

Demolition & Preservation 1st Ward Policy Update

Alderman Daniel La Spata

1st Ward Office

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Background

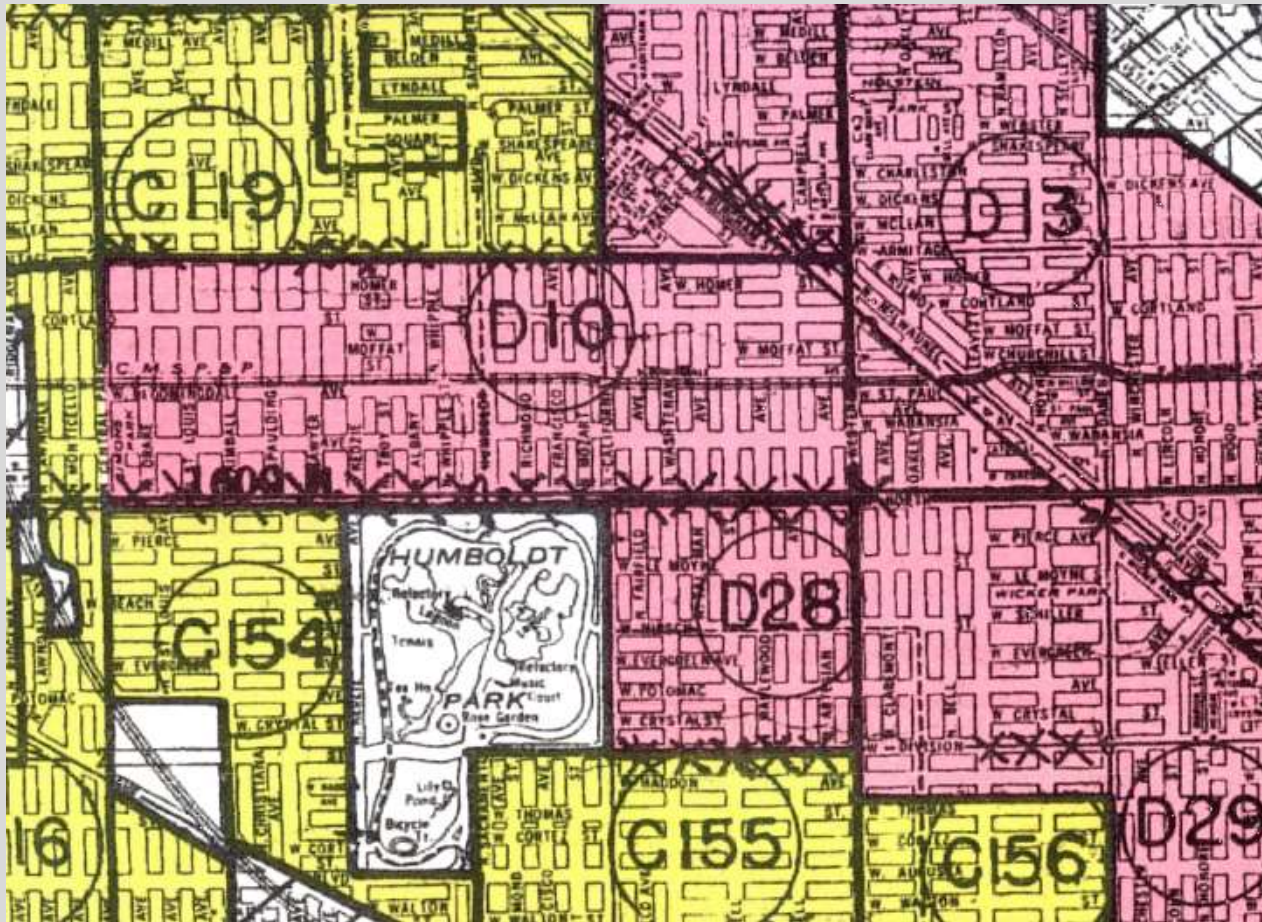
- Throughout 2019 (May through November)
 - Alderman La Spata & 1st Ward Office works with community zoning groups to identify policy priorities
 - Alderman La Spata & 1st Ward Office works on alternate version of Ald. Maldonado's original 606 Pilot Area Impact Fee Ordinance
 - 1st Ward Office completes research estimating the impact of the 606 on adjacent property sale value and demolitions.
 - Alderman La Spata & 1st Ward Office work with City Departments on affordable housing preservation and zoning policy research priorities.
- Throughout 2020
 - Alderman Maldonado introduces and passes a 606 Area demolition moratorium.
 - 1st Ward Office updates research to include citywide demolition research
 - Alderman La Spata & 1st Ward Office expand demolition policy research to include environmental impact
 - Alderman La Spata & 1st Ward Office continue to work with community partners, residents, and other impacted stakeholders on demolition & preservation policy

The 606 Area



The 606 Area

Legacy of Structural Racism and Segregation



University of Richmond. "Mapping Inequality: Redlining in New Deal America" (Creative Commons Attribution – ShareAlike 4.0 International License). Retrieved from <https://dsl.richmond.edu/>.

