

4657 WEST MADISON STREET, CHICAGO:

# Anatomy of a Preservation Deal

Mark Treskon and Sara McTarnaghan

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A CDFI connects with local buyers to bring a long-vacant building back into the housing stock in a Chicago neighborhood where traditional lenders have shied away from investing.

For the Austin neighborhood in Chicago, Illinois, the vacant building at 4657 West Madison presented an opportunity to preserve a mixed-use structure for affordable housing and commercial space. However, it also presented a challenge: traditional lenders have often been unwilling to underwrite loans and invest in residential and commercial buildings in the neighborhood. This is particularly telling in Austin, because during the 1970s, community activists concerned about the lack of private investment were central to efforts to pass the Community Reinvestment Act, designed to respond to these challenges. Today, given the shortage of traditional lenders, Community Investment Corporation (CIC), a well-known community development financial institution (CDFI) in the Chicago area, has made lending for acquisition and rehabilitation of smaller buildings in low- to moderate-income areas its core business.

4657 West Madison is an example of preservation of privately owned

unsubsidized rental or “naturally occurring affordable” housing. The three-story building had sat vacant for 20 years before being purchased in 2008. The new owner was partway through the rehabilitation but was foreclosed upon in 2012 after falling into default. At this time, a new local buyer became interested in the property. While the buyer’s bank would not provide financing, the bank referred the buyer to CIC, who did. Since then, the owner has completely renovated the space with 10 two-bedroom residential rental units and 6 commercial units on the ground floor. The housing units are affordable to local residents not because they are subsidized, but because of the low market rents in the area. The renovated building provides quality, accessible units for the local community and serves as a community asset; the commercial space was leased by Academy of Scholastic Achievement (ASA), a nonprofit public charter high school that serves high-risk youth.

Acquisition, rehab, and energy-efficiency improvements cost

**\$52,000**  
PER UNIT,

significantly less than new construction.

## ABOUT COMMUNITY INVESTMENT CORPORATION

Community Investment Corporation is a CDFI that finances the acquisition, rehabilitation, and preservation of multifamily rental housing in the Chicago area. CIC invests in credit-starved communities and ensures affordable housing for Chicago’s workforce. Since 1984, CIC has made 2,000 loans for \$1.2 billion to rehabilitate more than 55,000 units of affordable rental housing. CIC also coordinates The Preservation Compact, a forum where private, public, and philanthropic leaders develop and promote policies to preserve affordable rental housing in Cook County.

## INVESTING IN HISTORICALLY UNDERSERVED COMMUNITIES

Unlike common strategies for affordable housing acquisition and rehabilitation, the preservation of 4657 West Madison Street occurred with no public resources, tax credits, or subsidy programs—simply financing made available from a CDFI. In the Chicago metropolitan area, privately owned buildings like this one, generally with 5 to 100 units, make up most affordable rental housing. However, current and potential owners in low- to moderate-income neighborhoods such as Austin are often unable to access capital from traditional lenders, creating long-term underuse, vacancy, and even dilapidation and demolition of housing. CDFIs such as CIC play a major role in the recovery and stability of these neighborhoods.

The acquisition and rehabilitation of 4657 West Madison cost \$824,733, and the owner received \$418,900 in financing from CIC. Including energy efficiency improvements, costs averaged a little more than \$50,000 per unit, significantly less than new construction. In addition to the loan, CIC provides technical assistance and hands-on service to clients, often “ma and pa” owners, to ensure success.



➤ *The building at 4657 W Madison sat vacant for over 20 years, before acquisition and rehabilitation. Photo / CIC.*

## ORGANIZING FOR PRESERVATION POLICY IN CHICAGO

As cities such as Chicago face the loss of affordable rental housing—whether through rising market values, expiring subsidies, or localized market failures such as the one affecting 4657 West Madison—policy and program networks are an opportunity to create innovative, collaborative strategies to preserve affordable units. The Preservation Compact is a policy collaborative led by CIC, created with funding from the MacArthur Foundation, to bring together

housing stakeholders and create a one-stop-shop for preservation strategies, policies, and programs. Members of The Preservation Compact include federal, state, and local government officials, advocacy and civic groups, lenders, and for-profit and nonprofit housing developers. The group has been able to identify and address many policy opportunities in the Chicago area. For example, after identifying a significant financing gap for one- to four-unit buildings, CIC and partners created a \$26 million loan pool targeted to finance those properties.

One in a series that examines the challenges and opportunities to preserve affordable housing in various contexts across the United States. For more, see “Anatomy of a Preservation Deal”: <http://www.urban.org/preservation>

Information for this case study was gathered through interviews with and documentation provided by CIC.

**About the Housing Assistance Matters Initiative:** The Housing Assistance Matters Initiative educates Americans about the vital role of housing assistance.

The initiative is a project of the Urban Institute, made possible with support from the HAI Group. The Urban Institute is a non-profit, nonpartisan research organization and retains independent and exclusive control over substance and quality of Housing Assistance Matters Initiative products.

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