



SPRING 2003

Developments

Community Investment Corporation • Chicagoland's Leading Neighborhood Revitalization Lender

You've seen them in your neighborhood or in other communities. They are "troubled" buildings, the worst in their community. Despite City efforts, some stand vacant and ineffectively secured for years, attracting drug dealers and prostitutes to ply their trades inside. Other buildings are occupied by tenants

who pay rent every month [or by squatters, who don't] to live in dangerous conditions. Some of these occupied buildings lack heat and hot water. Tenants try to keep from freezing by using space heaters and gas stoves, risking fires that can spread from an apartment to the whole building and then to adjoining properties.

In short, troubled buildings are everyone's problem. Left to fester, these

buildings can make people afraid to walk their own streets, decimate property values, and drag down an entire neighborhood. Demolition, rather than rehabilitation, results in the loss of a rental building when there is already a severe shortage of safe, decent affordable housing.

CIC is working with the City to combat this problem under a pilot program known as the **Troubled Buildings Program**. Mayor Daley and the City have committed \$1 million in the tight 2003 budget to fund efforts to acquire troubled buildings and transfer them to experienced, responsible developers of affordable housing. In addition, CIC has offered to make available

up to \$2 million in federal Community Development Finance Institutions (CDFI) funds to assist in the acquisition and rehab of troubled buildings.

CIC has long worked with building owners to finance the acquisition and rehab of deteriorating buildings with six or more units. Renovation costs for troubled buildings are often substantially higher because the buildings have been poorly maintained (if at all) for years. Thus, the additional funds being supplied by the City, CIC and the developers themselves are necessary in order for this program to work. Indeed, for most of the buildings currently targeted by the Troubled Buildings Program, "the only likely alternative to substantial rehabilitation is demolition," said Angela Maurello, CIC Program Manager.

THIS IS HOW THE PROGRAM WORKS:

Troubled buildings are referred to the Initiative from a variety of sources, including community groups, the Police Department, or the Departments of Buildings, Housing or Law. CIC determines the feasibility of quality rehab, investigates acquisition strategies, and seeks experienced rehab developers who are interested in investing their time and money. If renovation is feasible and the property can be acquired, CIC works with the developer to finance

(continued on page 2)



City, CIC Launch Troubled Buildings Program

*By Cathy Gerlach
CIC Program Officer*

WHAT'S INSIDE . . .

- Preserving Older Affordable Buildings 2
- News You Can Use: Tips for Landlords 4
- Facts About Lead Paint 5
- How City, State Budgets= More Affordable Housing 6

SAVING SIGNIFICANT BUILDINGS: A HANDS-ON DEVELOPER'S VIEW

*By Brad Suster, Developer
Co-founder, Preservation Chicago*

As Americans become disillusioned with the suburban landscape so coveted in the post-World War II years, many instead long for communities with streetscapes, community meeting places, pedestrian-oriented development, quality craftsmanship, and individuality.

Chicago is especially blessed with great older buildings which fulfill that vision. Our city was a nexus of architectural talent and creativity during the strongest periods of its growth. Given proper care, Chicago's

historic architecture can play a leading role in the continued revitalization of our city.

PARTNERING FOR PRESERVATION

This is where Community Investment Corporation (CIC) and forward-thinking developers can partner up, not only to enrich their own pocketbook, but also to contribute to our Chicagoland community. In some economically challenged Chicago neighborhoods, preserving and marketing the architecture and environment is a true incentive toward economic revival. Beautiful buildings also are a source of pride for a community, and investment in them can spark other investment else-

Troubled Buildings Program

(continued from page 1)

the acquisition and renovation of the property.

For example, a building on the 7800 block of South Ingleside sits directly across the street from Hirsch High School. This building had been in and out of Housing Court for years; eventually it was vacated under court order because it was unfit for habitation. Vacant and, at times, unsecured, it became a crime hotspot. Then the Chicago Alternative Policing Strategy (CAPS) Implementation Office referred it to the Troubled Buildings Program.

