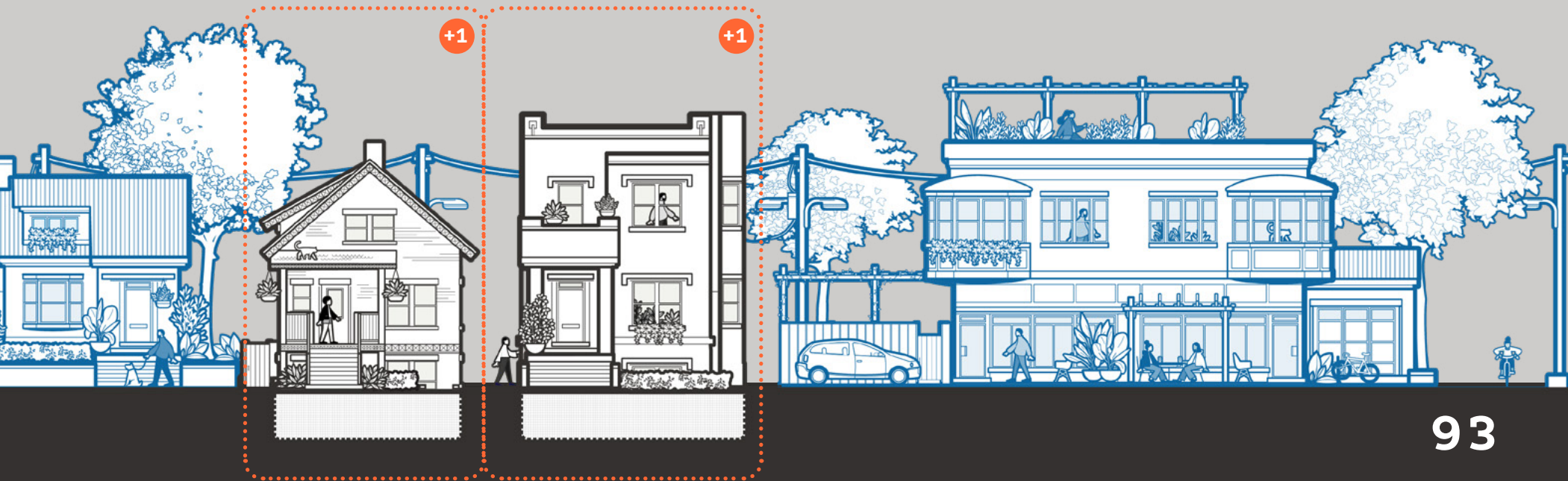


BUILDING EQUITY . running the numbers

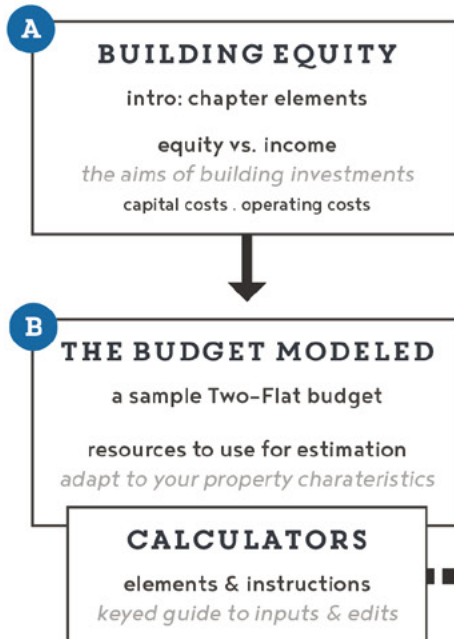
Typical Chicago Workers' Cottages & Two-Flats:
Cost-Benefit Analysis for Basement Conversions



INTRODUCTION . cost-benefit analysis . figuring finances

This chapter introduces the costs of converting a basement unit and managing your building responsibly. Calculators are included so you can estimate whether creating an affordable basement rental makes sense for you.

NAVIGATING BUILDING EQUITY



CAPITAL COSTS

complete calculators in order, from 1 to 7, to fill in 'break-even' estimate

- 1 CONSTRUCTION**
conversion & permit costs
What might a conversion cost?
- 2 HOME LOANS**
financing (improv. & mortgage)
What loan makes sense?
- 3 RENTAL INCOME**
pricing your basement unit
What's reasonable rent?
- 4 PROPERTY TAXES**
property valuations
How will updates impact taxes?

OPERATING COSTS

- 5 UTILITIES**
covering unit + common areas, lights
What do common & split utilities cost?
- 6 INSURANCE & MGMT**
risk coverage, legal, marketing, admin
How can you cover risks for units?
- 7 MAINTENANCE**
routine, preventative, reserves
How can you plan & save for repairs?

Summary Cost/Benefit Table

Estimate based on calculators 1-7

- 8 BREAK-EVEN CALCS**
40yr projection of assets & liabilities
Is this project reasonable, financially?
When would a unit 'break-even'?

Financial Guidance

Resources, Classes, & Counselors

- 9 MGMT GUIDANCE**
resources & expertise
Community Investment
Corporation's Courses
- 10 LOAN GUIDANCE**
resources & expertise
Neighborhood Housing
Services Counseling

Thematic Calculators: Capital Investment & Operating Overhead

Summary Table (outcomes from others)

CHAPTER CONTENTS:

This 'Building Equity' chapter introduces the larger costs of converting a basement unit and operating as a responsible landlord. The following pages outline common project prices (capital investments) as well as the oft overlooked costs of management and maintenance (operating costs). As these sums are ultimately interwoven, this chapter provides both thematic overviews and rough calculations in a series of linked spreadsheets.



- **Each thematic page outlines the core elements to consider and the variables that impact capital or operating costs (#1-8 at left).** *The icon on the left highlights additional resources to refine your estimate, and expert guidance – whose official reports, quotes, and numbers supersede these initial calculations.*
- **The sequential calculators offer a rough, early estimate of: a) whether you can afford to finance a basement conversion and b) when your property investment will 'break-even' (bit.ly/ln-Fill).** By inserting your initial property and project information, you can trace the elements and issues reflected in the annual cost-benefit analysis (#8 at left). Instructions on editing and inserting values begin on page 99, with specific entries elaborated in tandem with the thematic discussion (#1-8 at left). A Two-Flat sample version of the calculations is for reference (bit.ly/Two-Flat).
- **The linked calculators should be done in order**, as values estimated in earlier sheets feed into later calculations.
- **The linked calculators are not meant to replace expert guidance; they are meant for rough estimations.** If you lack an architect, contractor, and their official estimates, the calculators can help you understand whether it makes financial sense to begin planning a basement conversion (and thus hire professionals above).

