

DEAR FRIENDS:

Lower-wealth communities such as North Lawndale, Woodlawn, Humboldt Park, Logan Square, Uptown, Bronzeville, Kenwood, North Oakland, Pilsen and East Garfield Park in the city (and some others in the suburbs) experienced measurable resurgence in the “go-go” ‘90s. Indeed, market dynamics in some neighborhoods were so strong that gentrification and displacement became more commanding issues for community groups than was the old battle of attracting capital.

From 1991 through 2000, CCLF’s first decade, we pumped over \$6.5 million into some very catalytic developments. Our investments paid off handsomely with an additional \$69.4 million in public and private financing flowing into resource-starved communities for these projects.

Unfortunately, as we are all personally, professionally and painfully aware, the national and local economies have weakened considerably since then and continue to struggle to regain their footing, despite recent optimistic signs. Across the board in 2002, poverty levels rose and incomes fell. This has taken a disproportionate toll on people of color, who make up a majority of the low- and moderate-income residents living in the communities CCLF serves. Periods of economic uncertainty are also when capital—as risk-averse as it is—tends to take flight, especially from less fortunate areas, effectively leaving them “in the red.”

Conversely, CCLF has stepped up its commitment to our communities. We are inspired by our mission to foster community redevelopment in lower-wealth neighborhoods for the benefit of low- to middle-income families and individuals. Across the region, over the last three years, we financed 29 transformational projects totaling over \$6.4 million in new community loans—nearly as much as we accomplished in our first decade! Those dollars also helped pave the way for over \$104 million in additional public and private investment. Essentially, our stepped-up commitment will help thousands of lower-wealth adults and children improve their quality of life by getting access to improved housing, greater social services and better employment opportunities.

In short, we refuse to allow communities that are trying to get back “in the black” to fall down “into the red” again. The recent gains that many neighborhoods, long written off, have experienced are too important to let evaporate.

Calvin L. Holmes
Executive Director



CHICAGO COMMUNITY LOAN FUND PROVIDES LOW-COST, FLEXIBLE FINANCING TO NONPROFIT COMMUNITY DEVELOPMENT ORGANIZATIONS ENGAGED IN AFFORDABLE HOUSING, ECONOMIC DEVELOPMENT AND SOCIAL SERVICE INITIATIVES THAT BENEFIT LOW- AND MODERATE-INCOME COMMUNITIES AND FAMILIES THROUGHOUT METROPOLITAN CHICAGO.

CCLF LENDING RECORD

	CCLF'S FIRST DECADE 1991 – 2000	LAST THREE YEARS 2001 – 2003	% CHANGE
Loan dollars	\$6,522,835	\$6,491,342	+99%
Number of loans	59	29	+51%
Additional dollars leveraged	\$69,416,405	\$104,298,034	+150%
Affordable housing units	751	465	+62%
Jobs created/retained	56	662	+1,082%

2001 MEDIAN FAMILY INCOME NEEDED TO PURCHASE MEDIAN HOME PRICED AT \$190,000¹

60,535 >

2001 MEDIAN ANNUAL SALARIES⁵

Police officer: \$44,660

Elementary school teacher: \$38,450

Licensed practical nurse: \$33,480

Janitor: \$20,510

Retail salesperson: \$18,610

HOUSING

IN THE LAST THREE YEARS, CCLF INCREASED ITS HOUSING LENDING BY 104%—TOTALING OVER \$4 MILLION THAT LEVERAGED OVER \$95 MILLION IN ADDITIONAL FINANCING, AND CREATING OR RETAINING 465 RENTAL AND HOMEOWNERSHIP UNITS AFFORDABLE TO LOW- AND MODERATE-INCOME PEOPLE.

