



STANDING TALL IN CHICAGO NEIGHBORHOODS

The Story of the Campaign

By southwest and northwest
side communities for a

Guaranteed Home Equity Assurance Program

A report produced by:

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Table of Contents

Prefaceiii

**I. The Fight To Institute Guaranteed Home Equity
in Chicago (1972-1988)**

 a. A Program Imagined1

 b. A Concept Converted4

 c. A Community Empowered5

**II. The Implementation of the Guaranteed Home Equity
Assurance Program in Chicago (1989-Present)6**

**III. Preliminary Results of the Guaranteed Home Equity
Assurance Program in Chicago7**

**IV. Home Equity as a National Model for
Neighborhood Stabilization10**

V. Home Equity's Enduring Legacy11

**Appendix A: Contact Information for Chicago's
Guaranteed Home Equity Commissions12**

**Appendix B: Contact Information for Home Equity
Programs and Initiatives Outside of Chicago13**

Selected Bibliography14

Preface

For almost thirty years, Chicago's Guaranteed Home Equity Program has been a powerful transmitter on the city's civic and political skyline, generating a range of responses on local, city-wide, state-wide, and national levels.

To its community proponents who first conceived and fashioned the program, Home Equity communicated a hope for relief from the seemingly intractable problems and tensions associated with Chicago's searing legacy of changing neighborhoods. To its opponents, the program signaled an unwarranted tax, an underfunded and risky insurance pool, and a smokescreen for racial prejudice and division. To Chicago Mayors Bilandic and Byrne in the late 1970s, it was an unacceptable precedent for community "home-rule." To Mayor Washington in 1984, it represented an extraordinary opportunity for rapprochement with the city's doubting white ethnic neighborhoods, one that he courageously seized, then relinquished, and then was poised to grasp again at the time of his sudden death. When a divided City Council finally passed the city's first Home Equity ordinance, Mayor Sawyer sought to silence Home Equity's message by vetoing it in 1988, only to have the State Legislature and Governor ensure its delivery in Chicago by passing and signing an Illinois enabling statute within a matter of weeks.

Throughout the difficult and often tempestuous process leading to its passage, Home Equity broke stereotypes, across the board. To those who sought to lecture residents of Marquette Park and Belmont-Cragin on their racism, Home Equity stood as contrary evidence of residents' courage, determination, and sophistication to address hidden economic forces that underlay and helped explain surface racial tensions. In an era marked by a national anti-tax revolt, Home Equity showed the willingness of Chicago residents to vote to tax themselves to support a worthy community initiative. In a period of increasing political partisanship in America, Home Equity showed the unprecedented power that "independent" communities could exercise when they sought and obtained cooperation—locally and nationally—from both major political parties. And at a time when Americans were said to be increasingly disengaged from their communities and their neighbors—"bowling alone" in one scholar's eyes—Home Equity showed how residents could be engaged and indeed insisted on being engaged in collective political and civic action to address issues and causes that concerned them.

Today, Home Equity comprises a normal part of the neighborhood fabric and economic infrastructure in Chicago's three Home Equity districts, which together encompass 103,000 households. Three Governing Commissions preside over the Home Equity programs there. As this report will demonstrate, Home Equity appears to be meeting the precise program objectives that its earliest proponents articulated for it: eliminating unscrupulous real estate activity, encouraging stabilization of communities, eliminating catastrophic losses in property value, increasing home improvements, and reducing racial tensions.

Preface

This report will also demonstrate the extent to which Home Equity's sensible approach to urban residents' concerns about property value loss has resonated across the country. With Oak Park, Illinois, and Chicago serving as the springboards, Home Equity programs now operate in cities in Maryland, Pennsylvania, Missouri, and New York, with additional cities and states actively exploring the possibility of its adoption as well. "We are committed to developing an explicit arsenal of tools to help stabilize urban neighborhoods," said one expert in Pennsylvania in 2001. "Home Equity Assurance is one such tool."

The Institute for Community Empowerment—the successor group to several of the organizations whose activities are described in this report—believes that the story of Chicago's Home Equity Program demonstrates the importance of community involvement in addressing urban issues; the power of independence in building civic and political partnerships; and the necessity of listening to neighborhood voices in building realistic racial dialogue. It hopes that this story can inspire other communities across America to imagine, convert, and empower their dreams in similar fashion. For it believes that all America will "stand taller" when such local empowerment takes place.

*The Fight To Institute Guaranteed Home Equity in Chicago
(1972 – 1988)*

Section I

I watched as my mother tried to convince our local pastor to do something about the real estate hustlers who were panicking white families to leave the neighborhood [on Chicago's West side] by warning of the impending flood of black buyers. These hustlers spoke every language we spoke—Croatian, Italian, German, and Czechoslovakian. They called every day, many times a day, and then into the evening, and then all through the night. They roused bone-tired factory workers from their beds to alert them to how much their home had lost in value that week, to make them one last offer. Exhaustion and fear grew. Neighbors moved suddenly, without a word of warning. Then panic spread. The real estate agents bought low from our families and sold high to black families eager for a better and safer life for their children. They ravaged entire sections of a once great city—several times over. They drove families like mine from neighborhood to neighborhood, two, three, and four times, further west and northwest and southwest toward the suburbs, losing more equity, hope, and faith each time. They then bankrupted black and Hispanic buyers and steered them into new ghettos.¹