HOW TO THINK LIKE A RESPONSIBLE LANDLORD

If you're converting a single-family home into two units, you need to shift your planning perspective. You need to approach a **basement conversion as a landlord or owner-occupant**. This means skillfully operating within both the demands of the marketplace and the laws that regulate the rental industry; competing for suitable tenants and, at the same time, complying with fair housing laws and municipal code. To successfully operate as a responsible landlord, you must plan for day-to-day operations and overhead as much as how and where to finance your basement conversion and what improvements you need to make.

LONG-TERM EQUITY VS. INCOME

As you will notice from the Two-Flat estimate, converting a basement unit builds long-term equity in your property, slowly paying down debts and liabilities as your asset (the building) appreciates in value. Rent is not 'extra' income, but rather should respond to affordable area prices, your payment needs, and a desire to maintain long-term tenants. Depending on your existing mortgage debts and local prices, annual rental income and costs may not balance out for multiple years. As seen in the Two-Flat estimate, it could take a decade (minimum) for you to break-even on your initial investment. If you're seeking to speculate on real-estate and anticipate resale in seven years, a basement addition is only likely to recuperate value that quickly in a **best-case scenario**. Typical drainage, foundation, and infrastructural adjustments are a sizable investment, which require a long-term commitment.

Consider the following:

- Your Assets: Are you in a position to take on those long-term financial risks (and rewards) given other debt and savings?
- Your Timeline: Are you committed to spending another decade (or more) in your property (and community), as your building accrues equity?
- Your Priorities: What are your overall financial goals for a basement conversion? Those priorities will be necessary to guide decisions—on designs, labor, rent, and maintenance—across the planning process and ongoing operations.

The content of the calculators—such as line-item costs for roof repairs or advertising units—should prompt you to consider the time commitments of serving as a landlord. As you ‘run the numbers,’ it is tempting to replace maintenance contracts with ‘sweat-equity,’ and overestimating your energy and expertise. To correct this tendency, test multiple budgets and review the linked property management planning tools at the end of the chapter.

Ask yourself: do the commitments, costs, and benefits of being a landlord balance out in your estimation?

CAPITAL INVESTMENTS:

This financial introduction begins with the ‘up-front’ and capital costs of basement conversion, with concepts and calculators for:

- 1) **construction & permits, as shaping,**
- 2) **home improvement loan terms,**
- 3) **rental income, and**
- 4) **your tax assessment & building appreciation.**

As a homeowner, you are probably familiar with these big-ticket items. We begin with them because, even without the operational costs of building management, it may not make financial sense to pursue a large construction project based on your existing debts or surrounding rates of neighborhood appreciation.

1) Construction Costs: The most obvious cost of a basement conversion project is the cost involved in design, permitting, and construction itself.

2) Loan Terms: After construction, the manual reviews how to pay for the project – from savings or with typical, fixed-interest loans.

3) Rental Income: Setting the rent on your basement unit requires research into your local rental market and your desire to provide an affordable unit.

4) Taxes and Property Appreciation: As you consider how home renovations add long-term value to your property, it’s important to capture how this translates into higher taxes.

OPERATING COSTS:

The second half of this chapter focuses on the operational costs of managing a building, including:

- 5) utility bills
- 6) insurance and administrative fees, and
- 7) maintenance and savings reserves for major repairs.

Most likely, you pay many of these fees as a homeowner, like insurance premiums or water bills. But you probably haven't considered how having tenants affects water use, general liability, and multiplies the need for appliance repairs and routine cleaning. The calculators' line-items provide a sense of the distributed tasks of marketing, management, and administration; each section outlines your responsibilities as a landlord. Although these overhead tasks and costs seem like 'little things,' it is best to plan and budget for these elements so you're not surprised by \$15,000–\$20,000 of annual overhead, split between saving for future building repairs and the annual costs of insurance, routine maintenance, and utilities.

5) Utility Bills: As you update your property, you will add multiple meters—water, gas, and electric—so disentangling utility and energy bills should be fairly easy.

6) Insurance and Administration: As a landlord, you have a number of responsibilities to tenants and greater liability for potential accidents in your building.

7) Maintenance: The final section sorts maintenance into a series of routine tasks—occurring weekly, monthly, or on an annual preventative cycle—and a set of emergency reserve estimates to cover major repairs.

'BREAK-EVEN' SUMMARY & FINANCIAL RESOURCES

The final section holds the summary calculations and resources for navigating building financing and management.

8) Break-Even: This calculator pulls together the prior sections – your estimated income, appreciation benefits, loan and overhead costs – in order to estimate the annual net-increase in your building's value.

9) Resources and Guidance: The final sections link outward – to Neighborhood Housing Services, Community Investment Corporation, and others – so you can work with their financing and management experts as you start planning a basement conversion.

CALCULATORS . Scenarios . Inputs . Edits Unpacked

SCENARIO: TWO-FLAT SAMPLE

TABLES: CONTENTS & INSTRUCTIONS



1601418010000 04/02/2008

Property Details

16-01-418-010-0000

2629 W AUGUSTA BLVD • CHICAGO, IL • West Chicago

Tax Details

PROPERTY CLASSIFICATION	211
SQUARE FOOTAGE (LAND)	3,250
NEIGHBORHOOD	30
TAXCODE	77001
NEXT SCHEDULED REASSESSMENT	2021

0

Calculator Contents

click on title to go to sheet

Core Financing Numbers		content
1	Chi_Construction	Estimates Basement Construction Costs
2	Loan_Terms	Estimates Home-Improvement-Loan Payments (& outstanding mortgage payments)
3	Chi_Rental Rates	Estimates Annual Rental Income, based on Area Market & Affordable Rates
4	Chi_Taxes	Estimates Annual Tax Increase, based on Construction Investment & Area Sales Market
Operational Overhead		
5	Chi_Utilities	Estimates Utilities Costs, given common areas & split meters
6	Chi_Insurance Admin	Estimates Landlord Insurance, Marketing, & other Admin costs
7	Chi_Maintenance	Estimates Routine & Preventative Maintenance, Emergency Reserves
Cost-Benefit Summation		
8	Cost-Benefit	Compares Benefits (rent & value appreciation) with Costs (payments, taxes, & overhead) to calculate time to break even on investment, given loan & mortgage terms

