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Next Generation SRO Housing in Chicago:

Securing the future success and long-term stability of an endangered housing type



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About Enterprise

Enterprise is a proven and powerful nonprofit that improves communities and people's lives by making well-designed homes affordable. We bring together the nationwide know-how, partners, policy leadership and investments to multiply the impact of local affordable housing development. Over 35 years, Enterprise has created nearly 529,000 homes, invested \$36 billion and touched millions of lives.

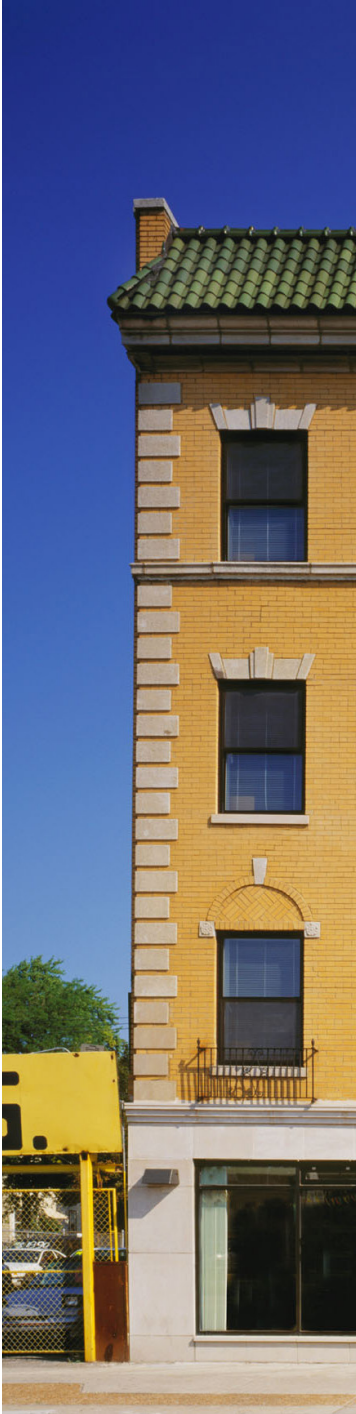
About Landon Bone Baker Architects

Landon Bone Baker Architects (LBBA) is a Chicago-based architectural practice established in 1987 that is distinguished by its community-based approach. An innovative leader and hands-on champion of affordable housing and neighborhood planning, LBBA believes good design should be available to all. Together with clients and community stakeholders, LBBA co-creates inventive, inviting, and sustainable spaces and places that transform lives, revitalize neighborhoods and regenerate cities.

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Introduction

When first envisioned and constructed, single room occupancy residential hotels (SROs) met a unique need at a critical time in Chicago’s history. In the first decades of the 20th century, Chicago’s population was booming and the city struggled to meet a swelling demand for housing. Residential hotels were among an array of new housing options developed in the city during this period. SROs were a subset of residential hotels designed with lower-income workers in mind; these buildings provided a modest resting place for workers who needed easy access to jobs in the city and for whom ownership was either not feasible or not desirable. These buildings featured a variety of layouts: some rooms included kitchenettes and private bathrooms. In other buildings, lavatories were shared by floor. Simplicity and maximum efficiency remained a design common thread.

As the timeline on p. 3 describes, SROs evolved along with contemporary needs, serving different populations and purposes during different periods.¹ Today’s unique challenge is the intense pressure of Chicago’s hot real estate market and the scarcity of truly affordable places to live in many of the neighborhoods where remaining SRO buildings are most prevalent. Indeed, despite the city’s remarkable economic growth over its nearly 200-year history, thousands of lower-income Chicagoans still rely on the modest accommodations of SRO buildings. SROs do not typically require a security deposit, move-in fee, or credit or background checks, all common barriers for lower-income individuals in the rental market. For many, a room at an SRO property is the difference between having a home and being homeless. Furthermore, residents at many SROs are also connected to important social support systems via service providers that work in or near the building.

For various reasons, the number of SROs has continuously declined over the last few decades. To address this issue, ONE Northside, the Chicago Coalition for the Homeless, the Lawyers’ Committee for Better Housing and the Shriver Center on Poverty Law came together to form the Chicago For All coalition to advance an ordinance to preserve SROs as affordable housing. The coalition successfully passed the Single Room Occupancy and Residential Hotel Preservation Ordinance in 2014. The effort helped raise community awareness of SROs’ significance and created a mechanism for preserving these important buildings. The city of Chicago has a goal of preserving 700 SRO units through 2019.²

Despite the ordinance, SRO preservation continues to pose many challenges. In preserving these buildings, a development team may face a variety of issues, including: 100-year-old buildings with antiquated design features, complex and time-sensitive acquisition processes, not-in-my-backyard (NIMBY) objections, need for resident engagement strategies and diverse residential populations with unique service needs, among others.



