

FY2004 BY THE NUMBERS:

Big Impact on South and West Sides

2004 HIGHLIGHTS

179 buildings with **5,235** units rehabbed through CIC loans and Troubled Buildings and Mark to Market programs

\$64.5 million and **100 +** CIC loans with **3,131** units

92% of CIC loans had rents affordable to people with **50%** or less AMI

62% of loans were to minority owners; most CIC loans used minority contractors

808 Landlords/managers attended **30** series of 12-hour PMT course

0 loan losses for FY2004

21 small subsidies for **\$1.5** million

In FY2004 CIC played a central role in fostering the rehab of 179 buildings with 5,235 affordable housing units through CIC loans, troubled buildings under control and the Mark to Market program.

Of the 105 CIC loans for \$64.5 million with 3131 units, 92% were affordable to people with 50% of Area Median Income or less; 98% were affordable to people with 60% or less AMI.

In the first full year of the Troubled Buildings Initiative, 155 buildings with 2757 units of the city's toughest buildings, with 64 buildings with 1049 units were fully repaired, under repair, or under receivership.

There was significantly increased Mark to Market activity, restructuring 10 expiring project-based Section 8 HUD loans with 1055 units totaling \$41 million funding repairs, reserves and 30-year affordability extensions/Section 8.

CIC again was able to do all this with **NO losses** during the entire year. Total cumulative losses to investors over our 21-year history now number only 0.3%.

Our **Property Management Training** program, headed by Larry McCarthy, taught 808 landlords and managers the basics of property management in 30 different presentations of the course, usually over four consecutive weekday evenings. This benefits the owner, the tenants, and the neighborhood.

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Geographically, **88% of CIC loans were made in 31 community areas of the city of Chicago**, with major CIC impact on the South and West Sides in 2004. South Shore tied North Lawndale as the neighborhood with the most loans (11 each) for \$6.7 million and \$3.3 million, respectively. **North Side** neighborhoods accounted for **11** loans, the **West Side 25**, and the **South Side** an impressive **62**. All Mark to Market loans and almost all troubled buildings were on the South and West Sides. Of CIC's loans **12% were in the suburbs** of Calumet City, Chicago Heights, Cicero, Harvard, Harvey, Palatine, Riverdale, Waukegan and Zion.

62% of CIC loans were to minority owners: most were owner/general contractors. **A majority of CIC loans had minority general contractors.**

Since CIC began multifamily rehab lending in 1984, CIC has made 1,238 loans with 35,500 units and a **total CIC loan amount of \$689,238,000**. Including DOH and IHDA second mortgages and CIC-controlled small subsidy grants from DOH, IHDA or CDFI, **total financing** to CIC borrowers is **\$802.5 million** out of a total **project cost of \$1.213 Billion**.



TROUBLED BUILDINGS PROGRAM: *Turning Around a Neighborhood with Teamwork*

A specific case study sometimes is the best way to illustrate a multifaceted program. The following is an example of what CIC, in close coordination with the City Departments of Housing, Buildings, Law, Streets & Sanitation and Police/CAPS (among others), can achieve by working together.

The major problem of the neighborhood immediately surrounding the 7642 S. Stewart building was the negative impact of four multifamily buildings north of 79th Street in an otherwise good-quality, mainly single-family or two-flat area. There are seven multifamily buildings in the area: four were on the Troubled Buildings list, and three were in good condition and operated well. The worst building was the 49-unit at 7642 S. Stewart.



At the City's request, CIC purchased the Stewart loan and received the keys from the owner for an uncontested foreclosure. CIC immediately

- Relocated three elderly tenants in cooperation with CHAC Housing Choice Vouchers; Evicted squatters, some of whom had strong drug/gang ties;
- Cleared out debris and secured the building with impenetrable metal enclosures;
- Hired 24-hour security services (half paid for by proceeds of the Stewart sale, and half by City of Chicago Troubled Buildings Initiative funds);
- Researched the ownership and lender relationship of the other six buildings;
- Contacted and met with owners; and
- Provided security services to the other six buildings (on condition that the owners secure their sites, evict troublesome tenants, and meet with CAPS and the Winneconna Parkway Association).

