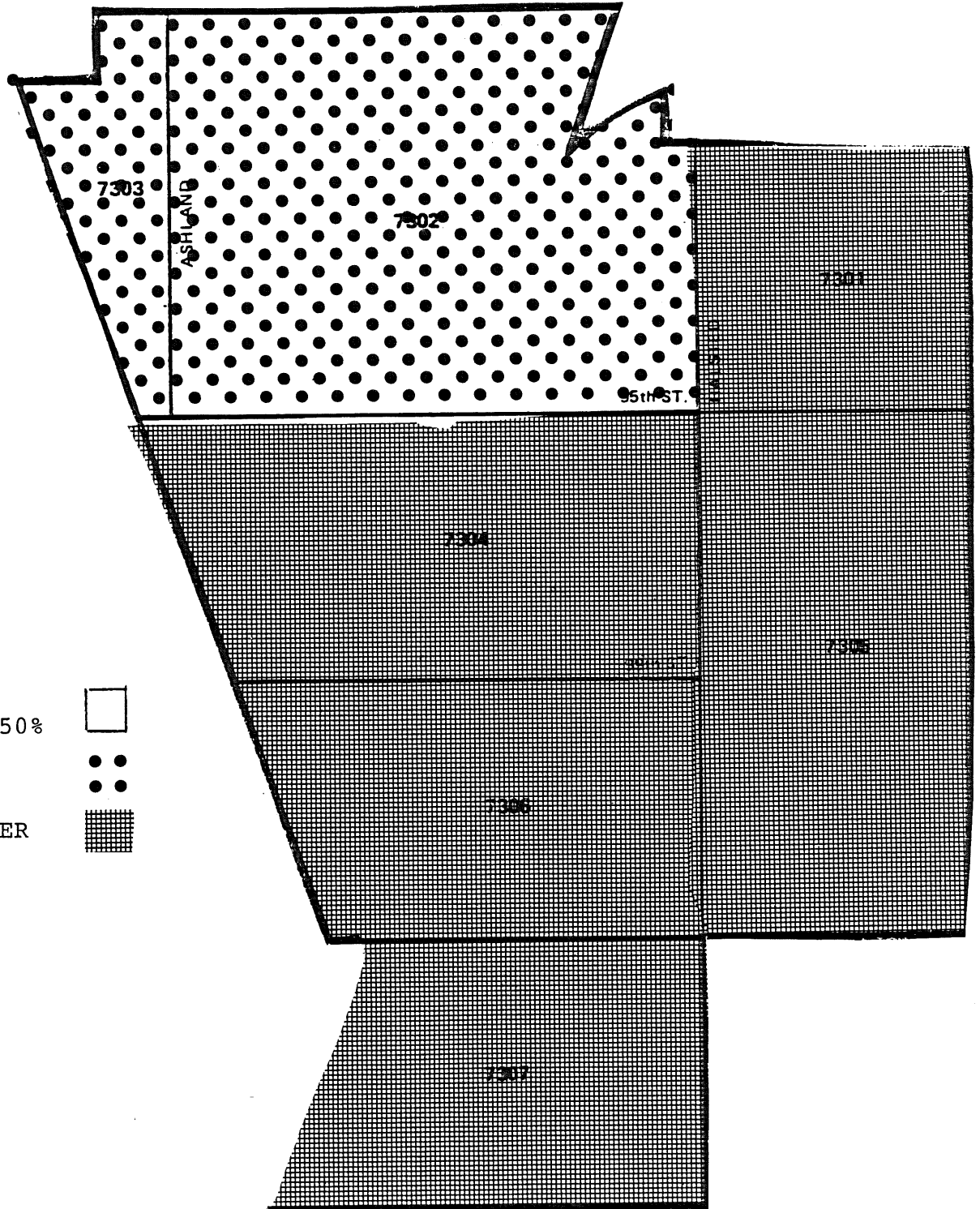


MAP 7.6

WASHINGTON HEIGHTS

PERCENT OWNER OCCUPIED, 1980

PERCENT OF HOUSING



LESS THAN 50%



50 - 69.9%



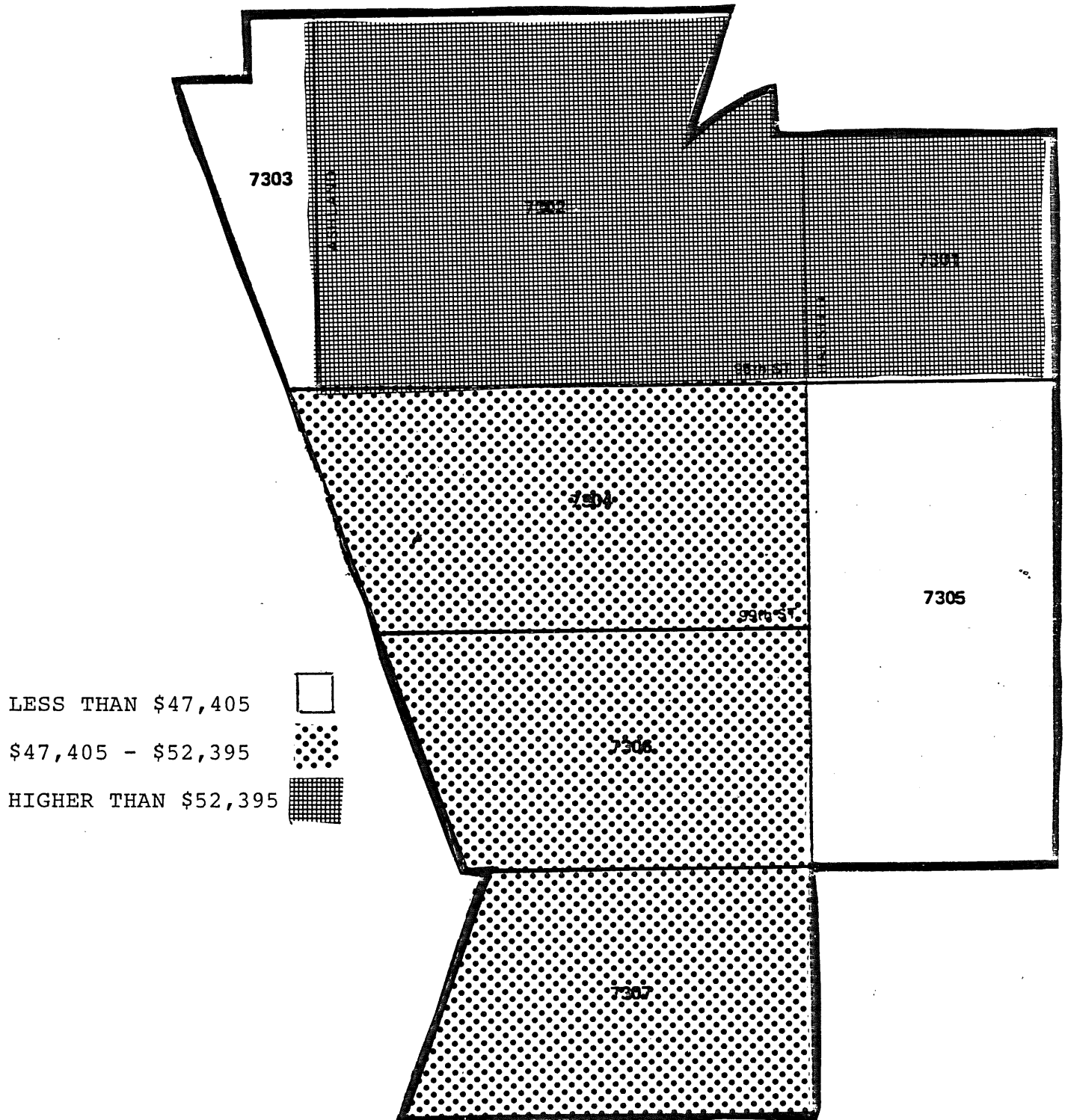
70% AND OVER



MAP 7.7

WASHINGTON HEIGHTS

MEDIAN HOUSE PRICE, 1983



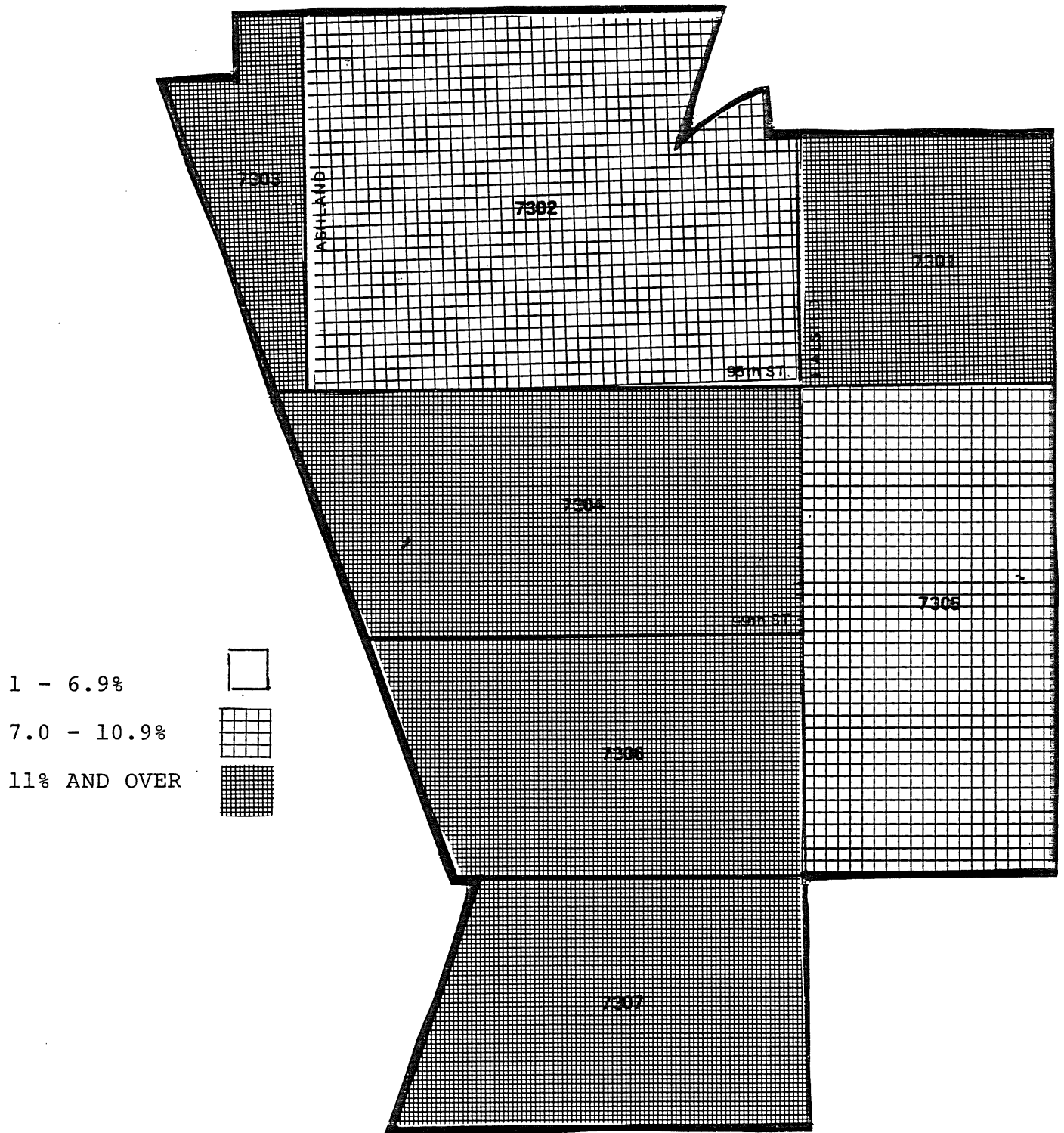


MAP 7.8

WASHINGTON HEIGHTS

PERCENT OF CHANGE IN MEDIAN HOUSE PRICES

1975 - 1983



## Explanation of Legend on Graphs

### Graph: Homeowner Satisfaction With Community

sch = quality of public schools  
apr = appearance of streets, grounds, and buildings  
rep = reputation of neighborhood  
shop = convenience to shopping  
prpv = the way property values are going  
safe = safety of the neighborhood  
cwk = convenience to work  
trns = availability of public transportation  
inco = income level of others in the neighborhood  
race = racial make-up of the neighborhood  
qhs = quality of housing for the money  
apts = maintenance of apartment buildings in the neighborhood

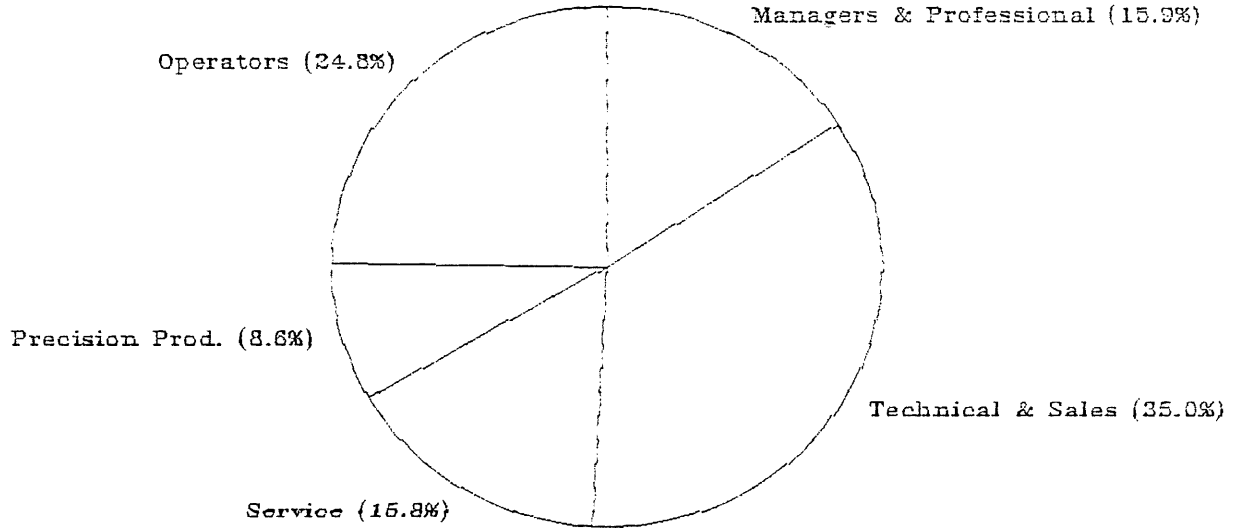
### Graph: Why Moved to Neighborhood

schl = quality of public schools  
appr = appearance of streets, grounds, and buildings  
repu = reputation of neighborhood  
shop = convenience to shopping  
sfty = safety of the neighborhood  
work = closeness to work  
trnsp = availability of public transportation  
prval = likelihood that property values would go up  
inco = having neighbors of a similar income level  
race = having neighbors mostly of your own race  
hou = affordable housing for the money  
frnds = friends or relatives lived here  
grew = this is where you grew up

GRAPH 7.1

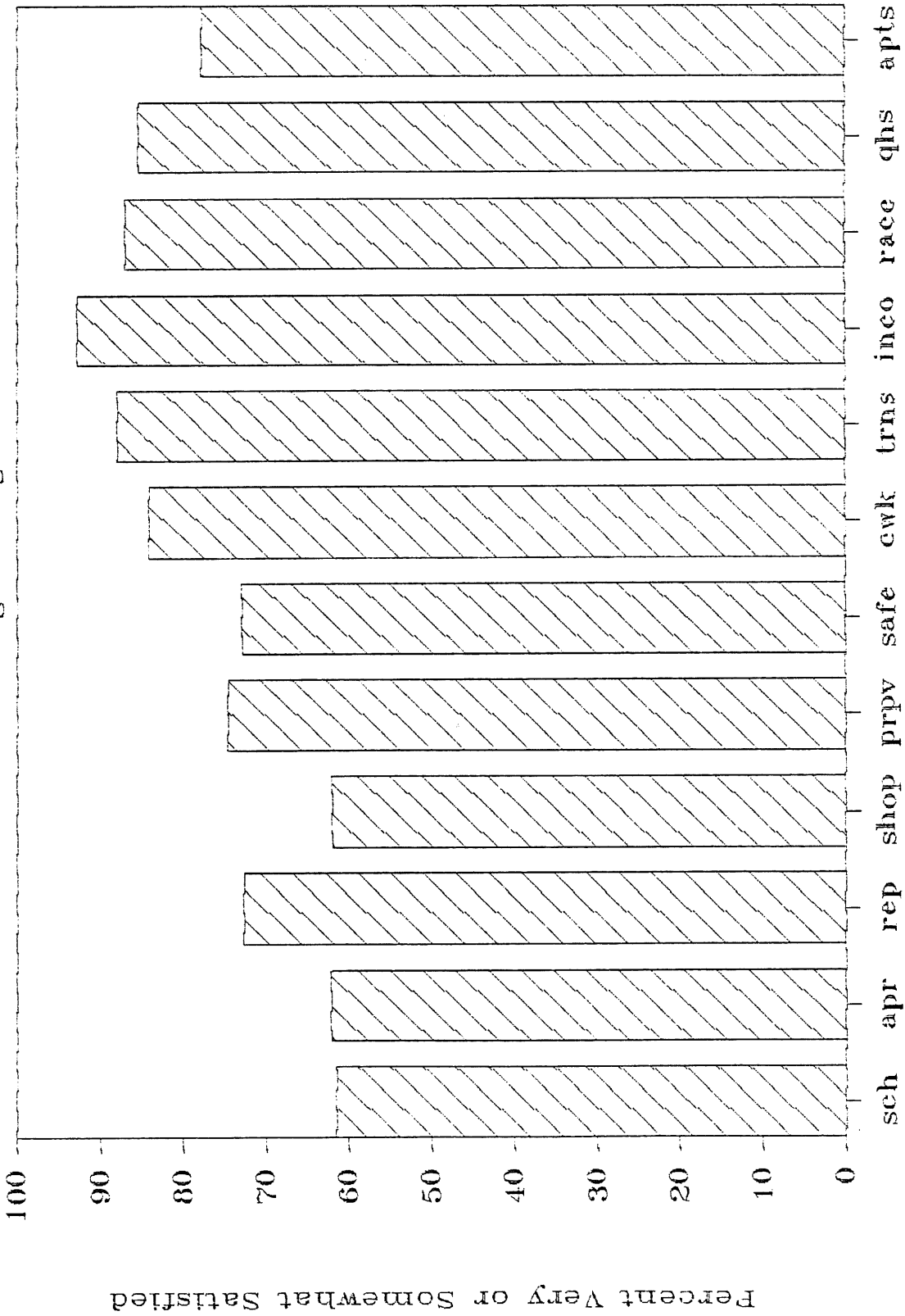
# Percent in Occupational Categories

Washington Heights (1980)



