Chicago CDFI Collaborative Impact Report

With generous support from the JPMorgan Chase Foundation, Community Investment Corporation (CIC), Chicago Community Loan Fund (CCLF), and Neighborhood Lending Services (NLS) developed the Chicago CDFI Collaborative, which is a multifaceted approach to redevelop struggling neighborhoods in Chicago by tackling distressed 1-4 unit buildings. These buildings comprise nearly 50 percent of Chicago's rental stock, as well as a significant proportion of the affordable stock in low and moderate income (LMI) neighborhoods. Many of these neighborhoods have struggled since the crash, and seen little demand from owner-occupants – leading to vacant and deteriorating 1-4 unit properties.

The $5 million awarded by the JPMorgan Chase Foundation leveraged $27.7 million in private capital to support the redevelopment or improvement of 593 housing units. The partners used the funding to coordinate acquisition and financing activities in distressed 1-4 unit buildings in targeted LMI neighborhoods throughout the Chicago area. Each played a unique role:

- CIC used $1.5 million for a flexible acquisition pool to acquire vacant and distressed 1-4 unit properties, many of which are stuck without buyers due to back taxes, foreclosure, or other circumstances. CIC then sold the properties to responsible owners or developers.
- CCLF utilized $1.5 million to finance acquisition and rehab of 1-4 unit properties for responsible developers to create affordable rental housing.
- NLS deployed $1.5 million to finance needed improvements for owner-occupied 1-4 unit properties.

The Chicago CDFI Collaborative connects the programs and resources of three established, locally-focused CDFIs to address this tough community development challenge in Chicago-area neighborhoods and communities. The lending programs naturally complement each other, allowing for a more comprehensive strategy than any one CDFI could achieve on its own. Each CDFI brings a unique set of programmatic, market, and technical expertise to the Collaborative, and their roles are defined by their strengths. In addition to bringing financing to the table, all three partners work to build capacity of clients to ensure the success of the buildings, and their owners and occupants, over the long haul.

Impact

The impact of the Chicago CDFI Collaborative was wide ranging. The community development aspect was the clearest result, but the effort also led to building the capacity of investors, and building the capacity of each CDFI partner by supporting revolving loan funds that will outlast the Chase program funding by many years.

Community Development Impact

The objective of the Chicago CDFI Collaborative was to redevelop distressed 1-4 unit buildings in neighborhoods struggling in the wake of the housing crash. These smaller buildings faced a number of challenges. Some owner-occupied buildings needed repairs but values were too low for owners to finance improvements. Many were stuck vacant in various states of foreclosure or tax delinquency that made them difficult to acquire. Other vacant buildings were being acquired by speculators, since smaller, more responsible investors could not access financing to acquire and rehab the properties. Each partner deployed Chase funds to create or strengthen pools of financing to tackle these challenges.

The Chicago CDFI Collaborative partners further magnified their impact by coordinating efforts on neighborhoods also being targeted by other initiatives, including the City of Chicago's Micro Market Recovery Program (MMRP) areas. MMRP is a City-led effort to focus programming and resources in 13 small submarkets. The Collaborative partners deploy financing in many areas, but worked hard to coordinate activities in these targeted neighborhoods to magnify the redevelopment impact.

Formerly vacant buildings acquired and rehabbed by investor-owners now provide affordable rental housing for families in addition to adding stability and value to their blocks. Owner-occupants who received loans were able to stay in their homes as a result of financing otherwise unavailable. The sheer volume of 593 redeveloped and improved units is impressive, but the scale of activity in a few relatively concentrated areas has an effect on attitudes about investment in those neighborhoods, and has resulted in meaningful community development.

Small Investor Impact

As a matter of course, the Chicago CDFI Collaborative monitors and provides technical assistance on the quality of investors' rehabilitation work. Great rehab work ensures long-term viability of the properties and helps inspire neighbors to improve their properties, thereby spurring revitalization in surrounding buildings and blocks.

Investor and homeowner capacity also increased as a result of the Collaborative's efforts. Each partner has its own technical assistance vehicles, which resulted in even stronger investor-owners and owner-occupants. CIC has a property management training program that builds capacity for even the smallest investors on a range of issues – from tenant rights to appealing property taxes. CCLF has a diverse array of products across asset classes that complement the Collaborative's neighborhood efforts, from loans to small contractors and other social enterprises, to working capital loans, and pre-development loans. NLS, through its parent organization, Neighborhood Housing Services of Chicago (NHS), has Construction Services staff that work directly with owner-occupants to create scopes of work; solicit, review, and understand contractor proposals; and monitor the progress of construction while serving as a liaison between the LMI owner-occupant and the selected contractor.