User Interactions and Inputs, Keyed

Input types & Colors

		resulting choice	note on use:
1	1. User checks box or selects from Pull-Down (light blue highlights)		
	Check for Yes: <input checked="" type="checkbox"/>	TRUE	used to add checklist item or pick between 2 options
	Pick your Area: Chicago--Portage	Chicago--Portage Park/Jefferson Park	used to select from predetermined options, mostly to calibrate for areas/neighborhoods or unit attributes
2	2. User adds a number (typically amount of money or value) (red highlights)		
	Monthly Rent: \$1,400 <i>optional or suggested edits</i>	\$1,400	values from assessment, bills, existing rent, mostly calibrates calculations to your building and existing experience with utilities, taxes, loans
	3.A User references additional information, no direct input (orange highlights)		
3A	See Generated Tables for Affordable Monthly Rents.	n/a	alert panel that highlights additional considerations/concerns, typically in an orange-outlined panel at the end of that page

Result/Reference types & Colors

4.A Direct Outcome of Calculation - referenced in on-going calcs (yellow fill)			
4A	\$16,800 Annual Rental Income (12 x monthly rent)		no edits needed from user, should automatically calculate value given input above & internal variables
4.B Outcome or Linked Variables/Rates dependant on choices - referenced in other tabs (yellow outlines)			
4B	\$4,200 Anticipated Vacancy Losses (25% of annual rent)		no edits needed from user, should automatically calculate value given input above & linked ref. tables
3.B Linked Variables from Other Tables/Preceding Calculator Tabs - referenced from other tabs (orange outlines)			
3B	maintenance reserves per unit \$1,680		no edits needed from user, should automatically calculate value given input above & linked ref. tables
4.C Intermediate Calculation for Reference (thin black box outlines) for visual tracking of fixed calculations			
4C	\$10,920 gross rental income (minus vacancy, maintenance) \$910.00 monthly breakdown		no edits needed from user, should automatically calculate value given input above & linked ref. use in combination with other types

NAVIGATING FINANCES: A TWO-FLAT SCENARIO

Just as it's difficult to picture a desirable basement conversion without a few visual options, it can be difficult to understand the benefits and costs of property management in the abstract. To demystify those numbers and provide a 'tour' of the fiscal calculations of landlording, this chapter is built around a series of spreadsheet 'calculators.'

These calculators are available in two forms:

- a sample Two-Flat + Conversion (view only: bit.ly/Two-Flat)
- blank or empty form for your input
(sign into google to edit copy: bit.ly/In-Fill)

The Two-Flat sample is meant to show a reasonable (to best-case) scenario for basement conversion. As a demonstration, it's useful to note that the sample building is a brick Two-Flat, located at 2629 W. Augusta, just east of Humboldt Park, at the edge of Ukrainian Village (randomly selected, not NHS-affiliated). This area has a relatively 'hot' real estate market, so the building can support market-rate rents and appreciates value quickly. These factors play a large part in allowing the owners to break-even on their investment within a decade. In addition, the sample Two-Flat is the type of small multi-unit building that could easily accommodate a basement unit. Because of its solid brick construction and separated utility connections, conversion is likely to be less extensive and expensive than for a single family Cottage. Together, the factors of location, condition, and adaptation costs strongly influence the overall balance-sheet.

As a completed sample, the Two-Flat scenario enables you to trace a series of decisions from page to page, following the logic and elements required for operating as a landlord. As you fill in your own calculations, referencing the scenario should help you to pinpoint a) which variables strongly determine the financial viability of your project and b) how much control you exercise over those variables.

NAVIGATING FINANCES: WORKING IN THE CALCULATORS

The mostly-empty copy of the calculators is designed for you to add your information, listed next page, to produce a very quick estimate of project viability. Once you've set area and neighborhood variables – on the rent and tax assessment pages – you are encouraged to download copies of both the Two-Flat and Empty table as excel files. As you develop different scenarios, you can save copies and test alternate variables for alternate outcomes. These estimates provide a starting point for discussion with financial counselors and potential designers.

- 0 To make the estimation process as accessible as possible, the calculators' prompts and questions have been color-coded, here and in the spreadsheets, to guide your inputs.** (An introductory page, at left, and table headers repeat these instructions for ease of access.) *Numbers (1-4C here) restart on each calculator, but colors are consistent across all sections. The inputs are as follows:*
- 1 Light-Blue dropdown bars and check-boxes:** These elements have preset answers (yes/no or a given list) and are typically used to pull reference information from hidden or collapsed tables. For instance, selecting your zip code loads information from a table of rental rates for your area from HUD.
- 2 Red boxes for adding numbers:** These elements are set to zero and take a numerical input. Most of these boxes either reference your specific info—your tax bills, your water usage—or provide an option for you to customize values, like your unit rent, after reviewing market rates for your area.
- 3 Orange Highlight Alerts:** These elements don't require an input but redirect your attention to supplemental considerations, so that you can customize red box values.
- 4 Yellow boxes and bars / plain black boxes:** These elements are the outcomes of embedded calculation and those in yellow link to either composite results or to the cost-benefit table. **Do not edit either type as this will break the internal formulas.**

100

NAVIGATING FINANCES: RESOURCES AND REFERENCES

Many of the calculators can be run with generic values—Chicago averages, copies of the Two-Flat scenario data, or Cottage conversion costs—but adding your own information will produce a better estimate. In advance of running through the tables, you should gather the information below, in black, as listed by calculator. Red values list formal documents for proceeding with planning and financial guidance. As is detailed on the thematic pages, this is preliminary information only; there are multiple additional facets to considering property investment and management. The following offer a concrete place to begin.

The information should be added to the calculators in sequential order, from Construction to Maintenance, to allow each estimate to build upon earlier information. All seven calculators must be complete—with generic data or your data—to enable ‘Cost-Benefit’ to accurately calculate.