# Homeowner Satisfaction With Community

Washington Heights

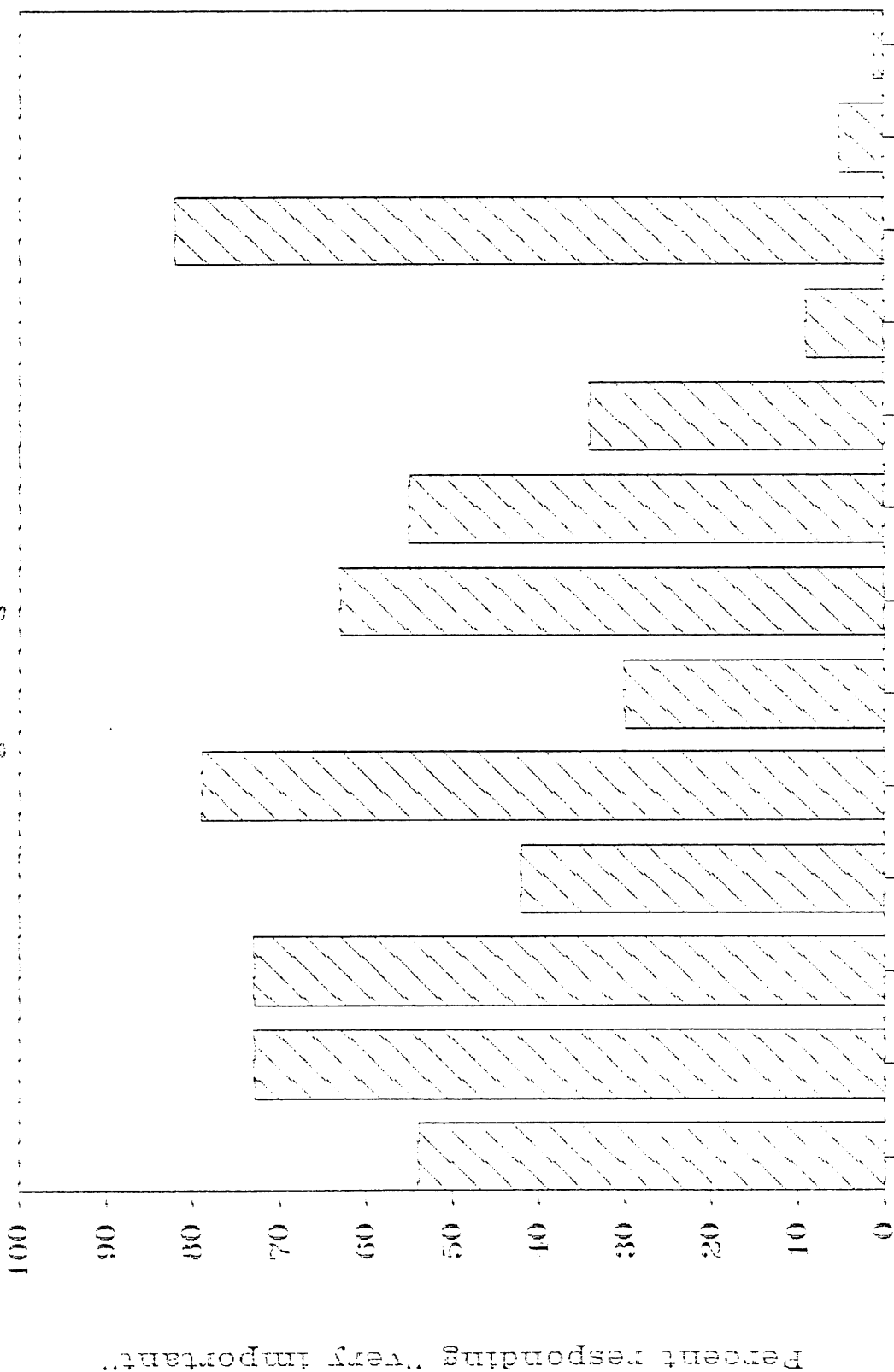


Community Characteristics

GRAPH 7.2

# WHY MOVED TO NEIGHBORHOOD

Washington Heights Homeowners



Factors Important in Decision to Move

Table 7.1

## COMMUNITY PROFILE

## Washington Heights

Total Population, 1980	36,453
change from 1970	-0.2%
percent black, 1980	98.1
percent Hispanic, 1980	0.5
Population in different home five years ago, as of 1980	20.8%
Median Years, education	12.5
Median Family Income	\$23,422
percent change in real income, 1969-79	-5.0
percent families earning over \$30,000, 1979	33.7
percent families in poverty, 1979	10.0
Total Housing Units	10,245
percent single units	75.4
percent owner-occupied	75.6
Median Value, single-family house, 1980	\$40,000
Percent households with female head, 1980	29.3

TABLE 7.2  
 MEDIAN SINGLE-FAMILY HOME PRICES - 1975, 1980, 1983  
 WASHINGTON HEIGHTS

	1975		1980		1983	
	SALES	MEDIAN	SALES	MEDIAN	SALES	MEDIAN
Entire Community Area	200	\$ 22,500	86	\$ 40,000	102	\$ 49,900
Tract 7301	33	23,500	8	48,750	10	55,000
7302.1	11	21,900	8(b)	29,250(b)	8	45,450
7302.2	7	22,900	*	*	11(c)	52,900(c)
7302.3	20	24,854	9(b)	39,900(b)	7	56,000
7302.4	6	24,750	16	43,500	7	47,000
7303	9	21,000	7(b)	45,000(b)	6(c)	46,750(c)
7304.1	20	19,800	8	33,750	9	50,000
7304.2	9	22,500	5	29,500	8	58,500
7305.1	23	22,000	6	44,450	11(c)	51,000(c)
7305.2	16	20,450	11	40,000	18	40,950
7306.1	6	16,700	*	*	6(c)	33,500(c)
7306.2	24	21,250	11	38,900	10	47,900
7307.2	16	21,000	9	42,900	13	48,800

- Notes: (a) means that the sales from 1975 and 1976 were combined in order to have a total for each tract of five sales.  
 (b) means that the sales from 1979 and 1980 were combined in order to have a total for each tract of five sales.  
 (c) means that the sales from 1982 and 1983 were combined in order to have a total for each tract of five sales.  
 (\*) means that the combining of sales from two selected years still did not give a minimum of five.

TABLE 7.3  
CHANGE IN MEDIAN PRICES BETWEEN SELECTED YEARS  
WASHINGTON HEIGHTS

	AVERAGE ANNUAL COMPOUND RATE OF CHANGE		
	1975/1980	1980/1983	1975/1983
Entire Community Area	12.2	7.6	10.5
Tract 7301	15.7	4.1	11.2
7302.1	6.6	13.4	9.6
7302.2	*	*	11.8
7302.3	9.9	10.1	10.7
7302.4	11.9	2.6	8.3
7303	11.3	0.9	11.2
7304.1	11.3	14.0	12.3
7304.2	5.6	21.6	12.7
7305.1	15.1	2.0	11.9
7305.2	14.4	0.8	9.1
7306.1	*	*	9.7
7306.2	12.9	7.2	10.7
7307.2	15.4	4.4	11.1



TABLE 7.4

## WASHINGTON HEIGHTS

Percent Single Units Sold (1979-1983), Rank, and  
Average Annual Rate of Change, Rank, by Tract

Tract	Percent Single Units Sold, 1979-1983	Sales Rank	Average Annual Rate of Change, 1975-1983	Change Rank
7301	5.3	6	11.2	7
7302	5.7	3	10.3	
7302.1			9.6	11
7302.2			12.8	2
7302.3			10.7	9
7302.4			8.3	13
7303	4.7	7	12.3	4
7304	6.1	1	11.5	
7304.1			12.3	4
7304.2			12.7	3
7305	5.8	2	8.9	
7305.1			11.7	6
7305.2			9.1	12
7306	5.5	5	11.5	
7306.1			14.4	1
7306.2			10.7	9
7307	5.6	4	11.1	
7307.1			*	
7307.2			11.1	8
TOTAL	5.6		10.5	

PART TWO

A HOME EQUITY PROGRAM FOR CHICAGO

## CHAPTER EIGHT

### SUMMARY OF COMMUNITY FINDINGS

There are a number of key findings in our research, some of which are unique to this study while others reinforce past housing market research findings. Some of our conclusions may support the perceptions of community residents and leaders, but others may not. Our basic findings are as follows:

1. The six moderate-income Chicago communities studied here did not suffer property value losses between 1975 and 1983. In fact, property values improved over that period. In the context of the feasibility of a home equity guarantee program, this is a positive finding. With the exception of a few isolated Census tracts, there were not even short-term property value declines. While the appreciation rates of these communities did not match the rates experienced by faster growing Chicago communities--for example, the northern lakefront neighborhoods--or the newer expanding suburbs, this is not directly relevant to the present feasibility study. A home equity program is not designed to guarantee maximum appreciation rates, but rather to protect a homeowner's initial dollar investment in his or her home.

Despite an occasional decline at the tract level, no community area saw a drop in housing prices during either the 1975-1980 period or the 1980-1983 time period (see Table 8.1). This later time period covers years when the housing market was depressed nationally because of high mortgage interest rates. At the same time, the annual compound housing appreciation rates from 1975 to 1983, which ranged from 7.4 percent to

## SUMMARY OF COMMUNITY FINDINGS 8-2

10.5 percent in these communities, were generally close to or slightly below the 10.3 percent rate for the city as a whole.

2. In terms of homeowner turnover and homeowners' commitment to remaining in their present neighborhoods, the two black middle-income communities--Washington Heights and Avalon Park--are the most stable communities.
3. Residents of all communities indicated that the poor quality of public education and the fear of crime are the two major concerns. These worries appear strong enough to influence whether or not these middle-income residents will stay in their neighborhood or move to another community. An exodus of middle-income residents can adversely affect property values. Consequently, if public officials do not act to improve educational quality and reduce crime, property values will suffer.
4. The majority of homeowners in all six communities, believe that a home equity program would bolster confidence in their neighborhood (see Table F). In four of the six communities a majority of the homeowners who believe this are willing to pay for such a program. Although there was slightly less willingness to pay in Chicago Lawn and Avalon Park, there still was majority support for the program concept in these communities. The low level of willingness to pay in Avalon Park appears to be due to homeowner sentiment that property values in the community are stable and there is little need for a program to guarantee them. On the other hand, Chicago Lawn homeowners appear to have a low level of

## SUMMARY OF COMMUNITY FINDINGS 8-3

willingness to pay because they are skeptical about the future of their community. At this point, they remain unconvinced that their paying into such a program will have benefits for them.

5. Two communities--Belmont Cragin and Chicago Lawn--have a relatively large proportion of older residents compared to other Chicago communities. In 1980, 11.4 percent of Chicago's population was 65 years old or older; in contrast, 17.7 percent of Chicago Lawn's residents and 18.8 percent of Belmont Cragin's residents are 65 years old or older. This points to a substantial housing transition in the next ten to 20 years in these communities.
6. Hispanic homeowners constitute a significant portion of new homeowners in Belmont Cragin, Chicago Lawn, and Hermosa. In Belmont Cragin and Chicago Lawn, Hispanic homeowners have incomes at least as high as, and often higher than present residents. In these two communities, Hispanics appear to represent a growing, potentially stable homeowner base. This is in contrast to Hermosa, where Hispanic homeowners indicate a much lower level of commitment to remaining in the community.

### Discussion

The state of the housing market in Chicago is, in part, a product of homeowners' perceptions about their neighborhoods. Home value is less related to the dollar value of brick, mortar, and wood and more related to how "desirable" the neighborhood is to present and prospective homeowners. It is particularly important to emphasize that a home equity program can influence

the perceptions of prospective home buyers as much as the perceptions of current residents. Both Belmont Cragin and Chicago Lawn will experience significant turnover in their housing during the next two decades just because of the age structure of their populations. In these two communities a home equity program may be as important a confidence-builder to prospective homeowners as it is to current residents who are evaluating whether to stay or to move out of their neighborhood.

The housing market is also shaped by a number of institutional actors--banks, insurance companies, real estate agents, and the city itself. There is no question that the actions of banks, real estate agents, and insurance companies can affect homeowners' perceptions about the vitality of the neighborhoods studied. In their quest for a quick sale, the practices of some real estate agents have served to undermine homeowners' confidence in their community. Panic peddling, racial steering, and block-busting have been concerns in Belmont Cragin, Chicago Lawn, Hermosa, and North Austin. A home equity program cannot work unless there is strict regulation of institutions involved in the housing market--institutions that might directly or indirectly undermine homeowner confidence because they profit from quick turnover.

The neighborhoods we studied are not neighborhoods where people speculate on the housing market, buying today with the hope of selling at a grand profit tomorrow. Rather, these neighborhoods are places where people have bought homes, where they have raised their families and continued to live after their retirement. As long as they remain stable, it is improbable that such areas will ever see appreciation rates as high as those experienced in lakefront communities where mobile middle- and upper-income homeowners fuel

rapid turnover rates.

On the other hand, the stable housing market in these areas could be shattered if residents, for whatever reason, become increasingly anxious about the quality of life in their community. Panic selling because of fear of a changing racial or economic base of residents can become a "self-fulfilling prophecy."

A home equity program would greatly reduce the chances of such a panic ever taking place, but it can only work within a context of other programs and city services. Home equity is not a panacea; it can only help to increase homeowner confidence in already stable communities. That stability can be undermined unless the city improves certain key services, such as housing code enforcement, crime prevention, public education, fair housing law enforcement, streets and sanitation services, economic development support, and responsiveness to residents' inquiries and complaints.

TABLE 8.1

Annual Rates of Appreciation Based on Actual Sales  
of Single-Family Houses, 1975-1983

Community	1975-1983 Annual Appreciation	1980-1983 Annual Appreciation
Belmont Cragin	7.4%	2.0%
Hermosa	9.6	2.8
North Austin	8.5	5.6
Avalon Park	10.0	6.2
Chicago Lawn	8.8	4.0
Washington Heights	10.5	7.6
Chicago (entire city)	10.3	3.9



## CHAPTER NINE

### INTRODUCTION

The concept of insuring present home values in middle-income neighborhoods has been discussed in various forms during at least the past decade.<sup>1</sup> At least two Illinois communities, Oak Park and University Park, have home equity programs. They have attracted considerable attention among urban planners and people concerned about peaceful integration, but we are not aware of any other programs actually implemented elsewhere in the country.

In 1973, a group of Oak Park residents suggested an "equity assurance" program to protect housing values against decline due to racial change in the village, which is on the western boundary of Chicago. The village of 55,000 residents subsequently established a task force to study the feasibility of such a plan. An ordinance establishing the program was approved unanimously in 1977. Unlike the program structure outlined in Appendix V, this plan only guaranteed against value declines due to racial change, and eligibility was limited to the owners of single-family structures. The program was, in part, a reaction to homeowner fears that within a decade Oak

Park would become an all-black suburb with sharply reduced housing values. The racial change and housing deterioration apparent in the adjacent Chicago community of Austin helped to fuel these fears.

Between the program's creation and mid-1985, only 133 homeowners opted to participate in it. Village officials do not see this as a failure. Rather, they see it, in part, as an indicator of homeowner confidence that resegregation will not take place and that housing prices will not be affected by the integration which is occurring in all parts of the community. Because of substantial housing value appreciation during this period, there have been no payouts under the plan.

Oak Park housing officials are quick to point out that the equity guarantee program is not the only reason for the village's strong housing market and its success in maintaining racial integration. The real estate price boom of the 1970s, Oak Park's location close to the city, excellent public transportation, and the suburb's positive image as a pleasant older community attractive to young professionals have all helped to maintain stability. The village has also adopted a managed integration program, home improvement incentives, vigorous pursuit of school integration, and a number of strictly enforced housing codes.<sup>2</sup>

In 1979, SPNF presented a detailed proposal for a similar home equity guarantee program on the Southwest Side of Chicago. It was to have been funded by a special property tax falling only on property owners in the covered area. Payouts would not be contingent on racial change. The program was not approved by the city council.

That same year, Mario Cuomo, then lieutenant governor of New York, proposed a pilot program for his state. It was to have been established in

selected neighborhoods throughout the state. An aide to now-Governor Cuomo commented that the home equity program was aimed at middle-income neighborhoods where "generally the problem is not physical decay" but rather the "psychological" panic and physical flight that result from middle-class fears about the future of their neighborhood.<sup>3</sup> Supported by President Carter, the program was to have been initially funded by the federal government. President Reagan, however, cancelled it in 1980.

With respect to the future in Chicago, we argued in Part One that a home equity guarantee program could most effectively protect against the actual decline of local property values and stem the tide of fear about the possibility of such decline only if it were implemented in conjunction with a number of other programs. All the programs combined, including home equity guarantee, would constitute a comprehensive attack on both perceived and actual neighborhood deterioration. Our charge, however, was to focus on the home equity guarantee portion of the overall attack.

The next chapter presents a discussion of the feasibility of such a program in each of the six community areas.

Chapter 11 explains in detail the eight assumptions which we used to determine possible program payouts. These assumptions cover a broad range of likely and not-so-likely future occurrences. They are then applied to data from the community areas in order to derive estimates of the worst possible losses, exclusive of any administrative costs, which a home equity program might incur if property values were to decline. The 54 potential loss estimates for each community area illustrate how the various factors which contribute to neighborhood property values interact with one another.

## NOTES

1. Information in this chapter is based on a number of published sources and interviews, including the following: Interview with Al Gleinke, administrator of the Oak Park Home Equity Assurance Program, Oak Park, Ill., May 24, 1985; interview with Joseph Scully, president of St. Paul Federal Savings, Chicago, May 24, 1985; interview with Don Kelly, then vice president of community relations for Talman Home Federal Savings, Chicago, June 24, 1985; telephone conversation with Ellen Conovitz, liaison to N.Y. Governor Mario Cuomo, Albany, N.Y., July 26, 1985; telephone interview with Rita Mezzapelle, publisher of the Elmont [N.Y.] Herald, Elmont, N.Y., July 26, 1985; telephone interview with Shepard Drogin, aide to N.Y. Governor Mario Cuomo, Albany, N.Y., Sept. 19, 1985; Michael A. Murray, "Reassuring the Small Homeowner in Oak Park--An Interim Report on the Equity Assurance Plan," prepared for the Village of Oak Park, Jan. 1976; Maureen A. McNamara, "The Legality and Efficacy of Homeowner's Equity Assurance: A Study of Oak Park, Illinois," Northwestern University Law Review, v. 78 (1984), pp. 1463-84; Camiros, Ltd., "An Evaluation of Equity Assurance in Kankakee," report prepared for the Kankakee, Ill., Community Development Agency, June 1982; Village of Oak Park, "The Village of Oak Park Equity Assurance Program," printed material describing the Oak Park program available from the Village housing office; Village of Oak Park, Ordinance Providing for an Equity Assurance Plan for Single Family Residences in the Village of Oak Park; Southwest Parish and Neighborhood Federation, "Guaranteed Home Equity Plan," Chicago, Oct. 1979; Southwest Parish and Neighborhood Federation, "Guaranteed Home Equity Plan Fact Sheet," Chicago, undated but probably 1979; "Guaranteed Home Equity Plan," special supplement to the Southwest [Chicago] News Herald, Chicago, July 19, 1979; and Donald C. Kelly, "Home Equity Insurance via Special Service Tax Area," term paper for the course resource and expenditure planning, University of Illinois at Chicago, March 1979.

