**Why does TBI matter?**

The Troubled Buildings Initiative has opened the door to a wide range of new or previously underutilized techniques for saving at-risk buildings:

- buying notes and mortgages, then completing their foreclosure;
- persuading owners to sell their troubled buildings to responsible developers;
- financing the acquisition and rehab of troubled buildings by experienced owner-operators, and providing a small per-unit subsidy where needed to make rehab feasible;
- buying delinquent property taxes of troubled buildings;
- working directly with tenants and neighbors to identify and correct problems in buildings;
- monitoring the progress of troubled buildings in achieving compliance with court orders;
- arranging for the transfer of cases against troubled buildings from administrative hearings to municipal court; and
- petitioning for the appointment of general receivers to bring troubled buildings under control and up to code.

Petitioning for receivership of troubled buildings has proved to be an especially potent strategy, and one that might be replicated in other cities. Unless receivership is available as an option in housing court, the most likely penalty facing an unresponsive owner is fines. But having CIC available as a funding source for TBI receivers offers a real alternative: enforced compliance through court appointment of a general receiver. As a result, most building owners confronted with receivership petitions have endeavored to bring their buildings into compliance rather than risk losing control of their property.

TBI’s success in stemming the deterioration of multi-family buildings led the Department of Housing in 2005 to apply the same model to troubled single-family properties. Under an agreement with Neighborhood Housing Services of Chicago (NHS), the City can now transfer abandoned 1- to 4-unit buildings to NHS or other qualified developers for rehab and sale to families with household incomes less than 80% of AMI. Properties in the single-family program (known as TBI II) are monitored through the same type of tracking system used for multi-family properties, as they proceed through receivership, code enforcement and rehab. During the new program’s first year, 133 units in 97 buildings, ranging from single-family homes all the way up to four-flats, were brought under the aegis of the program. By 2005’s end, 57 properties had been reclaimed by NHS under TBI II.
PROJECT SUMMARY

The Troubled Buildings Initiative (TBI) works proactively to stem the deterioration and loss of viable housing stock through targeted enforcement efforts and direct interventions with building owners. TBI effectively mobilizes the resources and expertise of eight City departments and two non-profit organizations to ensure that structures are made safe and habitable and to help responsible owners gain financing to rehabilitate problem buildings. If owners fail to bring their properties into compliance with the Building Code, the City tries to find new owners through a variety of strategies, including court-appointed receivers, foreclosure and purchasing of delinquent taxes.

By enabling a coordinated City response to deteriorating conditions, the program works proactively to prevent properties from deteriorating into non-viability and abandonment. This targeted response also taps into the resources of lenders and mortgage holders who are working to bring these buildings under responsible ownership.

TBI employs a variety of techniques to save troubled buildings: buying notes and mortgages, then completing their foreclosure; persuading owners to sell troubled buildings to responsible developers; financing the acquisition and rehab of troubled buildings by experienced owner-operators, including a small per-unit subsidy where necessary to make rehab feasible; buying delinquent property taxes; facilitating the inspection of troubled buildings; working with neighbors and tenants; petitioning for the appointment of general receivers to bring troubled buildings under control and up to code; monitoring the ongoing compliance of building owners with court orders; and arranging for the transfer of administrative cases against troubled buildings to municipal court.

The Troubled Buildings Initiative was launched in July 2003 with the goal of improving 3,000 units of multi-family housing in its first three years. As awareness of the program has grown, rundown buildings have been referred to TBI by City departments, aldermen, community organizations and concerned citizens. Through these efforts, TBI succeeded in preserving almost 2,900 multi-family units by the end of 2005.

As a result of these early successes, TBI’s focus has now been broadened from its original target of multi-family buildings to address the problem of single-family homes facing the same threat of disinvestment, abandonment and deterioration. In the first year of the single-family program, 133 units were prevented from being lost.
PROJECT DESCRIPTION

Why TBI?

Chicago’s multi-family housing stock is a precious asset. Much of this housing remains affordable to households of modest income—yet each year affordable units are lost to deterioration or abandonment. Larger multi-family buildings, aside from providing a key source of housing, often serve as bellwethers for their community. As these buildings deteriorate, they give rise to conditions that can pose a growing threat to surrounding neighborhoods due to:

- Gang control
- Drug dealing and crime
- Dangerous conditions caused by deferred maintenance and repairs
- Disconnection of utilities that places residents at risk

Troubled buildings—whether vacant or occupied—damage neighborhoods, depress property values and harbor crime. Irresponsible management puts tenants’ health and safety at risk and, if left unchecked, can trigger a cycle of neighborhood disinvestment and deterioration. Yet these same buildings, if turned around, may instead have a revitalizing effect on the surrounding community.

This realization was pivotal to the creation of the Troubled Buildings Initiative in 2003. Preventing deterioration is the City’s first line of defense for preservation. In the past, although a number of City Departments were involved in efforts to address troubled buildings, these programs were focused primarily on enforcement with little consideration for the strategic importance and redevelopment potential of these buildings. Through TBI, the City now works systematically to stabilize troubled properties, evaluate their rehab potential and bring in new owners to continue providing affordable housing. This approach goes well beyond code enforcement by taking an active role in addressing long-term management issues to ensure the continuing preservation of units.