HOMEOWNERSHIP

The housing ownership market seems to be the one part of the economy that has not faltered; indeed it has flourished.⁶ The median home price in metropolitan Chicago has increased 28% since 1990 to \$190,000 in 2001 and then to \$206,500 in 2002. Current housing prices in Chicago are also 28% higher than the U.S. median home price.⁷

While that is certainly good news for some, rising prices put homeownership out of reach for many low- and moderate-income Chicagoans. In 2001, for instance, the median family income needed to purchase a median home was \$60,535 per year. That is a relatively high salary requirement, even for many vital community professions—police officers, schoolteachers, licensed nurses, janitors and retail salespeople, to name a few—that pay annual salaries ranging from only \$18,000 to \$45,000 in metropolitan Chicago.⁸

Since 2001, 10 CCLF loans have created or retained 133 affordable homeownership units in an array of sizes and types across metropolitan Chicago. In many cases, CCLF helps create affordable homeownership options that do not even exist on the conventional housing market.

In rapidly gentrifying neighborhoods such as Uptown, limited-equity cooperative housing loans, for example, make it possible to price monthly mortgage contributions for 2- and 3-bedroom co-op units affordably. Residents pay approximately \$1,100 per month, compared to \$1,500 market-rate rents for similar units across the street.⁹ Even limited-equity restrictions allow co-op members to build some wealth and foster a greater sense of stability and security by planting roots in a community—all for less than the cost of renting.

For CCLF-financed projects in Bucktown, Logan Square, Oakland, Kenwood, Chatham, West Humboldt Park and Grand Crossing, median prices for condominium units are priced more affordably than at “market rate”: \$130,000 for 1-bedrooms; \$180,000 for 2-bedrooms and \$190,000 for 3-bedrooms.

In extremely distressed neighborhoods such as North Lawndale, CCLF financing helped make it possible, for example, to build 10 large, brand-new 4-bedroom single-family homes with basements—a rarity in the neighborhood—astonishingly priced at only \$79,000 each (with subsidies) to remain affordable to very low-income residents.

RENTAL

While the relative security of investing in real estate and building (even limited) equity wealth is a key benefit of homeownership, it is not appropriate or feasible for many people. Especially for those in early or late stages of their lives or who struggle to make a “living wage,” renting is the best or only option.¹⁰ In the Chicago region, affordable rental housing is an integral part of the housing spectrum, yet a shortage of units remains—with enough to accommodate only half the families who need them.¹¹

Rental housing costs have increased much faster than income levels, especially for those who make minimum wage. In fact, a minimum-wage earner must work a whopping 142 hours per week to afford a 2-bedroom apartment at fair market rent in Chicago.¹² Indeed, over half of current renters cannot afford a 2-bedroom unit at fair market rent;¹³ and 30% of Chicagoans suffer from “rent burden” (spending more than 35 to 50% of their income on rent).¹⁴ Even worse, 130,000 families are living two families to an apartment or spending so much on rent they have little left over for food and clothing.¹⁵

Since 2001, 9 CCLF housing loans have created or retained 332 affordable rental units in communities across Chicago, including Rogers Park, West Garfield Park, Chatham and Grand Boulevard. In addition, many of these rental units serve very low-income or otherwise vulnerable people and families, including transplanted public housing residents in Kenwood, North Oakland, Ida B. Wells and Madden Park; domestic violence survivors in East Garfield Park; and low-income seniors in northwest suburban Morton Grove.

BEDROOMS	FAIR MARKET RENTS ¹⁶	CCLF RENTS ¹⁷
0	\$649	\$597
1	\$778	\$660
2	\$928	\$704
3	\$1,160	\$700
4	\$1,298	\$775

BEDROOMS	FAIR MARKET PRICES ¹⁸	CCLF PRICES ¹⁹
1	\$149,000	\$130,000
2	\$233,000	\$180,000
3	\$329,900	\$190,000
4	\$415,000	\$101,995

SUPPORT

*“Many of our poorest families are struggling to survive in communities that often exacerbate rather than mitigate the disadvantages of poverty—communities where a lack of public resources, economic investment and political power sometimes serves to separate and isolate families from mainstream society.”*²⁰ So says an Annie E. Casey Foundation study confirming that even during the “go-go ‘90s,” many lower-income individuals and their families across the nation did not reap much benefit.