Major assistance has come from active neighborhood residents who helped to identify drug/gang members.



The numbers for the Troubled Buildings Initiative truly are remarkable in the impact that TBI is having on South and West Side neighborhoods.

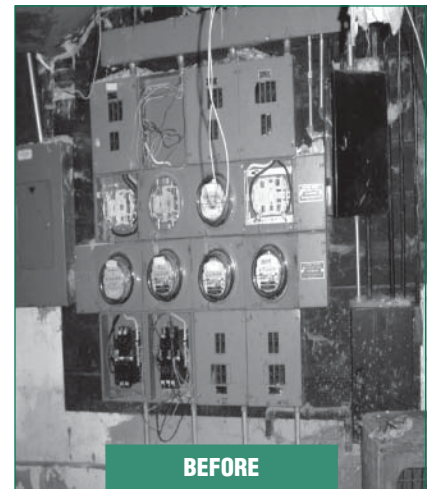


The City and CIC also worked with the owner of the previously vacant and open 24-unit 462-47 W. Winneconna building and it is now secured and undergoing rehab. The owner of the 30-unit at 7639 S. Stewart, who recently has taken CIC Property Management Training, worked with TBI staff and the police to evict its drug- and gang-related tenants. In addition he has begun repairs to keep the building secured and to abate code issues. The future for this community looks bright.



During the uncontested foreclosure on Stewart, CIC received six proposals for selection by the CIC loan committee based upon rehab scope, track record in rehab and operation, and price. The hands-on family-owned developers selected are excellent managers, able to deal with any problems that may arise. They will be doing over \$1 million in rehab and they are high-quality owner/general contractors. No government subsidy is required, yet after-rehab rents will range from \$500 to \$950 (4BR, 2baths), below 50% Area Median Income (28 of the 49 units are two-bedrooms with rents of \$700/month for landlord-heated units).

In addition to the rehabilitation of 7642 S. Stewart, the other three drug- and gang-infested buildings are now under control. Major assistance has come from active neighborhood residents who helped to identify drug/gang members; the effective work of the Departments of Law and Buildings in enforcing housing code and drug laws; and the work of CAPS and an active police presence during eviction of drug-pushing former tenants. CIC, as court-appointed receiver, vacated and secured the eight-unit 7650 S. Eggleston building.



The future for this community looks bright.





The numbers for the Troubled Buildings Initiative truly are remarkable in the impact that TBI is having on South and West Side neighborhoods. Overall the program as of the end of February, 2005, **has processed 189 buildings with 3,262 units.** Of those, 29 buildings/639 units have been recovered with completed rehab; 59/1104 have rehab in process; 4/35 have been demolished; and the remainder have status ranging from being under receivership or needing inspection, to being on a fast track acquisition process.

Much of this progress occurs because of the increased effectiveness of the code enforcement process. CIC Troubled Buildings staff, working with the Departments of Buildings and Law, visit sites prior to court hearings and inspect, take photos, and make themselves available to testify at housing court. Owners know they need either to repair or to sell the buildings with the knowledge that receivers will be appointed by the court if they fail to comply with earlier court orders.

With CIC and City funds, CIC also can buy loans, buildings and taxes to expedite prompt transfer to hands-on rehabber/owners with proven track records and sufficient cash to undertake repairs. City Troubled Buildings funds also can be used

to provide small subsidies to purchasers where needed for complete proper repair. In addition, these funds are used to pay receivership costs, including repairs and CIC administrative costs related to Troubled Buildings.

“It is important to note how cooperation among many City departments is key to the success of this program,” said **Richard Monocchio**, First Deputy Commissioner of the Department of Housing. “The Departments of Housing, Buildings, Law, Police (CAPS), Streets & Sanitation, Water, Planning and Human Services all work together with each other and with CIC to make this work.” Others providing support include CHAC for Housing Choice Voucher issues, and Peoples Energy, and the heat receiver.