ALWAYS BE CLOSING.
*Practical Sales Maxim*²

A PROGRAM IMAGINED

Leaders of the Southwest Parish and Neighborhood Federation first "imagined" a Guaranteed Home Equity Program to address the exhaustion, panic, and fear of property value loss in Chicago's changing neighborhoods when they launched their organization as a coalition of several Southwest side Catholic parishes in 1972. The idea was deemed premature, however, as other pressing issues monopolized the organization's early activities on behalf of Southwest side residents. The Federation soon built a proud record of success in confronting those issues. It helped thousands of residents take advantage of the State's Anti-Solicitation Law and withstood the challenges of real estate firms who sought to violate it; it was at the forefront of Chicago's pioneering "greenlining" campaign designed to confront the "redlining" of local banks and savings and loan associations, enabling it to wrest full mortgage

disclosure from eight local financial institutions and thus help trigger the federal Community Reinvestment Act of 1976; and it confronted predatory lending by mortgage banking companies by securing a General Accounting Office investigation of abuses that helped lead to passage of the Illinois Mortgage Banking Bill in 1977. Its efforts reached an early crescendo on June 19, 1976, when more than 2,000 Southwest side residents marched to Talman Federal Savings and Loan, the State's largest neighborhood savings and loan at the time, demanding local mortgage and redevelopment funds.³

In 1978, riding the crest of the wave created by these and other successes and having expanded to include eight affiliated Southwest side parishes and communities, the Southwest Federation launched

¹ Michael Gecan, *Going Public* (Boston: Beacon Press, 2002), p. xii.

² David Mamet, *Glengarry Glen Ross* (New York: Grove Press, 1982), epigram.

³ [James Keck], "The Southwest Federation—The First Ten Years Remembered," in Southwest Parish and Neighborhood Federation Ad Book (1982), will be available on ICE website; "The Fight for Urban Reinvestment," *Savings and Loan News* of the U.S. Savings and Loan League (June 1975): 38-46.

*The Fight To Institute Guaranteed Home Equity in Chicago
(1972 – 1988)*

Section I

the city's first campaign for a Guaranteed Home Equity program. The program concept was simple:

The Guaranteed Home Equity Plan as it came to be called would insure property values on 1-4 units homes for five years at a cost to taxpayers of \$10 to \$20 each year. Participants would be required to have their homes appraised. If after five years a homeowner decided to sell and could not get the value set for the home, he or she would be reimbursed for the difference between the appraised value and the highest offer.⁴

The organization benefited in this effort by adapting its proposed model to one pioneered that same year in Oak Park, Illinois. Where Oak Park's program was initially funded by a one percent tax levied on all residential property in the village, the Federation proposed to finance its Guaranteed Home Equity Program by use of a "special service tax district," similar to one previously used in Chicago to establish the downtown's State Street Mall Project. Where Oak Park guaranteed 80% of market value to participating homeowners, the Federation proposed a 100% guarantee.

After being introduced to the concept of Home Equity, 1,200 Southwest side residents launched a community campaign in July 1978, that soon resulted in the collection of 15,000 signatures in support of the plan. The Federation retained Chicago's Real Estate Research Corporation to validate its cost and loss projections. It hired the law firm of Ross, Hardies, O'Keefe, Babcock & Parsons to draft a Home Equity ordinance for Chicago. In 1979, with the assistance of allies led by Alderman Edward Burke, the organization introduced its ordinance into the City Council. But during these early years, the administrations of first Michael Bilandic and then Jane Byrne failed to support a Home Equity program in Chicago, with the Byrne administration blocking it from even being called for a vote in the Council. It would be an unfortunate precedent, city officials

apparently believed, to grant a local community the power to independently finance a program that it had itself conceived and constructed.⁵

Five years later, in 1984, a newly formed coalition of the Southwest Parish and Neighborhood Federation and the Northwest Neighborhood Federation—called the Save Our Neighborhoods, Save Our City Coalition (SON/SOC)—restored the spotlight on Home Equity as a plan to stabilize property values and ease racial tensions in Chicago.

Guaranteed Home Equity Plan

PROPOSED BOUNDARIES
(all non-residential, commercial and industrial properties excluded)

The Southwest Parish and Neighborhood Federation has proposed the Guaranteed Home Equity Plan to stimulate homeowner confidence, encourage home improvements and insure local property values. This special supplement has been prepared by the Federation to help local residents understand this important proposal.

Commitment Day
Sunday, July 22nd
2:00 p.m. at Lourdes High School

Sponsored by Southwest Parish and Neighborhood Federation
6236 South Kedzie 776-9522

⁴ "The First Ten Years Remembered," p. xviii.

⁵ Thomas W. Barton, "Observations from Marquette Park," unpublished article (1978) (will be available on ICE website); "The First Ten Years Remembered," pp. xviii-xxii.

*The Fight To Institute Guaranteed Home Equity in Chicago
(1972 – 1988)*

Section I

SON/SOC made Home Equity a central plank in its "Platform of Neighborhood Issues" that was approved by a city-wide convention of 1,000 Southwest and Northwest side delegates on April 29, 1984. This "white ethnic agenda"⁶ consisted of an innovative, ambitious, and path-breaking program of neighborhood concerns that convention delegates intended to present to Chicago's new Mayor, Harold Washington, who up to that point was perceived as ignoring and indeed exacerbating their communities' concerns. In dramatic moves to demonstrate otherwise, and responding to the astute advice of business leader Alvin J. Robinson and Alderman Clifford Kelley, Mayor Washington subsequently met with Coalition leaders, joined SON/SOC in urging the U.S. Department of Housing and Urban Development to fund a feasibility study for Home Equity in Chicago neighborhoods, and appeared at a press conference on September 29, 1984, to express his enthusiasm for this new partnership.⁷ The partnership would subsequently take action on many planks of the SON/SOC platform, including city crime prevention, Chicago Public School Reform, and the "linkage" of downtown development to the city's neighborhoods.⁸ Thanks to pivotal support also provided by Republican Senator Charles Percy in Washington, D.C., HUD responded on November 4, 1984, to the Home Equity request by authorizing



\$71,000 in Community Development Funds for SON/SOC's pioneering feasibility study.