Harvest Commons

1. This illustrated story describes the evolution of SROs in the United States: <https://www.citylab.com/equity/2018/02/the-rise-and-fall-of-the-american-sro/553946/>
 2. https://www.cityofchicago.org/content/dam/city/depts/dcd/Housing%20Programs/SRO_Preservation_Initiative.pdf

The SRO Preservation Charrette

To delve into these challenges and share strategies for addressing them, Enterprise Community Partners, in partnership with Landon Bone Baker Architects, ONE Northside, Linn-Mathes Inc. and Heartland Housing, convened with other committed affordable housing stakeholders for a design charrette devoted to SRO building preservation. The charrette is a facilitated planning, sharing, and idea-generation process which brings together multiple perspectives and stakeholders on a given project or topic.

The charrette, facilitated by Landon Bone Baker Architects, focused on three areas of SRO preservation:

- 1) Supportive services and operations
- 2) Policy and finance
- 3) Design and construction

The group discussed the current threats to SRO preservation and identified best practices and new opportunities for advancing this work. The process was inclusive of an affordable housing project's many different perspectives and contributors: developers, general contractors, residents, service providers, funders/investors, and architects.

This preservation white paper offers highlights of the charrette and an overview of key challenges and best practices in SRO preservation. We hope this serves as a resource for those interested in SRO preservation and encourages others to add to the growing knowledge base on this important issue. Preserving the affordability of SRO properties is an urgent necessity if we want to ensure all Chicagoans, regardless of income, have a place to call home.

“

After my Chateau Hotel eviction in June 2013, I was homeless for about nine months. The next year, I moved into Buffett Place, the rehabbed former Diplomat SRO Hotel, owned by Thresholds and Brinshore.

Very few of the displaced SRO tenants are as fortunate as me. But with the SRO preservation ordinance, more SRO owners and developers will have the opportunity to offer quality affordable housing to low-income people like me.”

– SRO Resident Robert Rohdenburg



Fred and Pamela Buffett Place

Timeline of Chicago's SRO Hotels

1910s–1930s

The vast majority of residential hotels – both high-end and modest – is constructed in Chicago during this time to meet a population boom and new living styles.³ By 1915, there are an estimated 3,700 SRO hotels in the city.

Building construction stalls during the Great Depression until after WWII. New residential hotels do not re-emerge in the post-war era. Higher-end residential hotels are demolished or converted to other uses. Residential hotels serving low-income workers or seniors are reclassified as “single room occupancy” buildings.⁴

1930s–1960s

SRO hotels take on a reputation as substandard and unsafe housing and as havens for poor and marginalized city residents. An estimated 80 percent of Chicago's more than 38,000 units are lost.⁵

1960s–1980s

Advocacy by Chicago Coalition for the Homeless leads the city of Chicago, service providers and community groups to increasingly utilize SRO properties to provide permanent supportive housing to homeless residents. The negative reputation of SRO properties lingers, but SROs gain increasing respect as historic landmarks. Groups begin using the Historic Preservation Tax Credit to finance rehabilitation.

1980s–1990s

Mayor Daley's 2003 Plan to End Homelessness identifies permanent supportive housing as a top priority and tool to end homelessness. At the same time, conversion of SRO properties from low-income affordable housing to high-income rental housing gains traction as many Chicago neighborhoods experience urban revival. Some buildings are slated for rehab and conversion to high-end units.

2000s

In 2012, the Emanuel administration adopts the Plan to End Homelessness 2.0. By 2014, there are 73 licensed SRO buildings in the city, totaling approximately 5,500 units.⁶ In 2014, the Single Room Occupancy and Residential Hotel Preservation Ordinance establishes a process for preserving SRO properties as affordable and gives mission-minded developers a “first-look” opportunity to acquire available properties ahead of market-rate developers.

2010s

3. <https://www.illinois.gov/ihpa/Preserve/SiteAssets/Pages/illinois-historic-sites-advisory-council/Residential%20Hotels%20in%20Chicago%201900%20-%201930%20MPD.pdf>
 4. <https://www.illinois.gov/ihpa/Preserve/SiteAssets/Pages/illinois-historic-sites-advisory-council/Residential%20Hotels%20in%20Chicago%201900%20-%201930%20MPD.pdf>
 5. <https://nextcity.org/features/view/the-80-a-week-60-square-foot-housing-solution-thats-also-totally-illegal>
 6. <https://www.cityofchicago.org/content/dam/city/depts/mayor/Press%20Room/Press%20Releases/2014/November/11.12.14APPSRO.pdf>

Single-Room Occupancy and Residential Hotel Preservation Ordinance

SRO building owners who wish to sell must notify residents in writing 180 days prior to the sale or transfer of the property under an ordinance passed in November 2014. They must also notify the Chicago Department of Law and the Chicago Department of Planning and Development. Upon receiving notification, the Department of Planning and Development “shall forward the Property Sales contact information to housing development businesses and organizations that have requested notice when the Intent to Sell has been received by the City.”⁷

During the 180-day notice window, potential buyers who intend to maintain at least 80 percent of the building’s existing units as affordable to low-, very low-, and extremely low-income individuals and families for at least 15 years have an exclusive “first look” to submit an offer to the seller. The city will help potential buyers and current SRO owners navigate available city resources for preservation.