Now the building belongs to a reliable, experienced developer. With over \$1 million in CIC financing (including a CDFI subsidy of \$100,000) and a considerable initial investment from the new owners, this building is slated to become the nicest building on the block. It will have all-new plumbing, heating, central air conditioning,

wiring, and windows. The building is being converted from 44 units to 31, of which 19 units have two bedroom and twelve units have three bedrooms. Better

yet, the rents will be affordable. Such a turnaround represents what the Troubled Buildings Program is trying to achieve in neighborhoods throughout Chicago.

The process continues. On March 20 a CIC loan was closed for the cost-effective rehabber/owners of 7959 S. Ashland, a City vacated building containing 16 apartments and four commercial units which had been in criminal housing court. More loans are in process and 24 buildings are under review.

To report a troubled building, call 311 or your local police station about specific building problems (including lack of heat, rodents and debris, or other unsafe conditions). You can also ask for information on how you can attend your CAPS beat meeting. General information about the CAPS program is available by calling 311 or by visiting the City of Chicago's website, www.cityofchicago.org.

Eventually CIC may expand this program into the suburbs. The program requires very experienced, cost-effective quality rehabbers to succeed. Contact CIC if you fit that description and are looking for challenging but rewarding acquisition/rehab opportunities.



where nearby. In troubled neighborhoods historic buildings might be in disrepair, but given the proper attention and creativity, these buildings can be rehabilitated more affordably than comparable new construction. Help from leading groups such as CIC can also ensure delivery of excellent results.

Historic properties in need of repair thus should not be seen as an obstacle to communities. Rather, these properties represent a three-fold opportunity: Communities can confirm and reinforce their history, can retain and attract new residents, and, perhaps most important, simultaneously can create quality affordable housing. Because of the significant existing capital investment these buildings represent for neighborhoods, with certain governmental or community assistance they can easily be reborn as affordable or mixed-income housing. This logical step is occurring across the city, and our neighborhoods are better for it.

LOOKING GOOD IN THE NEIGHBORHOOD

Affordable housing in historic properties offers superior benefits to residents as well. Because of the quality craftsmanship in older buildings, often the physical environment is better than what is provided in housing developments. Chicago can take credit for numerous successful developments of this sort, and Community Investment Corporation has played a pivotal role in many of these. Personally, I have had the pleasure of working with CIC in renovating two formerly derelict properties as affordable housing, and CIC's efforts were crucial to the success of these developments.

It should be noted that Chicago is extremely fortunate to have historic, architecturally significant buildings in all fifty of its wards. In some cases, the world-class architecture is the chief physical asset of a neighborhood. When re-energized with neighborhood investment, these architectural gems can be part of a winning formula for the rebirth of older communities.



(Photo by Jim Newberry Photography)

Developer Brad Suster stands in front of one of the architecturally significant buildings which he and his family have renovated.

MAKING IT WORK

Still, despite all of the good news, we need to make better progress. Perfectly usable buildings—those same buildings that are the models for numerous “progressive” new developments—are routinely torn down in Chicago. In certain cases, demolition is the only option for a disadvantaged property, but in many others it is chosen—at the community's expense—simply because it is the easiest and most immediate fix, and because many fail to understand what can be achieved for the rehab dollar by experienced hands-on rehabber/owners.

To address these issues, community groups have been forming in Chicago to advocate for preservation. As a founding member of Preservation Chicago, I am very proud to say that this group has enjoyed considerable success and growth over the past year. For more information on this organization, contact www.preservationchicago.org.

Through continued work in preservation, and through continued community investment by groups such as CIC and the City of Chicago, all of Chicago's neighborhoods will shine again. Let's demonstrate to the rest of the country—through beautiful neighborhoods that support and enrich the lives of all residents—why our neighborhoods are the models and envy of so many newer communities.

Our city was a nexus of architectural talent and creativity during the strongest periods of its growth.

Property Management Training Calendar

North

May 5-8

6:00-9:00 pm

Loyola University,
6525 N. Sheridan Road

Near South

May 19-22

6:00-9:00 pm

Michael Reese Hospital,
2816 S. Ellis

West

June 2-5

6:00-9:00 pm

Bethel Cultural Arts Center,
1140 N. Lamon (4900W)

The successful landlord must know and follow good management practices as well as observe what is required by law.

