

Impact Report of Cubicle Hotel Ordinance

March 2013

Overview of the Ordinance

The proposed ordinance amending Titles 4 and 13 of the City Municipal Code will bar the issuance of a license for the operation of a cubicle hotel. This ordinance will therefore render illegal the last two cubicle hotels in Chicago: the Ewing Hotel (426 S. Clark St.) and the Wilson Men's Hotel (1124 W. Wilson Ave.) The ordinance was originally introduced on January 17, 2013 and referred to the Committee on Zoning, Landmarks, and Building Standards. The ordinance was re-referred to a Joint Committee: Committee on License and Consumer Protection and Committee on Zoning, Landmarks, and Building Standards on February 13, 2013.

Impact on Cubicle Hotel Tenants

The impact of the cubicle hotel ordinance would most deeply and personally affect the 299 men who live in the Ewing and the Wilson (144 and 155 respectively as of March 2013). The men who will be displaced are extremely vulnerable and have limited options for relocation. Two-thirds of the tenants are 50 years of age or older, nearly half have a mental or physical disability, and one quarter are military veterans (see table on the following page). Most importantly, these men made a personal choice to live in a cubicle hotel and many call the Ewing and Wilson "home." The cubicle hotels are in convenient locations, close to public transportation, employment opportunities, and social service providers, and provide a desirable alternative to the threat of homelessness.

The last two cubicle hotels in Chicago provide one of the few remaining options for independent, affordable housing for very low-income individuals. At the Ewing and the Wilson, men pay on average \$324 a month in rent. Considering that nearly half of the tenants receive SSI disability payments (\$710 a month on average), it becomes clear that many tenants could afford few other housing alternatives. For the 30% of tenants who are working, many are in low-wage, part-time jobs in the retail, hospitality, and food service industries. As we enter year five of the country's worst economic downturn since the Great Depression, living-wage employment is still out of reach for too many Chicagoans. Therefore, **the likely result of this ordinance will be the immediate homelessness of 299 individuals** and the loss of their social networks, right to self-determination, and access to employment and supportive services.

Table 1: Characteristics of the Residents of the Ewing and Wilson Hotels

(Source: Chicago Coalition for the Homeless, Organization of the NorthEast, and Bomberg Property Management, Data Gathered from January 21 – March 6, 2013)

Characteristic	Percentage of Ewing Residents	Percentage of Wilson Residents	Average Percentage
Race			
African American	65%	52%	59%
Caucasian	25%	38%	32%
Other (Latino, Asian, Other)	9%	10%	9%
Age			
49 and Under	30%	38%	34%
50-59	40%	36%	38%
60-69	17%	20%	19%
Over 70	6%	6%	6%
Other Characteristics			
Military Veteran	25%	19%	22%
Employed	31%	29%	30%
Mental or Physical Disability	42%	52%	47%
Receiving SSI Benefits	45%	45%	45%

Impact on Affordable Housing

The cubicle hotel ordinance would result in the **loss of 460 units of affordable rental housing**, compounding Chicago’s severe shortage of affordable housing. According to a study by the Institute of Housing Studies at DePaul University, there was a shortage of 180,000 affordable rental units in Cook County in 2009, and this gap is likely to grow by an estimated 44,000 units by 2020.¹ In addition, Chicago’s Plan 2.0: *A Home for Everyone*, endorsed by Mayor Emanuel in August 2012, projects that Chicago needs at least 3,500 units of affordable housing for extremely low-income households just to meet the needs of individuals and families already experiencing homelessness.

Taken in context, the cubicle hotel ordinance is one more step in a troubling pattern of dismantling affordable housing options throughout the city of Chicago. Chicago Housing Authority’s Plan for Transformation has resulted in the net loss of approximately 13,000 units of subsidized housing.² On the north side alone, 13 single room occupancy buildings, residential

¹ Institute of Housing Studies. The State of Rental Housing in Cook County. Chicago: DePaul University, 2011.