If a deal to keep the building affordable is not reached despite good faith negotiations, the owner has 120 days to sell the property to any interested party. If the owner sells to a buyer that has not committed to maintaining the affordability of at least 80 percent of the building’s existing units, the owner must pay each long-term resident who will be displaced by the sale a one-time relocation assistance fee in the amount of three months’ rent or \$2,000, whichever is greater. If the owner is unable to find a buyer in the 120-day period, a new 180-day notice window is opened for buyers who intend to maintain the property as affordable. In situations where the building is maintained as affordable, but not all long-term residents are able to remain in or return to the building, the owner must also comply with the one-time relocation assistance fee.

SRO building owners can opt out of the 180-day notice period altogether if they pay the city a \$20,000 “preservation fee” for each unit in the building. In this situation, owners are also required to pay each long-term resident who will be displaced by the sale a one-time relocation assistance fee as described above, as well as a supplemental one-time relocation assistance fee of \$8,600.

For additional information on the ordinance, see the city of Chicago’s [SRO Preservation Initiative](#) webpage.



Los Vecinos

7. https://www.cityofchicago.org/content/dam/city/depts/dcd/Housing%20Programs/SRO_Preservation_Initiative.pdf

Supportive Services and Operations

SRO buildings serve diverse tenant populations and thus each property has unique operations and service needs. Entities best positioned to successfully manage or operate an SRO building have a high degree of familiarity with the building’s operations, the pre- and post-rehab tenant population, existing service networks and the broader neighborhood. This understanding allows them to design a service strategy that directly responds to the needs of the tenant base and leverage local resources where possible and appropriate.

While some residents living in an SRO building benefit greatly from intensive supportive services, others may require minimal or no supportive services of any kind. Particularly in buildings where support needs vary, operators should become familiar with local service providers and resource networks, including those already working with residents in existing SROs. By developing relationships with local providers and establishing a strong referral system, operators can create a flexible service strategy that is cost-efficient and effective in connecting residents to the resources they need.

In cases where it is necessary to offer direct services, operators will need to work to secure funding for such services. In these situations, operators of SRO buildings recommend engaging a service provider as early as possible in the design and development process of an SRO rehab. This early engagement not only helps familiarize the provider with the needs and opportunities for tenant supports, but also allows the service provider to provide input on the building design and layout. Service providers can provide invaluable insight to the developer and architect into how a design feature, mechanical systems or building layout will impact operations and a tenant’s living experience. Early engagement is also important from a budget and finance perspective, since design decisions such as the size and type of communal space will impact a building’s maintenance and overhead.

Overall, operators recommend designing a service strategy that allows for flexibility and avoids the assumption that “one size fits all.” Nevertheless, operators noted that even with thoughtful planning it remains an ongoing challenge to plan for service delivery that offers a wide range of potential support while ensuring other residents live with full independence.

Lowering Barriers to Housing

SRO housing can also fill gaps in the affordable housing market for residents who have one or more of the “typical disqualifiers” for rental housing: credit, eviction history or criminal background. At the McGaw YMCA in Evanston, Illinois, most residents of the long-standing SRO have at least one of these disqualifiers. Residents are not required to sign leases, but the mission-driven McGaw YMCA ensures each resident has all the legal rights of a lease-holder. There is no credit check or eviction check for new residents, and a minimally restrictive criminal background check is completed. Without the McGaw YMCA, its residents would be extremely challenged to find housing.



The Los Vecinos lobby and sitting area

Policy and Finance

Chicago is challenged with a lack of affordable housing options for low-income residents, particularly in areas with high-performing schools, easy transit access, and other amenities. The city's fast-moving real estate market and rapidly gentrifying neighborhoods are leading SRO building owners to sell their properties, precipitating a significant loss of affordable units, displacement of thousands of residents, and an increase in economically segregated neighborhoods. In Chicago and in communities facing similar challenges, preserving existing SRO housing stock as affordable requires commitment and coordination among the public sector, funders, and mission-driven developers and operators. The Chicago SRO ordinance was a substantial step forward, but mission-driven developers interested in SRO properties still face significant obstacles and risks.

In hot real estate markets, acquisition costs can be prohibitive for equity-strapped developers. Even with the 180-day wait period required by the SRO ordinance, which provides mission-driven developers the opportunity to compete in a real estate market that typically operates at lightning speed, it can be extremely challenging for developers to secure the appropriate financing in time to act.

One key factor in this challenge: developments commonly rely on competitive soft public sources that are oversubscribed and competitively allocated through processes that may not align with each other or with a fast acquisition timeline. For instance, allocations of 9 percent Low Income Housing Tax Credits (housing credits), a critical financing tool, are extremely competitive and require multi-year planning. To use non-competitive 4 percent housing credits for SRO preservation, developers must find a significant amount of additional equity and/or subsidy—a tall order in most situations. Furthermore, if the property does not produce a positive cash flow before it goes on the market, financing options for preservation are

extremely limited. Finally, buildings that are approximately 100 years old could have significant physical needs — which are sometimes known and sometimes unknown — leaving developers with uncertainty about the true rehab or operating costs.