SON/SOC's ensuing twelve-month study enlisted the expertise of Chicago's academic community, State of Illinois agencies, and a blue ribbon committee of insurance industry experts. The heart of the investigation consisted of 984 face-to-face interviews with residents in six target communities throughout Chicago that were conducted by SON/SOC staff using a block quota sample technique recommended by the Survey Research Lab at the University of Illinois at Chicago. Interviewees were asked their opinions on a wide range of neighborhood issues, including their perceptions of neighborhood stability and how they viewed and what they might be willing to pay for a Home Equity Program. Guided by these insights, the SON/SOC team formulated the rationale, administrative blueprint, and funding mechanism for a Home Equity Program that would be the first of its kind in a major urban area in the United States.⁹ When the study was released on April 17, 1986, Republican Governor James Thompson joined Democratic Mayor Washington in a joint press conference at City Hall to demonstrate the unusual bipartisan support that was growing for Home Equity in Chicago.

⁶ "Proceedings of the First Save Our Neighborhoods, Save Our City Convention, April 29, 1984," Special Pullout Supplement to *Save Our Neighborhoods, Save Our City News* 1, no. 2 (September 1984). Will be available on ICE website.

⁷ James Lieber, "Mayor Harold Washington and the Guaranteed Home Equity Program" (Cambridge, MA: JFK School of Government, 1990), Case Program C16-90-965.0 for US Conference of Mayors, pp. 5-8, 10-13 (available at <http://www.ksgcase.harvard.edu>).

⁸ Larry Bennett, "The Dilemmas of Building a Progressive Urban Coalition: The Linked Development Debate in Chicago," *Journal of Urban Affairs* 9, no. 3 (1987): 263-76; Paul M. Green, "SON/SOC: Organizing in White Ethnic Neighborhoods," in *After Alinsky: Community Organizing in Illinois*, ed. Peg Knoepfle (Springfield, IL: *Illinois Issues*, Sangamon State University, 1990), pp. 23-33; Larry Bennett, *Fragments of Cities: The New American Downtowns and Neighborhoods* (Columbus, OH: Ohio State University Press, 1990), pp. 111-24; Charles L. Kyle and Edward R. Kantowicz, *Kids First—Primero Los Niños: Chicago School Reform in the 1980s* (Springfield, IL: *Illinois Issues*, Sangamon State University, 1992).

⁹ [Erik Wogstad], "The Report of the Guaranteed Home Equity Research Project: A Feasibility Study for Establishing A Program to Protect Property Values in Chicago Neighborhoods" (Chicago: Chicago Neighborhood Organizing Project, 1986). Chicago Historical Society Research Library, card catalogue no. qHD268.C4C42 (1986).

*The Fight To Institute Guaranteed Home Equity in Chicago
(1972 – 1988)*

Section I



A CONCEPT CONVERTED

The Guaranteed Home Equity Program as developed by the SON/SOC team proposed a funding mechanism that would require the imposition of a tax amounting to approximately \$10-25 per year on every household in the proposed Home Equity districts. From this point in the Home Equity campaign to its conclusion, SON/SOC took a position from which it refused to budge: every community resident who would be taxed by the program must have the opportunity to vote for or against the program on an officially sanctioned election ballot. Undeterred by the fact that no provision for such a local referendum even existed in the Illinois Election Code at that time, SON/SOC set out to amend the election law. In the course of six subsequent months, aided by support garnered from all sides of the political spectrum including Vice President George Bush who met with the group in Chicago on October 13, 1986, SON/SOC resolutely pushed for the needed electoral amendment. With courageous assistance provided by freshman Republican Senator Walter Dudydz, the organization achieved

its goal in the waning hours of the 84th General Assembly on January 13, 1987.¹⁰ Illinois Public Act 84-1467, passed that night and still operative in Chicago today, allowed advisory referendums in voting areas as small as a single precinct "within a municipality with a population of more than 1,000,000" people in Illinois.

After Governor Thompson signed the bill the next day, SON/SOC had but four days to collect and submit to the Cook County Board of Elections the required signatures of 10% of registered voters to place Home Equity on the ballot for the mayoral election that spring. Undeterred, SON/SOC volunteers took to the streets in some 250 precincts on one weekend, collecting 18,700 valid voter signatures which they filed with the Board of Elections on January 19, 1987. Eleven weeks later, on April 7, 1987, the first official advisory vote for Home Equity in Chicago took place. Despite intense opposition from a small contingent of dissident community groups, Home Equity passed when 77,433 voters (90% of those casting ballots) voiced their support in the non-binding referendum for the tax that would be needed to establish Home Equity in Chicago. The dream of some Chicago residents for Home Equity thus took a giant step by being "converted" into a legitimate statement of their communities' express wishes.

¹⁰ For a complete account of Dudydz's pivotal role in insuring passage of SON/SOC's electoral reform proposal in the form the organization desired, see [Michael Smith], "Home Equity on April 7 Ballot!!!: SON/SOC files 18,700 petitions," *Northwest Federation Information Center News* 2, no. 1 (February 1987): 4. (will be available on ICE website). See, too, Ben Joravsky, "New law will give communities control over issues," *Free Press* 29 January 1987, p. 1.