2. Oak Park has one of the oldest and most active fair housing centers in the Chicago metropolitan area. A more detailed discussion of the village's "managed integration" policy is contained in Carole Goodwin, The Oak Park Strategy (Chicago: University of Chicago Press, 1979).

3. Drogin interview (see note 1).

## CHAPTER TEN

### FEASIBILITY OF A HOME EQUITY PROGRAM FOR CHICAGO

Despite some short-term variations, there have not been precipitous communitywide decreases in housing values in any of the six communities studied. There was an occasional short-term decline at the tract level, but no community area saw a drop in housing prices during either the 1975-80 or the 1980-83 period. This latter time period covers years when the housing market was depressed nationally because of high mortgage interest rates and low employment. In general, the annual compound housing appreciation rates from 1975-83, which ranged from 7.4-10.5 percent in these communities, were close to or slightly below the 10.3 percent rate for the city as a whole. It would, however, be unfair and misleading to compare these communities to others which performed above the citywide average.

A House as a Home.

The nature of the housing market in the six communities under study is fundamentally different from that in Chicago's "trendy" areas, such as Lincoln Park and the Near North Side, where housing speculation, real estate development, and high-rise condominium construction have held sway, and where convenience to downtown Chicago jobs and North Side night life seem to be major attractions. Property owners in Chicago Lawn, Belmont Cragin, Washington Heights, and Avalon Park are likely to see their houses as homes for a good part of their lives. They settle down and may stay for a generation or two. For example, in Avalon Park, houses are frequently sold to other family members; those seeking homes in the open market find few listings available.

Many residents have strong ties to the institutions in their communities, as well as to each other. The Lithuanian community in Chicago Lawn, for example, has a rich cultural life with its own church, school, and library. In Belmont Cragin, St. Patrick's School, Notre Dame School, and St. Ferdinand's Church are among the institutions at the center of community life.

Such stability is, by definition, not going to produce high turnover and a fast-paced real estate market. In the absence of bloated housing demand, one would not expect rapidly escalating prices. Belmont Cragin and Chicago Lawn may not have large numbers of people competing for relatively few houses, as in Lincoln Park; however, those who do buy in these communities have traditionally stayed longer. Hence, one would expect just what we found--a solid housing market with moderate appreciation levels. Because of the past stable character of these neighborhoods, which are out-

side the hot real estate market of Chicago's lakefront, annual housing appreciation rates of 7-10 percent, in line with inflation but not way ahead of it, are signs of good health.

Thus, these six areas represent the kinds of communities where a home equity program is appropriate. Such a program is not designed to be insurance for real estate speculators; rather, it is aimed at stabilizing middle-income neighborhoods and bolstering urban homeowners' confidence. Because the city is not in the business of guaranteeing a hefty return on invested money, it would be misleading to hold up Lincoln Park or some of the booming suburban communities as benchmarks for comparison to Chicago's moderate-income communities. Only where housing is seen as a vehicle for speculation is such discussion relevant; only where people expect to "cash in" on their homes is the economist's "real" value a crucial factor.

This is not to say that homeowners in the communities studied are unconcerned about protecting their housing investment from serious losses. They are concerned, but commitment to their communities goes beyond worry about the rate of appreciation in their house's market value. People in such community areas as Belmont Cragin, Chicago Lawn, Washington Heights, and Avalon Park have strong personal, cultural, and social attachments to their neighborhoods. They have jobs nearby in the city. Chicago's social and cultural diversity and the range of accessible activities are seen as assets. Many Chicagoans have made a conscious choice to live in the city rather than in the suburbs. Thus, price appreciation is only one of many factors affecting their decision about where they live.

In short, housing in all six communities is a good buy for the money. Their brick bungalows and wood-frame houses are well constructed buildings

that sell for very reasonable prices--less than comparably sized housing in most Chicago suburbs.

The Potential Influence of a Home Equity Guarantee Program.

The housing market is a product of owners' and renters' perceptions of their neighborhood and their reactions to the policies and practices of the institutions influencing that market. Just as these institutions manipulate the housing market, so too can a home equity program "manipulate" homeowners' perceptions of their community. This "manipulation" may be primarily in the way of building confidence by publicly guaranteeing what is in reality already a stable housing market. It is manipulation insofar as misperceptions or anxieties about the current housing market can be replaced by a more positive view of the future of home values.

A home equity program may help to allay the fears and anxieties that homeowners experience when trying to understand the enigmatic housing market. The "housing market" is not a hard and fast, tangible entity that follows inevitable but inscrutable rules of economics. How much houses sell for and how fast their values change is, in part, the result of buyers' and sellers' perceptions about a particular neighborhood. At the same time, these perceptions are manipulated by the actions of larger institutions, such as the real estate industry, banks, and government.

Real estate brokers are in the business of convincing people to buy and sell property. While most brokers may follow proper ethical procedures, there are a significant number who may employ any tactic to convince an owner to sell. Block-busting, panic peddling, and racial steering have



all been used in Chicago to manipulate homeowners' perceptions of their neighborhoods.

Banks have also affected perceptions of neighborhood stability. The presence or absence of a bank branch in a particular neighborhood can give positive or negative signs to the residents of that community. Redlining--where banks or insurance companies refuse to make mortgages or provide insurance to homebuyers in particular areas--has certainly had its impact on community perceptions.

The availability of loan money for commercial development can affect the residential housing market indirectly. Bank loan patterns set the tone as to which communities are up-and-coming and which are on the decline. While the typical current resident or potential homebuyer does not do a detailed analysis of commercial loan patterns, the amount of money coming into a community is evident in the economic vitality of the community's commercial districts--whether this means new stores coming into the area or conversion of changing commercial strips to new uses, such as community centers, professional service buildings, or housing.

The government itself has influenced the housing market. Heavy support has been given by the federal government to suburban development since the early 1950s. This has included housing development subsidies, special tax provisions, low-interest mortgages, and the construction of new roads, schools, and hospitals. It has contributed to an emigration from city neighborhoods and has fed suburban growth, while many cities remain relatively stagnant or short on resources. Even the city government can influence housing markets. Any decision to provide better services to one area over another--whether a stated policy or just an actual practice--can cer-

tainly influence the desirability of a community to a present or prospective homeowner.

These institutional actors have also produced an American housing culture where the accepted way to upgrade the quality of one's housing is to move to the next step on an imaginary housing ladder, rather than to stay and improve one's current home. People are expected to move to a "better" community; they are not expected to make their present community into a better one. This culture obviously hurts city neighborhoods, since homeowners have been taught to leave a community rather than to stay and try to deal with potential changes. If one thinks that housing values may drop, one is expected to move--and move quickly--rather than to stay and combat whatever forces might be causing the drop.<sup>1</sup>

A home equity guarantee program might help turn the table on this way of thinking. It is designed to benefit people who make a commitment to stay in the community for a specified number of years, and it can even allay the fears of less committed residents that impending neighborhood changes will lead to declining property values. If such a program were successful, it would encourage homeowners to continue to make financial investments in their homes and social investments in their communities.

Conclusion

It should be abundantly clear by now that a home equity guarantee program is feasible in any community where there are enough people with the will to make it work; it is not feasible otherwise. If the people in any of Chicago's neighborhoods--the six we have looked at or any other, black, white, Hispanic, or other--are willing to work together to promote harmony and to maintain their homes, rather than to speculate on market trends or to flee at the first provocation, they can do so. Home equity guarantee can provide an important tool for resisting the destructive activities of those in the real estate industry who profit from neighborhood turnover, and it can help apprehensive residents overcome their prejudices or fears when new neighbors arrive, but it is only a tool. The people themselves and their behavior, not the mere existence of a program, will determine what ultimately happens.

The survey addressed the issue of people's willingness to use the tool by asking whether they thought a home equity guarantee program would benefit their neighborhood. Affirmative responses in each of the six community areas ranged between 57 and 74 percent (see Table II.F). Only 12-22 percent said such a program would not be of benefit. Thus, a minimum of 78 percent of the people in each community area either already believe the program will be helpful or are not predisposed against it.

This indicates a fairly strong willingness to work with the tool. The answers to other questions, which are summarized in the next chapter, indicate that a large proportion of the respondents are also willing to pay for it.

#### NOTE

1. This does not mean that everyone confronted with neighborhood change has always moved, but only that the dominant cultural attitude strongly supports moving. The history of Chicago and other cities includes many instances of individuals and groups who tried to organize, sometimes successfully, to overcome the flight which this attitude engenders. The very fact that these efforts are viewed as newsworthy indicates that they are not considered entirely "normal."

## CHAPTER ELEVEN

### POTENTIAL COSTS OF A HOME EQUITY PROGRAM

The success of any home equity guarantee program depends crucially on its design: Does it cover the proper losses? How is it funded? How administered? Is it combined with other programs necessary to combat destructive real estate insuring, marketing, and lending practices? These and other questions must be answered before definitive comments about its likely success or failure can be offered.

Appendix V represents our reflections on the design features of a home equity guarantee program. We were not contracted to examine these issues for CNOP. That task was performed by CNOP and its Insurance Industry Task Force.

Although there is room to adjust many of the features, our comments about program feasibility in the previous chapter and the analysis of possible program costs in this chapter should not be applied to any program which differs significantly from the one outlined in Appendix V. To the best of our knowledge, however, the program design in the appendix is essentially consistent with the program features independently developed by CNOP.

We have made no effort to estimate the proposed program's administrative costs. It is our understanding that the Insurance Industry Task Force is dealing with this issue. Our charge was to estimate the possible payouts which might be required in each community area if its real estate mar-

ket suddenly gave way to the forces that profit from decline. Before presenting the estimates and the assumptions used to derive them, it is useful briefly to review how the program's design might affect its payouts:

The causes of value loss for which compensation will be offered should be broadly and inclusively defined. This increases program risk.

There should be no restrictive eligibility requirements. This might lead to higher participation, and hence higher losses. Likewise, if buildings larger than single-family are permitted coverage, losses could be higher.

There should be an application/appraisal fee. This will tend to hold down participation rates, and therefore reduce possible losses.

There should be a waiting period of at least five years after a member has joined before any claims will be paid. This makes the likelihood of losses very small.

Members should be permitted a reappraisal option. If they are permitted to retain the original value, even after a reappraisal shows value to have declined, program losses could be higher than if such an option did not exist.

There should be no special benefits or "incentives" for owners who rehab their property, other than permitting a reappraisal. This could lead to higher program losses only if appraisers, for whatever reason, overestimated the value increases from rehab.

There is no need for a deductible (i.e., 100 percent of losses in value should be covered), but there should be a provision reducing program liability in the event of a national economic decline. The first clause increases potential losses, while the second prevents catastrophic losses for reasons beyond the control of people in Chicago.

There should be stringent procedures to prevent frivolous claims, claims resulting from lackadaisical efforts to sell, claims resulting from the desire to complete a sale in an unrealistically short time, and claims that might result from brokers' efforts to exploit people's fears. Such provisions reduce possible losses.

The program should be set up and funded as a special service area (SSA), with additional backing from the city's general fund if necessary. This will prevent the panic and consequent large losses that could result if less secure funding raised the possibility of program default.

Sound financial management is necessary, whether or not there are ever any payouts, with accumulated but unneeded revenue used for neighborhood improvements. This will reduce the likelihood of large claims by increasing residents' confidence in their neighborhood's future.

There must be governance which is recognized as being fair to program participants and aggressive in protecting them from those who profit from neighborhood turnover. This is essential to holding possible losses to a minimum.

### Assumptions

In the final analysis, whether there are program losses depends crucially on whether market values decline. The evidence cited in Part One suggests that the likelihood of this is very low; it would be further reduced by aggressive programs to protect the neighborhood from destructive real estate practices. If, however, there were value declines the liberal coverage and eligibility characteristics of a good program indicate that large losses are theoretically possible. Whether they actually occurred would then depend on how many people had enrolled five or more years before they moved.

This all means that a broad range of assumptions should be tested, so that the program's designers and administrators can both guide it in directions they want and be prepared for any eventuality. Thus, there is no single scenario for each neighborhood, but rather many scenarios, each with different assumptions from the others. The assumptions and the data on which they are based are discussed below.

Assumption 1: Starting market value. Any estimate of future loss must begin with an estimate of what property values are right now. We found it impossible, however, to obtain reliable data, comparable for each

of the community areas, on the current market values and market-value trends of anything other than single-family structures. Although considerable data exist on the values of multi-family structures, the data sets are too incomplete or inconsistent for projection purposes. For example, some lists include the prices of three- and four-unit structures, but no information about how many of each there are or which prices are for which size buildings. Other lists include two- through four-unit structures, with the same lack of specificity. Still others include three- through six-unit buildings, and so forth.

Because of the ways in which the non-single-family data sets overlap or are independent of one another (depending on the source), we were unwilling to forecast possible losses in value from them. Thus, we used different assumptions about market values and market-value losses, depending on the type of property:

- a. For single-family homes, we began with the 1983 mean market value determined from the Illinois Department of Revenue computer tapes. Relying on partial data supplied by CNOP for a portion of the Northwest Side and our own observation of real estate markets, we increased this by five percent to obtain an estimate of the current mean.
- b. For loss estimates involving non-single-family structures, we used percentages of market value. Because these can be reliably calculated without knowledge of the dollar values, we avoided the problem of having to estimate current or future dollar values for such structures.

Assumption 2: Types of property losing value. The data difficulties just discussed make it advisable to consider two sets of value losses for each community area:



- a. Only the owners of single-family homes suffer losses in market value. This might happen if eligibility were restricted to single-family homeowners; if, even without restrictions, only such owners bothered to participate in the program; or, if others participated, market dynamics were such that only single-family homes dropped in value.
- b. The owners of one- through six-unit residential structures participate in the program and all structures lose value at the same rate.

These assumptions correspond to Assumptions 1.a and b. Because Assumption 1.a permits fairly precise estimates of the actual dollar amount of the losses that might be incurred for single-family structures, the first of the two tables that have been prepared for each community area includes a column for total potential dollar losses.

One way to project losses for other types of property is simply to project from these data. If, for example, the losses for other property types are expected to equal those from single-family structures (or be 30 percent greater), the estimates in the single-family table would be multiplied by two (or 1.3), and so forth.

Another way to arrive at non-single-family losses is to project directly, using percentages of market value. This is done in the second of the two tables for each community area. Although it is possible to work from the percentage loss to a dollar loss--by combining data on the average relationship between assessed and market values (from the Illinois Department of Revenue) with data on the size and composition of the tax base in the township(s) within which each community area is located (from the County Assessor's office)--only the percentages are presented because they are by far more reliable.

Assumption 3: Participation rates. There are no home equity guarantee programs in any neighborhood which closely resembles the ones we looked at in this study. Hence, there is no past experience on which to draw. Several questions in the survey, however, permitted us to develop a likely range of participation rates. These asked whether the respondent would pay for a home equity guarantee program, and if so, whether she would pay \$100, \$200, or \$300 per year for it.

Survey researchers have found that, in general, people tend to overstate the likelihood that they will actually do something. Since, however, losses depend on the level of participation, and the goal of the exercise in this portion of the report is to consider the maximum losses that might occur, using participation rates derived from the survey is appropriate. Thus, within each property type, three sets of estimates are prepared:

- a. The first set assumes that all those who said they would be willing to pay for the program, as well as all those who were unsure, would join. This yields very high participation rates, generally between 62 and 77 percent. Only in Washington Heights was the maximum participation rate below this, at 52 percent.
- b. The second set assumes that only those who said they would pay \$100 per year will join. This reduces participation in most community areas to 41-55 percent. Only in Chicago Lawn did more people (62 percent) say they would pay this much.
- c. Finally, we assumed that only those who said they would be willing to pay \$300 or more per year will join. This drastically reduces the number willing to participate. Only in Chicago Lawn and Washington Heights did even ten percent still express interest--13 and ten percent, respectively. Participation in the other community areas clustered around 7-8 percent.

The extremely high participation implied by Assumption 3.a is very unlikely to be achieved because the one-time application/appraisal fee, even though not recurring, will deter many of the people who simply affirmed that the program was a good idea and they might be willing to pay

some unspecified amount for it. Hence, given the proclivity of survey respondents to overstate their willingness to participate in any activity, it is probably unrealistic to expect participation even as high as the levels implied by 3.b, despite the fact that actual costs (exclusive of administration) for most of the scenarios work out to much less than \$100 per year in added taxes for each property owner.

Assumption 3.c gives an estimate of the rock-bottom number of very strong program supporters in each community area. Actual participation is most likely to fall in the range between this and Assumption 3.b.

Assumption 4: Number of people who move. We have considered three possibilities, with data derived from various sources:

- a. From the survey, we took the percentage of respondents who said they were very likely to move within one year. Washington Heights has the fewest people who foresee moving in the next year, two percent. Hermosa and Chicago Lawn have very high percentages, 15 and 17, respectively. The other three areas are clustered between four and seven percent.
- b. Again from the survey, we took the percentage of people who said they were very or somewhat likely to move within the next five years. We divided this by five to get a one-year average. In Belmont Cragin and Washington Heights this yielded a higher rate than Assumption 1.a, while in the other community areas it yielded a lower rate. The overall spread was substantially smaller, from Avalon Park's one percent per year to Chicago Lawn's eight percent.
- c. Combining data on the number of sales (from the state's real estate price computer tapes) and on the number of single-family units (from the U.S. Census), we derived the actual annual average percentage of single-family homeowners who moved during the past five years. In all community areas, this rate is lower than either of the other two, reaching five percent only in North Austin. (This is a concrete example of the tendency mentioned in our discussion of Assumption 3 that survey respondents overstate the likelihood they will engage in any particular activity.)

In each case, we assumed that the move rate would be identical for the entire five years during which the program would make payouts and that all movers would make claims. However, it is clear that the extremely high rates implied by Assumption 4.a for Hermosa and Chicago Lawn cannot be sustained, for then more than three quarters of all the people in each community area would move out in a five-year period--after having lived there for at least the five years it will take to become eligible for coverage. Indeed, given the past actual behavior reflected in Assumption 4.c, even the move rates of 4.b may be too high.

Rates between those implied by Assumptions 4.b and c, but closer to 4.c, seem most likely.

Assumption 5: Total loss in market value. We have made only one assumption about the losses that program participants might experience, namely, that each covered property will lose five percent of its market value between its appraisal date and eventual sale at least five years later. This is the same assumption used by the staff of the Southwest Parish and Neighborhood Federation when they costed a proposed program in 1979.<sup>1</sup>

Our research has confirmed that their conclusion of six years ago was sound, namely, that there were not likely to be any widespread five-year declines in property value, and hence few or no program losses. Tables 2.3, 3.3, 4.3, 5.3, 6.3, and 7.3 show that none of the six community areas we looked at has experienced a decline over the 1980-83 period. Data not presented here show that the same is true for 1979-83. A few of the Census tracts within some of the community areas suffered a three-year 1980-83 decline, but this is put into perspective by the performance of the city's

median housing price. It declined between 1980 and 1981, rebounding by only one percent the following year. The 1980 median was not exceeded until 1983.