As a result, a developer entering negotiations for an SRO property has little assurance that public financing sources will be available. This leads many developers, particularly those without ready access to acquisition financing, to turn down an SRO opportunity and miss a significant preservation opportunity. For those select developers who are able to obtain acquisition financing, they are faced with the financial risk of acquiring and holding a property without knowing when or whether permanent financing will be secured.

To lower risks for developers interested in SRO preservation, the following strategies should be explored:

- Establishing new pools of patient acquisition capital, either higher loan-to-value debt or equity, outside of tax credits for nonprofit developers could help facilitate more SRO preservation acquisitions. Nonprofit developers are at a comparative disadvantage to their for-profit competitors because nonprofits tend to have smaller balance sheets and less equity at the ready. Opening new pools of capital would ensure that nonprofits with the interest and capacity to develop and own an affordable SRO are not prevented from doing so because of this major financing hurdle.
- Identifying new sources of subordinate debt financing would allow nonprofit developers to utilize the 4 percent housing credit in SRO preservation projects. The 4 percent housing credit is often used in conjunction with hard debt, typically for projects in strong real estate markets with higher rents. Because SRO developments do not provide a generous

cash flow, they typically cannot take on any significant amount of hard debt. The availability of subordinate debt financing sources would open the 4 percent housing credit as a viable option for SRO preservation.

- Leveraging the Chicago Housing Authority’s flexibility as a participating agency in HUD’s Moving to Work Demonstration Program to expand the use of project-based vouchers in SRO preservation developments.
- Helping nonprofits recruit and sustain viable commercial residents in SRO buildings could strengthen the financial viability of these properties and make SRO preservation a more attractive proposition for developers. Because rents at affordable SRO properties are restricted, owners have limited options if rental revenue does not sufficiently cover operating expenses at a property. Commercial residents could help increase revenues and offset operating costs at SRO properties.
- Establishing property tax incentives for SRO properties preserved as affordable would further incentivize nonprofit developers to pursue these acquisitions.
- Compiling examples of successful SRO acquisitions to date would allow developers to learn from previous experiences so that they are set up for success when a new acquisition opportunity arises.

SROs and the Low-Income Housing Tax Credit

An estimated 90 percent of affordable housing in the United States is financed with housing credits. Developments financed with housing credits are required to serve residents earning at or below 60 percent of the Area Median Income (AMI) for at least 30 years. Housing credits can be a viable option for financing SRO preservation projects. The federal statute governing housing credits, Section 42, does not preclude them from being used for SRO preservation, even for projects that plan to keep existing layouts with shared bathrooms or kitchens. While Section 42 does not provide any specific guidance on how many units can share a bathroom in a housing credit property, state and local agencies, either through regulation or policy-making, often set the standard for allowable reconfigurations, and frequently require SRO new construction and rehab projects to include private kitchens and bathrooms in order to qualify for credits.

Other localities, concerned with the significant loss of units in SRO preservation that include kitchens and baths in each unit, have allowed or pushed for preservation deals that maintain the original configuration to the greatest extent possible. For instance, over the past five years, Enterprise Community Investment has syndicated SRO preservation developments in San Francisco and Berkeley, California, and in Atlanta. Each of these projects used housing credits and largely preserved the original unit configuration to retain as many units as possible.⁸

8. More information on the University Avenue Homes in Berkeley is available here: <http://myemail.constantcontact.com/University-Avenue-Homes--A-Critical-Housing-Resource-In-Need-of-TLC.html?soid=1101248905934&oid=VWCxOHLPPR>. More information on the Dalt Hotel in San Francisco is available here: <http://www.tndc.org/property/dalt-hotel-34-turk-street/>. More information on the Welcome House in Atlanta is available here: <http://www.the3keys.org/property/welcome-house/>

A Cautionary Tale: The Wilson Men’s Hotel

Year Built: 1906

New Owner/Developer: City Pads

Before: 256 cubicles, 100 percent affordable

After: Approximately 80 units, 20 percent affordable and 80 percent market rate

While the SRO preservation ordinance has been a critical tool in the fight to preserve Chicago’s SROs, the Wilson Men’s Hotel illuminates the limitations of the ordinance and the enduring challenge facing mission-driven developers who must secure low-cost financing under tight timelines and without the benefit of a for-profit balance sheet.

The Wilson Men’s Hotel is a 112-year-old property in Chicago’s Uptown neighborhood. For at least the past 80 years, the Wilson Men’s Hotel has operated as a “cubicle hotel,” serving low-income residents who pay affordable weekly or monthly rents. Accommodations at the property are extremely modest; some have argued that conditions had become inhumane at various points over the last 20 years, citing multiple failed building inspections, poor ventilation, bedbugs, and noise complaints. Others, including residents, counter that but for this housing they would be homeless.

