

# Strategies for Addressing Vacant & Abandoned Properties: TBI2

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# Neighborhood Housing Services of Chicago

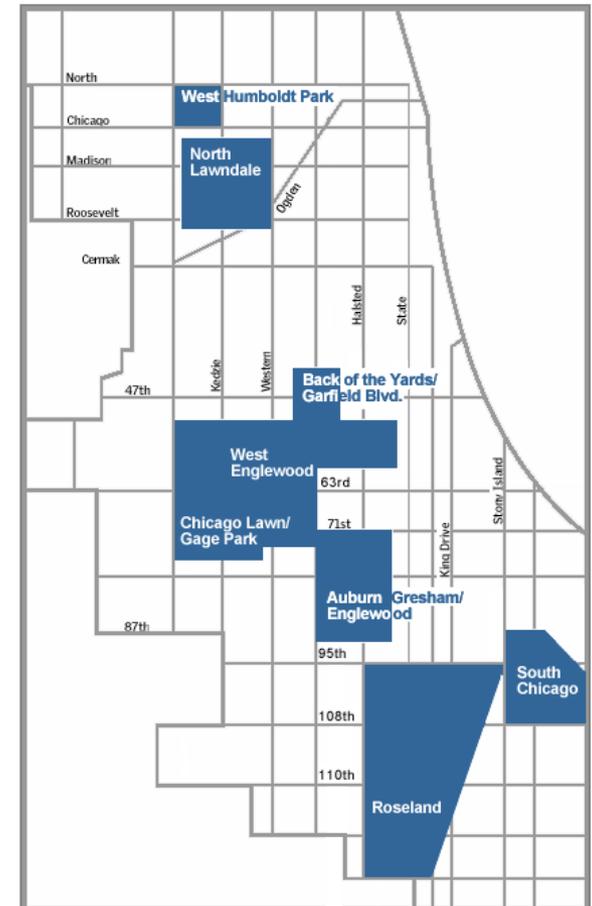
Mission: Create opportunities for people to live in affordable homes, improve their lives, and strengthen their neighborhoods.

NHS does this by:

- Educating homeowners
- Lending to buy, fix and keep their homes
- Foreclosure prevention services
- Preserving, rehabbing, and investing in housing
- Building community partnerships

NHSRC, the redevelopment arm of NHS, assists in the revitalization of Chicago's neighborhoods by:

- Stabilizing vacant and abandoned properties
- Creating affordable housing opportunities



# Addressing Vacant & Abandoned Homes

## Troubled Buildings Initiative II Program [TBI2]

Overall Purpose:

- Reclaim vacant & abandoned single family housing
- Strengthen neighborhoods by eliminating the blighting effects of vacant properties
- Enforce City of Chicago building code requirements



# TBI2: Funding & Expectations

- Program began Sept. 2004
- As the program administrator, NHSRC to reclaim 100 units per year each of the 3 yrs of the Program
- NHSRC has rehabbed and sold between 30-50 homes per year and current receivership activity includes over 120 active cases

<u>Program budget:</u>	
Program Administration	\$120,000 CDBG
Gaining Control of Troubled Buildings	\$1,000,000 CDBG
Program Acquisition Loans	\$880,000 CDBG
Total Budget	\$2,000,000 CDBG

# TBI2: Eligible Expenses

## Eligible Program Expenses:

### 1. Gaining Control of Troubled Buildings

- Acquiring troubled buildings
- Acquisition related soft costs
- Receivership

### 2. Developer Loans

### 3. Grantee admin costs



# TBI2: Scope of Services

## Tools for Addressing Vacant & Abandoned Property

### Developer Loan Program

- Property Acquisition
- Property Rehabilitation & Property Management
- Sale to Income Qualified Buyers

### Court Ordered Receivership

- Securing properties
- Conducting feasibility study
- Remediation of D&H issues

# Developer Loan Program: Property Acquisition

**D**evelopers may borrow up to \$40,000 for a single family and \$50,000 for a 2-4 unit property

Program funds secured by a mortgage against the property, subordinate to any financing for rehab of the property

## Avenues for Acquisition:

1. Foreclosed FHA properties through HUD programs, including Asset Control Area, Homeownership Rehabilitation Initiative, HUD's not profit discounted sale program
2. Abandoned properties through City's Preserving Communities Together Program
3. Coordinate with City in identifying properties that can be pursued as public nuisances
4. Foreclosed properties via donation and/or deep discount from financial institutions
5. Negotiate with private owners to acquire foreclosed, vacant, blighted or properties associated with criminal activity

# Developer Loan Program: Property Rehabilitation & Property Management

NHSRC provides minimum rehab requirements for properties receiving loans & periodically inspects/monitors the rehab

Developers must:

- Rehab properties to safe, marketable condition in compliance with all City of Chicago building codes
- No program funds can be used to rehabilitate properties
- Maintain properties in accordance with all City ordinances regarding maintenance and security of vacant buildings



# Developer Loan Program: Sale to Income Qualified Buyers

All properties utilizing program funding must be sold to buyers with a household income at or below 80% AMI

1. NHSRC verifies new buyer is income eligible
2. NHSRC ensures properties receiving loan are sold for the total development cost, including a 10% developer fee, or the after rehab appraised value, whichever is less
3. If TDC > after rehab value, Program loan to developer can be converted to 3 yr forgivable mortgage for buyer. If TDC is less, program loan to be repaid at closing.

# Receivership Services

NHSRC to provide or manage receivership services for vacant 1-4 unit properties as appointed by the Circuit Court of Cook County

Receivership activity includes:

- Securing the property
- Preparing a feasibility study
- Obtaining an appraisal and survey
- Remediation of D&H conditions
- Complete renovation of property



# Illinois Receivership Statute

## Court-ordered Receivership:

- 65 ILCS 5/11-31-2 Municipality may petition to have a receiver appointed if the owner fails to correct dangerous and hazardous conditions
- All expenditures for repairs approved by the court become a priority lien on the property (except for taxes)
- The owner has 90 days to pay the receiver's lien or face foreclosure action

# Receivership Process Flow

## Limited Receiver

- Board & secure property
- Conduct a feasibility study
- Avg. cost \$1200

## Temp General

- Board & secure property
- Conduct a feasibility study
- Remediate D&H conditions
  - Remove porch
  - Clean property
- Avg. cost \$3000 - \$5,000

## General Receiver

- Board & secure property
- Conduct a feasibility study
- Renovate the property as described in feasibility study
- Avg. cost \$120,000 for SF

# Receivership Case: 6855 S. St. Lawrence

## Key Dates:

- Case filed: 9/21/05
- 1st Court Date: 10/26/05 (owner failed to appear)
- NHS appointed limited receiver: 1/4/06  
(owner failed to appear)
- NHS appointed general receiver: 2/22/06  
(owner failed to appear)
- Work complete: 10/18/06

NHS presented final accounting to the court. Owner had 90 days to pay before NHSRC was able to begin foreclosure on it's lien.