No tract or part of a tract experienced a decline in value over any five-year period for which we had data. Hence, even in the worst of all possible worlds, it is difficult to imagine potential losses in any of the community areas over a full five-year period exceeding the assumed five percent of market value, especially since we have projected the loss to all properties sold in the entire community area. Nevertheless, since this is the crucial determinant of whether there will be payouts and we did not want to underestimate them, we think it is useful to employ what we consider to be an extreme assumption.

Assumption 5 is very easy for readers to modify on their own. If, for example, only one-percent losses are expected, each loss figure in the tables would be multiplied by one fifth (because one percent is a fifth of five percent), etc.

Assumption 6: Tax collection schedule. Tax revenues are assumed to be collected in the same amount for each of the program's ten years. This amount is calculated so that it just exactly covers the losses implied by Assumptions 1-5.

Although, as we suggest in Appendix V, taxes might be collected slowly in the program's first few years, with higher rates later on only if it seems that losses will actually materialize, the assumption is useful both because it simplifies the mathematics of estimating annual SSA tax bills

and because it gives an idea of average annual bills, regardless of the actual collection schedule eventually adopted.

Assumption 7: Fund management. We assumed that tax money collected but not yet paid out in claims will be invested at an annually compounded yield of ten percent. This implies that tax collections in each of the ten years need be only 38 percent of each of the five annual payouts. If there were no interest, total annual taxes would have to be exactly half of each expected payout.

Assumption 8: Scope of tax base and cost to individuals. If the home equity guarantee program is funded as a special service area, the cost to any given individual will depend on the total assessed value of all real estate in the SSA relative to the assessed value of that individual's property. This is because the tax rate applied to property in the SSA will be determined by taking the program's total projected budget (including administrative costs not estimated here) and dividing it by the total equalized assessed value (minus homeowner and other exemptions) of all SSA property. Because the rate is calculated after the state equalizer is applied, the equalizer itself has no impact on individual tax bills.

Thus, as more properties are included in the tax base, the cost to each individual owner decreases. We considered three possibilities:

- a. Only one- through six-unit residential properties are included in the tax base. This would be justified on the argument that because the owners of such properties are the only ones eligible for coverage under the program, they should bear its full cost.

- b. All residential properties, regardless of size, are in the tax base. This would be justified on the argument that even though the owners of buildings with more than six units are not eligible for program membership, they will benefit to the extent that the program protects neighborhood real estate values. Thus, they should also pay for it.
- c. All properties, even non-residential, are in the tax base. This simply extends Assumption 8.b, on the argument that the owners of commercial and industrial real estate may also benefit from the protection of residential property values, so that they too should pay.

Which option is selected is more a matter for the property owners in each SSA to determine than it is a matter of methodology. The cost to any individual homeowner will be highest under Assumption 8.a and lowest under 8.c.

The second step in estimating the cost to individual homeowners requires a determination of the relative total assessed value of various types of property in each SSA tax base. To give a very simple example, suppose there are no buildings with more than six residential units in one SSA, while the assessed value of such buildings in another SSA exactly equals the total assessed value of buildings with six or fewer units. In the first SSA, there will be no difference between Assumptions 8.a and b in the cost to the owners of small residential buildings because 8.b adds no value to the tax base. In the second SSA, the cost to the owners of small buildings will be cut in half, since the tax base will be doubled.

We could not perform exact calculations of projected individual tax bills for Assumptions 8.b and c because the county's assessment and exemption records are not maintained by community area. Thus, we do not know how much of the taxable assessed value in each area is attributable to the various types of property. We did, however, obtain records for each of the

city's eight townships, which are much larger than the community areas. These data are summarized in Table 11.1. We then estimated individual tax bills for Assumptions 8.b and c by adding the assumption that the distribution of taxable value in each community area is the same as the distribution in the township(s) within which it is located.

The final step in estimating individual tax bills requires knowledge of individual assessments. We took as our reference point the price of the median home in each community area in 1983, increased by five percent. This is consistent with the adjustment we made in Assumption 1.a. County law requires one- through six-unit residential properties to be assessed at 16 percent of their market value, but yearly reports by the Illinois Department of Revenue show that the assessor consistently and significantly under-assesses most property. We used the assessment level reported by the state for the most recent available tax year (1984) for one- through six-unit residential property ("Class 2") in the township(s) within which each community area is located. These assessment levels, or "assessment ratios," are shown in the last row of Table 11.1.

Summary. Assumptions 1-5 yield estimates of the maximum total payouts which a home equity guarantee program in each community area might incur in the worst of all possible worlds, Assumptions 6-7 yield total tax costs, and Assumption 8 allocates this total to individual taxpayers. The mathematics can be summarized as follows:

For single-family homes (Assumption 2.a), the total possible loss is determined by multiplying the number of homes (from the Census) times their mean value (Assumption 1.a) times the percentage of homeowners who partici-



pate in the program (Assumption 3) times the percentage who move and file claims (Assumption 4) times 0.05 (Assumption 5).

For the cases in which one- through six-unit structures lose value (Assumption 2.b), the chain multiplication is similar, except that there is no market value (Assumption 1.b). Thus, the value one is inserted into the equation at this point.

For either of these two cases, define the resulting total possible payout as P. Assumptions 6-7 then imply that the total annual taxes, T, in each community area are derived by solving the following equation:

$$\sum_{i=1}^5 \frac{T}{1.1^i} + \sum_{i=6}^{10} \frac{T-P}{1.1^i} = 0$$

Several additional steps are necessary to determine individual taxes. The size of the tax base was determined as follows:

We multiplied the total number of single-family homes in each community area (from the Census) times their mean value (Assumption 1.a) times the median assessment level (from Table 11.1). This yielded an estimate of the total assessed value of all single-family homes. Using the percentages in Table 11.1 for relative shares of the tax base contributed by each type of property, this was projected to an estimate of the total tax base for each of Assumptions 8.a-c. The total taxable base was then determined by subtracting exempt values (again from Table 11.1).

For single-family homes (Assumption 2.a), we derived a tax rate by dividing the required annual taxes (Assumptions 6-7) by the appropriate taxable base. The price of the median home was then multiplied by the median assessment ratio (from Table 11.1), and an allowance for the general home-

owner's exemption was deducted. The resulting taxable assessed value of the median home was then multiplied by the tax rate to get the annual tax bill.

For one- through six-unit properties (Assumption 2.b), the equation above yields an effective tax rate directly, rather than a dollar loss amount. This rate was adjusted by the percentages in Table 11.1 for the various scopes of the SSA tax base (Assumption 8), and a procedure like that for single-family homes was used to derive the annual tax bills.

The results of these computations are presented in the next section.

#### Possible Program Losses

Various combinations of the preceding assumptions produce 54 different estimates of possible program losses (exclusive of administrative costs) for each community area. Thus, Tables 11.2-11.13 provide an excellent picture of how changes in one or more of the assumptions might affect losses. Since some of the assumptions offset one another, many of the estimates overlap. For example, scenarios with high program participation but low move rates often have potential losses about the same as scenarios with lower participation and higher move rates.

Two tables have been prepared for each community area. Each one shows 27 different loss scenarios. These are expressed as the annual property tax payment which the owner of a median-valued home in that community area might expect to pay to the home equity guarantee SSA if a particular set of assumptions holds. For each set of assumptions about participation rates and the percent of program participants who lose market value (often called the "move rate" in what follows), the tax bills vary with the size of the

tax base, as explained in the discussion of Assumption 8. The tables also show total possible program losses.

The first table for each community area corresponds to Assumptions 1.a and 2.a, in that it reports possible losses only for single-family structures. In each case, some combinations of the other assumptions (to be discussed below) yield an annual SSA tax bill for the median-valued home very close to zero. There are, however, significant differences at the top end of the scale. Maximum annual SSA taxes in Washington Heights and Avalon Park, even under the worst of all possible cases, should not exceed \$12-14. The maximum possible tax in North Austin and Belmont Cragin is \$32, whereas it might be as high as \$65 or \$85 in Hermosa and Chicago Lawn, respectively.

The second table for each community area corresponds to Assumptions 1.b and 2.b, i.e., when losses extend to the owners of one- through six-unit structures. As expected, the additional program exposure creates the possibility of higher annual taxes, although some assumptions still yield taxes well under \$5 per year in each community area. The spread at the top end of the range, however, is large, from only \$16 in Washington Heights to more than \$100 in Hermosa and Chicago Lawn.

Each of these two tables is divided into three sets of three rows each.

The first three rows correspond to Assumption 3.a, maximum program participation. These are the rows within which are found the very high potential taxes mentioned in the previous paragraphs. Even so, in nine of the 12 tables, these rows include at least one scenario with a tax of less than \$10 per year. Only in Belmont Cragin, Hermosa, and North Austin does the

minimum tax for this set of scenarios remain as high as \$10-15, and even then only when all structures up to six units lose value.

The next three rows correspond to Assumption 3.b, intermediate participation. In four of the community areas, the annual tax bills for these scenarios are 71-78 percent of potential bills for the corresponding assumptions with maximum participation. In Hermosa, they are only 58 percent, while they are 85 percent in Chicago Lawn.

The final rows of each table correspond to Assumption 3.c: Only those who now say they would pay at least \$300 per year for a home equity guarantee program will actually join it. Because participation is so low under this assumption, the maximum SSA tax in any community area, even with very high move rates, exceeds \$10 only in Hermosa and Chicago Lawn--where it reaches \$11 and \$20, respectively. For some scenarios under this assumption, the minimum tax is so low (less than 50 cents per year) that it rounds to zero.

Finally, within each set of rows, the first row reports program losses if Assumption 4.a holds. In four of the six community areas, this is the highest of the three move rates, and so it leads to the highest potential taxes. In Belmont Cragin and Washington Heights, however, Assumption 4.b yields the highest move rates. This case is reported in the second of the three rows. The third row reports results for Assumption 4.c, when very few people move out and suffer decreases in market value. It is this row for which the lowest program losses are obtained.

The following subsections briefly summarize the results for each community area.

Avalon Park and Washington Heights. One of our more important findings is that Chicago's black middle-income communities, as represented by Washington Heights and Avalon Park, are among its most stable. These neighborhoods saw the transition from white middle-income to black middle-income homeowners 15-20 years ago. While the tenure of homeownership in these two communities may not be as long as that in Belmont Cragin or Chicago Lawn, their housing markets and population profiles are both very positive.

Avalon Park and Washington Heights showed the strongest appreciation rates for single-family housing--10.0 and 10.5 percent per year, respectively--of the communities studied. Moreover, while Chicago as a whole was reacting to the industrywide depression in real estate and showed only a 3.9 percent annual increase between 1980 and 1983, Washington Heights was experiencing a 7.6 percent rise in housing prices.

Two-thirds of the housing units in Avalon Park and three-fourths in Washington Heights are single-family. These are well above the proportions found in the other four community areas or in Chicago as a whole, where only a fourth of the units are single-family. This means that the physical structure of the housing market in these neighborhoods dictates that housing subdivision and high tenant turnover in rental units are less likely to take place.

Nevertheless, the black housing market does not behave like the white housing market. Because of past and present discrimination, black home-seekers are restricted to fewer neighborhoods than whites, and to only a few integrated or predominantly black suburbs. In most metropolitan areas, black moderate-income homebuyers face stiffer competition than do whites for what moderate-priced housing is available to them.<sup>2</sup> Chicago is no

exception to this pattern. It is this tight housing market, combined with key structural characteristics of the housing, that has produced and maintained stability in these two black communities.<sup>3</sup>

This is not to say that middle-income blacks have no fears of declining housing values. Looking at the low-income neighborhoods adjacent to Avalon Park and Washington Heights, there is some cause for concern in the long run--concern at least as strong as that expressed in the white communities studied. However, the more established homeowners in these areas expressed high levels of satisfaction with their communities.

In short, the character of the black housing market, the high concentration of single-family houses, and the absence of an opportunity for real estate brokers to play on racial fears have made Avalon Park and Washington Heights relatively stable communities with a solid family income base. This is reflected in the fact that these communities have by far the least likelihood of requiring high SSA taxes to cover possible losses, even if their real estate markets were to collapse.

For example, the two highest-cost scenarios in Avalon Park (see Tables 11.2 and 11.3) call for only \$25 or \$19 in annual taxes. Only five others require taxes in excess of \$10 per year, and six have potential losses so low that the annual taxes round to zero.

The main reason for this is the community's extraordinary stability. Actual movement over the last five years has averaged only slightly above one percent, and even the most extreme of the moving assumptions, 4.a, yields turnover only a little above four percent. Another contributing factor is that a relatively low percentage of the community area's respondents

expressed an interest in home equity guarantee--62 percent with no price tag and less than half with a specific annual cost attached.

If we assume that somewhat fewer than half of eligible owners will participate, if emigration increases to about 1.5 percent, and if all residential properties are in the SSA tax base, the annual tax cost--in the unlikely event that property values declined--would be less than \$5 for the owner of a median-valued home.

The situation is not much different for Washington Heights (see Tables 11.4 and 11.5), where no loss scenario entails an SSA tax of more than \$16 per year. Indeed, only eight would even require as much as \$10 per year from the owner of a median-valued home.

This is due to the combination of extreme stability (the highest move rate is only three percent) and a relatively low willingness to participate in the proposed program. Only about half the respondents expressed interest, even when no specific price tag was attached. This dropped to 41 percent when an annual cost of \$100 was suggested. All three figures are lower than for any other community area.

Belmont Cragin and Chicago Lawn. Both Belmont Cragin and Chicago Lawn have long histories of neighborhood stability, but with recent incidents indicating severe tension. While the ethnic mix has changed over past decades, both communities have remained predominantly white. In the past ten years, an increased number of Hispanics have moved in. The increase has been particularly apparent in Chicago Lawn, where some leaders now project that more than half of the population will be Hispanic by 1990. In no way should this be seen as a negative trend; the new Hispanic home-

owners have income levels comparable to those of current residents and significantly higher than the citywide average for Hispanics. Clearly, middle-income Latinos are joining the long line of other ethnic groups that have found comfortable homes in these neighborhoods.

There is, however, a crisis of confidence among some of the more established homeowners. As with residents in the other communities, there is a substantial level of dissatisfaction with public elementary and secondary education. Older homeowners correctly perceive that younger potential homebuyers may think twice about moving into their community because of the poor state of the public schools. Catholic and non-Catholic religious leaders alike agreed that parochial schools are the only institutions keeping young families from relocating to the suburbs. Both community leaders and the sample of residents made the point loud and clear: Educational quality must be improved if the city is to have any hope of maintaining its middle-income communities in the next decade.

Fear of crime, which can also contribute to the decision to move,<sup>4</sup> is the second greatest concern among homeowners. Community groups, particularly in Belmont Cragin, have organized community-based programs to combat crime. However, such neighborhood-level activity cannot take place in a vacuum. There is a clear need for the city to beef up its crime-prevention efforts.

Perhaps the most significant indicator of the crisis of confidence in Belmont Cragin and Chicago Lawn is the perception that housing values have remained stagnant or have dropped. Although neither community has actually experienced a drop in housing values, one out of every three homeowners believes that her house has not appreciated at all or has dropped in value



over the past five years. While it is true that houses in these communities have not kept up with appreciation rates in many suburbs or in Chicago's more fashionable neighborhoods, housing values have appreciated nevertheless.

But the crisis of confidence goes beyond perceptions about house values. Belmont Cragin and Chicago Lawn residents are also generally much more negative about the future of their communities than are homeowners in the black communities. What has produced this crisis of confidence in the two white communities?

On the one hand, there is an uneasiness about the future because residents see signs of change and a potential for even more change. Both Chicago Lawn and Belmont Cragin have aging populations. Given the relatively high proportion of homeowners over age 65, it is obvious that a significant portion of housing will change hands in the next decade or two as older persons die or seek different housing arrangements. The unanswered question is, "Who will replace these homeowners?"

Many residents have moved from other areas of the city that were once solid middle-income neighborhoods and are now distressed, low-income communities. Based on this experience, they fear that their present neighborhoods will also change. In the case of Chicago Lawn, the existence of West Englewood on its eastern border is a constant reminder of how quickly and drastically communities can change. Belmont Cragin is bordered by Hermosa and North Austin, two communities that have seen an increase in poverty and housing deterioration in recent years. It does not take a strong imagination to paint a future where one's own community will experience economic decline.

Thus, in many homeowners' minds the question is no longer, "Will the neighborhood change," but rather, "When will my neighborhood change?" In such an environment, many white homeowners are likely to move if they feel threatened--threatened by potential future losses in housing value, threatened by perceptions of increased crime, threatened by poor educational opportunities for their children, or threatened by a decline in city services. At the same time, this moving behavior can become a self-fulfilling prophecy. The exodus of the middle class produces a housing panic, which then permits a change in the demographic characteristics of the community.

In other words, the housing market is potentially volatile in these areas because of the perceptions people have of the future, based on their past experiences or on what they see as indicators of community change in the present. This makes such communities very susceptible to individuals or institutions that predict negative change, either through actual scare tactics--as in the case of real estate block-busting--or through less direct institutional decisions--as in the case of business developers who hesitate to invest money in older moderate-income neighborhoods because it is "risky."

Nevertheless, when we consider the possible losses of a home equity guarantee program in Belmont Cragin (see Tables 11.6 and 11.7), we find that they fall in the mid-range of the community areas we looked at. More than half the community's survey respondents said they were willing to pay at least \$100 per year for the program. On the other hand, only 32 percent said they might move in the next five years. This would be an average of 6.4 percent per year, compared to actual annual movement of less than three percent over the last five years.

If about half of the community area's residents do sign up for the program, if annual emigration increases from its actual past level but remains below six percent, and if all residential properties are in the SSA tax base, then the maximum tax bills that can be expected are \$15-20 per year when only single-family homeowners experience losses, and \$25-30 when the owners of buildings up through six units lose. If the rate of emigration holds steady at 2.7 percent, tax bills to cover possible losses would not have to exceed \$15 per year.

Chicago Lawn, on the other hand, is the community with the greatest variation in possible program losses and the highest potential taxes (see Tables 11.8 and 11.9). Ten of its scenarios involve annual SSA taxes in excess of \$50, and five are above \$80.

These extraordinary results are due primarily to the extremely high proportion of its survey respondents who indicated a desire to move within one year, 17 percent. This is two percentage points higher than Hermosa's 15 percent and nearly three times the level of the next highest community area, North Austin. If this rate were to be sustained over the five years that payouts can be made, 85 percent of the entire population would leave and receive benefits--after having remained stably in their homes for the program's first five years. This is simply not likely to occur, especially in view of the fact that actual turnover during the last five years has averaged less than three percent.