1 Construction:

- a general idea of main construction elements required for your basement conversion
- this list should be refined as you go through the mitigation chapter
- preliminary architectural plans and specs, for evaluation by an appraiser

2 Home Improvement Loans:

- basic background for your existing mortgage
- anticipated loan terms
- your credit rating, assets and debts, income-debt ratio
- loan quotes

3 Rent Rates:

- zip code search of HUD market rates: bit.ly/HUD-market-rate
- City’s affordable rental rates: bit.ly/DOH-Affordable
- existing rents, if you have other units
- comparative research on rental units in your area

4 Taxes and Property Appreciation:

- Cook Co. Assessment: www.cookcountyassessor.com/address-search
- your neighborhood (for average appreciation) from DePaul’s Housing Price Index: price-index.housingstudies.org
- anticipated building valuation by an appraiser

5 Utilities:

- your average meter readings from past bills (water, gas, electric, and any specific rates)
- an understanding of what resources would be shared in your building

6 Insurance & Administration:

- your current insurance coverage
- a landlord policy quote for your revised building

7 Maintenance:

- your current contracts for building and ground services (if applicable)
- estimates for capital and preventative repairs

8 Cost-Benefit:

- your investment priorities and break-even goals

CALCULATOR 1

CONSTRUCTION COSTS . Initial Investment

LINE-ITEM CATEGORIES

2 Permits

Preparation

- Demolition, Deconversion
- Lead, Asbestos Handling

Grounds & Building Exterior

- Site - Drainage, Grading, & Surfaces
- Window Replacement
- Doors & Exits

Structure, Slab, & Drainage

- Structural Repairs
- Slabs
- Barriers & Drainage System

Utilities

- Gas
- Water
- Sewage & Ejector Pump
- Electric

Ventilation & Fixtures

- Heating/Vents & Radon,
- Laundry
- Kitchen
- Bath

Egress & Access

- New Stairs

Fire Partitions

- Framing, plaster, etc.

Interior Finishing

- Living Room
- Dining
- Kitchen
- Bedroom 1
- Bedroom2
- Bath

TABLE: 1-CHI_CONSTRUCTION

3

4

7

1

1. Range of Bids and Conversion Scenarios

3. Pick Estimate Price Range

mid

select based on soft, deferred maintenance in your building

4. Show Scenario for Comparison

two-flat

mid, two-flat Scenario shown

\$ 94,955.00 Scenario Costs

\$ 117,561.71 Scenario Cost with 12% for architectural service, 10% overruns (& r

edit elements included below

mid Your Estimate level

\$ - Your Estimate Costs

\$ - 6. Manual Estimate Edit 6 for quick speculation or your independe

\$ - Your Costs with 12% for architectural service, 10% overruns (& mis

7. Use Scenario or Your Inputs for calculations:

scenario

\$ 117,561.71 referenced cost for loans, taxes, cost-benefit

2. Basement Conversion - Common Line-Items, Priced

5

elements	cost	Used for Two-Flat	5. create your list	
Permits & Construction Preparation				
<i>check/uncheck list (true/false)</i>				
City Permits				
Overall Building Permits	\$ 4,500.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$ -
<i>situation dependent</i>				
Illegal Unit Deconversion	\$ -	<input type="checkbox"/>	<input type="checkbox"/>	\$ -
Lead Cleaning/Handling in Renovation	\$ 200.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$ -
Asbestos Handling in Renovations	\$ -	<input type="checkbox"/>	<input type="checkbox"/>	\$ -
General Demolition Costs				
Catch Basin demolition (drainage rework)	\$ 475.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$ -
Basement demolition (partial floor/walls)	\$ -	<input type="checkbox"/>	<input type="checkbox"/>	\$ -
scenario comments:	\$ 5,175.00	sum	your sum	\$ -
lead removal, overall permits and misc. drain adaptations				

Estimated Costs

ESTIMATING PROJECT COSTS: CONSTRUCTION ESTIMATES

The most obvious cost of a basement conversion project is the cost involved in design, permitting, and construction itself. The initial calculator 'Chi_Construction' provides a rough estimate of these costs, in advance of designing your basement project or getting professional bids. The estimate here feeds into loan calculations, revised home value, and the overall cost-benefit calculation.



If you're in the process of designing and planning a unit already, your architect should be able to give you far more specific estimates. They will calibrate costs to your design based on the specific alterations, the square and linear footage of work and materials, anticipated labor/material bids from contractors, and installation practices. Professional plans and construction estimates will be necessary for official appraisal of renovation value, loan applications, revised insurance quotes, and potential tax appeals.

CALCULATOR CONTENTS

For those wishing to develop a quick and dirty estimate, 'Chi_Construction' includes two parts:

- 1 **Bid range and comparable construction scenarios**, in the upper section, are meant to allow you to explore the line-item information through a more orderly and less overwhelming interface. Those drop-down options should allow you to switch back and forth between ranges/scenarios as you select line-items (below).
- 2 **The construction line-item prices**, in the lower table, are from a series of 2018 bids on basement projects, by Neighborhood Housing Services. The final calculations—of architectural overhead and 10% over-run margins—also include a percentage addition to cover inflation from 2018-2020.

- 3 **As you explore construction costs and select elements that need altered (in the line-items), keep in mind what lies behind the upper options of high, mid, and low bids.** Some of those price differences represent profit, but the greater portion represents the skilled labor required for construction, the quality of materials used, and the time that is required to complete a job safely and with care. It can be tempting to use low bids. For basements—where a rushed job could lead to leaks, mold, and the need for additional renovation—you don't want to skimp on labor, time or materials. Start your estimates in the 'mid' range to be realistic and, after running all the calculations, test 'high' and 'low' options to understand their impact.
- 4 **Based on your upper scenario selection, at the bottom-center you will see the construction costs of either a typical Cottage conversion or a Two-Flat addition, as illustrated in the 'Common Conversions' chapter.** These scenarios offer a quick reading of the likely level of investment for common buildings and provide an approximate starting point for crafting your own estimate from the list of potential construction items. The list of potential elements and costs is broken down following the same categories introduced in the 'Code Compliant Units' chapter. The scenario's checked line-items are summed within each category and the final composite estimate, at the bottom of the page, is shown in 'Scenario Costs' at the top.
- 5 **On the right side of the line-item list are empty check boxes for your estimate: check those items you anticipate needing based on the 'Code Compliant Units' and 'Mitigating Issues' chapters.** When in doubt, reference the scenarios for comparison. For those items you check, prices shown at the far right and are summed by category. As in the scenarios, the final summary of costs is then linked to 'Your Estimated Costs' at the top of the page. Just beneath that box is an input (#6) where you can add either an independent estimate or test rough numbers as you explore the cost-benefit outcomes. An additional line calculates inflation, architectural overhead (12%), and over-run margins (10%) for the checklist (or your 'test' amount). Finally you can toggle to determine which option should be referenced by the other calculators/tables (#7).
- 6
- 7

