



# Developments

SUMMER 2002

Community Investment Corporation • Chicagoland's Leading Neighborhood Revitalization Lender

## FY2002: CIC Lends at Record Pace

### *CIC Marks 1000th Loan*

In just the first three quarters of fiscal year 2002, CIC approved **99 loans for \$56.7 million in 32 Chicago-area communities**, including 24 city community areas [11 loans in Austin on the West Side, and 44 on the South Side] and eight suburbs [Aurora, Blue Island, Chicago Heights, Evanston, Flossmoor, Harvey, Matteson, and the village of Riverdale].

The total loan amount for just those nine months exceeds any previous full year, and made possible more than 2400 units of rental housing. By the time FY2002 comes to an end, the total

units will also represent a new high for CIC.

Owners are taking advantage of low interest rates and appreciating values of their buildings to refinance and to do more rehab, often using their equity to acquire an added building.

Among the more recent of those 94 loans was the 1000th CIC loan, which was approved at the May 9 meeting of the Loan Committee. In some respects, the trio of deals approved that day were representative of the breadth, in loan size and geography, of CIC lending: one was for two buildings with a total of 50 units in Austin, on the West Side of Chicago; another was for a six-unit building in Englewood, on the South Side; and the third was for 12 buildings located in south suburban Riverdale, Matteson and Flossmoor totaling 168 units.

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*CIC Senior Loan Officer Anthony Hawthorne (right) congratulates Steve Jackson for his Chicago Association of Realtors (CAR) Good Neighbor Award at his Englewood property, 6957 S. Eggleston. Other CIC borrower-winners inside.*



## CIC Subsidy Programs Replenished and Expanded

CIC-controlled small subsidies have proven to achieve maximum bang for the buck in fostering multifamily rehab in targeted neighborhoods and for SRO buildings. These matching rehab subsidies to \$5000 per unit and \$100,000 per building are able to be used by hands-on rehabbers/owners because they bring **no added costs or delays**.

Small subsidies continue to be available where needed for required rehab in targeted neighborhoods, including Woodlawn, Bronzeville, Austin, Chicago Lawn, Auburn-Gresham, the Empowerment Zone, Enterprise Communities, and all SROs. Thanks to an IHDA grant to CIC, small subsidies are now available in the suburbs where needed to stimulate desired rehab for attainable workforce housing.



*John York stands under the honorary street sign commemorating his mother in front of 6201 S. Dorchester, his CAR Good Neighbor Award-winning building in Woodlawn on the South Side. CIC Senior Loan Officer Tom Jackson is at right.*

## SRO Rehab Program

The first \$1 million provided by the Chicago Department of Housing (DOH) for the single-room occupancy (SRO) program has been already been committed by CIC to 13 buildings with 1200 SRO units. **In the past year CIC has provided over \$5.8 million in loans for the acquisition and rehab of SROs.**

On May 30 Mayor Daley added \$2 million in CIC-controlled small subsidy dollars to be available over five years as part of a comprehensive strategy to preserve and



repair existing SRO buildings, to relocate squatters from CHA buildings, and to build new SROs. It was projected that this \$2 million would leverage CIC loans of at least \$20 million, based on past performance. Recipients of the CIC-controlled small [up to \$5000 per unit] subsidies are required to become licensed and to provide information about supportive services, such as job training linkages or substance abuse counseling. The Single Room Housing Assistance Corporation (SRHAC) will provide linkages between private SRO owners and social service organizations.

## North Lawndale and East Garfield TIF

The “Mid-West” TIF in North Lawndale and East Garfield has recently been approved by the City Council with **\$1 million for CIC small subsidies for multifamily rehab**. In addition to this, NHS will have rehab subsidies for 1-to 4-unit buildings. In our next newsletter we anticipate having more details about what CIC will be doing to preserve affordable housing units in these West Side areas.

## Subsidies Now Available in Suburbs

The Illinois Housing Development Authority (IHDA) earlier this year provided CIC with \$750,000 from its Illinois Affordable Housing Trust Fund (IAHTF) to use both in the suburbs and in the targeted city neighborhoods listed above. CIC has committed at least \$100,000 of the IAHTF grant to foster the implementation of the Northern Illinois Planning Commission (NIPC) suburban affordable housing plan approved by **nine municipalities and Kane and McHenry counties**. Given the increased interest by suburban mayors in attainable workforce housing issues, CIC will be working with developers and municipalities to take on the worst buildings in their area. Give us a call to discuss how to use these flexible funds to be leveraged with CIC loans.