News You Can Use

What Every Landlord Should Know

Multi-family buildings in low- and moderate-income census tracts that undergo major renovation and maintain reasonable rents may qualify for a 50% reduction in their tax assessment value. Assessed valuation will be held low for 10 years and may be extended to 30 years. The property must undergo extensive renovation in at least three of eight specified

building systems such as heating, electrical, roofing, walls, windows, porches, plumbing and elevators. Only 50 percent of the units are subject to the above rent and income ceilings. You must apply for Class Nine before starting rehabilitation. For further information on the Class Nine program.

Being a landlord is not an “arm-chair investment.” The successful landlord must know and follow good management practices as well as observe what is required by law. Active management and responsive maintenance bring increased cash flow and appreciation of property value.

INSPECTIONS

- Always inspect an apartment prior to a tenant moving in. Document that inspection and have the tenant sign off on the inspection. It’s also a very good idea to make a photographic record of the unit at this time and for any other situations where you need to document its condition.
- Make regular apartment inspections a part of your management routine. The best managers inspect their apartments **every three months**.

MARKETING AND TENANT SELECTION

- Federal Fair Housing Laws, along with similar laws and statutes at the state, county and local level provide for protection from discrimination for thirteen separate classes, including families with children.
- Housing Choice (Section 8) Voucher holders cannot be refused housing solely because of their participation in the program, and their applications must be reviewed like any other prospective tenants.
- If an apartment applicant will be responsible for the cost of heating the apartment, the landlord must disclose the actual heating cost incurred the previous year.

MAINTENANCE

- Well-maintained buildings attract tenants who take better care of their units. In addition, landlords have an obligation to maintain their property. This includes keeping the roof free of leaks, ensuring that the porch system is in good repair, but also mowing the lawn, removing snow, and providing adequate heat within specified levels.
- Do not enter a tenant’s apartment without authorization to make routine repairs. In most cases a landlord cannot make entry without 48 hours advance notice except for emergency repairs.
- Install and maintain working smoke detectors in all apartments as well as common hallways.

EVICCTIONS

- Not only are evictions costly; they are disruptive and stressful. Also keep in mind that other tenants may be suffering as a result of this bad tenant and may consider not renewing their leases, making an already bad situation worse.
- When preparing and delivering a Notice of Termination, never include late fees when demanding rent with a five-day notice.
- Don’t tape a termination notice to the door or slip it under the door. It must be delivered in person to the tenant or another person over the age of 13 who is residing in the apartment.
- Careful tenant selection and well-maintained buildings can prevent evictions.

GENERAL OPERATIONS

- Late fees on rents in Chicago are capped at \$10 for the first \$500 in rent and 5% for the rent amount over \$500.
- Most rental situations require that interest be paid annually on the anniversary date of the lease or move-in, on security deposits, pet deposits and pre-paid rent held over six months. In 2003, Chicago landlords must pay 0.52% on such deposits.
- When a tenant leaves a building in acceptable condition, their security deposit must be returned (with interest due) within 45 days.

by Larry McCarthy
CIC Director of Capacity Building



Last summer, my friend lost her nine-year-old daughter to leukemia. The tragedy was compounded by the fact that only a year earlier, my friend had lost her husband to a similar form of cancer. It appears that the family had lived for a few years in a posh suburb of a Latin American city, where the husband was working for a large multinational. I learned that nearly seven people who lived in that particular subdivision had contracted a form of fatal cancer.

This tragedy heightened my awareness of the potentially tragic impact of environmentally caused illness. Perhaps that explains why I took special interest in an

email I received a few months ago about a Rogers Park Task Force dealing with the issue of lead paint poisoning.

As do many landlords, my head spins as

I review the tenant disclosure procedures mandated by the local paint ordinance. This law requires us to issue pamphlets to tenants about lead paint issues, and to disclose on a particular form our awareness of lead paint issues at our properties. At first blush, many landlords view these procedures as unduly burdensome and ineffective—another example of government overreaching.

