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CITY COUNCIL APPROVES ORDINANCE TO PRESERVE AFFORDABLE SINGLE-ROOM OCCUPANCY (SRO) HOUSING

Ordinance Creates Opportunity for Affordable Housing Nonprofits to Buy SRO Buildings for Sale; Establishes Rights and Protections For SRO Residents

City Council today passed an ordinance developed Mayor Emanuel, Chairman Ray Suarez, Alderman Walter Burnett, Alderman Ameya Pawar and the Chicago for All Coalition that will establish a legal framework for preserving affordable single-room occupancy (SRO) buildings while generating revenue to support building owners that seek to continue to offer affordable housing. The ordinance is part of Mayor Emanuel’s commitment to preserving up to 700 SRO units in gentrifying areas by the end of 2018.

"SROs can be the difference between chronic homelessness and opportunity for residents. Maintaining this housing stock through affordability requirements and giving nonprofits and advocates the time needed to make a viable bid for these properties before turning market rate is the right thing for Chicago," Mayor Emanuel said.

For too many Chicagoans, renting a unit in a SRO building is the difference between a safe place to rest and sleeping on the street. The City counts just 77 SROs and residential hotels left in the city, and it is reported that at least 1,600 SRO units have been lost since 2011. Residents displaced by this development are at risk of homelessness, resulting in additional costs in social services that must be borne by the City and its partners.

"This will give the people who live in SROs a little more of a sense of security in having a roof over their heads. They deserve the same opportunity to have steady housing as anyone in Chicago," said Alderman Walter Burnett, Jr.

"I believe that this preservation Ordinance strikes a balance between the interests of the property owners and housing advocates and SRO residents who are looking to ensure that enough housing of last resort is available to Chicagoans. I am pleased that all of the groups were able to find a way to make this happen,' said Alderman Ameya Pawar.

Adelaide Meyers, a member of ONE Northside and a former tenant of the Norman Hotel in Uptown, stated, “As someone who was displaced from my housing as a result of this crisis, I know just how much the Emanuel Administration’s work on this issue means to people across the city. We need this ordinance in order to protect vulnerable people from having to live on the streets. If this ordinance was in place when my building was being sold, an affordable housing developer would have gotten a chance to buy the building and I would still be in my community.”
The ordinance establishes an early warning system for affordable SRO buildings that are up for sale by requiring building owners to notify the City and residents 180 days in advance. During that 180-day period, owners must provide potential buyers committed to maintaining the building as affordable with the opportunity to make an offer and negotiate in good faith over a sale. If a deal is not reached within that 180-day window, the owner has 120 days to sell to any other buyer and that sale must close within one year. Residents displaced by a sale to a private developer will receive the higher of three months’ rent or $2,000 in relocation assistance.

As an alternative, building owners may opt-out of the 180-day period entirely by paying a preservation fee of $20,000 per unit along with $10,600 in relocation assistance to each displaced renter who has lived in the building for 32 consecutive days or more.

To ensure that additional housing options for residents are still provided in SRO buildings that are sold or converted, the ordinance establishes an SRO Improvement and Stabilization Program that includes financial resources such as forgivable loans and rental subsidies for building owners who maintain units as affordable. The program will be supported by existing resources and any fees collected from owners that opt out of the right to purchase process.

The ordinance defines an affordable SRO as one with a monthly rent not exceeding 30 percent of the monthly income of a resident who receives an income of no more than 50 percent of the area median income. For a one-person household in the Chicago area, this means that units must be affordable to a resident with an annual income of no more than approximately $25,000 and rents cannot exceed $600-700 a month, depending on whether utilities are paid for by the building.

SROs, which are generally acknowledged as the housing of last resort for some city residents, have declined in number dramatically over the past five years. Since 2008, 30 of the City’s licensed SROs have closed and only 5,000 to 6,000 units remain in the City’s 73 licensed SROs.

According to the Chicago for All Coalition, since 2011, developers have converted more than 1,600 SROs and residential hotel rooms into higher-priced residential buildings. Mayor Emanuel, Chairman Suarez, Alderman Burnett, Alderman Pawar and the Chicago for All Coalition developed the ordinance to stem further displacement of vulnerable residents and help keep Chicago’s neighborhoods economically viable for all residents.

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