Also contributing to the high loss estimates is the fact that more respondents, 62 percent, were willing to pay at least \$100 for home equity guarantee in Chicago Lawn than in any other community area. Likewise, more were willing to pay even as much as \$300, 13 percent.

Somewhat paradoxically, these data may indicate that actual program losses could be much less than the quantitative methodology indicates. Since so many people expressed a willingness to pay a fairly substantial sum of money for a program which guarantees their home's value five years in the future (assuming they were thinking of this provision when they answered the question), there seems to be an underlying commitment to the neighborhood. As we have repeatedly said, home equity guarantee by itself cannot protect property values; but if this underlying commitment can be built upon to combine equity guarantee with other programs which lessen the fear, tension, and hostility that we discussed above, then some among the very high percentage who expressed a desire to leave in the next year may be persuaded to stay. If this happens, a positive self-fulfilling prophecy can result, with no market value losses and hence no claims.

However, because of the extreme volatility in Chicago Lawn at present and the great divergence between stated intentions and actual past history, it is difficult to forecast what will happen, beyond ruling out the likelihood that 85 percent of its residents will sign up for the program and then wait five years before all moving out (the rows corresponding to Assumption 4.a, which lead to the very high program costs summarized above). If program participation does reach 60 percent, if the move rate increases to about five percent (below stated intentions but still above the actual rate for any community area), and if all residential properties are in the SSA tax base, a realistic estimate of the annual taxes necessary to pay for a collapse in the community area's real estate market is about \$30 per year. This is about the same as in Belmont Cragin.

Hermosa. Neither Hermosa nor North Austin shows the stability apparent in the other four communities. Hermosa was originally selected because it had a sizeable moderate-income Hispanic population and a high proportion of homeownership. Upon closer study, however, it is clear that Hermosa is a community in transition. Its Hispanic residents have moved in recently--during the past ten years--and do not intend to stay. They have moved out of lower-income Hispanic communities elsewhere in the city, most notably Humboldt Park.

Hermosa is a stepping stone out of these low-income areas. The stepping-stone phenomenon, as well as the desire of a number of older Hispanic homeowners to move back to Puerto Rico or Mexico, produces an inherently fluid housing situation. This community does not now have and is not likely to show the stability of the four community areas already discussed.

Partly as a consequence of these factors, seven of the loss scenarios in Hermosa have annual price tags of \$50 or more, and one even reaches \$105 (see Tables 11.10 and 11.11). The figures, however, are misleading because they depend on the combination of very high participation (73 percent of all eligible property owners) and a move rate which simply cannot be sustained over five years (15 percent per year).

The high participation rate results from the fact that so many of Hermosa's survey respondents said they might pay some unspecified amount for a home equity guarantee program, but planned participation dropped dramatically when a specific price tag was attached. Indeed, the 43 percent who said they might pay \$100 per year is the second lowest of all the community areas, only slightly ahead of Washington Heights' 41 percent. Thus, actual participation might be well under half the eligible owners.

The high move rate implied by Assumption 4.a is also of questionable relevance for projecting possible losses in this community area. It implies that at least 74 percent of those who enroll will remain in their homes during the program's first five years (long enough to qualify for pay-outs), and that they all will then move out during the ensuing five years, each one successfully claiming a five-percent loss in value. It is much more likely that a move rate of about four percent, the actual figure over the last five years, will occur. Even this may be high, since it is the second highest rate of all the community areas, exceeded only by North Austin's five percent.

With actual participation around 40 percent, a move rate of four percent, and all residential properties in the SSA tax base, annual tax bills for the owners of median-valued homes would be less than \$15, even when losses extended to buildings with up to six units.

North Austin. North Austin is clearly an area undergoing rapid racial and economic transition. Not only has this northern section of Austin become predominantly black, but the level of poverty in some of the Census tracts has increased markedly in the past decade. The experiences of Washington Heights and Avalon Park show that racial transition need not mean a move from stability to instability or from higher income to lower income. In the case of North Austin, however, a change in the social classes of the residents has accompanied the racial change.

Despite these changes, North Austin's housing market has remained strong. Appreciation levels were among the highest of all the Census tracts analyzed. Part of this may be the result of the neighborhood succes-

sion cycle, in which panic selling depresses housing prices prior to racial change, with prices rebounding once the change has taken place. Whatever the cause, the chances of severe financial failure for a home equity guarantee program, even in North Austin, seem remote.

However, given the increased poverty, deteriorating housing, and decline of commercial property, North Austin's residents may be in more serious need of programs other than home equity--such as income support, jobs, and perhaps home repair subsidies or commercial development programs.

In spite of this, more than 77 percent of the community area's survey respondents said they might pay for a home equity guarantee program, higher than in any other community area. Yet when a specific price tag was attached, it dropped to 55 percent, perhaps reflecting the reality of low incomes. This is only slightly higher than Belmont Cragin's 51 percent and well below Chicago Lawn's 62 percent. Still, even if the maximum participation level is achieved, only three scenarios yield SSA taxes of \$40 or more per year (see Tables 11.12 and 11.13).

North Austin's actual move rate over the last five years, five percent, is higher than any of the other community areas'. It is also very close to its residents' stated intentions to move in the next one or five years, six and seven percent, respectively. Thus, there is not much variation in possible program costs due to differences in the move rate.

If participation of about 50 percent is achieved, if emigration holds steady at about five percent, and if all residential properties are in the SSA tax base, annual taxes to cover possible program losses would be \$12-20, depending on whether only single-family buildings or buildings up to six units suffered losses.

## NOTES

1. Southwest Parish and Neighborhood Federation, "Guaranteed Home Equity Plan: Computation of Projected Fund Requirements," Dec. 13, 1978, p. 3.
2. John F. Kain, Housing Markets and Racial Discrimination: A Microeconomic Analysis (New York: National Bureau of Economic Research, 1975); Arnold R. Hirsch, Making the Second Ghetto: Race and Housing in Chicago, 1940-1960 (New York: Cambridge University Press, 1983); Luigi Laurenti, Property Values and Race (Berkeley: University of California Press, 1960); and Robert Schafer, "Discrimination in Housing Prices and Mortgage Lending," in John Pynoos, Robert Schafer, and Chester Hartman, eds., Housing Urban America, 2nd ed. (New York: Aldine, 1980), pp. 294-308.
3. Ironically, the potential for instability in these black communities might increase if more suburbs opened their doors to middle-income blacks.
4. Richard P. Taub, D. Garth Taylor, and Jan D. Duncan, Paths of Neighborhood Change: Race and Crime in Urban America (Chicago: University of Chicago Press, 1984).



TABLE 11.1

Selected Assessment Data for Townships Which Include Project Community Areas  
(all dollar figures in thousands)

	Hyde Park	Jefferson	Lake	West	Jeff. & West, Weighted Average
Total Assessed Value	\$871,440	\$1,502,574	\$1,237,867	\$912,053	N. A.
General Homeowner Exemp.	\$66,881	\$167,889	\$161,106	\$23,565	N. A.
Senior Citizen Exemption	\$12,061	\$36,409	\$30,311	\$8,036	N. A.
Taxable Assessed Value	\$792,498	\$1,298,275	\$1,046,451	\$880,452	N. A.
1-Unit Residential as Percent of 1-6 Unit	59.6%	65.6%	80.7%	54.2%	61.8%
1-6 Unit Residential as Percent of Taxable	37.4%	47.7%	51.0%	19.0%	38.1%
7 or More Unit Residential as Percent of Taxable	22.8%	13.8%	8.8%	12.4%	13.3%
Median Assessment Ratio, 1-6 Unit Residential	11.1%	9.6%	10.2%	9.2%	9.5%

NOTE: Avalon Park is in Hyde Park township. Belmont Cragin and Hermosa are in Jefferson. Chicago Lawn and Washington Heights are in Lake. North Austin is approximately 1/3 in West and 2/3 in Jefferson; these weights are reflected in the last column.

SOURCES: Dollar amounts--Cook County Clerk.  
Shares of tax base--computations based on data from Cook County Clerk and Assessor.  
Assessment ratios--Telephone interview with Illinois Department of Revenue staff.

TABLE 11.1

Possible Loss Scenarios for a Home Equity Guarantee Program in  
Avalon Park  
(only owners of single-family buildings suffer losses)

Percent in Program	Percent Moving Each Year	Total Loss per Year	Total Tax per Year	Tax per Year per \$5,500 Unequalized Assessed Value <sup>1</sup> if SSA Tax Base Is:		
				1-6 Unit Residential	All Residential	All Property
62.3%	4.3%	\$181,000	\$69,000	\$14	\$9	\$5
	1.4	59,000	23,000	5	3	2
	1.3	55,000	21,000	4	3	2
47.0	4.3	136,000	52,000	11	7	4
	1.4	44,000	17,000	4	2	1
	1.3	41,000	16,000	3	2	1
7.9	4.3	23,000	9,000	2	1	1
	1.4	7,000	3,000	1	*	*
	1.3	7,000	3,000	1	*	*

\*Less than \$0.50.

<sup>1</sup>This is the average assessment for a median-valued home in Avalon Park in 1984 (\$49,350). Computation of tax bill assumes full benefit of the general homeowner's exemption.

TABLE 11.3

Possible Loss Scenarios for a Home Equity Guarantee Program in  
Avalon Park  
(owners of all 1- through 6-unit buildings suffer losses)

Percent in Program	Percent Moving Each Year	Total Loss per Year (% of Market Value)	Tax per Year per \$5,500 Unequalized Assessed Value <sup>1</sup> if SSA Tax Base Is:					
			1-6 Unit Residential Rate <sup>2</sup> Amt.		All Residential Rate <sup>2</sup> Amt.		All Property Rate <sup>2</sup> Amt.	
62.3%	4.3%	0.13394%	0.25%	\$25	0.16%	\$16	0.09%	\$9
	1.4	0.04361	0.08	8	0.05	5	0.03	3
	1.3	0.04049	0.08	8	0.05	5	0.03	3
47.0	4.3	0.10105	0.19	19	0.12	12	0.07	7
	1.4	0.03290	0.06	6	0.04	4	0.02	2
	1.3	0.03055	0.06	6	0.04	4	0.02	2
7.9	4.3	0.01698	0.03	3	0.02	2	0.01	1
	1.4	0.00553	0.01	1	0.01	1	**	*
	1.3	0.00513	0.01	1	0.01	1	**	*

\*Less than \$0.50.

\*\*Less than 0.005%.

<sup>1</sup>This is the average assessment for a median-valued home in Avalon Park in 1984 (\$49,350). Computation of tax bill assumes full benefit of the general homeowner's exemption.

<sup>2</sup>Assuming the 1984 equalizer of 1.8445.

TABLE 11.4

Possible Loss Scenarios for a Home Equity Guarantee Program in  
Washington Heights  
(only owners of single-family buildings suffer losses)

Percent in Program	Percent Moving Each Year	Total Loss per Year	Total Tax per Year	Tax per Year per \$5,300 Unequalized Assessed Value <sup>1</sup> if SSA Tax Base Is:		
				1-6 Unit Residential	All Residential	All Property
52.2%	2.2%	\$211,000	\$ 81,000	\$9	\$8	\$5
	3.1	297,000	114,000	12	11	6
	1.1	105,000	40,000	4	4	2
40.6	2.2	164,000	63,000	7	6	4
	3.1	231,000	88,000	10	9	5
	1.1	82,000	31,000	3	3	2
10.1	2.2	41,000	16,000	2	1	1
	3.1	57,000	22,000	2	2	1
	1.1	20,000	8,000	1	1	*

\*Less than \$0.50.

<sup>1</sup>This is the average assessment for a median-valued home in Washington Heights in 1984 (\$52,395). Computation of tax bill assumes full benefit of the general homeowner's exemption.

TABLE 11.5

Possible Loss Scenarios for a Home Equity Guarantee Program in  
Washington Heights  
(owners of all 1- through 6-unit buildings suffer losses)

Percent in Program	Percent Moving Each Year	Total Loss per Year (% of Market Value)	Tax per Year per \$5,300 Unequalized Assessed Value <sup>1</sup> if SSA Tax Base Is:					
			1-6 Unit Residential		All Residential		All Property	
			Rate <sup>2</sup>	Amt.	Rate <sup>2</sup>	Amt.	Rate <sup>2</sup>	Amt.
52.2%	2.2%	0.05472%	0.11%	\$11	0.09%	\$9	0.06%	\$6
	3.1	0.08091	0.16	16	0.14	14	0.08	8
	1.1	0.02871	0.06	6	0.05	5	0.03	3
40.6	2.2	0.04466	0.09	9	0.08	8	0.05	5
	3.1	0.06293	0.13	13	0.11	11	0.07	6
	1.1	0.02233	0.05	4	0.04	4	0.02	2
10.1	2.2	0.01111	0.02	2	0.02	2	0.01	1
	3.1	0.01566	0.03	3	0.03	3	0.02	2
	1.1	0.00556	0.01	1	0.01	1	0.01	1

<sup>1</sup>This is the average assessment for a median-valued home in Washington Heights in 1984 (\$52,395). Computation of tax bill assumes full benefit of the general homeowner's exemption.

<sup>2</sup>Assuming the 1984 equalizer of 1.8445.

TABLE 11.6

Possible Loss Scenarios for a Home Equity Guarantee Program in  
Belmont Cragin  
(only owners of single-family buildings suffer losses)

Percent in Program	Percent Moving Each Year	Total Loss per Year	Total Tax per Year	Tax per Year per \$6,000 Unequalized Assessed Value <sup>1</sup> if SSA Tax Base Is:		
				1-6 Unit Residential	All Residential	All Property
66.5%	5.8%	\$796,000	\$305,000	\$29	\$22	\$14
	6.4	879,000	337,000	32	25	15
	2.7	371,000	142,000	13	10	6
51.0	5.8	611,000	234,000	22	17	11
	6.4	674,000	258,000	24	19	11
	2.7	284,000	109,000	10	8	5
7.1	5.8	85,000	33,000	3	2	1
	6.4	94,000	36,000	3	3	2
	2.7	40,000	15,000	1	1	1

<sup>1</sup>This is the average assessment for a median-valued home in Belmont Cragin in 1984 (\$62,475). Computation of tax bill assumes full benefit of the general homeowner's exemption.

TABLE 11.7

Possible Loss Scenarios for a Home Equity Guarantee Program in  
Belmont Cragin  
(owners of all 1- through 6-unit buildings suffer losses)

Percent in Program	Percent Moving Each Year	Total Loss per Year (% of Market Value)	Tax per Year per \$6,000 Unequalized Assessed Value <sup>1</sup> if SSA Tax Base Is:					
			1-6 Unit Residential		All Residential		All Property	
			Rate	Amt.	Rate	Amt.	Rate	Amt.
66.5%	5.8%	0.19285%	0.42%	\$46	0.32%	\$36	0.20%	\$22
	6.4	0.21280	0.46	51	0.22	40	0.22	24
	2.7	0.08977	0.19	21	0.15	17	0.09	10
51.0	5.8	0.14790	0.32	35	0.25	27	0.15	17
	6.4	0.16320	0.35	39	0.27	30	0.17	19
	2.7	0.06885	0.15	16	0.12	13	0.07	8
7.1	5.8	0.02059	0.04	5	0.03	4	0.02	2
	6.4	0.02272	0.05	5	0.04	4	0.02	3
	2.7	0.00958	0.02	2	0.02	2	0.01	1

<sup>1</sup>This is the average assessment for a median-valued home in Belmont Cragin in 1984 (\$62,475). Computation of tax bill assumes full benefit of the general homeowner's exemption.

<sup>2</sup>Assuming the 1984 equalizer of 1.8445.

TABLE 11.8

Possible Loss Scenarios for a Home Equity Guarantee Program in  
Chicago Lawn  
(only owners of single-family buildings suffer losses)

Percent in Program	Percent Moving Each Year	Total Loss per Year	Total Tax per Year	Tax per Year per \$4,800 Unequalized Assessed Value <sup>1</sup> if SSA Tax Base Is:		
				1-6 Unit Residential	All Residential	All Property
72.5%	17.0%	\$2,010,000	\$770,000	\$86	\$73	\$44
	8.2	970,000	371,000	41	35	21
	2.6	307,000	118,000	13	11	7
61.8	17.0	1,713,000	656,000	73	62	37
	8.2	826,000	317,000	35	30	18
	2.6	262,000	100,000	11	10	6
13.0	17.0	360,000	138,000	15	13	8
	8.2	174,000	67,000	7	6	4
	2.6	55,000	21,000	2	2	1

<sup>1</sup>This is the average assessment for a median-valued home in Chicago Lawn in 1984 (\$47,250). Computation of tax bill assumes full benefit of the general homeowner's exemption.



TABLE 11.9

Possible Loss Scenarios for a Home Equity Guarantee Program in  
Chicago Lawn  
(owners of all 1- through 6-unit buildings suffer losses)

Percent in Program	Percent Moving Each Year	Total Loss per Year (% of Market Value)	Tax per Year per \$4,800 Unequalized Assessed Value <sup>1</sup> if SSA Tax Base Is:					
			1-6 Unit Residential		All Residential		All Property	
			Rate <sup>2</sup>	Amt.	Rate <sup>2</sup>	Amt.	Rate <sup>2</sup>	Amt.
72.5%	17.0%	0.61625%	1.25%	\$112	1.07%	\$95	0.64%	\$57
	8.2	0.29725	0.60	54	0.52	46	0.31	27
	2.6	0.09425	0.19	17	0.16	15	0.10	9
61.8	17.0	0.52530	1.07	95	0.91	81	0.54	48
	8.2	0.25338	0.52	46	0.44	39	0.26	23
	2.6	0.08034	0.16	15	0.14	12	0.08	7
13.0	17.0	0.11050	0.22	20	0.19	17	0.11	10
	8.0	0.05200	0.11	9	0.09	8	0.05	5
	2.6	0.01690	0.03	3	0.03	3	0.02	2

<sup>1</sup>This is the average assessment for a median-valued home in Chicago Lawn in 1984 (\$47,250). Computation of tax bill assumes full benefit of the general homeowner's exemption.

<sup>2</sup>Assuming the 1984 equalizer of 1.8445.

TABLE 11.10

Possible Loss Scenarios for a Home Equity Guarantee Program in  
Hermosa  
(only owners of single-family buildings suffer losses)

Percent in Program	Percent Moving Each Year	Total Loss per Year	Total Tax per Year	Tax per Year per \$4,900 Unequalized Assessed Value <sup>1</sup> if SSA Tax Base Is:		
				1-6 Unit Residential	All Residential	All Property
73.1%	14.7%	\$481,000	\$184,000	66	51	31
	7.9	259,000	99,000	35	27	17
	4.0	131,000	50,000	18	14	9
42.6	14.7	281,000	107,000	38	30	18
	7.9	151,000	58,000	21	16	10
	4.0	76,000	29,000	10	8	5
7.4	14.7	49,000	19,000	7	5	3
	7.9	26,000	10,000	4	3	2
	4.0	13,000	5,000	2	1	1

<sup>1</sup>This is the average assessment for a median-valued home in Hermosa in 1984 (\$51,188). Computation of tax bill assumes full benefit of the general homeowner's exemption.