Who makes it work?

Since its inception, the Troubled Buildings Initiative has pooled the expertise and resources of eight City departments—Housing, Buildings, Law, Administrative Hearings, Water, Planning, Police, and Streets and Sanitation—and a not-for-profit mortgage lender, the Community Investment Corporation (CIC). TBI embodies their combined commitment to preserve Chicago’s threatened multi-family properties as affordable housing and to ensure that qualified owners and managers are in place. By linking code enforcement and preservation of affordable housing, the City can more effectively:
• Improve the comfort and safety of residents living in rental properties
• Enforce City building code requirements
• Remove landlords who refuse to conform to these requirements
• Prevent bad landlords from concealing ownership
• Speed up court proceedings to reduce procedural delays

TBI focuses on the improvement of residential buildings that: (1) have been foreclosed upon, (2) have been placed into receivership, or (3) have deteriorated to the extent that they threaten public health, safety or welfare. The scope of the program includes placing troubled buildings into receivership, providing financing for their acquisition and rehab, and monitoring and providing technical assistance during the rehab process. Rundown buildings are referred to the program by City departments, aldermen, community development organizations and concerned citizens.

CIC and City staff are responsible for tracking each TBI property on an ongoing basis as it proceeds from identification through enforcement to rehabilitation. This hands-on approach is absolutely essential to the program’s effectiveness. Each property is inspected by the Department of Buildings, written up for code violations, and then referred to the Department of Law for action. Where owners fail to bring their properties into compliance, a variety of strategies is employed to effect a change in ownership, including court-appointed receivers, transferring of ity liens to CIC for foreclosure, negotiating with lenders for sale of delinquent notes for foreclosure and purchasing of delinquent taxes. If an owner chooses to sell their property to a third-party buyer, City and CIC staff continue to monitor the building to ensure that the new owner is accountable for addressing code violations.

Who pays for it?
The TBI partnership is supported by a combination of federal, City and private resources. Community Development Block Grant funds are used to help defray CIC’s administrative costs and cover expenses needed to gain control of troubled buildings, including:
• Building operating costs

This 6-flat was open and occupied by squatters before TBI transferred it to a new owner who completed a showplace rehab

Who pays for it?
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• Building operating costs
• Fees for court-appointed receivers
• Consultant fees, including feasibility studies and engineering/construction
• Legal fees for lien foreclosures, tax appeals, etc.
• Purchases of buildings, mortgages and/or back taxes

In many cases TBI must also carry out court-ordered repairs and, where needed, provide small repair subsidies (up to $10,000 per unit) to enable buildings to be rehabbed. To fill this gap, the City has committed $1,000,000 in corporate funds each year the program has been in operation. Supported by TBI program funds, CIC can purchase loans, buildings or property taxes to enable transfers to owner/rehabbers with proven track records and sufficient resources to make improvements. TBI dollars are also available for small subsidies to buyers to complete repairs required for code compliance as well as long-term preservation.
What has TBI achieved?

In an area of public policy where progress must frequently be measured unit by unit, the Troubled Building Initiative stands out for its success in quickly turning around the major buildings that have real impacts on neighborhoods. In its first two years, the program completed the rehab of 829 units in 39 buildings, with another 1413 units in 70 buildings concurrently under rehab. In addition, another 213 units in 17 buildings were under receivership, while 1313 units in 93 buildings were at earlier stages of the TBI process. Through April 2006, TBI activities had directly impacted 2,976 multi-family units across the city.

The raw numbers are impressive in themselves, but the true measure of TBI’s worth can only be taken through the stories of how individual buildings have been transformed from community eyesores to anchors.

One such case occurred in the Greater Grand Crossing community on Chicago’s South Side. Four rundown multi-family buildings centered on the 7600 block of S. Stewart Avenue marred an otherwise stable neighborhood of mostly two-flats and single-family homes. Conditions were worst in a 49-unit building at 7642 S. Stewart. When the City stepped in, changes happened quickly. Through TBI, CIC bought the property’s loan and secured access to it for an uncontested foreclosure. In short order, CIC was able to:

• Relocate three elderly tenants
• Evict squatters, some of whom had strong gang/drug ties
• Clear out debris
• Hire 24-hour security services
• Identify and meet with owners of all seven multi-family buildings in the area
• Provide security for these other buildings on condition of their cooperation with the TBI program

While all this was going on, CIC selected a hands-on owner/developer possessing the experience and resources to carry out a $1-million rehab without any additional government subsidy, while still preserving rental units affordable to very low-income families. Along with the Stewart property, the three other problem buildings were also brought under the control of TBI. The City’s Departments of Buildings and Law aggressively enforced building code and drug violations, with the active involvement of the Police Department’s community policing initiative (known as CAPS—the Chicago Alternative Policing Strategy) in evicting drug-dealing tenants. And CIC, as the court-appointed receiver, vacated and secured another nearby building and assisted owners of two other properties to secure their buildings and make needed repairs and improvements.