The 606 Area

(Source: Institute of Housing Studies, DePaul University)

Figure 1. Housing Market Type and Resident Vulnerability to Displacement in Census Tracts Adjacent to The 606, 2018



The 606 Area

(Source: DRAFT research, Institute of Housing Studies, DePaul University)

The 606 Area

Manufacturing & Economic Restructuring Legacy



Policy Goals

- City of Chicago Zoning Ordinance Purpose & Intent

📌 **17-1-0500 Purpose and intent.**

This Zoning Ordinance is adopted for the purpose of:

- 📌 17-1-0501 promoting the public health, safety and general welfare;
- 📌 17-1-0502 preserving the overall quality of life for residents and visitors;
- 📌 17-1-0503 protecting the character of established residential neighborhoods;
- 📌 17-1-0504 maintaining economically vibrant as well as attractive business and commercial areas;
- 📌 17-1-0505 retaining and expanding the city's industrial base;
- 📌 17-1-0506 implementing the policies and goals contained with officially adopted plans, including the *Central Area Plan*;
- 📌 17-1-0507 promoting pedestrian, bicycle and transit use;
- 📌 17-1-0508 maintaining orderly and compatible land use and development patterns;
- 📌 17-1-0509 ensuring adequate light, air, privacy, and access to property;
- 📌 17-1-0510 encouraging environmentally responsible development practices;
- 📌 17-1-0511 promoting rehabilitation and reuse of older *buildings*;
- 📌 17-1-0512 maintaining a range of housing choices and options;
- 17-1-0513 establishing clear and efficient development review and approval procedures;
- 17-1-0514 accommodating growth and development that complies with the preceding stated purposes; and
- 17-1-0515 Enabling the city to establish an integrated network of city digital signs.

Policy Goals

- Maintain housing that is affordable to a diverse range of residents
- Achieve racial equity in housing policy (combat a history of segregationist practices)
- Reduce the environmental impact of construction & demolition practices
- Reduce population decline along the 606
- Reduce the impact of economic restructuring in the area

Environmental Impact

- The U.S. Environmental Protection Agency found that “demolition represents more than 90 percent of total construction and demolition debris generation.”
- The existing building is the most sustainable building:
 - The Preservation Leadership Forum estimated that it can take between 10 and 80 years for a new building that is 30% more efficient than the average performing existing building to overcome the negative climate impacts related to construction.
- Salvaging and recycling building materials is a large market: the Delta Institute estimated that the total annual sales volume for Illinois businesses with the potential to include reused or recycled construction and demolition materials exceeds \$2 billion.

Housing Impact

Demolitions Reduce Affordable Housing Stock

- Demolitions are a “capital switching” tool rather than a “blight removal” tool: property owners typically demolish a property when they wish either to change its use; to change its asset class; or to change their investment outlook on a property.
- City of Chicago and State of Illinois data show that property sales within one block (~330 feet) of a demolition increase substantially.
 - The average property within one block of a demolition sold for \$401,000 per unit
 - The average property more than a block away of a demolition sold for \$274,000 per unit
- This relationship between demolitions and property sales holds within specific asset classes:

Asset Class	Near Demo	Away	Average / Median	Near Demos Increase
Average Sales Class (Average)	\$484,000	\$447,000	\$468,000	8%
Average Sales Class (Median)	\$467,034	\$420,654	\$444,383	11%
Extreme Sales Class (Average)	\$359,000	\$227,000	\$281,000	58%
Extreme Sales Class (Median)	\$179,767	\$161,878	\$167,183	11%

1st Ward Zoning Case Study

- The typical proposed demolition case that enters the 1st Ward Zoning process costs \$350,000 per new unit of construction (or more)
- The typical land sale for demolition around the 606 is between \$400,000 and \$600,000 per zoning lot.
- The typical lender involved in a 1st Ward zoning proposal requires an investment return of between 10% to 15%
- The typical proposed land sale for demolition around the 606 exceeds the cost it would take to purchase and rehabilitate existing multi-unit housing
- **Challenge: It is incredibly expensive to develop market rate housing in the 1st Ward due to land markets, construction costs, and costs of borrowing**

Proposal: Impact Fees

- To mitigate the speculative and unreasonable aspects of demolitions, two impact fees are proposed:
- **Ordinance would give Commissioner of Housing & Chief Sustainability Officer the power to establish and implement impact fees**
- **Environmental Impact Fee**
 - Fee could be waived by salvaging and recycling demolition & construction materials
 - **BENEFIT:** This funding would need to be used for environment purposes: like retrofitting buildings; rehab projects, etc.
- **Affordable Housing Impact Fee**
 - Fee would be assessed based on the property value of the existing units (which are being demolished).
 - Fee could be waived by replacing affordable units 1-for-1
 - **BENEFIT:** This funding would need to be used to support affordable housing programs
- **Dept. of Buildings would retain discretion regarding demolitions necessary due to structural safety concerns.**