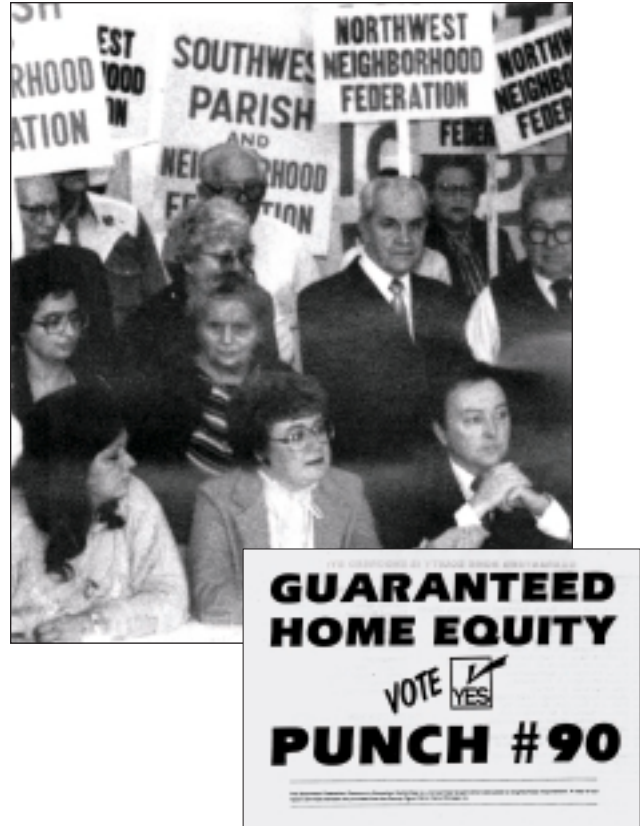
*The Fight To Institute Guaranteed Home Equity in Chicago
(1972 – 1988)*

Section I

A COMMUNITY EMPOWERED

With advisory referendum results in hand, SON/SOC embarked on the task of navigating the Home Equity program through the shoals of Chicago's fiercely divided City Council. Racial politicking and grandstanding added to the difficulty of the group's undertaking. During fifteen tumultuous months, SON/SOC fashioned the Home Equity ordinance, testified at public hearings both in City Council chambers and in the neighborhoods, witnessed the on-again, off-again, on-again support of Mayor Washington for the program, and dealt with the new political forces unleashed after the Mayor's sudden death on November 25, 1987.¹¹ Thanks to the steadfast leadership of Alderman William Banks and a host of aldermanic allies, the City Council finally passed the Home Equity ordinance on June 8, 1988, only to have it quickly vetoed by Mayor Eugene Sawyer. At this point, the Illinois General Assembly intervened, following up on public hearings it had held that spring and action already taken by the Senate approving Home Equity legislation. Owing to the strong leadership of Democratic House Speaker Michael Madigan and that of the Republican majority in the Senate led by Senator James "Pate" Philip, and to stirring support from the Senate floor by Democratic Senators Philip Rock and James DeLeo, the Assembly passed Illinois Public Act 85-1044 on June 28, 1988, authorizing the creation of Home Equity districts subject to voter approval in Chicago communities that wished to institute such a program.

Sensing success after fifteen years of struggle, Southwest and Northwest side leaders leapt to the challenge of "empowering" their communities through passage of these final referendums that would officially enact the program. In the next five weeks, SON/SOC volunteers collected 58,000 valid voter signatures calling for the placement of



Home Equity on local ballots, some 40,000 above the required threshold. In the ensuing eleven weeks leading up to the November 8th election, they distributed 100,000 Home Equity educational brochures. They argued their case for the program to Church, civic, business, and neighborhood groups as well as other voluntary associations throughout their communities. They met with the Editorial Boards of the city's major newspapers. They culminated their campaign by once again going door-to-door on blocks in 525 precincts in 14 wards. They then blanketed the polls on election day. Having initiated such an unprecedented dialogue among neighbors, the group expected success for their "candidate" on Election Day . . . and they obtained it: 115,000 voters approved Home Equity districts for their communities on November 8, 1988, representing more than 80% of all who voted. The community-imagined dream had become a community-empowered reality. Home Equity had arrived in Chicago.

¹¹ Lieber, "Mayor Harold Washington and the Guaranteed Home Equity Program" and its sequel, Case Programs C16-90-965.0 and C16-90-965.1. See, too, "Remarks by Mayor Harold Washington" in Save Our Neighborhoods, Save Our City Coalition newsletter (July 1985): 3 (will be available on ICE website) and Algis Valiunas, "Black and White Mischief in Chicago: Only lunatics can survive in this asylum," *The American Spectator* (October 1988): 21-25.

The Implementation of the Guaranteed Home Equity Assurance Program in Chicago (1989–present) *Section II*

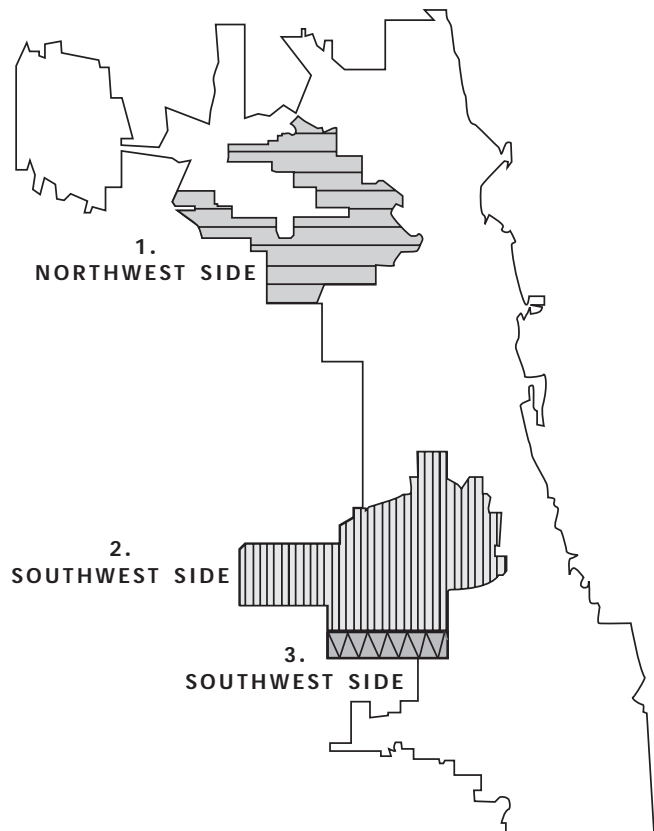
In 1989, Mayor Richard Daley appointed the first two nine-member Governing Commissions on the Northwest and Southwest sides that were charged with implementing the Home Equity Program according to the new State statute. Seven of the nine commissioners were appointed from a list of nominees submitted by community organizations, as required by the law. At least five members of each Commission resided in their Home Equity district, as required by law. In 1989, a third Home Equity district was added by community plebiscite on the Southwest side in an area contiguous to that of the first Southwest side program.