TABLE 11.11

Possible Loss Scenarios for a Home Equity Guarantee Program in  
Hermosa  
(owners of all 1- through 6-unit buildings suffer losses)

Percent in Program	Percent Moving Each Year	Total Loss per Year (% of Market Value)	Tax per Year per \$4,900 Unequalized Assessed Value if SSA Tax Base Is:					
			1-6 Unit Residential Rate <sup>2</sup> Amt.		All Residential Rate <sup>2</sup> Amt.		All Property Rate <sup>2</sup> Amt.	
73.1%	14.7%	0.53728%	1.16%	\$105	0.90%	\$82	0.55%	\$50
	7.9	0.28874	0.62	57	0.48	44	0.30	27
	4.0	0.14620	0.32	29	0.24	22	0.15	14
42.6	14.7	0.31311	0.68	61	0.52	48	0.32	29
	7.9	0.16827	0.36	33	0.28	26	0.17	16
	4.0	0.08520	0.18	17	0.14	13	0.09	8
7.4	14.7	0.05439	0.12	11	0.09	8	0.06	5
	7.9	0.02923	0.06	6	0.05	4	0.03	3
	4.0	0.01480	0.03	3	0.02	2	0.02	1

<sup>1</sup>This is the average assessment for a median-valued home in Hermosa in 1984 (\$51,188). Computation of tax bill assumes full benefit of the general homeowner's exemption.

<sup>2</sup>Assuming the 1984 equalizer of 1.8445.

TABLE 11.12

Possible Loss Scenarios for a Home Equity Guarantee Program in  
North Austin

(only owners of single-family buildings suffer losses)

Percent in Program	Percent Moving Each Year	Total Loss per Year	Total Tax per Year	Tax per Year per \$5,000 Unequalized Assessed Value <sup>1</sup> if SSA Tax Base Is:		
				1-6 Unit Residential	All Residential	All Property
77.3%	6.9%	\$701,000	\$268,000	32	23	12
	5.9	599,000	230,000	27	20	10
	4.9	498,000	191,000	22	17	9
54.7	6.9	496,000	190,000	22	17	9
	5.9	424,000	162,000	19	14	7
	4.9	352,000	135,000	16	12	6
8.0	6.9	73,000	28,000	3	2	1
	5.9	62,000	24,000	3	2	1
	4.9	52,000	20,000	2	2	1

<sup>1</sup>This is the average assessment for a median-valued home in North Austin in 1984 (\$52,500). Computation of tax bill assumes full benefit of the general homeowner's exemption.

TABLE 11.13

Possible Loss Scenarios for a Home Equity Guarantee Program in  
North Austin

(owners of all 1- through 6-unit buildings suffer losses)

Percent in Program	Percent Moving Each Year	Total Loss per Year (% of Market Value)	Tax per Year per \$5,000 Unequalized Assessed Value <sup>1</sup> if SSA Tax Base Is:					
			1-6 Unit Residential Rate <sup>2</sup> Amt.		All Residential Rate <sup>2</sup> Amt.		All Property Rate <sup>2</sup> Amt.	
77.3%	6.9%	0.26669%	0.58%	\$54	0.43%	\$40	0.22%	\$20
	5.9	0.99804	0.50	46	0.37	34	0.19	17
	4.9	0.18939	0.42	38	0.31	28	0.16	15
54.7	6.9	0.18872	0.41	38	0.31	28	0.16	14
	5.9	0.16137	0.35	32	0.26	24	0.13	12
	4.9	0.12402	0.29	27	0.22	20	0.11	10
8.0	6.9	0.02760	0.06	6	0.04	4	0.02	2
	5.9	0.02360	0.05	5	0.04	4	0.02	2
	4.9	0.01960	0.04	4	0.03	3	0.02	2

<sup>1</sup>This is the average assessment for a median-valued home in North Austin in 1984 (\$52,500). Computation of tax bill assumes full benefit of the general homeowner's exemption.

<sup>2</sup>Assuming the 1984 equalizer of 1.8445.

## CONCLUSIONS

We found no evidence that real estate values over the next five years are likely to drop in Avalon Park, Belmont Cragin, Chicago Lawn, Hermosa, North Austin, or Washington Heights. Thus, from a purely quantitative point of view, there may be little need for a home equity guarantee program. There is also very little probability that such a program, if it were instituted in any of these community areas, would incur losses.

On the other hand, the survey indicates that the most important aspects of the proposed program may be non-quantitative. It can, for example, short-circuit both anxiety and the translation of anxiety into emigration from Chicago's middle-income communities. It is a weapon that city officials and community leaders can use in countering homeowner fears about the future. By supporting such a plan, city officials would give their vote of confidence to these neighborhoods--areas which in the past have not been given all the positive feedback they need.

Home equity is largely a psychological weapon; homeowners would get the message that there are those who are confident enough in their community to back a home value guarantee. It will make homeowners less recep-

tive to fear-evoking rumors or comments--whether they are passed on innocently by a neighbor or systematically broadcast by self-serving real estate brokers seeking more commissions through rapid property turnover.

A home equity program organized on a communitywide basis also reinforces the view that anxieties of homeowners in one neighborhood are ultimately related to the actions of other homeowners just a few blocks away. It is a stimulus for homeowners to work together to improve and maintain their community.

However, even though home equity has the potential to act as a circuit-breaker which can sidetrack fears before a panic-generated exodus occurs, it will not work if related problems--schools, crime, unemployment--remain unsolved. Even unclaimed insurance funds from the equity program that are directed toward various community projects (see Appendix V) cannot make a dent in such problems as these.

In sum, then, the home equity circuit-breaker we have evaluated in this report will work only if neighborhood residents, city officials, businesspeople, realtors, bankers, educators, community leaders, and church leaders work together to improve their community and to eliminate the very real sources of their community's anxieties.

Finally, we have not discussed at all in this report the possibility of a home equity guarantee program in any neighborhood outside Chicago. We believe, however, that the Chicago community areas we looked at are sufficiently typical of other big-city neighborhoods that people in other cities might profitably consider whether the concept can be put to work for them, too.

APPENDIX I: MAP OF CHICAGO COMMUNITIES

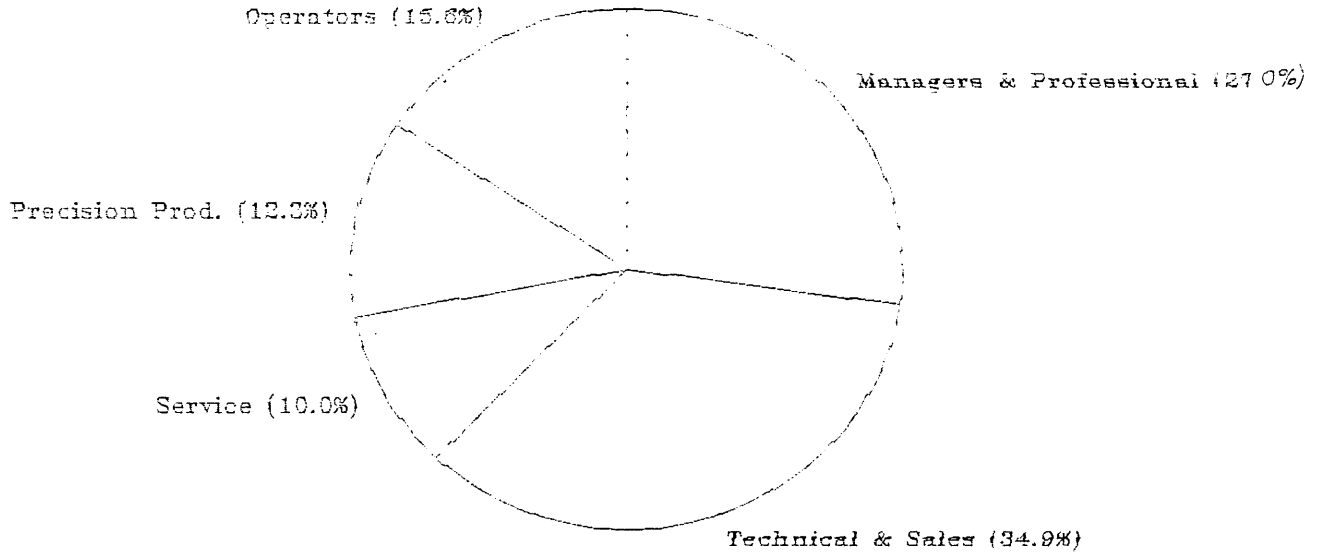




APPENDIX II. GRAPHS

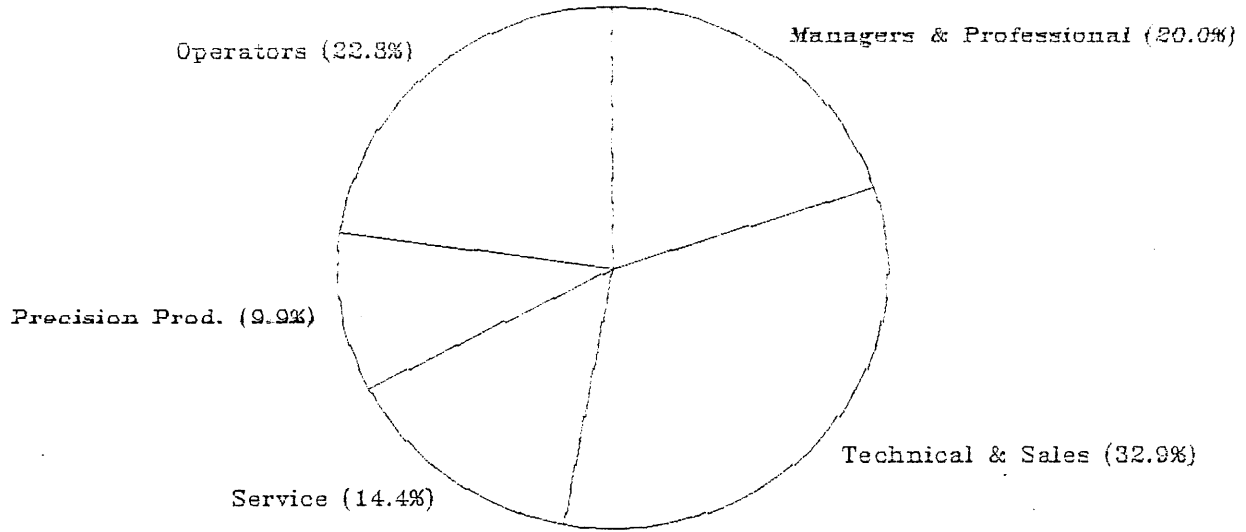
GRAPH A

Percent in Occupational Categories  
Suburban Portion of Chicago SMSA (1980)



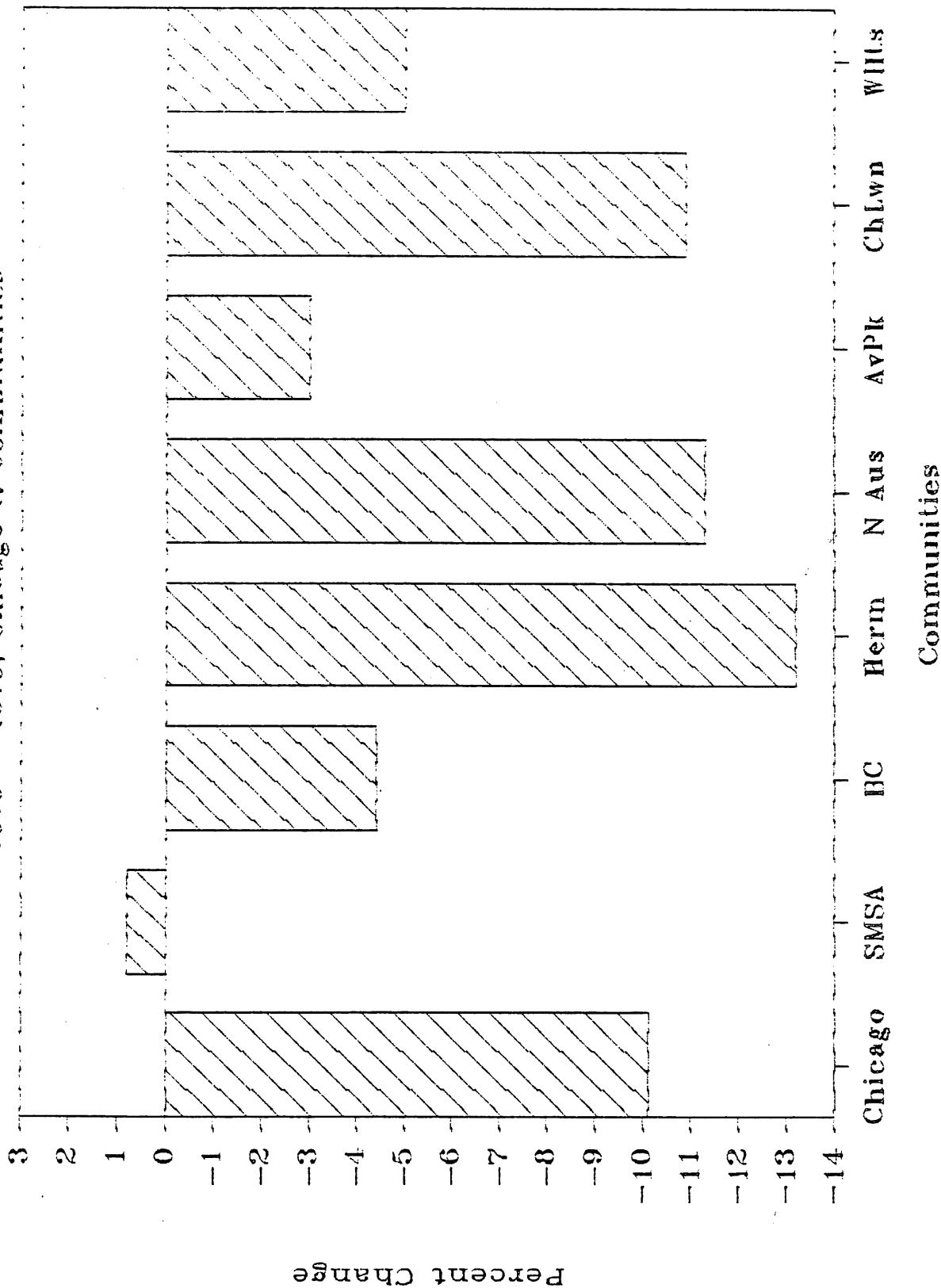
GRAPH B

Percent in Occupational Categories  
Chicago (1980)



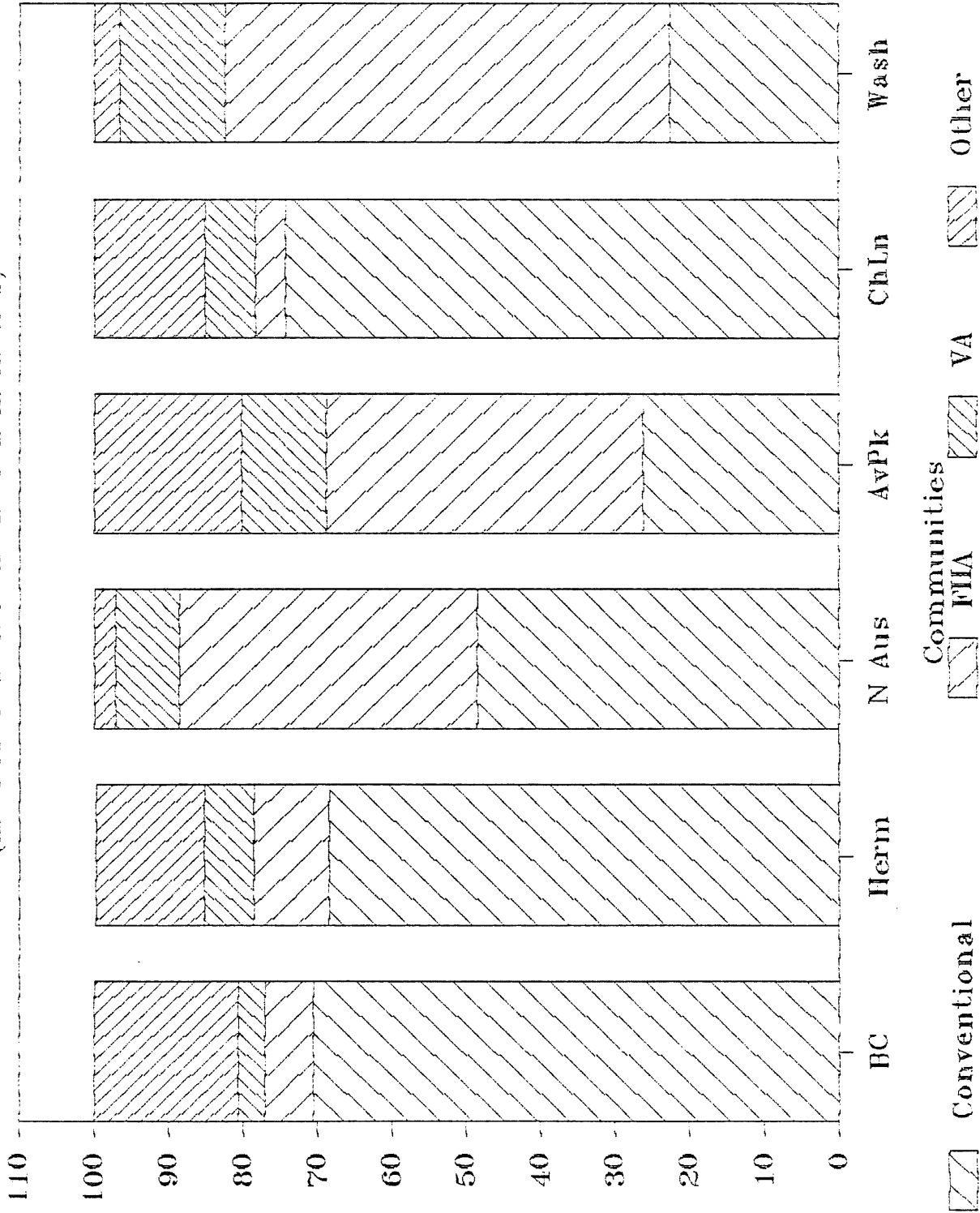
GRAPH C

1969 - 1979, Chicago & Communities



GRAPH D

4.1 (All homeowners in six communities)



APPENDIX III: TABLES

TABLE A.1

HOMEOWNERS' SATISFACTION WITH COMMUNITY  
(Percent responding "Satisfied" or "Very Satisfied")

Satisfac- tion with:	Bel Crag	Herm	No. Aust	Aval Park	Chgo Lawn	Wash Hts
Schools	41.7	53.7	63.5	72.1	44.2	61.5
Appear- ance of N'hood	74.7	72.0	82.4	84.1	63.0	62.2
Reputa- tion of N'hood	77.6	71.4	84.5	88.4	65.1	72.7
Shopp- ing	90.5	86.7	71.6	89.9	82.2	62.1
Property Values	73.4	75.0	67.6	81.2	53.1	74.6
Safety	65.7	66.0	62.2	74.3	52.9	72.9
Conven- ience to Work	93.6	74.2	92.1	94.0	84.4	84.1
Public Transp.	93.3	100.0	91.3	90.0	89.4	88.0
Income level of Residents	95.0	91.3	97.8	89.4	77.6	92.8
Racial Make-up of N'hood	82.0	86.1	77.8	89.4	60.5	87.0
Quality of Hous- ing	92.3	90.6	90.5	100.0	82.8	85.4
Mainten- ance of Apt Bldgs	80.1	69.4	79.0	83.3	74.7	77.8
No. of Cases	174	109	75	70	154	136



TABLE B

Overall, how would you evaluate what's happened to your neighborhood over the past two years? Do you think that it is...