*The increased net income resulting from Class 9 savings is given full consideration when appraising units or performing debt coverage analysis.*

### Class 9 Expanded to all of Cook County

Last fall the Cook County Commissioners expanded the Assessor’s Class 9 program to **the entire city and suburban Cook County.** The new availability of CIC-controlled subsidies in the suburbs will, if tied with Class 9, make possible many affordable housing deals. The Class 9 lowered assessment is applicable to the entire building as long as at least 35% of the units are below the “affordable” rents listed below.

The increased net income resulting from Class 9 savings is given full consideration when appraising units or performing debt coverage analysis, permitting larger rehab loans. Class 9 therefore amounts to an “indirect subsidy.”



*CAR Good Neighbor Award winners Neemer Ziyad (from left) and Wally Aiyash of WJ Management stand in the courtyard of their West Side building at 500 S. Laramie in Austin, with CIC Senior Loan Officer Tom Jackson.*

### Cook County Class 9 Maximum Rents

*At least 35% of the apartments in a building having the Cook County Class 9 incentive must be leased to low- and moderate-income households at rents affordable for those with no more than 55% of the area median income. These Class 9 maximum rents are “gross” rents, which include the cost of heat:*

Unit Size	Class 9 Maximum Rent
SRO	\$559
1 Bedroom	\$802
2 Bedroom	\$963
3 Bedroom	\$1113
4 Bedroom	\$1247

### CIC Flex Fund

The CIC Flex Fund, a \$100 million program, allows loans which exceed standard underwriting criteria. These can **exceed 80%, or even 100% of appraised value** in areas that receive lower appraisals despite reasonable cash flow/debt coverage, and a capable developer. In addition Flex aids quick acquisition loans made before detailed rehab writeup and appraisal. Flex provides flexible higher-risk financing at the same rate and terms as standard loans.

### CIC Receives \$1.5 Million CDFI Grant

In June CIC was notified that it would receive a \$1.5 million federal Community Development Financial Institutions (CDFI) fund grant to launch new programs. In part this award recognizes our performance with **\$3 million in earlier such grants since 1998.** CIC will use a portion of this latest CDFI grant to match money from the City of Chicago to develop and implement the Troubled Buildings Initiative, a program targeting deteriorated buildings which have an especially negative impact on their neighborhood.

Under the Troubled Buildings Initiative, CIC will work to take temporary control of such buildings [by financing and training receivers, or by purchasing their mortgages or even buying the buildings directly from their owners] and convey them to new, responsible owners with sufficient financing to fix them up. This will require close cooperation with the City departments of Buildings, Housing and Law, along with the courts. We anticipate more details on this program in our next issue.

## CIC CAN FINANCE FACADE INSPECTION & REPAIRS

**U**nder the Exterior Wall Ordinance, also known as the Chicago Facade Inspection Ordinance, owners of buildings of at least **six stories** or at least **80 feet in height** which were built prior to 1950 must have an architect or engineer perform an expensive hands-on “**critical examination**” of the exterior by **November 1, 2002**,

and every fourth year after that. In addition, in the intervening years a simpler visual inspection of these buildings must be professionally performed on an annual basis. Buildings built in 1950 and thereafter have the same requirements except that their initial critical examination deadline is in November, 2004.

CIC is prepared to assist owners of such buildings with financing both for the critical examination—which alone usually costs tens of thousands of dollars—and for repair work required to correct any problems discovered during the examination. CIC is familiar with these new requirements and can provide loans for facade and other repairs with or without a refinance of the entire building.

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### Lending Joke

A frog walked into a bank and went up to loan officer Patricia Wack's desk, and said, "Hello, I'm Kermit Jagger, the son of Mick Jagger, and I would like to borrow \$500."

The loan officer said, "What can you give as collateral for the loan?"

"All I have is this tiny ceramic elephant," Kermit replied.

"Then I will need to ask a senior lender if this is enough collateral," she said.

The senior lender's response: "That's a knickknack, Patty Wack—give the frog a loan; his old man's a Rolling Stone."