In November 2016, the owner of the hotel notified the city of his intent to sell in accordance with the SRO preservation ordinance. As reported in the *Chicago Sun-Times*, Interfaith Housing Development Corporation and Trilogy Inc. submitted a joint-bid to purchase the property, planning to add one story and convert the building into 120 affordable SRO units. The prospective non-profit buyers have indicated that negotiations broke down due to the owner’s timing constraints. In an interview with the *Sun-Times*, Interfaith President Perry Vietti highlighted one of most significant challenges for mission-driven affordable housing developers competing in high real estate markets: “He wanted it done in 60 days. I need six to nine months... in my world, I can’t do that.”⁹

The property was sold to a market-rate developer in July 2017. The new owner plans to convert 80 percent of the units to market-rate apartments. The total number of units would be reduced by more than 65 percent. The new owners have stated that the building’s 150 residents will have first priority for remodeled units, however, current plans for the building include just 16 affordable units and it is unclear at what level of income these units will be offered as affordable. Currently, rent ranges from \$340 to \$380 per month, a level of affordability [below 30 percent of area median income](#).



The Wilson Men’s Hotel

9. <https://chicago.suntimes.com/chicago-politics/brown-sale-of-cubicle-hotel-in-uptown-puts-residents-at-risk/>

Design and Construction

The number of SROs in older industrial cities such as Chicago and New York has steadily declined for the past 50 years, decreasing the availability of affordable housing for some of the country’s most vulnerable and near-homeless populations. Exacerbating this situation, most recently preserved SROs have required extensive gut rehabilitation that often results in a significant reduction in a building’s unit count. The following analysis articulates common design and construction challenges as well as best practices for preserving SROs and for retaining as many units as possible.

Engaging Multiple Stakeholders

SRO preservation provides an opportunity to engage a broad spectrum of stakeholders to better inform design goals and decisions. Incorporating many voices helps ensure long-term success by considering, prioritizing and addressing the diverse needs of the many actors involved. Because each property presents its own unique set of challenges, engaging multiple stakeholders should be initiated early in the project timeline to better conceptualize and realize sophisticated and innovative solutions. And while seeking input early maximizes the agency of any given stakeholder, it is equally important to follow up at intermediate milestones and after project completion. Post-occupancy evaluations that involve end users will be imperative for informing better future practices of SRO preservation.

Stakeholders should include all parties connected to a project’s multiple spheres and scales of influence, including:

- Developers
- Owners
- Residents and community members

- Nonprofit partners
- Operations and maintenance staff
- Contractors
- Architects
- Energy and preservation consultants
- Mechanical, electrical and plumbing and structural engineers
- Local aldermen
- City officials and planners
- Outreach partners, possible collaborators and project champions

Construction Scope

Building rehabilitation projects generally aim to increase a building’s functional life by an additional 30 years. Depending on the existing conditions and the requirements imposed by funding agencies and building and zoning codes, a range of scope and intensity in rehabilitation efforts may be applied, ranging from light rehabs with minimal interventions to gut rehabs that require extensive demolition and construction work. Light and moderate rehabs preserve an existing building’s floor plan while implementing finish upgrades to ensure decent, safe and sanitary conditions. Moderate rehabs often additionally involve the repair or replacement of mechanical systems, exterior walls, windows, roof, bathrooms, and/or kitchens. Gut rehabs may or may not preserve an existing floor plan and entail “the major restoration of a building, including taking walls back to the studs and beams and replacing them, along with some or all of the trim, windows and doors, plumbing and electrical systems, exterior siding, roof,

etc.”¹⁰ Gut rehab projects may involve interior structural modifications, floor plan re-configurations and exterior modifications. Buildings that are 100 years old or older, as is the case with many existing SRO buildings in Chicago, almost always require moderate rehabs at a minimum.

Codes and Standards

SRO units typically contain at minimum a bed and limited storage, but multiple configuration variations and amenity permutations are possible. SRO units may or may not provide cooking facilities, and they may accommodate private or communal toilets, sink basins, and showers. Chicago’s Zoning Code defines an SRO unit as follows:

A dwelling unit within a single-room occupancy (building) that is used or intended to be used as sleeping quarters or living quarters with or without cooking facilities, and that contains not more than one room consisting of not more than 250 square feet of floor area, excluding from the calculation of floor area any kitchen having less than 70 square feet of floor area; provided, however, the size and room limits of this section do not apply to Government-Subsidized SRO buildings to the extent necessary to qualify for the applicable government subsidy, as determined by the Commissioner of Planning and Development.

The city’s [Municipal Code](#) further clarifies that “When a room is used for cooking, dining and living purposes, it shall have a floor area of not less than 180 square feet.”

These square footage requirements present several challenges for SRO preservation and rehabilitation. First, the Illinois Housing Development Authority’s SRO square footage standards are similar to Chicago’s, but not identical, which creates additional complications for development projects pursuing both city and state funds.¹¹ Second, while the ranges described above are generally amenable to rehabs of SROs that already include kitchens and private baths, many existing SRO units do not include private kitchens and bath and are closer to the 100-150 square

foot range. Furthermore, the square footage requirements do not easily accommodate flexible or alternative floor plan configurations that might strategically share kitchen and bath facilities between multiple, smaller units. Given that private bathrooms and kitchens necessitate the reduction of unit counts in SRO rehab projects, it is important to consider if other alternatives that do not reduce unit count are possible.

