“If you think the combination of our pre-existing affordable housing shortage and the COVID-induced eviction tsunami is bad ... wait until 50,000 small apartment buildings in Chicago go into foreclosure and are sold to private equity firms.”

Horacio Mendez  
President & CEO,  
Woodstock Institute

Resident owners in trouble

Ongoing research has revealed a potentially massive COVID-19 impact on the two- to four-unit properties that house more than a third of Chicago’s renters and likely represents a broader potential crisis throughout Illinois and in major cities across the United States.

Like the pandemic itself, this impact disproportionally threatens Latinx and Black renters and owner-occupants in the buildings. Communities of color have borne the brunt of the widespread suffering caused by the pandemic in almost every way: they have experienced a higher incidence of the disease; higher mortality rates; greater loss of income; and a higher unemployment rate than Whites.

The loss of income has left millions of renter households unable to pay their rent, with the threat of eviction falling most heavily on lower-income households because they have fewer resources than more affluent households to tide them over until they can recover from the economic impacts of the pandemic.
Who are Resident Owners?

Slightly more than 60% of Chicago’s two- to four-unit buildings are owner-occupied, representing 72,000 properties. Indebtedness of owner-occupants of these buildings varies substantially by race:

- 51% of White owner-occupants have mortgages
- 61% of Black owner-occupants have mortgages
- 67% of Hispanic owner-occupants have mortgages

Without the cash flow from rent for the other units in the buildings, many of those owners will be unable to pay their mortgages and will go into foreclosure.

Even if they have no mortgage, nearly three-quarters of the owner-occupied, small multifamily properties in Chicago are over 80 years old, which means they have higher maintenance and operating costs than newer buildings. Rent is what provides the owners with the resources to keep their buildings in good, habitable condition.

Disparities by Race and Ethnicity

Close to 60% of all Latinx renters across all income ranges and about one-third of all Black renters live in two- to four-unit properties compared to less than 30% of all White renters. For Latinx renters with children, close to 70% across all income ranges live in these two- to four-unit properties compared to about 40% for Whites.

The Moratoriums Will End Soon

Recognizing the negative impacts that such an increase in evictions could have on public health, the thousands of displaced families, and the communities in which they lived, Illinois adopted a moratorium on evictions beginning in March 2020. The Centers for Disease Control and Prevention (CDC) issued an order to halt evictions nationwide from September 4th through the end of 2020. The Biden Administration pushed that deadline to the end of March and has since extended it to the end of June, 2021.
While the national and state moratoriums may have helped many tenants in Chicago, fundamental problems remain. First, whenever the moratoriums expire, tens of thousands of tenants in Chicago will face eviction in the coming winter unless something is done to protect them. Second, extending a moratorium on evictions does not address the problems facing those who own and live in the small multifamily buildings with two to four rental units, the two-, three, and four-flats so common in many Chicago neighborhoods.

**Table 1:** Ten Community Areas with the Highest Percentage of Rental Units in Two- to Four-Unit Buildings

<table>
<thead>
<tr>
<th>Community Area</th>
<th>% Rental Units in 2- to 4-Unit Buildings</th>
<th>Neighborhood Demographics</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOUTH LAWNDALE</td>
<td>66.1%</td>
<td>MAJORITY HISPANIC</td>
</tr>
<tr>
<td>BRIGHTON PARK</td>
<td>65.4%</td>
<td>MAJORITY HISPANIC</td>
</tr>
<tr>
<td>WEST GARFIELD PARK</td>
<td>63.7%</td>
<td>MAJORITY BLACK</td>
</tr>
<tr>
<td>NEW CITY</td>
<td>62.7%</td>
<td>MAJORITY HISPANIC</td>
</tr>
<tr>
<td>HUMBOLDT PARK</td>
<td>62.1%</td>
<td>MAJORITY HISPANIC</td>
</tr>
<tr>
<td>NORTH LAWNDALE</td>
<td>59.7%</td>
<td>MAJORITY BLACK</td>
</tr>
<tr>
<td>AVONDALE</td>
<td>57.3%</td>
<td>MAJORITY HISPANIC</td>
</tr>
<tr>
<td>LOWER WEST SIDE</td>
<td>55.6%</td>
<td>MAJORITY HISPANIC</td>
</tr>
<tr>
<td>EAST GARFIELD PARK</td>
<td>54.7%</td>
<td>MAJORITY BLACK</td>
</tr>
<tr>
<td>HERMOSA</td>
<td>54.0%</td>
<td>MAJORITY HISPANIC</td>
</tr>
</tbody>
</table>
Entire Neighborhoods – Especially in Latinx Areas – Are Threatened

The threat of eviction for tenants and foreclosure for the owner-occupants of these properties also threatens the neighborhoods where they are concentrated.

In nearly a third of Chicago’s Community Areas, these buildings represent over half of all rental units, with the highest concentrations shown in Table 1, and in 40% of Chicago’s Community Areas, these buildings represent over one-third of all housing units, with the highest concentrations shown in Table 2. It should come as no surprise that all of these at-risk communities are primarily Black and Brown.
In the 19 Community Areas that are majority Latinx, these properties represent over 64% of all rentals. In the 28 Community Areas that are majority Black, two- to four-unit properties represent nearly 36% of all rentals.

In another perspective, the map of Chicago provides a picture of the extreme concentration of Latinx renters in areas with high levels of two- to four-unit properties.

Policymakers have voiced support for helping small businesses. The owner-occupants of small multifamily properties are running small businesses and need their tenants to be able to pay their rent so that mortgages and operating expenses can be covered. The alternative is a wave of foreclosures where these properties will either lie vacant or be bought by outside investors with no connection to the neighborhood.

Policymakers need to do what they can to support Chicago’s tenant-landlords so that further harm to communities, which are already suffering, can be avoided.
ABOUT WOODSTOCK INSTITUTE

Woodstock Institute is a leading nonprofit research and policy organization in the areas of fair lending, wealth creation, and financial systems reform. Woodstock Institute works locally and nationally to create a financial system in which lower-wealth persons and communities of color can safely borrow, save, and build wealth so that they can achieve economic security and community prosperity. Learn more at https://woodstockinst.org.

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