

Cost Analysis Methodology

To estimate the cost to meet the City's affordable housing need, Communities United first looked to determine the number of Chicago households that are rent-burdened, or spending more than 30% of their income on rent, including utilities. While Chicagoans at all income levels struggle with housing affordability, our analysis focus on those very and extremely low-income households (50% and 30% of area median income, respectively). These households make up over three-quarters of the City's rent-burdened households.

City of Chicago Cost Burdened Households by Income Group, 2016 (Source: 2016 ACS PUMS 1-year)¹

	Not Rent-Burdened	30-50% Income Spent on Rent	More than 50% Income Spent on Rent	Total Renter HHs	Total Cost Burden
<30% AMI	23,079	25,599	125,741	174,419	151,340
30-50% AMI	17,017	46,855	32,301	96,173	79,156
50 to 80% AMI	58,377	37,803	7,733	103,913	45,536
80 to 120% AMI	66,914	12,791	2,402	82,107	15,193
120%+ AMI	123,767	5,562	72	129,401	5,634
Chicago	289,154	128,610	168,249	586,013	296,859

Next, to determine the cost to provide affordable housing for rent-burdened households earning less than 50% of AMI, three factors were considered: rental subsidies, preservation of existing housing units, and construction of new affordable units.

- **Subsidies:** Households earning 30% of AMI, or approximately \$19,800², would require rent of \$495 or less, including utilities, to be considered affordable. With the City's average rent at \$1,893³, it is extremely difficult, if not impossible, to find units that would be affordable. Therefore, we assume that all households earning less than 30% AMI would require a rental subsidy. The Chicago Low-Income Housing Trust Fund is an existing City program that provides rental subsidies to household earning less than 30% of area median income. According to its 4th Quarter 2018 report, the Trust Fund expended \$17,767,847 to support 2,704 households, or \$6,570.95 per household.⁴ With 151,340 households under 30% AMI, the total subsidy amount over 10 years would be \$9,944,474,722.
- **Affordable Units:** Many programs that fund the construction and rehabilitation of affordable units target households earning between 30% and 60% of AMI. Therefore, we assumed that a combination of preservation and new construction of housing could serve the needs of rent burdened households earning between 30% and 50% of AMI. For both preservation and new construction units, the rent for a two-bedroom unit affordable to a household earning 40% of AMI is \$665 adjusted for utilities⁵.
 - **Preservation:** Based on Communities United's ROOTS initiative, preservation of an existing unit is approximately \$150,000. Because preservation is more cost effective, we assumed 80% of the need would be met through preservation of existing housing stock
 - **New Construction:** While more expensive, new construction is an important piece to meeting the City's affordable housing shortfall. According to the City's 2019-2013 Five-Year Housing Plan, construction of a new affordable housing unit ranges from \$300,000 to \$400,000 per unit. The mid-point of \$350,000 is used in this analysis.⁶

Strategy	Cost/Unit	Number of Households	Total Cost
Subsidy (10-year estimate)	\$6,570	151,340	\$9,944,474,723
Preservation	\$150,000	63,325	\$9,498,750,000
New Construction	\$350,000	15,831	\$5,540,850,000
			\$24,984,074,723

¹Institute for Housing Studies data based on 2016 PUMS 1-year. <https://fiveyearplandata.housingstudies.org/meeting-2-affordable-rental-housing.html#fc1-6>

²Lbid

³ <https://www.rentcafe.com/average-rent-market-trends/us/il/chicago/>

⁴ <http://www.chicagotrustedfund.org/wp-content/uploads/2019/01/2018-4th-qtr-report.pdf>

⁵ City of Chicago, Department of Planning and Development: https://www.chicago.gov/content/dam/city/depts/dcd/general/housing/2018_Remt_Tables.pdf

⁶https://www.chicago.gov/content/dam/city/depts/dcd/Housing%20Programs/20733_37_5_Year_Plan_Report_final_WEB_C.pdf, pg.40