For instance, SRO developments might experiment with a “dorm model”: small clusters of units may share a suite with kitchen and bathroom amenities. Alternatively, a building may provide a communal “hospitality kitchen” while individual units may only be outfitted with a mini-fridge or small kitchenette. In addition to variations in the SRO units and configuration of social space, bath and kitchen facilities, developers may consider making changes to the mix of uses in the building to make preservation viable. According to the Chicago Zoning Code, 90 percent of the units must be single-room occupancy. Still, a smaller percentage of units may offer alternative dwelling types. In addition, commercial spaces or storefronts may be incorporated to allow a project take advantage of a high-traffic or retail-prone site.

Accessibility and Universal Design

Like all multifamily developments, SROs must meet state and local accessibility codes, and various funding agencies specifically require accessibility compliances as well. Beyond meeting codes, SROs also have a special obligation to understand if their residents have specific disability-related needs. In addition to physical disabilities, SROs often serve residents with mental, occupational and learning disabilities. While striving for maximum accessibility is broadly beneficial to residents, for the many stakeholders involved, accessibility requirements may conflict with other priorities, such as specific historic requirements or even the holistic reuse of a historically inaccessible building. Such situations require thoughtful compromise and careful negotiation of priorities among multiple stakeholders.

10. The Furman Center. Acronyms and Definitions: <http://furmancenter.org/institute/directory/definitions>

11. <https://www.ihda.org/wp-content/uploads/2015/07/IHDA-Standards-for-Architectural-Planning-and-Construction-2018.pdf>

Alternative Code Approval

It is important for developers to know that code relief negotiations are possible in many cases. While the city, funding agencies and development and management companies encourage the inclusion of private bathrooms and kitchens, the Chicago Department of Buildings is open to meeting about specific challenges posed by particular buildings and may provide relief on a case-by-case basis as each situation allows. In general, square footage and other code requirements are enforced most strictly for gut rehabs and most flexibly for light rehabs. Rehabs that largely retain a building’s original floor plan, only making the layout modifications needed to meet accessibility requirements, are stronger candidates for being “grandfathered in” and obtaining relief. In addition to relief regarding square footage minimums, code relief may be obtained for materials and methods, such as using PVC for plumbing pipes rather than steel or copper, using flexible metal electrical conduits rather than rigid conduits or preserving the existing layout of stairways and exits. In October 2017, Chicago launched the [Alternative Plumbing Materials Pilot Program](#), under which requests can be made to use alternative materials for water distribution pipe and pipe fittings and for drainage and vent pipe and pipe fitting in buildings that are four stories and under.

Architects note that each SRO project is unique in terms of its rehab needs and construction scope; they recommend that development teams approach relief negotiations accordingly, making the case for each relief request and never assuming relief will be obtained because it was obtained for a similar project. Development teams should aim to clearly demonstrate how the relief in question will make the project more viable, for instance, by reducing cost or resulting in the preservation of more units. Architects recommend meeting with the Department of Buildings as early as possible in the redevelopment process and continuing to meet regularly over the lifetime of the project. This helps ensure that the redevelopment process begins with a realistic understanding of where administrative relief may be possible and if the proposed rehab design is possible to undertake. Documenting these discussions is also advisable. For instance, Landon Bone Baker Architects

makes a practice of writing up meeting minutes, which the Department of Buildings approves, and which are then included as part of the documentation for the permitting process, helping to streamline that process significantly.

Historic Design

Historic tax credits are one of several government subsidies available to help fund SRO preservation developments. Such rehabilitation work aims to keep building stock with historic value maintained and intact and must satisfy the Secretary of the Interior’s Standards for Rehabilitation, as determined by the National Park Service. While the standards for rehabilitation aim for best practices in historic preservation, they sometimes pose design challenges for preserving SROs. For example, standards limit the relocation of door openings along a historic corridor. For gut rehabs that require removal of walls, larger unit sizes, additions of bathrooms or other significant reconfigurations, this restriction can inhibit efficient plan layouts.

While the additional design and construction efforts necessary to satisfy historic tax credit requirements are often expensive, the financial benefit of the tax credits typically outweighs the premiums. For example, historic requirements imposed an additional 5 to 7 percent premium to the project costs at the Carling Hotel rehab project in Chicago’s Near North Side, according to Landon Bone Baker Architects. The resulting tax credits, however, generated about 25 percent of the budget.



The Harvest Commons reception area

Energy and Envelope

New mechanical systems and insulation assemblies have the single greatest impact on an SRO rehab project's initial costs and lifetime operating expenses. Analysis of energy and water utilization and costs help the development team establish energy performance goals. In addition to meeting energy codes, different funding agencies also require that their projects satisfy additional green certifications. But beyond these prescriptive metrics, precise energy modeling and prudent lifetime operating analysis can enable an owner or development team to make more informed and responsible decisions about implementing building systems that affect energy consumption.