Working within the guidelines established by PA 85-1044, the Commissions moved quickly to establish specific program guidelines, including registration and appraisal policies, and to determine ways to publicize the program widely so as to encourage maximum participation from residents. They reiterated to community residents that two levels of participation existed for every homeowner in the Home Equity districts. All owners of 1-6 unit residential properties within the districts would be taxed on an annual basis to support the program's equity guarantee fund. To receive a specific "equity guarantee" for one's property, however, homeowners had to take the additional step of paying a \$150 registration fee (covering the cost of an appraisal) to officially join the Home Equity program. After staying in their homes for the program's mandatory five year waiting period, if these participants went to sell their homes and were unable to obtain the initial appraised value, the Home Equity fund would pay 100% of the difference.

Today, 103,000 Chicago households contribute to the Home Equity funds in the three Home Equity districts and thus enjoy the benefits of neighborhood stabilization and property value assurance that the program has provided. In addition, more than 9,000 households are registered with the three Home Equity Governing Commissions to obtain the program's specific property value guarantees. Reserve funds of more than \$20 million have been established to secure those guarantees.

The Home Equity Governing Commissions—the unique quasi-governmental agencies that came into existence with the passage of the referendums in November 1988—are responsible for the oversight and investment of tax revenues, for the publicity and management of the program within the target communities, and for paying all documented claims of property value loss that might arise. The Commissions publicize the Home Equity Program through annual mailings and different types of outreach and promotion tailored to the needs and wishes of their specific communities. In 1999, one of the Commissions chose to expand its program to include a Low Interest Home Improvement Loan Program, as authorized by Public Act 91-0492 of the 91st General Assembly.

Appendix A contains contact information for each of the three Chicago Home Equity Governing Commissions.



Preliminary Results of the Guaranteed Home Equity Assurance Program in Chicago

Section III

In its 1986 feasibility study, SON/SOC argued that its Guaranteed Home Equity Program would address "pocketbook" issues, allowing participating Chicago communities to achieve five principal objectives. Home Equity, with its guarantee of property values, would:

1. undercut the ability of unscrupulous real estate interests to foster instability by accentuating people's fears of property value loss;
2. encourage homeowners to remain in the neighborhood by restoring confidence in the financial stability of the local housing market;
3. foster renewed middle-income homeownership by guaranteeing the housing investment for new homebuyers against catastrophic losses;
4. encourage homeowners to maintain and improve their property by assuring them that they will not lose on their added investment;
5. reduce tensions between different racial and economic groups by building confidence in the continued economic viability of the neighborhood.¹²

Preliminary findings from the target communities after almost fourteen years of the Home Equity Program's operations suggest that progress has been made in meeting these objectives:

☛ HOME EQUITY UNDERCUTS UNSCRUPULOUS REAL ESTATE ACTIVITIES. To evaluate this program objective, ICE staff conducted 110 interviews in March 2003 on random blocks within nineteen of the neighborhoods encompassing the largest part of the three existing Home Equity districts. In July 2003, ICE staff conducted an additional survey of 30 homeowners in the Belmont-Cragin and Galewood neighborhoods on the Northwest side, with these interviews targeted to the same households originally surveyed in SON/SOC's feasibility study of 1985.¹³ In February 2004, ICE staff met with community leaders and the directors

of each of the three Home Equity Governing Commissions. In every interview, ICE asked community residents and leaders about the use by real estate salesmen of unscrupulous and illegal sales tactics in their communities.

Respondents were virtually unanimous in declaring that they had seen little evidence of such tactics. Two cases of abuse were reported, however, both in the Galewood neighborhood on the Northwest side. In the first case, the ICE interviewer recounted:

I met a few people in Galewood who had particularly strong opinions about Home Equity. One lady, although she hadn't signed up for the program because of financial reasons, said that "it keeps the neighborhood stable." She told me about a problem that her block encountered five years ago, when real estate salesmen were calling the residents on the phone and trying to encourage them to leave. At a monthly block meeting, this issue was raised and the people decided that they would call the solicitors back and tell them never to call again. The residents in the neighborhood dealt with this problem all on their own, which was a common theme that I encountered throughout Galewood.¹⁴

In the second case, residents on a different block in Galewood received phone solicitation in 1996 that made explicit reference to the neighborhood's racially integrated character. "The neighborhood has increased in black ownership," white homeowners were told. "Isn't it time to leave?" Again residents took steps to address the problem, contacting local authorities who, armed with the Home Equity Program, directly confronted the offending realty company, Pilgrim Real Estate. Pilgrim has since closed its office on North Avenue.

¹³ Robert T. Gannett Jr., "Report on Neighborhood Interviews about Guaranteed Home Equity Assurance" (Chicago: Institute for Community Empowerment, March 2003); Jason E. Gannett, "A report on a follow-up survey conducted to determine the effects of Home Equity on the stability of the community" (Chicago: Institute for Community Empowerment, July 2003). Both reports will be available on the ICE website.

¹⁴ Jason E. Gannett, "A report on a follow-up survey," p. 3.