² Letter from Katherine Walz, Sargent Shriver National Center on Poverty Law, to the Honorable Mayor Rahm Emanuel, March 5, 2013.

hotels, or high rise efficiencies have closed in recent years, resulting in the loss of 1,833 units of affordable rental housing (see table below). While some of these properties provided unacceptable living conditions, they all housed very low-income individuals and have not been replaced with more suitable alternatives.

Table 2: Formerly Affordable Housing Sold to Private Market Development Since 2010

(Source: Organization of the NorthEast and the Cook County Assessor)

Property	Number of Units	Property	Number of Units
4876 N. Magnolia	76	Bel-Air, 424 W. Diversey	300
5051 N. Kenmore	32	Chateau Hotel, 3838 N. Broadway	138
5411 N. Winthrop	99	The Norman, 1325 W. Wilson	153
5718 N. Winthrop	78	Sheffield House, 3834 N. Sheffield	130
Abbott Hotel, 721 W. Belmont	97	Sheridan Plaza, 4607 N. Sheridan	140
Ambers Hotel, 1632 W. Belmont	69	Somerset Place, 5009 N. Sheridan	400
Astor House, 1246 W. Pratt	121	TOTAL	1,833

Chicago’s low-income residents cannot afford to lose an additional 460 housing options. The city’s network of emergency shelters has been operating at nearly 100% capacity throughout the 2012-2013 winter season. Over 2,000 households have already applied for permanent supportive housing through the new Central Referral System and are awaiting placement. Additional subsidized housing options do not exist and the private supply of affordable housing is dwindling.

It is also important to note that both the Ewing and the Wilson are in compliance with current city code and provide safe, licensed, and regulated housing. In consultation with city inspectors, both properties have made significant investments in recent years to upgrade their fire alarm and sprinkler systems, install security, and conduct structural maintenance. One suggested amendment to the cubicle hotel ordinance is to require the buildings to come up to SRO code compliance. However, this would require a complete gut rehab of both buildings, costing an estimated \$5 million each. The likely result of that requirement would be to greatly reduce the number of available units, significantly increase their rents, and render the units unaffordable after all.

Impact on the City of Chicago

The City of Chicago would put itself at considerable legal and financial risk if it were to make the cubicle hotel ordinance law. The potential impediments to fair housing and civil rights violations could result in costly and damaging lawsuits.

- **Fair Housing:** As a recipient of Community Development Block Grant (CDBG), HOME, Housing Opportunities for Persons with AIDS (HOPWA), and Emergency Shelter Grant (ESG) funds, the City of Chicago must meet the duty to affirmatively further the fair housing requirement of the Housing and Community Development Act. This requirement calls for the City to ensure that any housing programs, laws, and policies do not result in an unjustified and disproportionate adverse impact on protected classes. The cubicle hotel ordinance disproportionately impacts racial minorities and thus represents an impediment to fair housing, **threatening Chicago's eligibility for \$98 million annually in federal funds.**
- **Civil Rights:** The ordinance has a disparate impact on classes protected under the Fair Housing Act and could potentially put the City of Chicago at risk of a civil rights lawsuit for violation of the Act. Tenants at the Ewing and Wilson are largely African-American, and many have mental or physical disabilities, both of which are protected populations. Both properties are also located in predominately white, lower poverty community areas. Their closure could perpetuate racial segregation in the city when tenants are displaced.

Conclusion

In August 2012, Mayor Emanuel endorsed Chicago's Plan 2.0: *A Home for Everyone* (available online at www.thechicagoalliance.org). The bold and ambitious strategies of Plan 2.0 articulate a vision for a community where everyone has a safe, stable place to call home. Residential hotels and SROs provide a flexible, affordable, and independent private living space for very low-income individuals and often serve as the final safety net before homelessness. To achieve the objectives of Plan 2.0, Chicago needs to increase – not diminish – the supply and quality of affordable rental housing for those who are extremely low income or at risk of homelessness.

This impact report outlines the consequences for cubicle hotel tenants, the city's stock of affordable housing, and the city's legal and financial interests if the ordinance were to become law. Since there is no precipitous cause for outlawing the Ewing and the Wilson and since the consequences to do so are serious, the Chicago Alliance recommends that the City Council not consider this proposed ordinance. **Chicago should not be in the business of making people homeless.**