The last three years have taken an even greater toll on the most vulnerable members of our society, especially youth and seniors. In 2002 alone, 14.1 million Americans earned incomes below half the poverty line (\$7,247 annual income for a family of three).²¹ Sadly, the number of children living in poverty increased by 400,000 from 2000 to 2002, while those receiving TANF assistance during the same period declined by 330,000.²² Over 15% of the population went without health insurance in 2002,²³ and the chances that a senior citizen skipped medication due to cost was 20%.²⁴ These statistics paint a bleak picture: more at-risk Americans are getting less at a time when they need more.

Nonprofit agencies in the Chicago region provide irreplaceable human services across the spectrum, including job training, life skills, financial counseling, healthcare, legal assistance, childcare, youth development, parenting classes, domestic violence or substance abuse recovery, literacy, case management, and housing assistance services in low- and moderate-income communities. The economic downturn has put increasing pressure on public and private resources that fund or provide critical support services that connect disadvantaged people to the tools, training, counseling, care and opportunities they deserve to help them succeed, not just survive.²⁵

A recent survey of metropolitan Chicago residents found that more than half (54%) of households

IN THE LAST THREE YEARS, CCLF INCREASED ITS SUPPORT SERVICE FACILITIES LENDING BY 48%—TOTALING \$1,084,000 THAT LEVERAGED NEARLY \$2.2 MILLION IN ADDITIONAL FINANCING, CREATING OR RETAINING 1,249 PROGRAM SLOTS AND 81 SUPPORT SERVICE JOBS IN 7 COMMUNITIES.

in the “lower third” income bracket said they needed 1 or more of these kinds of services.²⁶ This percentage was even higher when speaking only to black (61%) and Latino (57%) residents, probably because the average income of people of color is lower than the metropolitan average²⁷ and they are more likely to live in economically, socially and politically isolated areas.²⁸

CCLF’s facility loans enable support service agencies to purchase and/or improve the building that houses their program (or administrative) facilities. Especially in gentrifying neighborhoods, owning a building allows organizations to circumvent the uncertainty and rising costs of the rental market.²⁹ An added benefit is that agencies can operate in a space that better suits their particular mission and programming. In fact, one CCLF borrower’s new facility enabled the agency to increase by 41% the number of youth served annually. Avoiding the threat of displacement enables nonprofits to plan longer-term and operate more efficiently. In turn, operating efficiencies translate into increased or enhanced services for those who need them most.³⁰

Toward that end, CCLF increased its support service facility lending by 48% since 2001. The loan fund provided 6 loans totaling \$1,084,000 that leveraged nearly \$2.2 million in additional financing. Spread across the Chicago region, these projects create or retain 8 group home slots for mentally ill adults, 10 residential “dorm” slots for homeless teenage mothers and their kids, an additional 350 social service slots benefiting homeless adults, 543 annual slots for youth/arts programs and 95 daycare/after-school program slots. This financing also preserves 81 human services jobs at 6 nonprofits.

In addition, 5 of CCLF’s rental housing project loans leverage supportive/case management services for at least 243 low-income or public-housing households in Chicago.

SELECTED INDICATORS OF DISTRESS OR NEED IN CHICAGO:

Children living in high-poverty neighborhoods: 19.1%³¹

Decrease in licensed childcare centers since 1990: 17.9%³²

Children who receive food stamps: 16%³³

Families headed by a single parent: 32.2%³⁴

Median income of single-mother families: \$19,070³⁵

Teen high-school dropouts: 11%³⁶

Homeless youth programs in need of more residential resources: 88%³⁷

Homeless youth turned away due to shelter’s lack of resources: 42%³⁸

LOW-INCOME METRO CHICAGO HOUSEHOLDS³⁹

1 in 2 need support services

ESTIMATED EXPENDITURE LEAKAGE⁴⁰ OUT OF CCLF NEIGHBORHOODS⁴¹

\$5.8 BILLION

LEAKAGE BY SELECTED STORE TYPES

- General merchandise: \$839.0 million
- Restaurants: \$616.7million
- Grocery = \$460.1 million
- Drug Stores: \$305.4 million