SRO developments must additionally grapple with the billing constraints required by building operators and managers. Some mechanical systems are straightforward to meter for individual units while other mechanical systems are not. For example, a building operator that needs to charge utility expenses based on individual residents' usage might be more prone to use packaged terminal air conditioners. These managerial requirements may conflict with the most efficient energy strategies.



The roof deck at Fred and Pamela Buffett Place

Relocation

Relocation requirements can impact the viability of SRO preservation. Developers rehabbing a building with existing residents must pay significant costs for their temporary or permanent relocation, thereby substantially increasing a project's total development costs. In some cases, particularly when an SRO rehab would result in a significant unit count reduction, relocation requirements can render a preservation opportunity financially unviable. According to the SRO preservation ordinance, if residents need to be temporarily relocated during construction, the owner must arrange for comparable temporary accommodations and cover up to one month's rent worth of moving and related expenses. Permanent relocation requires the owner to pay each displaced long-term resident a one-time relocation assistance fee in the amount of three months' rent or \$2,000, whichever is greater. Furthermore, if a project that displaces residents receives federal and/or other public resources, the owner may also need to comply with the Uniform Relocation Assistance and Real Property Acquisition Act of 1970 (URA). URA compliance may include: providing relocation advisory services, providing a minimum 90 days written notice to vacate, reimbursing moving expenses and providing payments for the added cost of renting or purchasing comparable replacement housing. For more information on the URA, see HUD's [webpage](#).

In order to minimize relocation costs, rehab efforts may prioritize retaining as many of the original units as possible. Rehab efforts may also be executed all at once or in phases while existing residents remain in place, living in certain parts of a building. That said, from a contractor's perspective, all-at-once construction is easier, more efficient and less expensive on the whole. The Chicago general contractor Linn-Mathes estimates that in-place rehab construction adds about 10 to 12 percent to the project costs.

Case Studies

Light rehab: 2611 N Sawyer (Full Circle Communities)¹²

Full Circle Communities is a development company that provides access to quality affordable housing through preservation, thoughtful design and the provision of supportive services. It operates a three-story, 33-unit SRO in Chicago’s Logan Square neighborhood, a thriving area with high real estate prices. While Full Circle does not provide supportive services, it works closely with local partners that provide on- and off-site services to the building’s residents as needed.

In contrast to a typical historic SRO, this project exemplifies a smaller scale and alternative building typology – a typology that poses a series of unique advantages and challenges. As a three-story building that was originally a six-flat, the building is low profile and easily blends into the neighborhood, mitigating potential NIMBY concerns. Nevertheless, the small scale necessitates a different approach to funding. Josh Wilmoth, the president of Full Circle Communities, notes that “underwriting is quite different for this scale and type” as compared to projects funded via tax credits. On one hand, since the project does not rely on government tax credits, it is free from some of the restrictions that allocating agencies impose. For example, it can maintain very small and efficient units without requirements for private individual bathrooms and full kitchens. Additionally, because the development does not include dedicated services, Full Circle can be nimbler and more tenant-specific about providing “client-directed” services as opposed to more building-wide blanket services. On the other hand, without the financial benefits of tax credits, Full Circle needed to employ more flexible funding strategies. They note that they were able to purchase and operate the building in part because it did not require extensive rehab work.

At a glance: 2611 N Sawyer

Completed	2016
Owner	Full Circle Communities
Developer	Full Circle Communities
Architect	N/A
Rehab Type	Light
Unit Count	Original: 34 units Post-rehab: 34 units
Unit Size	Approx. 150 sf (1,100 sf for one 1-br unit)
Financing	<u>Capital sources:</u> CDFI financing for acquisition through the Corporation for Supportive Housing’s Mini-Permanent Loan Program <u>Operating sources:</u> Rental income <u>Services sources:</u> Local provider arrangements including master leases.
Code Negotiations	N/A
Relocation	N/A
Features	Shared laundry, restrooms, storage
Supportive Services	Local provider - on-site and community

Sources:

- www.fccommunities.org/full-circle-communities-preserves-first-sro-apartment-building-under-chicagos-ordinance/
- www.fccommunities.org/2611-n-sawyer/
- www.metroplanning.org/homegrown/case.aspx?case=2611-sawyer-chicago

12. More information on 2611 N Sawyer is available at <http://www.fccommunities.org/2611-n-sawyer/>

Mod rehab + new addition: LUCHA Humboldt Park Residence (LBBA)¹³

The Latin United Community Housing Association (LUCHA) is an organization based in Chicago’s Humboldt Park neighborhood that provides advocacy, education, affordable housing development and comprehensive housing services in an area of the city where gentrification limits options for affordable and equitable housing. The Humboldt Park Residence is a 68-unit SRO developed by LUCHA and, at the time of its opening in 1996, was the first new SRO developed in Chicago in over four decades. The efficient units contain custom furniture designed by Landon Bone Baker Architects (LBBA) that optimize the small footprint of each room, along with a private kitchenette and “Jack-and-Jill” bathrooms shared between two residents. The shared bathrooms provide a resident-focused innovation in contrast to the fully communal, detached bathrooms that are characteristic of most historic SROs.