¹² "The Report of the Guaranteed Home Equity Research Project," p. 6.

*Preliminary Results of the Guaranteed Home Equity
Assurance Program in Chicago*

Section III

☛ HOME EQUITY ENCOURAGES NEIGHBORHOOD STABILIZATION. A full assessment of the degree to which Home Equity has increased the confidence of homeowners to remain in their neighborhood is beyond the scope of this report. Anecdotal evidence provided to ICE interviewers in the March and July 2003 surveys suggests that residents have indeed been encouraged to stay in the community by Home Equity's value guarantee. Home Equity is not a panacea for neighborhood problems, however, and residents' decisions to move in or out of the target communities are affected by a wide range of "quality of life" concerns that have to be addressed on an ongoing basis.¹⁵ ICE interviewers found that the program has worked best where local Church, civic, and political organizations beyond the Governing Commissions have boosted the program and also provided residents with information and assistance allowing them to address their "quality of life" concerns.

Outside observers have given Home Equity substantial credit for changing the dynamics and markets of the target neighborhoods, especially owing to its provision that participating homeowners must wait at least five years before they become eligible to collect on a claim. Jonathan Eig, in an August 7, 2000, article in the Wall Street Journal, wrote:

From the start . . . officials have said the mere existence of the program has been enough to spread confidence. . . . Some whites moved out, and many of those who moved in after them were minorities. But instead of declining, the region covered by the program prospered. Median family income rose to about \$44,000 in 1998 from \$31,000 in 1990, while the median home value rose to \$81,000 from \$60,000."My

honest opinion?" Mr. LoBue [a long-term Southwest side resident] says. "Without home equity, 90% of the people would've left. They would have taken the best price they could get at that time."¹⁶

☛ HOME EQUITY ELIMINATES CATASTROPHIC LOSSES. During the fourteen years of operation of the Home Equity program, the three Governing Commissions have paid a total of twenty claims, ranging from a low of several thousand dollars to a high of \$36,000. Home Equity Commission directors attribute the claims to a variety of localized factors, such as deterioration of adjoining properties or a concentration of estate sales, rather than to any larger pattern of property value depreciation. Indeed census data demonstrates that property values in the Home Equity communities rose anywhere from 46 to 66% between 1990 and 2000.

☛ HOME EQUITY ENCOURAGES MAINTENANCE AND IMPROVEMENT OF PROPERTY. Disclosure reports from local financial institutions attest to either stable or growing levels of both the volume and dollar amounts of home improvement loans in the target communities.¹⁷ This is not surprising—ever since the fierce campaigns waged by Northwest and Southwest side communities against "redlining" in the 1970s, the neighborhoods' needs for mortgage and home improvement loans have tended to be met. In addition, the Southwest Home Equity Assurance Program has helped promote and subsidize 340 below-market rate home improvement loans issued by two participating local financial institutions in the past three years.

¹⁵ "The Report of the Guaranteed Home Equity Research Project," p. 6.

¹⁶ Jonathan Eig, "How Fear of Integration Turned White Enclave Into a Melting Pot: Home-Value Insurance Gave People a Reason to Stay, But Something Was Lost," Wall Street Journal 7 August 2000, A1, A6. Eig republished this same article with minor alterations as "Black, White, and Green: A Tale of Integration," in Responsive Community 11, no. 3 (2001): 48-55.

¹⁷ See "home improvement" loan figures by community area in Community Lending Factbook (Chicago: Woodstock Institute, 1991, 1992, 1993, 1994, 1995).

Preliminary Results of the Guaranteed Home Equity Assurance Program in Chicago

Section III

☛ HOME EQUITY REDUCES RACIAL TENSIONS. In its March and July 2003 neighborhood surveys, ICE detected a significant defusion of the pressure-cooker atmosphere of racial tension and fear that traditionally has prevailed in Chicago's changing neighborhoods. ICE hesitates to overstate the extent to which concerns and fears have lessened, however, since Home Equity neighborhoods still face significant "quality of life" concerns, reflected in gang activity, an increase in boarded-up housing owing to predatory lending practices, or inconsistent city services. Real estate abuses can always reappear in the neighborhoods, as can racial politicking and grandstanding. But indications of progress are evident in the decrease in the number of racial hate crimes in the Home Equity communities, as

can be seen in the following table comparing hate crimes for the five years before Home Equity (1986-90) and for the ten years after Home Equity (1991-2000).

In every community but West Elsdon, the average number of racial hate crimes per community per year fell since the first residents began to enroll in the Home Equity program in 1990. Taken together, during the five-year period preceding Home Equity, 282 crimes took place in the eight Home Equity community areas. In the ten years after the introduction of Home Equity, 250 crimes took place. Viewed as a whole on an annual basis, these crimes thus dropped by more than one-half.

Incidence of Racial Hate Crimes in Selected Chicago Communities Before and After the Introduction in 1990 of the GUARANTEED HOME EQUITY ASSURANCE PROGRAM (GHEAP)¹⁸

Community Area	TOTAL # OF HATE CRIMES		YEARLY AVERAGE OF HATE CRIMES	
	Before GHEAP 1986-1990 (5 years)	After GHEAP 1991-2000 (10 years)	Before GHEAP 1986-1990 (5 years)	After GHEAP 1991-2000 (10 years)
Southwest side				
Chicago Lawn	126	78	25.2	7.8
Gage Park	33	16	6.6	1.6
West Lawn	13	21	2.6	2.1
West Elsdon	0	9	0.0	0.9
Ashburn	56	72	11.2	7.2
Northwest side				
Belmont-Cragin	18	35	3.6	3.5
Portage Park	20	14	4.0	1.4
Montclare	16	5	3.2	0.5
Cumulative Totals for 8 community areas:	282	250	56.4	25.0

Source: "Reported Hate Crimes," Chicago Commission on Human Relations

Table

¹⁸ "Reported Hate Crimes 1986-1994: City of Chicago Nine Year Comparison" (Chicago: Chicago Commission on Human Relations, 10 March 1995). Figures for ensuing years are drawn from the annual reports issued by the CCHR. The 1986-90 figures, drawn from the 1986-1994 report, represent all reported hate crimes in the indicated community areas, since differentiation for "racial" hate crimes is not indicated. Figures for

Hermosa, Avondale, Irving Park, and Austin on the northwest side are omitted from the table: each area has several census tracts that are included within the Home Equity Districts but it is impossible to collate these with the "Hate Crimes" reports.