CALCULATOR 2

LOANS & INTEREST . Financing Your Investment

PROPERTY VALUATION: APPRAISAL REPORTS

TABLE: 2-LOAN_TERMS

Small Residential Income Property Appraisal Report File #

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

Property Address: City State Zip Code
 Borrower: Owner of Public Record County
 Legal Description
 Assessor's Parcel # Tax Year R.E. Taxes \$
 Neighborhood Name Map Reference Census Tract
 Occupant ☐ Owner ☐ Tenant ☐ Vacant Special Assessments \$ ☐ PUD HOA \$ per year ☐ per month
 Property Rights Appraised ☐ Fee Simple ☐ Leasehold ☐ Other (describe)
 Assignment Type ☐ Purchase Transaction ☐ Refinance Transaction ☐ Other (describe)
 Lender/Client Address
 Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? ☐ Yes ☐ No
 Report data source(s) used, offering price(s), and date(s).
 I did ☐ did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.
 Contract Price \$ Date of Contract Is the property seller the owner of public record? ☐ Yes ☐ No Data Source(s)
 Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? ☐ Yes ☐ No
 If Yes, report the total dollar amount and describe the terms to be paid.
 Note: Race and the racial composition of the neighborhood are not appraisal factors.
 Neighborhood Characteristics 2-4 Unit Housing Trends 2-4 Unit Housing Present Land Use %
 Location ☐ Urban ☐ Suburban ☐ Rural Property Values ☐ Increasing ☐ Stable ☐ Declining PRICE AGE One Unit %
 Built-Up ☐ Over 75% ☐ 25-75% ☐ Under 25% Demand/Supply ☐ Shortage ☐ In Balance ☐ Over Supply \$ (000) (yrs) 2-4 Unit %
 Growth ☐ Rapid ☐ Stable ☐ Slow Marketing Time ☐ Under 3 mths ☐ 3-6 mths ☐ Over 6 mths Low Multi-Family %
 Neighborhood Boundaries High Commercial %
 Pred. Other %
 Neighborhood Description
 Market Conditions (including support for the above conclusions)
 Note: Race and the racial composition of the neighborhood are not appraisal factors.
 Neighborhood Characteristics 2-4 Unit Housing Trends 2-4 Unit Housing Present Land Use %
 Location ☐ Urban ☐ Suburban ☐ Rural Property Values ☐ Increasing ☐ Stable ☐ Declining PRICE AGE One Unit %
 Built-Up ☐ Over 75% ☐ 25-75% ☐ Under 25% Demand/Supply ☐ Shortage ☐ In Balance ☐ Over Supply \$ (000) (yrs) 2-4 Unit %
 Growth ☐ Rapid ☐ Stable ☐ Slow Marketing Time ☐ Under 3 mths ☐ 3-6 mths ☐ Over 6 mths Low Multi-Family %
 Neighborhood Boundaries High Commercial %
 Pred. Other %
 Neighborhood Description
 Market Conditions (including support for the above conclusions)
 Dimensions Area Shape View
 Specific Zoning Classification Zoning Description
 Zoning Compliance ☐ Legal ☐ Legal Nonconforming (Grandfathered Use) ☐ No Zoning ☐ Illegal (describe)
 Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use? ☐ Yes ☐ No If No, describe
 Utilities Public Other (describe) Public Other (describe) Off-site Improvements—Type Public Private
 Electricity ☐ ☐ Water ☐ ☐ Street ☐ ☐
 Gas ☐ ☐ Sanitary Sewer ☐ ☐ Alley ☐ ☐
 FEMA Special Flood Hazard Area ☐ Yes ☐ No FEMA Flood Zone FEMA Map # FEMA Map Date
 Are the utilities and off-site improvements listed for the subject area? ☐ Yes ☐ No If No, describe

1

3

4

5

Estimate Home Improvement Loan Payments **Sources & Assumptions**

1. Set Base Year for loan: 2020

Total design, build, and permitting costs \$ 117,561.71 see CHI_Construction to adjust cost estimates

Loan downpayment, or cash paid \$ 23,512.34 most construction loans require 20% down

\$ - 2. enter downpayment amount if not 20%, or leave blank

amount borrowed, excluding interest \$ 94,049.37 **Total financed**

3.A Enter Loan term in years: 25 These cell are ignored if you're not financing.

3.B Enter Loan APR: 3.500% Enter percentage

4. Select Payment frequency monthly

number of payment periods 300 used in Cost-Benefit

effective rate 0.287%

\$ 468.07 **Payment Amount/Payment Period (used in Cost-Benefit)**

Sources: <http://www.experiglot.com/2011/09/21/excel-mortgage-calculator/>

5. Estimate Remaining Mortgage Payments **Sources & Assumptions**

Set Base Year for loan: 2010

Original Sale Price for building (mortgage) \$ 250,000.00 enter price, if still paying off mortgage; set to zero if mortgage is paid or there was no financing

Loan downpayment, or cash paid \$ 50,000.00 most mortgages require 20% down

\$ - enter downpayment amount if not 20%, or leave blank

amount borrowed, excluding interest \$ 200,000.00 **Total financed**

Enter Loan term in years: 30 These cell are ignored if you're not financing.

Enter Loan APR: 4.500% Enter percentage

Select Payment frequency monthly

number of payment periods 360

remaining number of payment periods 240 used in Cost-Benefit

effective rate 0.367%

\$ 1,002.68 **Mortgage Payment Amount/Payment Period (used in Cost-Benefit)**

Sources: <http://www.experiglot.com/2011/09/21/excel-mortgage-calculator/>

Consumer Price Index (general inflation rate for Cost-Benefit annual increases)

current average for 2020, alt. inflation ref. 0.95 use as alternative to 10 year avg, given 2020 downturn

expand group to see linked table from Bureau of Labor Statistics https://www.bls.gov/regions/midwest/news-release/consumerpriceindex_chicago.htm

10-year average of CPI for Chicago, inflation reference 1.482 stable estimation (year-on-year average)

expand group to see linked table from Bureau of Labor Statistics https://www.bls.gov/regions/midwest/data/consumerpriceindexhistorical_chicago.htm

FINANCING BASEMENT WORK: LOAN TERMS, PAYMENTS, & PREP

Once you know the rough cost of construction, the next task is to consider how to pay for the project – from savings or with a loan. The calculator ‘Loan_Terms’ provides a quick calculation of payments for a home improvement loan along with optional, existing mortgage payments. For each loan, it takes into account the amount borrowed (financed), rate it was lent at (APR), and the length of these loans. This snapshot–of annual debt payments and equity gain–should help you determine whether a conversion makes sense with your resources and investment strategy.

