



RESCUING TROUBLED SECTION 8 HOUSING: CHICAGO'S LAWDALE PORTFOLIO*

Use of Upfront Rehabilitation Grant Program and "Schumer Amendment"
Demonstrate Importance of these Preservation Tools

One of the largest rescues ever of troubled privately-owned Section 8 housing is occurring in Chicago's North Lawndale neighborhood. The city acquired the Lawndale portfolio consisting of two properties: Douglas Lawndale which includes 57 units in 7 buildings; and Lawndale Restoration which includes 1,048 units in 97 buildings. Relying on Upfront Grant money and project based Section 8 assistance, the city will be able to preserve a substantial number of assisted housing units for very low-income residents. The use of these tools in Lawndale illustrates their importance to the preservation of affordable housing.

PROBLEM: The owners of both projects defaulted on their HUD insured mortgages. 1800 code violations were found in the Lawndale Restoration development. Instead of foreclosure, the title for the Douglas Lawndale development was transferred to the city at a cost of \$10. The Lawndale Restoration development was also conveyed to the city for \$10 after HUD purchased the \$51 million in outstanding debt at the foreclosure sale. The city then conveyed ownership of smaller subsets of the properties to 23 for-profit and non-profit developers selected through a competitive application process.

UPFRONT REHABILITATION GRANT MONEY: HUD provided \$2,280,000 in Upfront Grant funds to the city to rehabilitate 57 units in the Douglas Lawndale development. HUD also provided \$33,520,000 to rehabilitate 646 existing units in the Lawndale Restoration development, and funded the replacement of up to 192 units which had to be demolished. The money will provide up to \$40,000 per unit to finance rehabilitation. [Click here](#) for more information on up front grants.

HOUSING CHOICE VOUCHERS: HUD agreed to provide project based rental assistance for all occupied apartments for up to two years. This assistance will make it financially feasible for the property owners to continue operating their buildings while they pursue permanent financing. Up to 610 families will eventually receive Housing Choice Vouchers and may choose to find new housing or remain in the rehabilitated units.

LONG-TERM PROJECT BASED RENTAL ASSISTANCE: Long-term project based rental assistance lasting 20 years will be attached to 402 units. This is the first application of the so called Schumer amendment. The Schumer amendment creates a presumption that the Secretary will maintain project based Section 8 upon disposition of HUD troubled properties occupied by families. The subsidy contracts will enable owners to attract rehab investment through the sale of Low Income Housing Tax Credits. [Click here](#) for more information on this preservation tool.

PRESERVING AFFORDABILITY: Units with long-term project based assistance will remain affordable to extremely low income households for 20 years. The rent levels for the remaining units will not exceed 30% of 80% of area median income for new residents. Current residents who do not occupy project based units will be eligible for Housing Choice Vouchers.

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