WORK

The last few years were marred by rising national and Chicago regional unemployment and falling job growth.⁴² Even during a booming economy, unemployment rates in low-income neighborhoods can rise as much as three times the regional unemployment rate.⁴³ In fact, during the 1990s, employment options in inner cities decreased; although, in general, suburban job growth increased, many low-income residents faced logistical and transportation challenges getting access to those jobs.⁴⁴

One obvious solution is increased local commercial and retail development: it not only creates jobs but also stimulates the neighborhood economy, eventually generating greater wealth and increased job growth. Unfortunately, lower-income neighborhoods often face chronic commercial underinvestment, which leads to “expenditure leakage.”⁴⁵ Also known as “float,” it refers to dollars that residents are forced to spend outside their own communities.⁴⁶ Developing a variety of robust retail and other quality business outlets in a neighborhood (liquor stores and predatory check-cashing exchanges notwithstanding) helps stem the damaging tide of “leaking” dollars.⁴⁷ Such activities also help combat the pervading sense of commercial and economic isolation typical of distressed neighborhoods.⁴⁸

Especially during a weak economy, however, traditional investors shy away from commercial real estate development projects in lower-income neighborhoods, considering them to be risky.⁴⁹ The purchasing power of lower-income urban (and suburban) neighborhoods is routinely and often vastly underestimated. Using only household income as the primary measure of market capacity ignores the fact that these areas are often much denser per square mile than many upper-income areas.⁵⁰ For instance, according to a Shorebank Corporation study, “Chicago’s South Shore community has twice the purchasing power per square mile than does all the North Shore’s Kenilworth (Chicago’s “wealthiest” community by income).”⁵¹ So, lower-income neighborhoods

IN THE LAST THREE YEARS, CCLF INCREASED ITS LOCAL COMMERCIAL/RETAIL DEVELOPMENT LENDING BY 222%—TOTALING OVER \$1.3 MILLION THAT LEVERAGED OVER \$6.9 MILLION IN ADDITIONAL INVESTMENT, AND CREATING OR RETAINING 579 JOBS IN 7 LOWER-WEALTH COMMUNITIES.

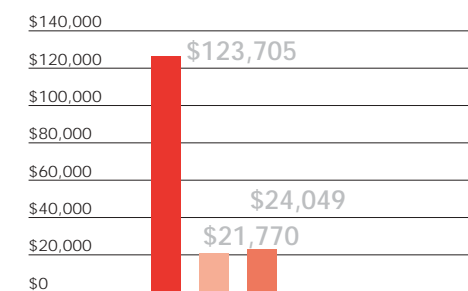
represent largely untapped markets that are ripe for commercial investment and development, which in turn attracts even more businesses, jobs and investment.⁵² Thus, the cycle of renewal builds its own momentum.

As a catalyst stepping into the breach, since 2001 CCLF has increased by 222% its commercial real estate and equipment lending during this period of economic uncertainty. The loan fund has provided 8 loans totaling \$1.35 million, including:

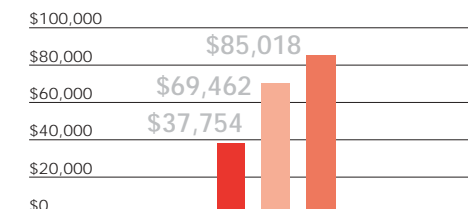
- \$747,400 in loans for local commercial/retail development projects in South Shore, Auburn-Gresham, Washington Heights and suburban North Chicago
- \$355,000 in equipment/working capital loans, including 2 loans to a small, cooperatively owned printing business in East Garfield Park
- A \$250,000 mortgage loan to a small business incubator facility in West Town, which has facilitated approximately 1,440 additional local jobs through various programs and initiatives since 2001

Although not a traditional small business lender, CCLF seeks to be an effective financing source for visionary entrepreneurs who are ready to spearhead local commercial development in low- and moderate-income neighborhoods throughout the Chicago region.