Broadly speaking, if you have good credit and a steady income you should be able to qualify for a fixed-rate home improvement loan. Talk with an accountant confirm the general financial feasibility tabulated here. In general, you’ll need to provide paperwork for a loan, documenting your:

- **Existing Assets and Debts**, including current equity in your building (the portion paid off) and outstanding mortgage debt.
- **Credit Score and Annual Income**, so that lenders can get an idea of your overall debt-to-income ratio

For new construction and additions, it is common practice to have an appraiser estimate the likely value of your planned project. As shown in the **Appraisal Report** at left (for Two to Four-Flat buildings: bit.ly/Appraisal-Form), an appraiser will evaluate your project based on:

- the **specific construction characteristics** and finishes, with depreciation factors for the age and condition of the structure (middle & bottom)
- an analysis of the **capitalization rate** of the building, if it were solely used as an income property, and

- a **market study of similar properties** sold within a 1 mile radius of your building in the last 6 months (not shown), in order to understand your revised property value.

This helps establish the likely return on any money invested and thus the financial risk of the project.



If you have project plans and estimates from your architect and/or general contractor, you should be able to get an initial appraisal based on those specifications, for incorporation with loan applications. Talk with the loan originators at Neighborhood Housing Services to learn more about your renovation financing options. Talk with your accountant about the financial risks (and equity) of your existing assets and potential basement conversion project.

CALCULATOR CONTENTS

In advance of an appraisal and focused financial guidance, use the ‘Loan Terms’ calculator to estimate payment amounts and your overall annual costs for financing construction. This calculator loads the prior pages’ construction cost estimate. To begin, set the current year (#1), which will feed into new vs. existing mortgage payment calculations.

- 1 If you’re paying for construction with savings (not financing), set your downpayment to the full amount of construction (#2); this will zero out payments and capture your lack of project debt. Otherwise, if you’re borrowing money, set the loan terms to match your loan (#3.A-B: years, APR). Toggle payment frequency (#4) to match your repayment schedule and this will calculate your required repayments. Repeat the process for any outstanding mortgage on your property (#5). Both the loan payments and mortgage payments (with timing variables and total loan amounts) are incorporated in the ‘Cost-Benefit’ analysis in order to estimate your total annual debt-payments.

CALCULATOR 3

RENTAL INCOME . Affordability & Calibration

ZILLOW RESEARCH: CHICAGO 'GARDEN UNITS'

\$980/mo 1 bd | 1 ba | -- sqft

211 S Campbell Ave, Chicago, IL 60612

[Request a tour](#) [Request to apply](#)

[Overview](#) [Facts and features](#) [Rent Estimate](#) [Price and tax history](#) [Nearby schools](#)

[Add work destination](#)

Overview

Days listed **27** | Contacts **113**

*Email, please, for fastest response*Available July 1!

Wonderful rehabbed one bedroom, one bathroom GARDEN unit in Tri-Taylor area featuring updated kitchen, spacious living area, tiled floors, good sized bedroom, updated bathroom, laundry room in building, central heat and air. Close to Blue Line and Medical District! Pet Friendly! All Tenants Must Secure Renter's Insurance For Lease Duration. Tenant sets up electricity and natural gas. No Security Deposit, One-Time Nonrefundable Move-In Fee! Solid Credit,

[Read more](#)

TABLE: 3-CHI_RENTAL RATES

1A *adjust zipcode, year, and unit size to see area rents*

1.A Set your zipcode:

1B Pick the year: use 2020 for consistent data; if data is yet to be posted it will result in N/A and \$0 in Rent rates below

1.B Set Unit Size:

area & market characteristics

avg 3yr rent increase (Fair Market)	4.86%	used for average annual rent increase
Fair Market Rate by unit & zipcode	\$1,550	
Affordable Mid (50% MFI) by unit size	\$1,024	
<small>gross rent (subtract utilities in composite sheets)</small>		

2 2.A Set basement rent to: averaged value between market & affordable

2.B If other, add rent here

2B \$1,024 **Monthly Basement Rent used in Income Calc (below)**

3 3.A Do you have other unit(s): ☒

3.B Set Other Unit(s) Size:

3.D to add existing rent, add here

3D \$1,550 **Monthly Upper Unit Rent used in Income Calc (below)**

*make sure to comply with ADU affordability requirements (for 5+ units)

Anticipating Vacancy & Operational Income

sources - Vacancy & Typ. Operational Income <https://www.cicchicago.com/wp-content/uploads/2020/06/PropertyManagementTrainingToolkit.pdf>
see Toolkit Appendix, 6 Flat sample Budget, pg 37

adjust drop-downs and misc income based on experience

Rent - Vacancy income

3C 3.C # of existing rental units:

total units for utility & maintenance costs **3**

excluding new basement & owner-occupied unit

Monthly rent for all units	\$2,574
Annual Rental Income for all Units	\$30,885
Anticipated Vacancy Losses (25%) !!	-\$7,721

Final Income (with Misc) below (truncated)

\$23,164 Annual Rent All Units w/ Vacancy Hedge

Linked Market & Affordability Tables

Fair Market Rate Overall

FY2020 SAFMRs By Unit Bedrooms

Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
\$1,190	\$1,340	\$1,550	\$1,970	\$2,340

Chicago MFI (Income levels)

FY 2020 Income Limit Area

Median Family Income	FY 2020 Income Limit Persons in Family		
	1	2	3
\$91,000	Very Low (50%) Income \$31,850	36,400	40,950
	Extremely Low Income \$19,150	21,850	24,600
	Low (80%) Income Limit \$11,000	58,250	65,550

ESTABLISHING RENTAL RATES: WHAT'S AFFORDABLE IN CHICAGO

Setting the rent on your basement unit requires research into your local market and consideration of the relationship you wish to cultivate with tenants. The calculator 'Chi_Rental Rates' helps you explore rental rates in your area and calibrate rental income to building amenities and units. You don't want to have a vacant, overpriced apartment or a unit priced below its earning potential. Ideally, long term tenants who can afford their rent will be more pleasant co-habitants and reduce turn-over, vacancy, and extra legal and maintenance costs. As basement units are typically less desirable than elevated units, it's particularly important to compare with other basement units in your area and price your unit affordably.

