
REO, REHAB & ENERGY EFFICIENCY

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Stabilizing Communities
Addressing the Negative Impacts of Foreclosure
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NHS Redevelopment Corporation

- Direct real estate ownership and development
 - Tool for neighborhood reinvestment
 - Fix problem vacant properties
 - Create visible investment to set standards for improvement
 - Provide affordable housing opportunities
 - Multi-family rental rehab and new construction (tax credits, etc.)
 - New home construction to encourage homeownership on vacant lots
 - NeighborHomes: purchase, rehab and resale of vacant 1-4 unit properties for sale to owner occupants
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Home Ownership Preservation Initiative: Goal & Results

■ Goal

- ❑ To address rising foreclosures in Chicago's low- and moderate-income neighborhoods in order to preserve sustainable homeownership for Chicago residents and to reclaim foreclosed homes as neighborhood assets

■ Results

- ❑ 1,776 foreclosures prevented
 - ❑ 9,300 families counseled
 - ❑ 348 properties reclaimed
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Vacant Properties Purchased at a Discount From Servicer REO Over Three Years

- Lender A - 6
 - Lender B - 5
 - Lender C – 2
 - Lender D – 2
 - Lender E - 2
 - 5 others – 1 each
- Very difficult to negotiate doable price
-Investors / speculators paid more
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Recurring Issues

- Appraisals – acquisition costs
 - Market value – after rehab
 - Rehab standards & costs
 - Subsidy sources – appraisal gap
 - Feasibility
 - Affordability & revitalization – neighborhood specific strategies
 - Property location & selection
 - Marketing & sales
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HSBC REO Pilot Program

YourHome Counts

- REO Pilot Program coordinated in conjunction with HOPI where HSBC donated 4 properties to NHSRC for rehab and resale to owner-occupants at or below 80% AMI
 - NHSRC accepted property as-is and assumed responsibility
 - NHSRC met conditions – “REO Disposition Program Participant Qualifications”
 - Per the terms of the agreement, NHSRC is allowed to earn a reasonable and customary developer’s fee which is defined as 15%
 - Any financial gain over and beyond the total costs and developer’s fee shall be deposited into a down payment and closing cost escrow to be utilized for future affordable housing initiatives
 - Lender received credit for as-is appraised value of property as contribution
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Results of NHS Rehab Resale Activity

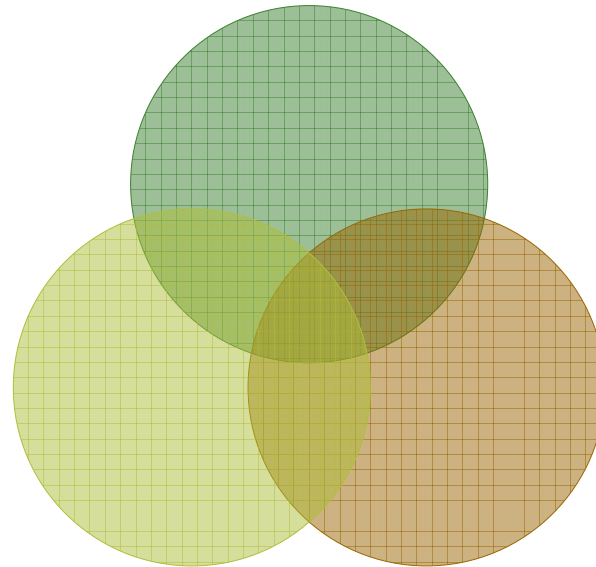
- Average per building sold 2004-2008

Fiscal Year	FY04	FY05	FY06	FY07	FY08
Acquisition	\$28,887	\$37,654	\$43,700	\$64,922	\$24,177
Rehab	\$113,118	\$102,811	\$74,731	\$95,788	\$68,105
Holding Cost	\$19,691	\$25,592	\$20,282	\$32,087	\$44,120
Subsidy	\$29,859	\$35,260	\$20,315	\$24,489	\$20,000
Sales Price	\$138,255	\$138,523	\$129,613	\$186,144	\$103,525
Average Developer Fee (per property)	\$6,418	\$7,726	\$11,215	\$17,836	(\$12,877)

- Annual total costs \$5 – 10 million
- Holding inventory needs ongoing \$4 – 7 million

Why Do This?

ENERGY EFFICIENCY



INDOOR AIR QUALITY

SUSTAINABILITY

BENEFITS TO OWNER AND COMMUNITY

- As the nation faces a possible recession, record foreclosures and tightening credit, buyers are looking toward the energy savings many green homes have to offer.
- Retail sales in green buildings are 20 percent higher and their value increased by 7.5 percent, according to Ashley Katz a spokeswoman for the U.S. Green Building Council.
- According to a 2007 National Association of Home Builders survey, 63 percent of buyers are motivated by the lower operating and maintenance cost that come with energy and resource – efficient homes.
- “You aren’t going to buy a house just because it’s green,” said Rob Sabin, director of research and development at the Loveland – based Aspen Homes of Colorado, a green builder. “But if you have two houses and you like both of their layouts, and one is green and one isn’t, and the green one will cost a little bit up front, people will say ‘I save that in the long run.’”

■ *Courtesy of article published March 7, 2008; Coloradoan, Hallie Woods*

Achievements to Date

- Green Bungalow Model Block
 - Rehabilitation of 3 historic Chicago bungalows using green techniques
- Between the Parks Model Block
 - Rehabilitation of 2 historic Chicago Bungalows using green techniques



“Throop Street Bungalows”



The Throop properties demonstrated the ease and feasibility of going green, even in an historic home. Properties showcased on the Cavalcade of Homes and Between the Parks Green Bungalow Project.