INCOME AND RETAIL SPENDING POWER⁵³



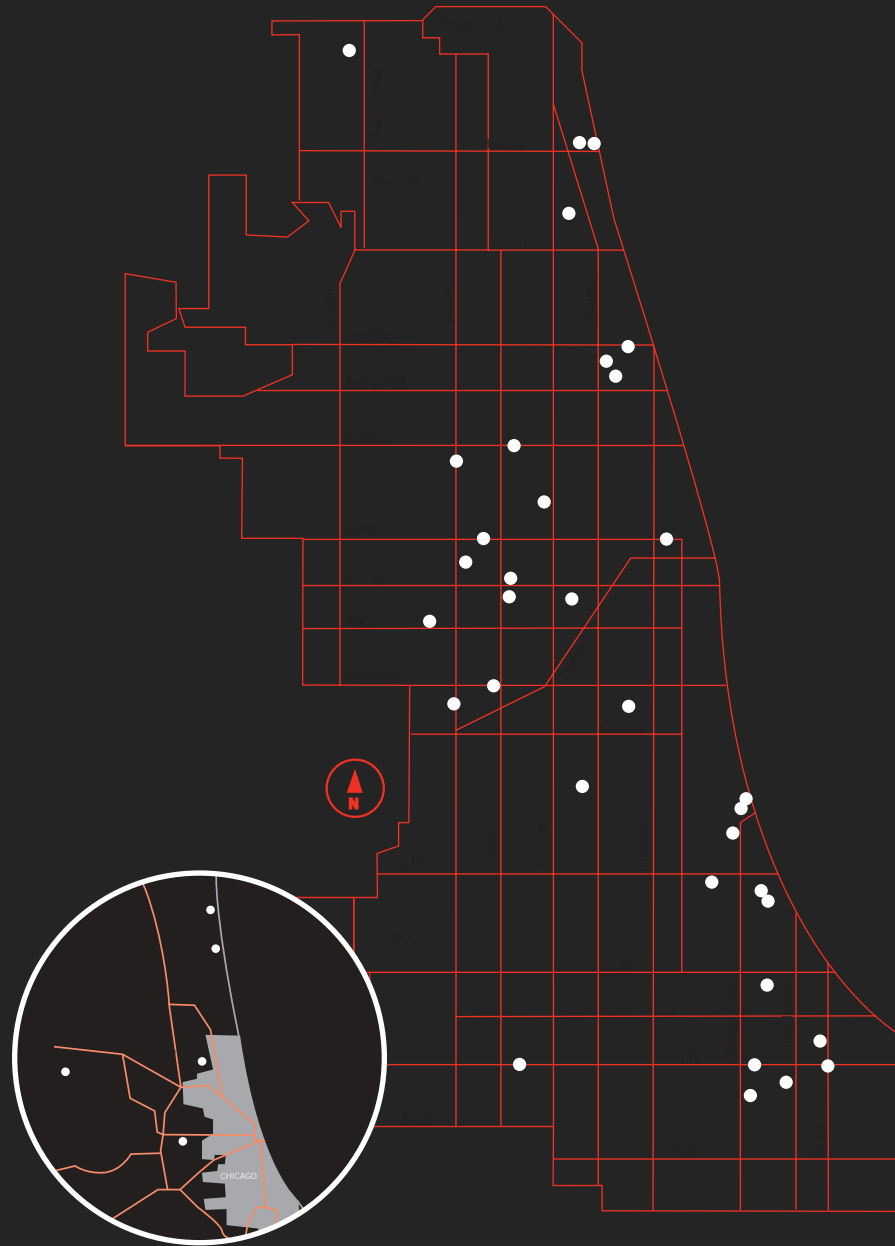
MEDIAN HOUSEHOLD INCOME



CONCENTRATED RETAIL SPENDING POWER

- KENILWORTH
- SOUTH SHORE
- LITTLE VILLAGE

PORTFOLIO



BECKER HOUSE

Acquisition of supportive living facility for women
Loan amount: \$135,000 Location: Rogers Park

BREAKING GROUND (NEE UPWARD BOUND)**

Construction loan for new, for-sale single-family homes
Loan amount: \$270,000
Location: North Lawndale

CHICAGO MUTUAL HOUSING NETWORK***

Minipermanent mortgage to purchase condominium program/office space
Loan amount: \$125,000
Location: Logan Square/Bucktown