CALCULATOR CONTENTS

- 1 To start your income estimates, the 'Chi_Rental Rates' calculator begins by referencing HUD's Fair Market Rental rates ([bit.ly/ HUD-market-rate](https://bit.ly/HUD-market-rate)), an annual survey of average area rents, which is searchable by zip code and calibrated to unit size (#1.A-B). It also pulls in HUD's Median Family Income (FMI) ([bit.ly/ HUD-MFI](https://bit.ly/HUD-MFI)), as the reference for Chicago's affordable units (60% FMI with ~30% of monthly income as rent). You then select which level – market, affordable, or averaged – makes sense for your basement unit (#2.A) and other rentals (#3.A-C). This assumes basement units command less rent. Spaces are left so you can add your own values based on the local research or negotiated rent, with friends, family, or existing tenants you'd like to retain (#2.B, #3.D). To be conservative, the model includes three months vacancy (for move-out, cleaning, and marketing of units) as basements often experience higher turnover and lower desirability.
- 2
- 3
- 2B
- 3D

The lower half of the calculator then tallies these sources to establish building size and annual rental income. It also (not shown) adds miscellaneous income, like laundry change or parking rent, to estimate the final, overall income for your building. *This preliminary annual estimate of rental income links to the 'Cost-Benefit' analysis.*

OTHER CONSIDERATIONS

To finesse your estimate, you can conduct a (virtual) market survey of comparable units via Zillow, Domu, and Craigslist. If possible review the rents at a minimum of six to eight properties that are within your immediate market area (compare and contrast garden and upper units). Pick buildings and units that are of similar age and have comparable updates. As it allows for the search of active and past listings, Zillow may be the easiest way to see the history of past listings at a building and how long listings have been advertised. If an ad was up for months, the unit is likely overpriced. If a unit appears to have been rented within a month, then it's probably priced well for the area.

You may want to visit those buildings that most closely resemble the apartments you are offering. Questions to ask:

- Do they have similar amenities, like laundry or outdoor space?
- Are they offering similar appliances/modern bathrooms?
- Are they on a busy boulevard or a quiet tree-lined street?
- Are they close to public transportation or do they offer parking?
- Is heat included or extra, electric (etc.)?

All of these differences will have an impact on the value of your particular apartment in its market.

The rent you should charge should be based on the strengths and weaknesses of your new unit and amenities—compared to similar properties—and finessed to build stable tenant relationships. Resist the temptation to raise rents during your initial estimates of project costs and benefits.

*Note: If you are converting multiple basement units in a Five to Six-Flat Building (under the new ADU ordinance) at least one basement unit must be rented as an affordable unit for the first 30 years. Reference the City's **Affordability Tables** to confirm rent caps: bit.ly/DOH-Affordable.*

CALCULATOR 4

TAX IMPACTS . Assessment & Appreciation

TWO-FLAT EXAMPLE (Search by address)

Typical Two-Flat Assessment in Logan Sq Area, Chicago

16-01-418-010-0000

Assessed Valuation 2629 W AUGUSTA BLVD • CHICAGO, IL • West Chicago

	2020 Assessor Valuation	2019 Board of Review Certified
LAND ASSESSED VALUE	\$8,287	\$8,287
BUILDING ASSESSED VALUE	\$34,405	\$34,405
TOTAL ASSESSED VALUE	\$42,692	\$42,692

Exemption History (Use values for current year)

2018 Homeowner, Senior Citizen, and Senior Freeze exemption was applied to the property this year.

2017 Homeowner, Senior Citizen, and Senior Freeze exemption was applied to the property this year.

2016 Homeowner, and Senior Citizen exemption was applied to the property this year.

2015 Homeowner, and Senior Citizen exemption was applied to the property this year.

Characteristics

ESTIMATED MARKET VALUE	\$426,920	3	BASEMENT ¹	Full and Unfinis
ESTIMATED MARKET VALUE	\$426,920		ATTIC	None
DESCRIPTION	Two to six apartments,		CENTRAL AIR	No
RESIDENCE TYPE	Two Story		NUMBER OF FIREPLACES	0
USE	Multi Family		GARAGE SIZE/TYPE ²	2 car detached
APARTMENTS	2		AGE	120
EXTERIOR CONSTRUCTION	Frame		BUILDING SQUARE FOOTAGE	1,804
FULL BATHS	2		ASSESSMENT PHASE	2020

TABLE: 4-CHI_TAXES

ESTIMATE THE TAX IMPACTS OF BASEMENT CONVERSION

Incorporating Average Renovation Returns (Basement) into Property Tax Impacts

3. Input the Fair Market Value of your home \$426,920 <https://www.cookcountyassessor.com/address-search>
see Cook Co. Assessment Lookup

Assessor Value (AV=10% Fair Market) \$42,692

Estimate rough investment returns

1.A Assume low returns on reno cost ☐ 65%

1.B Or assume high returns on reno cost ☒ 75%
(check or uncheck low returns)

Building Value + (Construction Costs * Return Rate Selected)

\$515,091 **Revised Building Value with Conversion**

Update estimate, given area & appraisal \$0 leave empty if using rough value above

Compare your project to Median Area Sales, Below

Estimated Assessor Value	\$51,509	(AV=10% of revised Fair Market)
Illinois Equalized Assessed Value	\$149,938	(EAV=2.9109 * AV)

Add Your Tax Exemptions check (as true or false) reference link below for qualifications

4. homeowner (EAV-10k) ☒ -\$10,000

5. senior citizen (EAV-8k) ☐ -\$8,000

6. disabilities (EAV-2k) ☐ -\$2,000

7. returning veteran (EAV-5k) ☐ -\$5,000

8. home improve. (4yr freeze) ☒ no impact for 75,000 of construction costs shows in Cost-Benefit, not here

EAV minus total Exemptions \$159,938

ADJUSTED EAV * 6.786% (for 2019)
(Typically in January/July Billing cycles)