	<u>a better place to live</u>	<u>a worse place to live</u>	<u>about the same</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Belmont Cragin (157)	6	28	66
Hermosa (93)	14	23	63
No. Austin (71)	8	32	59
Avalon Park (68)	10	9	81
Chicago Lawn (143)	3	36	61
Washington Hgts. (126)	13	9	79

TABLE C

All things considered, what do you think the neighborhood will be like two years from now? Will it be...

	<u>a better place to live</u>	<u>a worse place to live</u>	<u>about the same</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Belmont Cragin (159)	4	38	58
Hermosa (101)	14	31	55
No. Austin (67)	12	33	55
Avalon Park (64)	17	--	83
Chicago Lawn (136)	4	44	52
Washington Hgts. (124)	11	10	78

TABLE D

In your opinion, would a family be making a good financial investment by buying a house in your neighborhood?

	<u>Yes</u>	<u>No</u>	<u>Depends/ Don't Know</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Belmont Cragin (173)	58	28	14
Hermosa (107)	64	21	15
No. Austin (71)	72	20	8
Avalon Park (70)	77	6	17
Chicago Lawn (153)	44	35	21
Washington Hgts. (134)	63	19	17

TABLE E

Do you think the value of your property has changed since five years ago? Is it...

	<u>Worth More</u>	<u>Worth Less</u>	<u>About The Same</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Belmont Cragin (169)	68	11	21
Hermosa (104)	84	8	9
No. Austin (91)	85	5	9
Avalon Park (68)	97	--	3
Chicago Lawn (144)	61	15	24
Washington Hgts.	96	--	4

TABLE F

ATTITUDES TOWARD HOME EQUITY AND WILLINGNESS  
TO PAY, BY COMMUNITY

	Percent Agreeing Home Equity is a Good Idea -----	Percent of those Agreeing Who Are Willing to Pay for Equity Program -----
Belmont Cragin	66.5	56.8
Hermosa	62.9	53.7
North Austin	70.7	62.7
Avalon Park	65.9	39.0
Chicago Lawn	56.8	37.7
Washington Hgts	74.4	58.8

TABLE G  
 LIKELIHOOD OF MOVING  
 BY COMMUNITY AREA  
 (Homeowners)

	Very Likely to Move in 1 Year	Very Likely to Move in 5 Years	At Least Somewhat Likely to Move in 5 Years
Belmont-Cragin	5.8	25.9	32.2
Hermosa	14.7	25.7	39.4
North Austin	6.9	17.2	29.7
Avalon Park	4.3	4.3	7.2
Chicago Lawn	17.0	30.7	41.2
Washington Hts	2.2	8.8	15.4

TABLE J

Method of Home Purchase Financing for  
New and Old Buyers, By Community

	Convent'l	FHA	VA	Other	No.
	Mortgage	Mortgage	Mortgage	Financing	
	Percent Responding				
Belm Crag					
New	58.2	18.2	7.3	3.3	(55)
Old	75.9	.9	1.8	2.5	(112)
Hermosa					
New	67.5	7.5	7.5	17.5	(40)
Old	71.4	10.2	6.1	12.2	(49)
No. Austin					
New	26.7	53.3	16.7	3.3	(30)
Old	67.5	27.5	2.5	2.5	(40)
Avalon Pk					
New	37.5	25.0	12.5	25.0	(8)
Old	24.1	44.4	11.1	20.4	(54)
Ch'go Lawn					
New	70.3	8.1	5.4	16.2	(37)
Old	75.9	2.7	7.1	14.3	(112)
Wash Hts					
New	31.3	50.0	6.3	12.5	(16)
Old	21.4	61.2	15.5	1.9	(103)

TABLE I

"How Important Do You Think the Following Are in Causing  
 Neighborhood Property Values to Drop?"  
 (% saying "very important")

	Belm-Crag	Hermo	N. Aust	AvalPk	CLawn	WaHts
Increased Crime	80.8	98.1	90.5	98.6	84.4	87.8
Housing Deter.	80.1	88.9	94.6	95.7	82.7	90.9
Low-income people moving in	44.3	53.3	28.2	39.7	45.8	34.1
Minorities moving in to white n'hood	53.6	31.4	33.3	13.2	68.8	7.8
Realtors panic peddling	62.5	69.7	51.4	51.5	65.9	56.2
Fear and ignorance	51.8	65.4	43.1	63.2	65.2	78.4



TABLE H

"Would you move out of your neighborhood if you thought the value of your property was going to drop?"

	<u>Yes</u>	<u>No</u>	<u>Don't Know</u>
Belmont-Cragin	53.5	30.8	15.7
Hermosa	47.7	38.5	13.8
No. Austin	47.3	37.8	14.9
Avalon Park	31.9	55.1	13.0
Chicago Lawn	41.4	38.2	20.4
Wash Heights	30.1	43.6	26.3

Appendix IV

CHICAGO NEIGHBORHOOD ORGANIZING PROJECT  
SURVEY QUESTIONNAIRE  
4/24/85 EDIT

SEQUENCE NUMBER: \_\_\_\_\_  
(office only)

INTERVIEWER I.D. CODE: \_\_\_\_\_ BLOCK NUMBER: \_\_\_\_\_

INTERVIEW STARTING TIME: \_\_\_\_\_ DATE: \_\_\_\_\_

I am working with the Chicago Neighborhood Organizing Project which is completing a survey of residents and what they think about the neighborhood they live in.

For this kind of a survey I need to talk to the [male/female] head of the household. This should only take about 20 minutes of your time.

1. How long have you lived at this address?

-----

2. How many years have you lived in this neighborhood?

- less than a year... 1
- 1 year..... 2
- 2 years..... 3
- 3 to 5 years..... 4
- 6 to 10 years..... 5
- 11 to 20 years..... 6
- over 20 years..... 7
- all my life..... 11 → SKIP TO 5.

3. Where did you live before moving to this neighborhood?  
[get neighborhood name or city name or street boundaries]

-----  
-----

4. Why did you move to this neighborhood?

-----  
-----  
-----  
-----

6. We'd like to know how satisfied you are right now with various things in your neighborhood. Tell me whether you are very satisfied, somewhat satisfied, somewhat dissatisfied, or very dissatisfied with the following things. What about...

	very satisfied	somewhat satis- fied	somewhat dissatis- fied	very dissatis- fied	don't know
a. the quality of public schools. Are you.....	1	2	3	4	8
b. the general appearance of the streets, grounds and buildings in the area. Are you.....	1	2	3	4	8
c. the reputation of your neigh- borhood. Are you.....	1	2	3	4	8
d. the availability of convenient shopping. Are you.....	1	2	3	4	8
e. the way property values are going. Are you.....	1	2	3	4	8
f. the safety of the neighborhood. Are you.....	1	2	3	4	8
g. the convenience of the neigh- borhood to work for a household member. Are you.....	1	2	3	4	8
h. the availability of public transportation. Are you.....	1	2	3	4	8
i. the income level of others in the neighborhood. Are you.....	1	2	3	4	8
j. the racial make-up of the neighborhood. Are you.....	1	2	3	4	8
k. the quality of housing for the money. Are you.....	1	2	3	4	8
l. the maintenance of apartment buildings in the neighborhood. Are you.....	1	2	3	4	8

8. a. On the whole, how satisfied are you with your neighborhood? Are you...

- very satisfied..... 1
- somewhat satisfied..... 2
- somewhat dissatisfied... 3
- very dissatisfied..... 4
- don't know..... 8 → SKIP TO 9.

b. Why? What are the most important reasons for why you feel this way?

-----  
-----  
-----

9. a. Overall, how would you evaluate what's happened to your neighborhood over the past two years? Do you think that it is...

- a better place to live..... 1
- a worse place to live..... 2
- about the same..... 3 → SKIP TO 10.
- haven't lived here two years... 4 → SKIP TO 10.
- don't know..... 8 → SKIP TO 10.

b. Why? What are the most important reasons for why you feel this way?

-----  
-----  
-----

10. a. All things considered, what do you think the neighborhood will be like two years from now? Will it be...

- a better place to live... 1
- a worse place to live.... 2
- about the same..... 3 → SKIP TO 11.
- don't know..... 8 → SKIP TO 11.

b. Why? What are the most important reasons that make you feel this way?

-----  
-----  
-----

15. [SKIP to 16 if respondent has lived here all (his/her) life.]  
 I am going to read a list of reasons people give for leaving their previous home. How important was each of these as a factor in your decision to move out of your previous home? How about...

	very important factor	somewhat important factor	not a factor	don't know
a. it got to be too expensive to live in my last place. Was this.....	1	2	3	8
b. I could afford to get a better place. Was this.....	1	2	3	8
c. my old place was too small. Was this.....	1	2	3	8
d. increased crime in the neighborhood. Was this.....	1	2	3	8
e. increased gang problems in the neighborhood. Was this..	1	2	3	8
f. deterioration of housing in the neighborhood. Was this.....	1	2	3	8
g. people of a different race or ethnic group were moving into the neighborhood. Was this.....	1	2	3	8
h. I thought that neighborhood property values would drop. Was this.....	1	2	3	8
i. a realtor convinced me to move. Was this.....	1	2	3	8

16. Now I would like to ask you a series of questions about the building you live in.

a. Is this a single-family or multiple-unit building?

single-family... 1 → SKIP TO 18.  
 multiple unit... 2

b. Is this a rental building, or a condominium building, or something else?

rental building..... 1  
 condominium building... 2  
 other..... 3 → SPECIFY: \_\_\_\_\_

23. a. Let me show you a card with a range of possible answers. Please tell me the letter of the choice that best describes your monthly mortgage payments for this house, not including taxes or insurance?

- a. paid in full.... 1 → SKIP TO 24.
- b. under \$200..... 2 → SKIP TO 24.
- c. 200 to 399..... 3 → SKIP TO 24.
- d. 400 to 599..... 4 → SKIP TO 24.
- e. 600 to 799..... 5 → SKIP TO 24.
- f. 800 to 999..... 6 → SKIP TO 24.
- g. 1,000 or more... 7 → SKIP TO 24.
- don't know..... 8

b. If it's easier to remember, what is your monthly payment including taxes and insurance?

- a. paid in full.... 1
- b. under \$200..... 2
- c. 200 to 399..... 3
- d. 400 to 599..... 4
- e. 600 to 799..... 5
- f. 800 to 999..... 6
- g. 1,000 or more... 7
- don't know..... 8

24. What kind of mortgage did you take out on this house?

- conventional..... 1
- FHA..... 2
- VA..... 3
- contract with seller... 4
- other..... 5 → SPECIFY: \_\_\_\_\_
- don't know..... 8
- (refused)..... 9

25. Who is your primary lender? [Get name of bank, mortgage company, Savings and Loan, etc.]

-----

26. I'm going to show you another card with different choices. Please tell me the letter of the choice that best describes the annual property tax bill on this house.

- a. under \$400..... 1
- b. 400 to 599..... 2
- c. 600 to 799..... 3
- d. 800 to 999..... 4
- e. 1,000 to 1,499... 5
- f. 1,500 to 2,000... 6
- g. over 2,000..... 7
- don't know..... 8
- (refused)..... 9

31. When property values in a neighborhood drop, what do you think are the major causes?

-----  
 -----  
 -----

32. How important do you think the following are in causing neighborhood property values to drop?

	very important	somewhat impor- tant	not impor- tant	very don't know
a. increased crime.....	1	2	3	8
b. deterioration of residential housing...	1	2	3	8
c. low-income people moving in.....	1	2	3	8
d. minorities moving into an all-white neighborhood.....	1	2	3	8
e. realtors using panic-selling tactics...	1	2	3	8
f. people's unfounded fear or ignorance...	1	2	3	8

33. Would you move out of your neighborhood if you thought the value of your property was going to drop?

yes..... 1  
 no..... 2  
 not sure... 8

34. a. In some communities there is a special kind of insurance that guarantees home values so that the value of a person's home will never fall below its current level. This kind of insurance is designed to promote neighborhood stability and encourage home investment. Do you think such an insurance program would benefit your neighborhood?

yes..... 1 → SKIP TO 35.  
 no..... 2  
 don't know... 3 → SKIP TO 35.

b. Why not? -----  
 -----

39. I am going to give you a range of descriptions about employment. Which best describes your situation?

- full-time (35 hours or more)... 1
- part-time (1 to 34 hours)..... 2
- unemployed..... 3
- keep house only..... 4 → SKIP TO 41.
- retired..... 5
- in school only..... 6 → SKIP TO 41.
- other..... 7 → SPECIFY: \_\_\_\_\_
- (refused)..... 9 \_\_\_\_\_

40. a. What (is/was) your job title?

-----

b. Describe what you (do/did) at your job:

-----

-----

c. Where (is/was) your main place of work? (Is/Was) it...

- right here in the neighborhood... 1
- downtown..... 2
- somewhere else in the city..... 3
- suburb..... 4
- other..... 5 → SPECIFY: \_\_\_\_\_

41. [ASK ONLY IF RESPONDENT IS MARRIED]

a. Is your spouse employed? [Does (he/she) receive an income?]

- yes... 1
- no.... 2 → SKIP TO 42.

b. What is his/her job title?

-----

c. Describe what (he/she) does at (his/her) job:

-----

-----

d. Where is your spouse's main place of work?

- right here in the neighborhood... 1
- downtown..... 2
- somewhere else in the city..... 3
- suburb..... 4
- other..... 5 → SPECIFY: \_\_\_\_\_



46. a. Are there any children (under 18) living in this household?

yes... 1  
no.... 2 → SKIP TO 47.

b. How many?

-----

c. Are any of these children attending school?

yes... 1  
no.... 2 → SKIP TO 47.

d. Do any attend public school?

yes... 1  
no.... 2

47. I hope you don't mind, but I would like to record your phone number. The only reason for this is that my supervisor may want to call you back to check on my work and verify the accuracy of this interview. What is your phone number?

-----

[STOP QUESTIONING RESPONDENT. NOW MAKE THE FOLLOWING VISUAL OBSERVATIONS, AND RECORD THEM BELOW.]

48. Sex of respondent

male..... 1  
female... 2

49. Respondent's address:

-----

50. General appearance of respondent's building [circle any of the following that apply]:

excellent... 1	signs of structural disrepair... 5
good..... 2	poorly maintained yard..... 6
fair..... 3	excessive trash..... 7
poor..... 4	graffiti..... 8

## APPENDIX V

### DESIGN FEATURES OF A HOME EQUITY GUARANTEE PROGRAM

A program must be defined before anything can be said about its feasibility or the costs which it might incur. Thus, one of our first tasks was to outline the design features which a home equity program might have. Our information came from many sources.

Oak Park has had a program enacted in law since 1977, after a public debate lasting four years. As early as 1979, the Southwest Parish and Neighborhood Federation (SPNF) proposed a program for Chicago which followed the Oak Park model in some respects, but also differed in some. Ever since then, home equity guarantee has been publicly discussed in various parts of the country.

In particular, many of the people we interviewed, especially those who had had some involvement with the Oak Park program or with similar proposed programs in New York State and elsewhere, expressed opinions about the features which they thought should characterize future equity guarantee programs and about whether such a program could work at all in a city as large and diverse as Chicago. Likewise, our formal and informal conversa-

tions with CNOP staff members frequently included references to the program's design; and the members of CNOP's Insurance Industry Task Force, two of whose meetings we attended, discussed certain design features at length, in conjunction with their effort to develop administrative procedures and estimate administrative costs.

This appendix reflects suggestions from all these sources and others.<sup>1</sup> We are grateful to the many people who spent their time talking with us or who provided us with documents on the subject.

Many of the design features presented below have already been alluded to in the main body of the text. They are explained more fully here, along with some of the main alternatives. Such a discussion is important at this time not only because the design features have serious ramifications for the potential success and possible losses of the proposed program, but also because many of them will surely be the subject of intense debate before any program is enacted by Chicago's aldermen. We hope the reflections gathered here contribute to a more informed public debate.

Finally, it should be clear that the comments and conclusions we have made in the main text about the possible stabilizing role of a home equity guarantee program and its possible payouts might not apply to a program whose features differed significantly from those described in the following sections.

Covered Perils. We take it for granted that a home equity guarantee program is not intended to cover losses in property value due to neglect of maintenance, failure to repair damage, fire, acts of war, riots, floods, tornados, or other acts of nature. Beyond that, there is the question of what it should cover.

One approach is to cover all losses in value, other than those just mentioned. This has the advantages of simplicity and probably easier marketing, since prospective members will not be confused or suspicious about the various terms that would have to be used to limit coverage to losses from specific causes. On the other hand, it has the potential of incurring greater program payouts.

A second approach is to cover only losses due to specifically defined causes, such as change in the ethnic or economic characteristics of neighborhood residents. This clearly focuses the program and may limit potential payouts, but it can also make marketing more difficult and will presumably lead to eventual controversy over the meaning of the limiting terms.

A review of program goals and likely "worst-case scenarios" leads us to prefer the first option:

The program's prime goal is to promote social and economic stability in geographically defined neighborhoods. One way it can do this in white neighborhoods is by reducing the ability of members of the real estate, insurance, or financial industries to bring about the fear of catastrophic losses in property values through redlining, blockbusting, or other destructive activities. These activities both encourage and are encouraged by white residents' anxieties about minority neighbors. Together with that anxiety, they are perhaps the greatest threats to stability in white ethnic neighborhoods.

Yet, although it is the white neighborhoods which often seem to get most of the media attention, there are analogous problems in black and Hispanic communities. The survey indicates that they share a fear of the potential losses from neighborhood change. If there is anything surprising

in the survey, it is that their fear is not greater because--even with fair housing laws--minorities still face more limited housing choices than whites when gangs, drugs, or other problems beyond their immediate control reduce their current neighborhood's desirability.