CHICAGO VICTORY CHURCH**

Predevelopment loan for affordable rental housing
Loan amount: \$50,000
Location: West Garfield Park

COMMUNITY TV NETWORK**

Minipermanent mortgage to purchase condominium program/office space
Loan amount: \$150,000
Location: Logan Square/Bucktown

COOK COUNTY HOUSING DEVELOPMENT CORP.*

Bridge loan to purchase and rehabilitate senior housing building
Loan amount: \$250,000
Location: Morton Grove, IL

CREATIVE ASSISTANCE DEVELOPMENT, INC.*

Minipermanent mortgage loan to purchase and rehabilitate residential group home
Loan amount: \$200,000 Location: Elgin, IL

DREAM CENTER

Minipermanent mortgage for youth development facility
Loan amount: \$51,000 Location: Maywood, IL

EL HOGAR DEL NIÑO**

Acquisition of longtime daycare facility
Loan amount: \$320,000 Location: Pilsen

FAITH TABERNACLE BAPTIST CHURCH

Landbanking for future community center
Loan amount: \$234,000
Location: Stony Island Park

FEATHERFIST DEVELOPMENT CORP.*

Predevelopment loan for new administrative facility
Loan amount: \$193,000
Location: South Shore

FIVE POINTS ECONOMIC DEVELOPMENT CORP.*

Predevelopment loan for mixed-use office/retail complex
Loan amount: \$409,400
Location: North Chicago, IL

FREEDOM ROAD COOPERATIVE

Acquisition/minipermanent mortgage for cooperative housing
Loan amount: \$450,000 Location: Uptown

GENEVA FOUNDATION

Acquisition/rehabilitation of group home for troubled youths
Loan amount: \$281,000
Location: West Humboldt Park

GOOD NEWS PARTNERS*

Acquisition/minipermanent mortgage for cooperative housing
Loan amount: \$354,000 Location: Rogers Park

IGNATIA HOUSE

Acquisition/renovation of supportive-living facility
Loan amount: \$144,000 Location: Avondale

JAZZ ON THE BOULEVARD 1A**

Predevelopment loan for construction of mixed-income homeownership, rental and public housing units
Loan amount: \$200,000 Location: Kenwood

KINZIE INDUSTRIAL DEVELOPMENT CORPORATION (ICNC 2)++

Minipermanent mortgage refinance for small industrial incubator
Loan amount: \$250,000 Location: West Town

LATIN UNITED COMMUNITY HOUSING ASSN. (LUCHA)*

Construction loan for building facade rehabilitation
Loan amount: \$25,000
Location: West Humboldt Park

LOGAN SQUARE COOPERATIVE

Minipermanent mortgage for housing cooperative
Loan amount: \$332,000
Location: Logan Square/Avondale

LOW END ADVENTURES

Line of credit to acquire/rehabilitate HUD homes
Loan amount: \$250,000
Location: Wrightwood/Ashburn

MADDEN WELLS PHASE 1 ASSOCIATES*

Predevelopment loan for mixed-income rental and public housing units
Loan amount: \$350,000
Location: Madden Park/Ida B. Wells

MARKETPLACE: HANDWORK OF INDIA

Working-capital line of credit
Loan amount: \$50,000 Location: Skokie, IL

MISSION METAMORPHOSIS, INC.

Predevelopment expenses for supportive-housing facility serving homeless teen mothers and their children
Loan amount: \$75,000
Location: North Lawndale

MUSTARD SEED OF CHICAGO

Acquisition of social service program facility
Loan amount: \$349,500 Location: Old Town

NEAR NORTHWEST ARTS COUNCIL

Facility acquisition for low-income arts/housing condominiums
Loan amount: \$299,000
Location: Logan Square/Bucktown

NEW CHATHAM LLC**

Predevelopment loan for new, for-sale housing (New Homes for Chicago)
Loan amount: \$65,000 Location: Chatham

NORTH AMERICAN STUDENTS OF COOPERATION (NASCO) 1++

Construction loan for building code compliance for student cooperative housing
Loan amount: \$45,000 Location: Hyde Park