Now, having met with the dedicated health care professional working on the task force, I get a better sense of the enormity of the lead paint issue in Chicago. I realize that the big challenge facing City health care workers is education: tenants, landlords, property managers, and contractors all need to be made aware of myths and facts about lead paint.

The indisputable truth is that lead poisoning can cause permanent damage to the brain and many other organs and causes reduced intelligence and behavioral problems. Lead can also cause abnormal fetal development in pregnant women.

Nationally, approximately three-quarters

of the nation's housing stock built before 1978 (approximately 64 million dwellings) contains some lead-based paint. When properly maintained and managed, this paint poses little risk. However, nationally 1.7 million children (of which 12,000 are in Chicago, as of 2001) have blood-lead levels above safe limits, mostly due to exposure to lead-based paint hazards.

In Chicago, lead-based paint was used primarily on back porches and on window sills. In fact, most problems are caused by flakes and dust that come from exterior porches and windows, not from paint customarily used on walls and ceilings.

As landlords, we become genuinely panic stricken when we hear about lead paint. We have heard the horror stories about the enormous cost of remediation. Landlords and homeowners should know that cost-effective strategies exist to contain the problem. It need not cost thousands of dollars to make your apartment unit safe for tenants, and the potential benefit is enormous.

Window installers need to be made aware of proper procedures for disposal of old windows. Merely tossing old windows out into the rear yard can spread the lead paint flakes. Be sure your window installer knows how to manage this task safely.

Local health care facilities are busily devising strategies to get children tested for lead paint, and are reaching out to tenants and home-owners, offering proper instructions for cleaning areas likely to pose a risk.

Chicago Title and Trust's informational website offers important information, including how to get copies of the brochure entitled *Protect Your Family From Lead in Your Home*: <http://www.cmetro.ctic.com/attorneys/lead.html>

Otherwise, don't hesitate to call the Chicago Department of Health Hot Line number, 1-800-424-LEAD if you want more information. The City's lead paint inspector, Rich Duslak, is approachable and committed to educating property owners and managers on this important issue.

LEARNING THE FACTS ABOUT LEAD PAINT IN CHICAGO

*By Mike Glasser, President
Rogers Park Builders Group*

Landlords should know that cost-effective strategies exist to contain the problem. It need not cost thousands of dollars to make your apartment unit safe for tenants, and the potential benefit is enormous.



Community Investment Corporation

222 South Riverside Plaza, Suite 2200
Chicago, IL 60606-6109
(312)258-0070

www.cicchicago.com



Non-Profit Org.
U.S. Postage
P A I D
Chicago, Illinois
Permit No. 8493

How Existing City, State Budgets Can Create More Affordable Housing

What can be done to increase affordable housing rehab with 2003 City and State budgets stretched to the limit? Small subsidies, plus hands-on rehabber/owners, equals major bang for the buck. The City led the way in 1999

making small subsidies available using TIF and bond funds for CIC small subsidy programs targeting TIF areas (most recently North Lawndale and East Garfield) and SRO buildings. In 2002 flexible IHDA money became available for both the city and lower-rent suburbs.

Bang for the buck example: If \$3 million of State or City funds were allocated annually for small subsidies at an average grant of \$4000/unit, 750 units would be rehabbed (or thirty 25-unit buildings). However, if the average deep subsidy on layered deals totals about \$150,000/unit, then \$3 million would rehab only 20 units, or one building. Private funds, owner cash and loans would cover about 93% of the total development costs.

City/State/CDFI Grants in FY2002

CIC loans needing grants	16
Total grant amount	\$743,500
Number of units preserved	244
Subsidy per unit: IHDA/CDFI	\$3,811
Subsidy per unit: City of Chicago	\$2,720*
Average rehab cost/unit	\$34,500

*City SRO matching grants can meet immediate needs (e.g., roof, boiler) without rehab of total building.



5.50% for 3-year ARM*
5.75% for 5-year ARM*

Both adjustable rate loans typically have a 20-year term, with 25-year amortization. Rate adjustments are capped and there is no pre-payment penalty.

For more specific information on CIC products and current rates, call Community Investment Corporation at **(312)258-0070**.

* as of April 7, 2003