Brick, Mortar, and More
Replicable Approaches to Rehab & Preservation for Neighborhood Transformation
Presented By: Matt Cole, NHS Redevelopment Corporation

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Program of Neighborhood Housing Services of Chicago, Inc.

- One of first such initiatives in Chicago to focus on the needs of low/mod income communities of color
- Brought historic preservation, design, and green professionals into this effort

Originally an asset-based community development strategy on West Side

During Great Recession greater focus on technical assistance and getting vacant building stabilized/reused

With “recovery” underway, now focusing on how to help property owners “get things done”
Why We Are Here

- This is (mostly) NOT about restoration, historic designation, etc.
- It is about leveraging local built heritage to affordably enhance health, safety, functionality, and beauty of homes
- Core challenges include:
  - Budget
  - Working with building form
  - Addressing deferred maintenance and improper repairs
  - Improving the health, safety, comfort, and well-being of residents
  - Reducing operating costs
  - Value vs. lowest cost
  - Trades who know how to fix old buildings, are affordable, and are willing to work in my communities
Knowing And Doing

- More programs and organizations operating in our original space
- However, larger resources of NHS positions program to actually help homeowners implement projects

- Approach includes:
  - Capacity to bring expertise and financing
  - Capacity to reclaim buildings via Receivership
  - Developing strategies to simplify vintage repairs
  - Partnering on community-based preservation efforts
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Special Thanks To:
City of Chicago Department of Planning & Development
Alphawood Foundation
State Farm Insurance
THE BASICS: DLBA INTERVENTIONS

- BLIGHT ELIMINATION: DEMO & LOT MAINTENANCE
- SIDE LOTS
- NAP
- AUCTION PROGRAMS & OTHER SALES

TOTAL INTERVENTION

NEIGHBORHOOD STABILIZATION
THE BASICS: THE ISSUE

PUBLIC INVENTORY
- DLBA owns ~20% of the parcels in the city of Detroit.
- There is a huge need to be addressed.

REHAB COSTS & CHALLENGES
- Rehab costs are prohibitively high.
- Rehab of abandoned homes is difficult and time consuming.

FINANCING ACCESS
- Property appraisal values are low.
- It is difficult to obtain financing for acquisition or rehab.

COMPS
- Total sales in 2014: 3,523*
- In 2014, Detroit had 88% cash sales
- Total sales in 2015: 2,903*
- In 2015, Detroit had 80% cash sales
- Only 14% of sales had a traditional mortgage in 2015.

*Note: Total sale numbers are only “comp” sales and do not include distressed sales.
THE BASICS
R&R INTERVENTIONS

- BLIGHT ELIMINATION: DEMO & LOT MAINTENANCE
- SIDE LOTS
- NAP
- AUCTION PROGRAMS & OTHER SALES
- REHABBED & READY

TOTAL INTERVENTION

IMPACT MARKET COMPS

NEIGHBORHOOD STABILIZATION & REVITALIZATION
THE BASICS: MISSION STATEMENT

CREATE A **SCALABLE, MEASURABLE REHABILITATION** PROGRAM THAT REACTIVATES PUBLICLY OWNED HOMES, WHILE STABILIZING NEIGHBORHOODS, IMPROVING MARKET VALUES, AND INCREASING OCCUPANCY IN THE CITY OF DETROIT.
THE BASICS
R&R STRUCTURE

REVOLVING LOAN FUND
Funds to cover rehab costs

DLBA

HOME DEPOT
Performs rehab

BACKSTOP
Funds to cover difference between construction and revenue

R&R HOME LISTED ON MLS & SOLD

Per Invoices

Sale Price

Home Depot Delivers Home to DLBA for Sale
THE BASICS: TRENDS INFLUENCING SELECTION

3-YEAR COMMON TRENDS ACROSS 4 NEIGHBORHOODS

- Increase in sales price
- Decrease in distressed sales
- Lower overall number of sales
- Strong anchor institutions (churches, schools, colleges)
- Strong neighborhood organizations
- Minimum residential occupancy of 85%
THE BASICS: PROVING THE CONCEPT

PROOF OF CONCEPT

- Implementing program (processes, procedures, funding, pace, etc.)
- Refining process to select neighborhoods & homes
- Evaluating market demand
- Engaging Detroit contractors
- Learning ideal rehab best practices for these areas
- Assessing security interventions
- Developing and testing sales methods
- Developing pricing models
- Measuring impact on appraisal valuations
PROGRESS: 
SELLING ACTIVITY TO DATE

30 = 7 + 3 + 20
PROGRAM PROGRESS: CONSTRUCTION COMPLETION

TOTAL  CONSTRUCTION COMPLETED  CONSTRUCTION STARTED  CONSTRUCTION NOT STARTED

50 = 31 + 12 + 7

*30 of the 50 have been listed and 1 are ready to list
## THE BASICS: AVERAGE PRICES

### AVERAGE SALES PRICE BY NEIGHBORHOOD*

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<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
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<tbody>
<tr>
<td></td>
<td>NEIGHBORHOOD AVERAGE SALES PRICE</td>
<td>2013</td>
<td>2014</td>
<td>2015</td>
<td>2016 (Q1)</td>
<td>2016 (Q2)</td>
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<tr>
<td>1</td>
<td>BAGLEY</td>
<td>$20,912 (111)</td>
<td>$25,479 (96)</td>
<td>$37,620 (63)</td>
<td>$41,347 (49)</td>
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<td>CRARY</td>
<td>$11,868 (100)</td>
<td>$17,730 (79)</td>
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<td>EVERGREEN</td>
<td>$15,876 (86)</td>
<td>$20,218 (59)</td>
<td>$24,161 (44)</td>
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<td>COLLEGE PARK</td>
<td>$11,277 (52)</td>
<td>$12,389 (52)</td>
<td>$13,286 (30)</td>
<td>$17,446 (17)</td>
<td>$22,007 (9)</td>
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<td>5</td>
<td>DETROIT (ALL)</td>
<td>$17,076 (5,049)</td>
<td>$24,742 (3,794)</td>
<td>$36,233 (3,015)</td>
<td>$32,913 (854)</td>
<td>$55,110 (1,007)</td>
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*Source: RealComp*
PROGRESS: AVERAGE FUNDING GAP

AVERAGE REHAB COST - AVERAGE SALE PRICE

$18,554
THE FUTURE: PILOT INFORMATION

TIMELINE
- Transition to long-term model in Winter 2016
- Initial program length: 3 years

HOUSES
- 50 - 75 houses/year
- Expansion to other neighborhoods
THE FUTURE: PROGRAM IMPROVEMENTS

OPERATING EXPENSES
The DLBA has added costs into their budget.
- All operating expenses
- All admin costs

BLIGHT REMOVAL
Blight removal will be carried out by the DLBA utilizing federal funding.

FUNDING REQUIRED
The only funding required for this program is:
- Revolving Loan Fund
- Backstop Fund