Now two decades later, large capital repairs provided an opportunity for LUCHA to re-evaluate the operation and layout of the building. User surveys and management issues, in tandem with the current priorities of government funding agencies, underlined a desire for private individual bathrooms. Moreover, residents voiced a priority for private bathrooms over extra space in their units. Retaining the existing unit count is an utmost priority for LUCHA because the significant loss of SROs throughout the city has eliminated many affordable housing options for extremely low-income households. As such, LUCHA and LBBA are planning a renovation and addition that will reconfigure the existing building to accommodate a private bathroom for each unit while remaining close to the original 68-unit count. While this unit size reduction puts each unit below the 180-square foot minimum prescribed by Chicago Building Code, the Department of Buildings may waive this requirement for the renovated units because the original building was designed specifically to accommodate SRO housing. There will be 20 new units added as an attached addition along the existing building’s western edge; these new units will be slightly larger to conform to code.

This project represents a hybrid preservation approach in which an existing building is not just preserved or restored, but also reconfigured, tweaked and expanded to address changing priorities and values.

At a Glance: Humboldt Park Residence

Completed	Original: 1996 Rehab: In progress
Owner	Latin United Community Housing Association (LUCHA)
Developer	LUCHA
Architect	Landon Bone Baker Architects
Rehab Type	Moderate
Unit Count	Original: 68 units Post-rehab: 65 units
Unit Size	Existing units: 146sf-206sf. New units: 123sf-265sf
Financing	<u>Capital sources:</u> TBD <u>Operating sources:</u> Rental income and 20 Chicago Housing Authority and 20 Chicago Low-Income Housing Trust Fund subsidized units <u>Services sources:</u> N/A
Code Negotiations	In progress re: square footage requirements
Relocation	TBD: In-place rehab may be possible, eliminating need for temporary relocation.
Features	Shared bathrooms with “Jack-and-Jill” design converted to private bathrooms.
Supportive Services	LUCHA provides a counselor who offers referral services.

Sources:

www.landonbonebaker.com/work/luCHA-sro/

<https://luCHA.org/building-development/>

13. More information on Humboldt Park Residence is available at <https://www.landonbonebaker.com/work/luCHA-sro/>.

Gut rehab + historic restoration: Harvest Commons (Heartland Housing)¹⁴

Harvest Commons Apartments, formerly known as the Viceroy Hotel, is an 89-unit affordable residential and supportive services project and a historic and green rehabilitation on Chicago’s Near West Side. The project is owned by Heartland Housing, a nonprofit affordable housing owner, operator and developer that is an affiliate of the Heartland Alliance. The 6-story, terracotta- and brick-clad building is both a classic example of Art Deco architecture and an innovative model for community-based sustainable preservation.

The revitalization of this Chicago Landmark building includes: major restoration to the historic lobby and exterior façade; reconfigured residential floors that reduce the number of units from 150 to 89; green features, such as geothermal heating and cooling, a solar-thermal domestic hot water system, extensive native planting, super-insulation and advanced sealing techniques; and a social enterprise café, an urban farm, and a teaching kitchen, which Heartland Housing will use to provide classes to residents about nutrition and food preparation.

This project demonstrates how an extensive gut rehabilitation can bring a dormant or derelict building back to life. While this approach is not inexpensive, it can contribute significant social, economic and environmental value to an existing building.

At a Glance: Harvest Commons

Completed	2013
Owner	Heartland Housing
Developer	Heartland Housing and First Baptist Congregational Church
Architect	Landon Bone Baker Architects
Rehab Type	Gut
Unit Count	Original: 150 units Post-rehab: 89 units
Unit Size	300sf-450sf
Financing	<u>Capital sources:</u> 9% LIHTC, Historic Preservation Tax Credits, Renewable Energy Tax Credits, TIF, DCEO Energy-Efficiency Grant <u>Operating sources:</u> Project-based rental assistance <u>Services sources:</u> Illinois Department of Human Services Supportive Housing funding, private foundations
Code Negotiations	The Department of Buildings allowed the team to retain and grandfather the historic existing front stair that did not meet all current code requirements. They were also allowed to retain the existing egress path that exited through the front lobby to the exterior. To do this the department required a continuous vertical separation on residential floors 2-6. The rear stair was replaced to meet current codes.
Relocation	N/A. Building was vacant at time of acquisition..
Features	Private full kitchens and baths
Supportive Services	On-site

Sources:

www.heartlandalliance.org/housing/our-properties/harvest-commons/

www.landonbonebaker.com/work/harvest-commons-apartments/

14. More information on Harvest Commons is available at <https://www.heartlandalliance.org/housing/our-properties/harvest-commons/>



2611 N Sawyer



Humboldt Park Residence



Harvest Commons



www.EnterpriseCommunity.org

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