The Collaborative also sponsored a unique single-family investor workshop that brought together a panel of City officials, private banks, and the Collaborative partners to discuss available resources with over 100 neighborhood single-family investors and other stakeholders. Participating investors learned from the expert panel – and from each other – as a result of this event.

CDFI Impact

Each CDFI also benefited from the Chicago CDFI Collaborative. In addition to the grant funds, which were used to create and bolster their financing capacity, the CDFIs learned from each other about this asset class and about financing programs and strategies.

Each partner exceeded the unit and leveraging goals set at the beginning of the project. Each partner also will continue to leverage the Chase funds to fuel financing activity far into the future. For instance, CIC seeded a new revolving acquisition fund with $1.5 million. Since inception, this fund has deployed nearly $3 million to finance the acquisition of over 250 units – doubling the impact of the funds in three years. The other partners used funds to bolster existing revolving pools to also multiply the impact of the Chase grant.

<u>Outcomes</u>

Goal 1: *Leverage $15.4 million in private capital*

Outcome: The partners leveraged $27.7 million in private capital, nearly double the original leveraging goal. CIC's acquisition fund revolved to acquire difficult properties, and then sell those properties to responsible investors. The original $1.5 million leveraged $2.9 million in acquisitions. In addition, CIC leveraged an estimated $13.4 million through investors financing improvements on their properties.

CCLF and NLS both used the majority of their Chase funds for loan loss reserves to bolster funds to provide financing to improve distressed 1-4 unit buildings. Those funds leveraged nearly $24.8 million in financing for those improvements.

Altogether, with both the acquisition and financing activity, the Chicago CDFI Collaborative leveraged $27.7 million (more than $41 million when the subsequent construction cost on CIC acquired buildings is included).

Goal 2: *Support the redevelopment or improvement of 338 housing units*

Outcome: The partners have supported the redevelopment or improvement of 593 units combined, far outstripping the projected number of units.

Goal 3: *Provide technical assistance to homeowners receiving home improvement loans and the developers of 1-4 unit properties*

Outcome: Each partner supplied technical assistance and capacity building programming. CIC has a formal property management training program that provides assistance to over 1,200 investor-owners each year, which complements CIC's hands-on lending approach for every borrower who walks through the door.

CCLF provided customer-by-customer technical assistance ("Borrower Basics") designed for "Mom and Pop" borrowers. The program provided borrowers with a better understanding of issues such as working with a title company, completing owners sworn statements, issuing change orders, and compliance reporting. CCLF's technical assistance complemented the property management training provided by CIC.

NLS provided technical assistance and continued post-purchase education to owner-occupants. NLS utilizes the highly trained and experienced Construction Services staff of NHS, who manage the repair, upgrade, or retrofit projects for each of its clients. This team helps borrowers by assessing and prioritizing repairs, conducting inspections, helping to review contractor bids and select a contractor, and monitoring the construction process. NHS Construction Services' infrastructure is unique in both its ability to manage construction process and provide high-touch services to individual LMI households in Chicago.

Outcome 4: *Leverage Grant Funds at a minimum of a 3 to 1 ratio*

With $4.5 million of the Chase grant allocated for financing acquisition and rehab for 1-4 unit buildings, the Chicago CDFI Collaborative leveraged $27.7 million to acquire, finance, and ultimately improve 593 1-4 unit buildings across the Chicago area. This is a leverage ratio of more than 6 to 1. In addition to the Collaborative's overall $27.7 million leverage, CIC leveraged an estimated $13.4 million through investors financing improvements on their properties. Taking those funds into account, the leverage ratio was more than 9 to 1.

Success Stories

Deborah Ramsaroop and her family at their new home

Deborah Ramsaroop was renting a home that went into foreclosure and was sold at judicial auction. The new owner suddenly wanted to stop renting to her. With the threat of being kicked out of her home, the Chicago CDFI Collaborative was able to help Deborah become a first time homebuyer. She bought and rehabbed a new home acquired by CIC through the Fannie Mae Neighborhood Stabilization Initiative Program administered by the National Community Stabilization Trust. Her family's new home is just blocks from her daughter's school enhancing their quality of life.

Before Rehab

After Rehab

Scott Allbright, a property developer and manager, was able to acquire the building pictured above from CIC. Following high-quality rehab, Allbright received takeout financing through CIC's 1-4 Unit loan program so that he can reinvest in his business and continue rehabbing properties. Allbright provides safe, healthy, well-managed apartments for his tenants on the south side of Chicago.