Green Features:

Bamboo flooring

Low VOC paints

Zoned heating

Energy Star appliances

Recycled content carpet

Rain garden

Rubberwood cabinetry

Sustainably harvested lumber

Solar Water Heaters

MDF (trim and doors)

Tri-Polymer Foam insulation

Geothermal heat pump & wells



7700 S. Throop

Solar water can be used in any climate, and the fuel they use—sunshine—is free.

This system is connected to 6 solar panels on the roof that were made by a Chicago company.

- In two-tank systems, the solar water heater preheats water before it enters the conventional water heater.
- In one-tank systems, the back-up heater is combined with the solar storage in one tank.

Geothermal systems use energy stored in the earth to provide heating, cooling and hot water.



7701 S. Throop

In the winter...

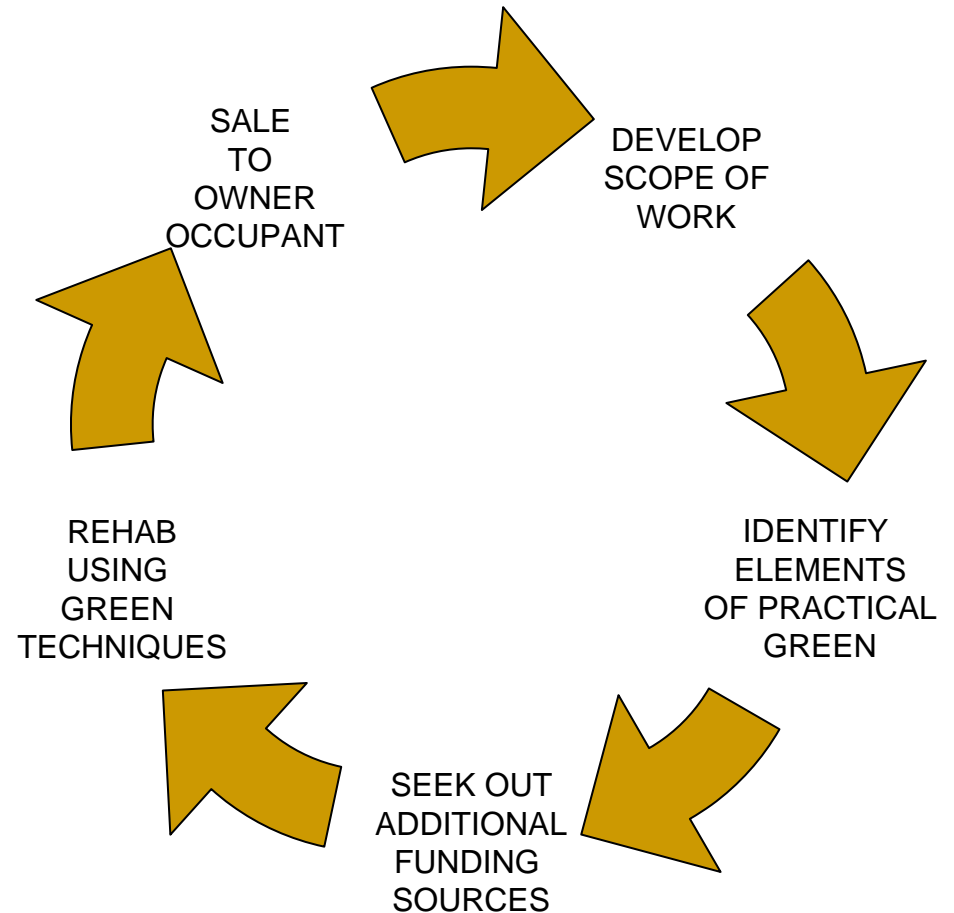
Heat is absorbed from the ground and carried to the geothermal unit via an underground piping system or well. The heat is transferred to the air, which is distributed through duct work similar to that used in any forced air heating system.

In the summer...

The unit provides central air conditioning by rejecting heat from your home. A portion of the heat can be used to produce hot water, while the remainder is pumped back to the underground piping or well system, where it harmlessly dissipates into cooler ground/water.

STEPS IN THE PROCESS

- All projects should be based on a defined minimum rehab standard
- Practical green elements should be incorporated into rehab standards
- Determine shade of green based on availability of subsidy
- Rehab completed using accepted green practices
- Property to be sold affordably to Owner Occupant



CHALLENGES & SOLUTIONS

- Effective selection of practical green elements
- Cost management of green materials
- Contractor education
- Consumer education
- Subsidy resources



LOCAL PARTNERS

- City of Chicago
Department of Housing
- City of Chicago
Department of
Environment
- Domus Plus Energy
Consultants



MEASURING ENERGY EFFICIENCY AND IMPACT ON AFFORDABILITY

- A recent study of 16 green affordable housing projects found the projects, on average cost 2.4% more to build.
- The study also found developers in 9 of the 16 projects would not recoup extra cost without subsidy for going green.
- The purchasers of the homes would save an average of \$12,637 in utility cost over the life of the home.

Study conducted by New Ecology Inc, and Tellus Institute
Source material taken from article written by Aubrey Cohen, Seattle P-I.

MEASURING ENERGY EFFICIENCY AND IMPACT ON AFFORDABILITY

- For an additional 5% more in development cost the buildings could use:
 - 30 – 50% less energy to heat and cool
 - 20% less electricity
 - 10 – 20% less water
 - Cut storm water runoff
 - Hold up better over time
 - Be healthier and more comfortable for owners
 - Use recycled materials and recycle construction waste

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