*Home Equity as a National Model for Neighborhood Stabilization**Section IV*

Chicago's Guaranteed Home Equity Programs comprise three of the nine Home Equity Programs that today exist in the United States. Of the six programs outside Chicago, one is in Illinois: the original Oak Park program established in 1978.¹⁹ Home Equity was established in the Patterson Park community of Baltimore in 1999 with a local charitable fund, the Abell Foundation, serving as the guarantor for claims. Programs in two communities on the outskirts of St. Louis, Missouri—Ferguson and Florissant—were established in 1998 and 1999 respectively, with equity guarantees provided directly by municipal funds. Pittsburgh's twelve "West End neighborhoods" recently established their own Assurance program, which they publicize with the motto: "We're so sure you'll love living in the WE HAV District that we're willing to give you a guarantee on your home's value." Pittsburgh's program will be backed by a city bond.²⁰ And the city of Syracuse, New York began offering Home Equity Protection in July 2002 in a new program developed and funded by the Neighborhood Reinvestment Corporation, a national nonprofit organization chartered by Congress. Working in conjunction with Yale University's School of Management and Freddie Mac, the Neighborhood Reinvestment Corporation has pioneered a new model for assessing property value loss, a new pricing mechanism, and new marketing plan for Home Equity. The Syracuse Neighborhood Initiative has received a \$5 million grant from the U.S. Department of Housing and Urban Development to fund the program's initial capital reserve. The nonprofit consortium supporting

Syracuse's program is currently in the process of seeking to expand its model of Home Equity to several other Eastern cities.²¹

Other groups are looking at Home Equity as well. Citing "the apparent success of [the Home Equity] strategy elsewhere," the Urban Issues Task Force of 10,000 Friends of Pennsylvania launched its own exploration of Home Equity's history and success across the United States. In its "Summary Report on Home Equity Assurance," prepared in Fall 2001, it concluded that "there is much to recommend **Home Equity Assurance** as an urban neighborhood stabilization strategy." It then listed fourteen constructive conclusions based on its assessment of the nation's existing Home Equity programs, including the following one:

People involved with these programs love them and are very proud of them. The name of the programs as being ASSURANCE captures the essence of what the program does—it assures people that their investment in their homes is secure. This assurance changes behavior—people stay put in communities where there was previously fear motivating them to leave. It seems to tip the scales in favor of neighborhoods where the scales were previously tipped against them.²²

See Appendix B for contact information for each of these Home Equity Programs and initiatives outside of Chicago.

¹⁹ A second Illinois program in Aurora was established in 1994 using riverboat gambling revenues as the source of its equity guarantee. According to Charles Huff, the Director of Neighborhood Redevelopment in Aurora, this program has recently been allowed to lapse because of rising property values throughout the city.

²⁰ Information on start-up dates and funding mechanisms for several of these programs is drawn from Liz Hersh, "Summary Report on Home Equity Assurance," The Urban Issues Task Force of 10,000 Friends of Pennsylvania (October 2001) (available at http://www.10000friends.org/Web_Pages/Resources/HomeEquityAssuranceReport10-01.doc). The Pittsburgh's program's motto is on the "Home" page of the West End Neighborhoods' website at <http://www.wehav.org>.

²¹ Daniel Nasaw, "For Some Buyers, a Nice Hedge," *Wall Street Journal* 3 February 2004, p. D2.

²² Liz Hersh, "Summary Report on Home Equity Assurance."

*Home Equity's Enduring Legacy**Section V*

The experience of Chicago's Northwest and Southwest side communities in bringing Home Equity to their neighborhoods is rich with lessons for other communities across America that face issues and concerns of their own.

Looking back on their experience, leaders and staff of the organizations that pioneered Home Equity in Chicago tend to highlight three such lessons:

1. Ordinary citizens must "stand tall" in their own communities and address community concerns in a sustained, concerted, collaborative fashion. Without such thoughtful, moderate, measured engagement by a broad cross section of a community's residents, local problems may well go unattended, either for reasons of political indifference, fear of controversy, economic profiteering, or commandeering of the neighborhood's agenda by fringe groups.