Given the depth and complexity of people's emotions when confronted by perceived threats to their neighborhood, and the difficulties of discovering and interpreting the roles of all the various institutional actors who may be involved in neighborhood change, the importance of simplicity in any successful home equity guarantee program cannot be overestimated. Clarity and simplicity will be more effective in allaying people's fears than will carefully worded definitions and explanations of the precise types of loss that will be covered.

Finally, we think the likelihood of payouts under any circumstances is very low, as is explained more fully in the next section. If we are correct, then there is even less reason for restrictively defining the losses that will be covered.

Eligibility. There seems to be a consensus among those who have addressed the issue that eligibility should be limited to the owner-occupants of small residential structures. Although the behavior of apartment, commercial, and industrial building owners is clearly important to the stability of any neighborhood, it is the owner-occupants of small structures who have historically been most active in local block clubs and preservation efforts. If they feel secure about their home investment, the entire neighborhood benefits. If they are fearful and moving out in great numbers, then the entire neighborhood suffers.

Eligibility in the prototypical Oak Park home equity program is limited to the owners of single-family residential structures. This seems inappropriately restrictive for urban neighborhoods such as Chicago's, where the general level of maintenance and of personal relationships within small apartment buildings is an important factor in neighborhood stability. Thus, we agree with those who suggest eligibility for the owners of multi-family structures.

Some scenarios put the limit at four units, while others use six. In favor of six is that it would be consistent with the County Board's definition of small residential properties for the purpose of real estate assessments. This might make it easier to use the county's records for mass mailings and notification requirements, assuming the Treasurer's and Assessor's cooperation could be obtained. In favor of four units as a limit is that the fewer the participants, the smaller will be the total required payout in the event of actual neighborhood decline.

We have used six units in order to be able to utilize county assessment records.

The Enrollment Process. Given that an applicant is the bona fide owner-occupant of an eligible structure and that she complies with the enrollment procedures outlined in the next few paragraphs, acceptance into the program should be automatic. Any credit check, residency requirement, or other limitation on eligibility can only reduce confidence in the program.

It would seem important for there to be a membership or application fee of some sort, both because there will be real program costs to be met

and because a financial investment, however small, will provide an additional incentive for people to take the entire matter of neighborhood stability more seriously. The fee should pay part or all of the cost of a thorough appraisal of the property by an approved appraiser. This appraisal should be made as soon after application as feasible, with its final value estimate as of the fee-payment date. Membership in the program should begin on the date the fee is paid, not the date of the appraisal.

Appraisers might be persuaded to accept lower-than-usual fees if they thought they might get increased volume or if they could schedule program appraisals for otherwise slack times in their work schedules.

Waiting Period. The very nature of any home equity guarantee program requires that there be some waiting period between the date of the appraisal and the date on which a loss in value can be claimed. Assuming a competent appraiser, any property can be sold near the appraisal date for its appraised value, so a program which provides immediate coverage is really a non-program. Perhaps more to the point, the goal of home equity guarantee is neighborhood stability over a period of years. This argues for a relatively long waiting period, though not so long as to be unrealistically beyond the time horizons of most people. The five-year period used in Oak Park's program and suggested in SPNF's 1979 proposal seems reasonable.

The goals of promoting stability and maintaining program simplicity also argue against any sort of phase-in of coverage, e.g., 20 percent of loss covered after the first year of membership, 40 percent after the second, etc.

Reappraisal. Reappraisals should be permitted at the option of the member, with payment of another fee. The Oak Park program limits reappraisals to no more than one per 12-month period. This might be a good idea, if for no other reason than that it might slightly reduce administrative paperwork from overly frequent reappraisals. On the other hand, the reappraisal's cost might be enough to deter abuses. In any case, each new appraised value should begin a new five-year waiting period.

What happens if reappraisal shows that a property's value has declined? We believe the goals of the program are best served if members can retain the original appraised value (along with the original waiting period), rather than being forced to accept the new, lower value. This assumes, of course, that the value decline is not due to an improper appraisal, neglect of the property, or any of the other identified exclusions. If members are forced to accept lower values, when they thought values were going up (for why else would they seek a reappraisal?), fear and instability will be increased even more than they will be by knowledge of the decline with continued coverage at the higher value.

Rehabilitation. Substantial property rehabilitation may seem to deserve special treatment, such as a shortened waiting period for members who substantially rehab. Such a policy, however, confuses program goals and is counterproductive. At least some of those who would benefit from it would be those who rehabbed precisely in order to sell out quickly at a profit. To the extent that they are gambling on the market, they have a poor claim to special treatment within a home equity guarantee program,



whose purpose is to promote stability. To the extent that they increase the rate of real estate turnover in a neighborhood, they are a part of the problem, rather than the solution.

This argument does not imply that there should be no incentives for rehab. Nevertheless, the options are, in reality, quite few, and it is probably better not to complicate the program. The only cost element under control of the program's administrators is the appraisal/reappraisal fee, which could be reduced for owners who rehab. However, given the very small cost of an appraisal relative to the extremely high cost of substantial rehab, this is not likely to have any impact on the occurrence of rehab. On the other hand, if a large number of people should decide to rehab for some other reason, the program's administrative budget could be drained by the unnecessary subsidies. Thus, reappraisals resulting from rehab should cost the same as any others.

Amount of Coverage. The Oak Park program covers only 80 percent of any loss in property value during the waiting period. This was perhaps a reasonable precaution for what was the first program of its kind. We think, however, that there is no need for such a deductible in the proposed program. Indeed, given the level of fear in some of Chicago's neighborhoods, providing only partial coverage may do little more than reinforce people's perception that values are declining, even if the perception is erroneous.

On the other hand, the program is not intended as a guarantee that anyone's investment in real estate--viewed as a financial undertaking rather than as a place to live--will be profitable. Hence, there is no reason to

tie the original appraised value to the increase in any price index during the waiting period. To do so would turn the program into an investment guarantee, insuring that participants' investments performed at least as well as the index during the period in question. Speculators would presumably like such coverage, but they are not the people on whom stable neighborhoods are built. Furthermore, since it is in the nature of any price index that roughly half of all individual changes will be less than the index change, tying the appraised value to an index is a statistical guarantee that the program will have to absorb large payouts in at least some neighborhoods.

The arguments against adopting index increases do not apply to adopting index decreases. No local program can reverse the effects of national events which might lead to a widespread decline in all property values. It would be foolhardy for program designers to omit a provision allowing coverage to be decreased in the event of a national depression in housing values, and it would be unrealistic for prospective program members to expect that a local home equity guarantee program could insulate them from the effects of such a depression.

A case can be made for each of several indices. One calculated specifically for the metropolitan Chicago area would reflect regional economic changes better than would the same index calculated for the nation, but it is unlikely that there could be much real difference in the long run. Chicago may be slightly above the nation for a few years, and then slightly below, but it will probably never be very much different. Furthermore, regional indices are subject to greater error from data inaccuracies than are their national counterparts.

Likewise, a real estate price index might seem more appropriate than something more general, such as the Consumer Price Index (CPI). However, even the best real estate price index will track only some types of properties, and these may or may not be typical of the home equity guarantee program's market. And again, any real estate index will be subject to greater data-related errors than the general index to which it contributes.

In the final analysis, there is no single best index for this purpose, just as there is no single best index to which adjustable rate mortgages should be tied. Perhaps in the interest of simplicity and enhanced understanding of the program by neighborhood residents, it would be best just to adopt the national CPI, if for no other reason than that it is so widely reported.

Whatever index is selected should be recorded along with the appraised value of each member's property as of the sign-up date. If the index on the date of a claim is lower than its initial value, the appraised value should be reduced by the same proportion as the index had declined.

The likelihood of this occurring is, of course, very small, since there has been no five-year decline in the CPI since at least the Second World War. Nevertheless, the policy is advisable to insulate program administrators from obligations which they could only meet through dramatically increased annual levies, while still providing reasonable protection for program members.

Claim Procedures. In general, the claim procedures in the Oak Park ordinance or in the 1979 legislation prepared by SPNF members seem reasonable. Several points, however, are worth making:

If claims are not properly policed, the program could turn into a bonanza for block-busting real estate brokers. For example, a broker could approach a covered property owner and assert that property values had declined, offering to purchase the property for some price below the original appraised value. If the program simply paid all claims resulting from sales below an appraisal, the owner would have little incentive to hold out or to bargain for a higher price from the broker, especially if it was true that real estate values had declined a little or even remained roughly constant. The broker could then sell the house to a newcomer at a handsome profit.

Every house thus turned over would add to the anxiety of remaining neighborhood residents, hastening their exit. Furthermore, they would have the same low incentive to bargain with the broker, since the program would cover their losses, too. In the end, a program administered in a way that permitted this to happen would actually promote the destabilization it was created to prevent.

It seems important, therefore, for program administrators to be notified either at the time a covered house is first put on the market or at some time sufficiently long before a sale is consummated so that they can intervene to insure that proper steps are being taken to obtain a price which at least equals the original appraisal.

Another requirement might be that a covered owner cannot agree to any listing of the property for less than the appraisal without prior approval of program administrators. This would make it more difficult for brokers to convince unwary owners that their property values had declined. It would also avoid problems which could arise when a listing agreement pro-

vides that the seller is liable for the broker's fee whenever an offer at least as high as the listing price is obtained, even if the offer is refused.

Program administrators, for their part, should be provided with considerable flexibility in dealing with potential claims. Among their options might be the power to:

require that they be notified of all offers for the property;

order that the property be listed with one or more other brokers or a multiple listing service for a certain period of time after expiration of the owner's exclusive listing agreement (if any) with the broker whose efforts are considered unsatisfactory;

engage in "testing" of the listing and other brokers to insure that proper efforts are being made to show and sell property in the area;

have the property reinspected by an appraiser to insure that it has been properly maintained, with inspection costs paid by the member if it has not;

purchase the property at the appraised value for later resale; and

permit sale at a price below the appraisal, with the program paying the difference.

None of this should be construed to mean that members would be required in all circumstances to list their homes with a broker. They should be free to sell their property in any manner and for any price they choose, but they should only be able to make a claim if they follow the prescribed procedures.

Program Funding. Most of the discussion of the proposed home equity guarantee program seems to assume that it will be operated and funded as a "special service area" (SSA), under the Illinois law providing for such areas. This seems like the most reasonable scenario.

Even if one assumes that programs which relate to market conditions in the private sector, such as home equity guarantee, should in principle be the responsibility of private-sector actors, it is difficult to imagine how private businesspeople could profitably structure this particular program. By its nature, it must accept all applicants, even if there is an expectation of some loss in neighborhood market values. Indeed, program administrators, knowing that attitudes and coverage are most important precisely at that time when the future looks most bleak, should step up recruitment efforts at such a time. Private for-profit entities, on the other hand, would face incentives to cut back marketing or to redline. Thus, the program should be publicly administered.

Even so, one possibility would be for only those who choose to participate to pay into the pool from which claims would be paid. But this ignores one of the program's unique characteristics, namely, that its success ultimately benefits all neighborhood residents, while its failure hurts them all. If only those who join pay, narrowly self-serving behavior on the part of many residents could defeat it, as follows: Each person might consider that if she joins and no one else does, the program cannot succeed; whereas if everyone else joins and she does not, the program will succeed anyway. Thus, everyone waits for everyone else to participate, and the program fails.

A second argument for establishing a procedure whereby all neighborhood residents financially support the program is that, in the event few or no claims are paid out, many residents would benefit from the expenditure of accumulated program revenues on community improvements. (More is said on this topic in the section on management of collected funds.)

An SSA is one mechanism whereby neighborhood residents can collectively band together to help guarantee the value of one another's (and therefore, their own) property. It is funded by a small increase in property tax bills for the owners of real estate within the SSA's boundaries. However, establishment of an SSA requires city council action, which means aldermen and the mayor must be persuaded of its usefulness. On the other hand, if residents do not want an SSA, they can voice their objections at a mandatory public hearing, and they can block it entirely by gaining enough signatures on petitions (although the required number for an absolute veto is very high).

Details on the procedures for establishing SSA's can be found in publications of the Illinois Department of Commerce and Community Affairs. The experience of one successful SSA designation campaign with which we are familiar indicates that careful vigilance on the part of sponsoring organization(s) is required to insure that the ordinances are properly drafted, SSA boundaries are correctly specified in official documents, the tax rate is correctly calculated and stated in the ordinance, and other technicalities are complied with.

Finally, a home equity guarantee SSA will likely be unable to have its maximum impact unless the mayor and members of the city council pledge city revenues to supplement program revenues in the extremely unlikely event that a large number of very large claims had to be paid. Such a commitment would actually have a dual benefit: It would provide backup support to the plan if truly catastrophic neighborhood decline occurred, and it would simultaneously give all city taxpayers a stake in preventing such a catastrophe.

Scope of the SSA Tax Base. An SSA is geographically bounded, but it is also possible to add a property type designation to its definition. For example, the tax base might include only one- through six-unit residential structures between certain streets, all residential structures (regardless of size), or all properties (including commercial and industrial).

Arguments can be made for each of these options. It seems reasonable to assume that the owners of all property would benefit from any program which restricted blockbusting and promoted the stabilization of residential values. This suggests that all property owners should help pay for it. On the other hand, one can argue that the benefit is most directly obtained by the owners of residential property, with only very indirect benefits to the owners of nonresidential property, implying that the latter should not pay. Still, if special consideration is given to their concerns in the disbursement of program revenues not needed to pay claims, they might be more willing to bear an SSA tax.

In the final analysis, the decision is probably best left to the people in each proposed home equity guarantee area to decide for themselves. In Oak Park, all property owners pay for the program.

Management of Collected Funds. It would seem that the single most important guideline for investing funds collected during the early years of the program is security, since they ultimately belong to the property owners who have agreed to tax themselves and they might be needed in the program's latter years to pay claims. An added program benefit would be obtained if agreements could be negotiated with the executives of local



financial institutions to give them deposits in return for their commitment to increase lending in the covered neighborhood. (This, of course, assumes that there is a demand for loans which is not otherwise being met.)

Since there is no indication that property values in any of the community areas we have looked at are declining, there seems to be no need to collect a large amount of revenue in the program's first few years, and perhaps not ever. Program administrators, however, should keep a close watch on value trends, so that they can be prepared to seek a higher levy from the city council (which must approve each year's SSA budget) if it ever appears that values will decline over a five-year period.

This is an extremely sensitive issue which can have a dramatic and disastrous impact on any home equity guarantee neighborhood if it is not handled properly. On the one hand, high levies are an indication that the program's administrators, who will be presumed by most residents to be "experts," believe they must save for a coming decline. If present residents and potential buyers in the neighborhood act on that belief, the decline can become a self-fulfilling prophecy. On the other hand, excessively small levies might leave the program unable to meet a few unexpected claims from sales atypical of the general market at the time. As news of the program's potential insolvency spreads and the levy dramatically increases in the following year to recoup the loss, what were only a few isolated downward blips could turn into widespread panic. Again, a self-fulfilling prophecy results.

Even the existence of the program itself with any levy could be interpreted as a negative factor by residents who felt the levy was just one more added cost of living in a neighborhood assumed to be on the way

down. Indeed, some survey respondents had precisely this reaction when the program was suggested to them.

One way to temper the issue somewhat is to incorporate some very clear guidelines for the spending of revenues which are collected but not needed for claims. Although it may be impossible to identify specific projects on which future surplus revenues will be spent, the guidelines could make it clear that such spending will be only for projects which a large number of residents can agree are beneficial to the neighborhood. Thus, people may be more willing to pay taxes in the program's early years, not on the expectation that later claims will be high but rather that they will gain from the future projects. As spending on the projects occurs later, people will feel an added commitment to the neighborhood, and yet another step toward the overall goal of stability will have been taken.

The state law which governs SSA's puts few limits on the purposes for which SSA revenues can be spent, but municipal ordinances which implement the state law tend to be more restrictive. Thus, it will be necessary for the framers of any home equity guarantee SSA in Chicago to incorporate appropriate language into the act which creates their program. There is no necessity for the provisions to be identical if programs are initiated in more than one community.

SSA funds can legally be spent on capital projects, such as street improvements, or on operating budgets, such as additional police patrols or special programs in the parks. One danger is that city administrators, seeing that neighborhood people have plans for a certain type of expenditure, might shift general city revenue elsewhere. This would be unfair to taxpayers in the SSA, since they would not pay any less in city taxes just

because they were in the SSA. It can be prevented by careful vigilance on the part of program administrators and by strong community organizations whose members keep an eye on the city's budget.

If the designers of the home equity guarantee program want to include the owners of nonresidential property in the tax base, they might consider a provision to insure that all or most of the spending from surplus funds will primarily benefit those owners. Projects would vary from neighborhood to neighborhood but might include improvements in commercial parking, streetscaping in commercial areas, additional security patrols in industrial areas, or repair and maintenance of roads used primarily by local manufacturers. Such a provision would have the added benefit of giving the affected property owners a financial stake in preserving the neighborhood's residential values, even if they did not live in it.

Governance. Members of the program's governing body will have at least the following important functions to perform:

reviewing and approving the credentials of appraisers who seek to do work for the program;

mediating or arbitrating applicants' complaints that an appraised value is too low;

discovering and penalizing appraisers or members who try to defraud the program;

observing and, if necessary, seeking to correct the behavior of brokers, lenders, insurers, or others who might be blockbusting, racially steering potential buyers, redlining, failing to market a member's property with sufficient vigor, or otherwise detracting from neighborhood stability (including people whose offices might be outside the program's boundaries);

mediating or arbitrating disputes stemming from a claim denial;

determining the appropriate tax levy to request each year;

managing fund revenues in the years before payouts can occur, insuring that payouts do not deplete the fund, and overseeing the spending of surplus funds not needed for payouts; and

dealing with city officials as necessary to make the program run smoothly.

These responsibilities suggest the characteristics which members of the governing body should have. They should possess knowledge of and familiarity with the real estate industry, but they should not be so tied to it that they cannot or will not take strong and persistent measures to uncover and stop abuses. They should have a genuine commitment to the neighborhood, but also be respected by the city officials with whom they will have to deal. They must be respected by the community residents whose property interests they are safeguarding. They should have a demonstrated commitment to open housing and a demonstrated record of fairness in resolving disputes.

One thing which may help to reduce undue political influence on members of the governing body would be for them to have relatively long terms, on the order of 5-8 years. In order to avoid a complete turnover at the end of the initial term, the common practice of staggering the terms of the first members could be adopted, with some of them having shorter terms than others.

Sunset. The Oak Park program has no sunset provision, whereas the 1979 SPNF proposal envisioned a program expiring after ten years. The latter seems preferable. It would, however, mean that those who enrolled during the first five years would face progressively shorter coverage periods after the expiration of their five-year waiting period, and no one would

enroll after the fifth year. Hence, the program design should incorporate a mechanism for neighborhood residents to review the program in the fifth year, in order to decide whether they want to continue it. If they do, succeeding reviews could be conducted every five years thereafter.

An initial sunset provision and the succeeding periodic reviews will help prevent the program from taking on a perpetual existence which outlives its usefulness.

NOTE

1. See Ch. 9, note 1, for complete citations.