### A Tribute to Ed Marciniak

After 25 years on CIC's board, Ed Marciniak considered CIC to be in good enough shape to resign and become emeritus. Ed always stressed that CIC's mission was neighborhood revitalization. Ed is a great example of what a person with a faith-based world view is called to do. He is the salt of the earth making the world better. He is a light held up to make

people see the dignity of the poor and the oppressed. Ed knew he was doing God's work in caring for the widows and orphans as well as for his own beloved family. Thank you, Ed, for your example to us all.

*John Pritscher*

## CHICAGO AREA HOUSING FACTS



by John Pritscher

In our area there are two major housing problems: **1) housing preservation**, especially for the 100,000 non-subsidized substandard rental units located mainly on the South and West Sides and in lower-

rent suburbs; and **2) housing affordability**, especially for the households below 30% of Area Median Income (AMI).

■ From 1995 through 1999

Chicago lost 40,500 rental units.

–US Census: *Chicago Reporter*, May 2002

■ From 1995 through 1999 over 10,000 Chicago buildings were demolished. In December, 2001 there were 19,255 cases before Housing Court or the Hearing Board.

–Chicago Building Department data

■ In 1999 it was estimated that there were over 100,000 substandard rental units that would need “substantial renovation” to meet Section 8 housing quality standards. About 68,000 units were in Chicago and 32,000 in low-rent suburbs. About 28% of Chicago’s rental units were in poor condition; this does not include public housing. –University of Illinois at Chicago/ Metropolitan Planning Council study

■ In 1999 half of the area’s rental housing stock had rents affordable at 30% of income for households between 30% to 50% of AMI, or between \$20,000 and \$30,000. Rents for these units were between \$500 and \$795. Very many of these units were on Chicago’s South or West Sides. –UIC/MPC study

### In 1999:

- 31% of area renters had household income levels below \$20,000;
- There were 1,024,000 rental households in the metro area;
- A 4.2% regional vacancy rate showed tightness of rental market;
- 56.2% of Chicago households rented;
- 37.5% of households paid more than 30% of income for rent; 12.7% paid more than 50% of income for rent. –UIC/MPC study

**Scarce subsidy:** HUD development subsidy dollars are limited and will be used for the visionary CHA Transformation Plan and a few large subsidy properties often serving very low-income households. In addition, Housing Choice Vouchers will be available for a small percentage of the eligible low-income households. While the City and the State increased the amounts of rehab subsidy available in 2002, subsidy is a very scarce resource that needs to be used very cost effectively, considering the size of the problem and budget deficits.

Most of the preservation rehab will need to be done by **hands-on rehabbers/owners** able to work with no subsidies or small subsidies in lower-rent areas. Private loan and equity dollars will need to cover about 95% of the costs, with some increased small subsidies that bring no delays or added costs. There are also some indirect subsidies such as Class 9 assessments and lower-cost acquisitions.

The **basic housing preservation strategy** needs to focus on how to increase the rehab volume of hands-on building owners on the South and West Sides and in lower-income suburbs.

### OTHER FACTS RELATING TO A HOUSING STRATEGY

from the Chicago Metropolis 2020 Index:

- Between 1990 and 2000 the Chicago region created more than 469,000 jobs while adding only slightly over 7,000 rental units.
- In 2000 in the metro area one of seven (14.1%) children under 18 lived below the federal poverty level, a 1% increase in 2000—but an improvement from 22.9% in 1992.
- In 2000 61% of African-Americans lived in areas where they were at least 80% of the population, down slightly from 1990.
- Between 1990 and 2000 Latino population increased from 12% to 17% of the region while Asian population increased from 3% to 5%. –2020
- The growth of low- and moderate- income working families in our region is outstripping the creation and preservation of attainable housing for such families. Regionwide we are adding roughly 50,000-60,000 new residents per year; at 2.6 to 2.7 members per family, we are adding roughly 18,500 to 23,000 new households per year. –King Harris



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**Upcoming Property Management Workshops**



**Call CIC at 312/258-0070 to register.**

**Far South**

August 5-8  
6:00-9:00 P.M.

Historic Pullman Foundation - Visitor Center  
11141 South Cottage Grove, Chicago

**West**

August 19-22  
6:00-9:00 P.M.

Bethel Cultural Arts Center  
1140 North Lamon, Chicago

**North**

September 9-12  
6:00-9:00 P.M.

Loyola University  
6525 North Sheridan Road, Chicago



**6.25% for 3-year ARM\***  
**6.50% 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 July 11, 2002