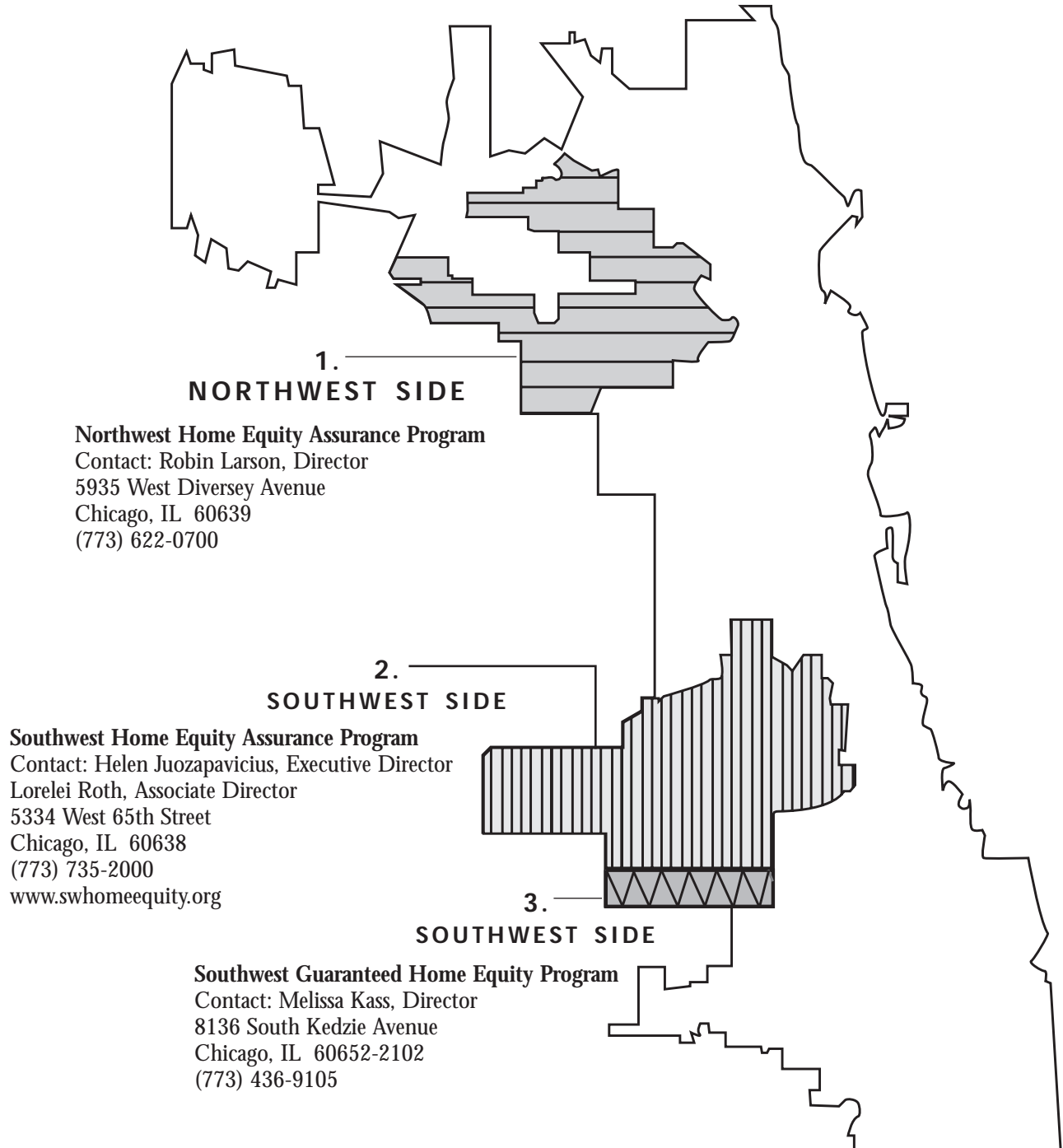
2. As citizens imagine and develop positive programs for their communities, they must at some point take the giant step of converting their particular proposals into an unambiguous statement of the express wishes of the neighborhood as a whole. In Chicago, thanks to the Home Equity campaign, communities now possess a mechanism that allows such conversion in the form of local advisory referendums. In other cities in other states, communities will have to develop vehicles of their own for articulating their united voices.

3. To empower their community, residents must obtain political support from all sides of the political spectrum, regardless of party affiliation. Independence breeds dignity, respect . . . and the power needed to gain community objectives.

Imagine, convert, empower—three legacies of Home Equity for Chicago's neighborhoods and beyond.

Appendix A

**CONTACT INFORMATION FOR CHICAGO'S
GUARANTEED HOME EQUITY COMMISSIONS**



Appendix B

**CONTACT INFORMATION
FOR HOME EQUITY PROGRAMS AND INITIATIVES
OUTSIDE OF CHICAGO**

Baltimore, Maryland: Ed Rutkowski, Director
Patterson Park Community Development Corporation
2900 E. Baltimore Street, Baltimore, MD 21224
(410) 732-1609.

Ferguson, Missouri: Mark Etling, Housing Development Coordinator
City of Ferguson Residential Resource Center
108 Church Street, Ferguson, MO 63135
(314) 524-5197.

Florissant, Missouri: Denise Mandle, Community Development Director
Florissant City Hall
955 Rue St. François, Florissant, MO 63031
(314) 839-7680.

Oak Park, Illinois: Cynthia Breunlin, Housing Programs Manager
Village of Oak Park
123 Madison Street, Chicago, IL 60302
(708) 358-5411.

Pittsburgh, Pennsylvania: West End Home Assurance Value Program
P.O. Box 8515, Pittsburgh, PA 15220
(412) 937-9378.

Syracuse, New York: Virginia Smith, Home Equity coordinator
Home Headquarters
124 E. Jefferson Street, Syracuse, NY 13202
(315) 474-1939 x248.

Neighborhood Reinvestment Corporation: Elisabeth Prentice and Eric Hangen
Neighborhood Reinvestment Corporation
1325 G Street NW, Suite 800, Washington, DC 20005
(202) 220-2354.

Yale School of Management: William Goetzmann, Matthew I. Spiegel,
and Barry J. Nalebuff
Yale School of Management, International Center for Finance
135 Prospect Street, P.O. Box 208200, New Haven, CT 06520-8200
(203) 432-5950.

Real Liquidity: Tom Skinner
Real Liquidity
1054 31st Street NW, Suite 410, Washington, DC 20007
(202) 295-3048.

10,000 Friends of Pennsylvania: Janet Milkman, President and CEO
117 South 17th Street, Suite 2300, Philadelphia, PA 19103-5022
(877) 568-2225.

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