NORTH AMERICAN STUDENTS OF COOPERATION (NASCO) 2***

Acquisition/conversion to student cooperative housing
Loan amount: \$315,000 Location: Hyde Park

NORTHPOINTE ACHIEVEMENT CENTER

Line of credit for nonprofit "temp" service for people with disabilities
Loan amount: \$75,000
Location: Winthrop Harbor/Zion, IL

OK SHARE & LAKESHORE NEW HOMES LLC

Construction financing for new, for-sale housing (New Homes for Chicago)
Loan amount: \$300,000
Location: North Oakland

RESOURCE CENTER

Acquisition of buyback recycling site
Loan amount: \$55,000 Location: Uptown

SALSEDO PRESS 4***

Printshop equipment purchase
Loan amount: \$90,000
Location: East Garfield Park

SALSEDO PRESS 5***

Printshop equipment purchase
Loan amount: \$184,198
Location: East Garfield Park

SOUTH SHORE HEALTH CENTER**

Predevelopment loan for rehabilitation of a holistic healthcare/retail facility
Loan amount: \$75,000 Location: South Shore

ST. JOHN'S COMMUNITY OUTREACH ORGANIZATION**

Minipermanent mortgage and rehabilitation loan for supportive rental housing
Loan amount: \$600,000
Location: Grand Boulevard

STONE SOUP COOPERATIVE 1++

Acquisition/minipermanent mortgage for cooperative housing
Loan amount: \$355,000 Location: Uptown

STONE SOUP COOPERATIVE 2***

Acquisition/minipermanent mortgage for cooperative housing
Loan amount: \$165,000
Location: McKinley Park

URBAN EQUITIES, INC.

Predevelopment/construction line of credit for new single-family homes
Loan amount: \$75,000
Location: Grand Crossing/Avalon Park

WECAN 4++

Gap construction financing for affordable rent-to-own housing
Loan amount: \$25,000 Location: Woodlawn

* New loan in 2003

** New loan in 2002

*** Repeat borrower

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

December 31, 2002, with comparative totals for December 31, 2001

	2002						2001 COMPARATIVE TOTALS	
	OPERATING				TOTAL ALL FUNDS			
	GENERAL		TECHNICAL ASSISTANCE					LENDING CAPITAL
Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Permanently Restricted			
REVENUE AND SUPPORT								
Grants and contributions	\$249,414	49,000		18,659		1,096,908	1,413,981	\$1,236,372
Net assets released from restriction	37,500	(37,500)	31,740	(31,740)				
Special events								
Revenue								73,975
Expense								(35,611)
Interest income	5,107					543,141	548,248	498,420
Other	18,090					12,329	30,419	13,177
Total revenue and support	310,111	11,500	31,740	(13,081)	555,470	1,096,908	1,992,648	1,786,333
EXPENSES								
Program	372,074		31,740			316,287	720,101	528,481
Administrative	148,387						148,387	156,382
Fundraising	55,049						55,049	39,812
Total expenses	575,510		31,740			316,287	923,537	724,675
Gain (loss) on investments						38,207	38,207	(11,189)
Change in net assets	(265,399)	11,500		(13,081)		277,390	1,096,908	1,107,318
Transfers	285,722					(285,722)		
Net assets, beginning of year	387,826	37,500		26,463	46,539	1,649,458	2,147,786	1,097,317
NET ASSETS, END OF YEAR	\$408,149	49,000		13,382	38,207	2,746,366	3,255,104	\$2,147,786

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Blessed Virgin Mary

OTHER INVESTORS

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Illinois Housing Development Authority
National Community
Capital Association

INDIVIDUAL INVESTORS

*In 2002/03, CCLF managed capital
from 42 individual investors.*

*Taken as a whole, their capital
represented nearly 4.6% of all funds
under management.*

2002/03 FUNDERS

Chicago Community Trust
The F.B. Heron Foundation
The John D. & Catherine T.
MacArthur Foundation
Polk Bros. Foundation
Bank One Corporation
Washington Mutual
The Mayer & Morris Kaplan

Family Foundation
Harris Bank Foundation
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ENDNOTES

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