And finally, Neighborhood Housing Services coordinates the Troubled Buildings effort for single-family, two-flat and four-flat buildings with the same lineup of partners. Chicago is leading the way, once again, at developing new strategies to solve longstanding problems for the sake of making its neighborhoods safer, cleaner, and more livable.

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In recent years CIC has either participated in, or helped to establish, community groups of building owners, managers, financial institutions and other local investors. These have included the **Greater Austin Development Association** (www.greateraustin.org), the **Edgewater Uptown Builders Association** (www.edgewateruptownbuilders.org), the **Rogers Park Builders Group** (www.rpb.org), and others.

OWNERS GROUPS THRIVE ON LANDLORD PARTICIPATION

All operate for much the same reason: to provide a forum for common concerns such as natural gas prices, dealing with problem tenants, changes in the rental market, finding quality vendors, lead abatement, issues with the City, interest rates, and any other topic which challenges landlords as they strive to do the best job they can of operating multifamily buildings, often in difficult environments. This sharing of common experience not only offers solutions to particular problems but also provides a reality check for owners who need to know if their own experience is unique to them or if it is shared by others.



Chicago Institute of Real Estate Management president **Lou Lutz** (above at left) presents CIC Director of Capacity Building **Larry McCarthy** with the 2005 IREM Education award at their annual meeting February 25. The program which Larry began and still directs, CIC's Property Management Training, as of April will

have trained over 4000 landlords who have completed the extremely successful 12-hour program.

Duane Ehresman is in his fourth year as president of the Greater Austin Development Association (GADA), and uses a basement conference room in one of his buildings to host monthly meetings which typically are attended by 15-25 people. The sign outside advertises “drug-free living” to prospective tenants.

Meetings begin with a 6 pm buffet dinner, provided by members who rotate responsibility for it month by month. Then Ehresman uses a standard agenda to check in with members on various neighborhood and GADA issues, such as drug hot spots, results of Chicago Police/CAPS beat meetings, membership recruitment, and other topics. Either a guest speaker or a discussion of specific issues follows, with the meeting adjourning between 7:30 pm and 8 pm. Recent speakers have talked about lead paint issues and porch safety requirements. Over time the meetings have grown to become a social event in addition to “taking care of business.” Cooperation, not competition, is the spirit in the room.

Some CIC customers who were familiar with GADA and the North Side groups but who had properties on the South Side approached CIC about helping to set up a similar organization in their part of the city. On March 3 the **South Side Building Owners Group**, as it tentatively is called, attracted over 30 people to its initial meeting. The strong turnout was taken as an indication that the need for such a group is there. An election for officers is taking place in April, and the group should grow very quickly if everyone who attended the initial meeting honors the request made at that time: to bring a new member with them to the next meeting.

CIC encourages these groups because they are good for the landlords, their tenants, and the community. If you feel your area could benefit from forming such a group and that a sufficient number of landlords would likely be interested, call Marty Berg at (312) 258-0070 x219 to discuss possible strategies.



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PROPERTY MANAGEMENT TRAINING

Southwest

April 18-21
6:00 - 9:00 PM
Lawn Terrace
Apartments

Far South

May 2-5
6:00 - 9:00 PM
Historic Pullman
Visitor Center

West Suburbs

May 23-26
6:00 - 9:00 PM
Whittier School,
Oak Park

West

April 23 (Saturday)
9:00 AM - 4:30 PM
Austin Town Hall

South Suburbs

May 14 (Saturday)
9:00 AM - 5:00 PM
Chicago Heights City Hall

**Contact CIC by
phone or online
to register.**

COMMENTS FROM OUR FRIENDS

If it weren't for CIC, we wouldn't have very much of our multi-family housing stock left in Chicago. CIC started at a time when other financial institutions weren't very interested in this kind of product. But it is precisely this stock that forms the backbone of our housing inventory and it is CIC that made sure it remained so.

—Andrew J. Mooney, LISC/Chicago, Senior Program Director



5.875% for 3-year ARM*
6.250% 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 prepayment penalty.

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

*As of April 4, 2005