10%*2.9109*0.06786 w/o exemptions

	\$10,853	9. Property Taxes Anticipated
\$9,112	Property Taxes Without Addition (reference)	
\$1,742	Difference in Annual Taxes (reference)	
19.11%	Difference as Percent Change (reference)	
1.98%	simplified tax rate (reference)	

2. Pick your Chicago Neighborhood: Chicago--Logan Square/Avondale

Double check area boundaries at: <https://price-index.housingstudies.org/>

INSTITUTE FOR HOUSING STUDIES AT DEPAUL UNIVERSITY

Hover over an area

\$550,000	Median Area Sale Value*
5.46%	Area Appreciation, 5yr Average* (to Cost-Benefit)
1 Multiplier for 4-6 Flats? (based on units from Chi_Rent) (1.33 or 1.5 to capture square-footage for extra story / rear units)	
93.65%	Your Revised Value as % of Area Median Sale

Ideally you don't want to exceed the median sales for the area (too much), but a full market assessment will consider construction quality, capitalization, and comparison with area properties in order to determine your building's value.*

CALCULATING YOUR TAXES: PROPERTY ASSESSMENT DECODED

As you consider how home renovations add long-term value to your property, it's important to capture how this translates into higher taxes. If you currently take a number of tax exemptions, a basement conversion can increase your property taxes significantly. The calculator 'Chi_Taxes' determining likely tax increases for your property.

CALCULATOR CONTENTS

Valuing your Basement Renovation, *in advance of appraisal*:

- 1 **Renovation Value to be Assessed** This model starts with the estimated construction costs for an ADU addition (from 'Chi_Construction') and lets you pick high or low (75%, 60%) recuperation of construction as part of the property value.
- 2 **Value Appreciation in relation to Neighborhood** This model estimates the five year appreciation average for Chicago areas from DePaul's **Housing Price Index** (price-index.housingstudies.org). As the index tracks single family sales, this is a rough proxy based on relative square footage, meant to give an initial sense of whether your renovation is too expensive, i.e. far above the median. *Appreciation rates link into the final cost-benefit analysis.*



Once you have rough construction plans and costing, an appraiser can accurately estimate the addition of value and area appreciation. (See appraisal discussion in loan section.) The measures above are rough proxies; replace them with the appraiser's estimate.

Assessment Values to calculate taxes and tax increase:

- 3 **Fair Market Value:** The Cook County Assessor's Office establishes the Fair Market Value of your unit based on building characteristics and neighborhood. Construction permits will trigger reassessment but you can also appeal for assessment. Look up your valuation at www.cookcountyassessor.com/address-search.

- **Equalized Assessment Value:** This multiplier is meant to make property taxes roughly equal across the state. For 2019, this is 2.9109*Assessment Value (i.e. 10% of Fair Market Value).

Exemptions: Exemption application and renewal procedures vary; some are automatic; others require forms). (See Cook Co. exemption pages: www.cookcountyassessor.com/exemptions.) Checked exemptions are subtracted from Equalized Assessment Value in the current calculator:

- 4 **Homeowners (EAV-10k):** Homeowners or owner-occupiers can deduct \$10,000 from their Equalized Assessment Value.
 - 5 **Senior Credit (EAV-8k):** Seniors qualify to deduct \$8,000 from their Equalized Assessment Value (auto-renews) and can apply to permanently freeze their taxes.
 - 6 **Disability (EAV-2k):** Persons with disabilities can apply to reduce their Equalized Assessment Value by \$2,000.
 - 7 **Returning Veteran (EAV-5k):** Returning Veterans can apply to reduce their Equalized Assessment Value by \$5,000.
 - 8 **Home Improvement (4yr tax-freeze for >75k of improvement):** This is triggered by construction permit applications and allows the deduction of the first \$75,000 of improvements, with qualifiers. *If checked, these rebates are applied to 'Cost-Benefit'.*
- Browse additional exemptions as desired.

9

Cook Co. Tax Rate (6.786% for 2019): The Cook Co. rate for Chicago residents is calculated based on the city's annual Corporate, Parks, Schools, Water District, and Forest Preserve budgets (plus other funds).

The tax rate for 2019 is 6.786%, which is multiplied by your Equalized Assessed Value minus any Exemptions. The final outcome is your tax bill, as split into two annual payments. (Learn more at: www.cookcountytreasurer.com.) Over the last decade, the tax rate has fluctuated between 4-7% and may increase. These tables assume a fixed rate for ease of calculation. *This annual tax value is linked into the 'Cost-Benefit' analysis, with increases tied to the consumer price index.*

- **Simplified Tax Rate:** This composite rate is calculated without exemptions, for estimating tax on annual appreciation.

CALCULATOR 5

UTILITY COSTS . Water . Sewer . Common Electric

SAMPLE METERED BILL



City of Chicago
Department of Finance-Utility Billing
P.O. Box 6330
Chicago, Illinois 60680-6330

CUSTOMER NAME	ACCOUNT NUMBER	BILL DATE	DUE DATE
PAUL SAMPLE	733001-2299-44	Aug-24-2016	Sep-14-2016

Utility Service Address: 2020 SAMPLE STREET 60600-0066

Bill Summary for this Metered Account for billing period Jun-15-2016 thru Aug-16-2016

Previous Balance	\$111.74
Adjustments	\$0.00
Payments	\$111.74
Current Water	\$106.75
Current Sewer	\$106.75
Current Garbage	\$19.00
Penalty	\$1.14

Total Due \$233.64

This is a Metered Account.
Little leaks cause big bills.
Check for and repair leaks.
You must pay for all metered water.

MESSAGE CENTER

Please see important information on the back of this bill regarding your utility bill and payment options.

FOR BILLING QUESTIONS, PLEASE CALL 312-744-4426

TABLE: 5-CHI_UTILITIES

1A

adjust usage and confirm shared utilities to calculate costs

1.A Estimate with Typical Use Numbers for Chicago/Midwest ☒ uncheck to select 'use your bill/meter readings'

	3.A heated by: (pick one)	3.A rates	units	fees
all monthly	Water (gallons) 6480		\$4.08 per 1000 gallons	none
per unit	Electric (kWhr) 511.92		0.113202 per kWhr	12.77
	Gas (Therms) 73.10		0.485528 per therm	35.71

usage sources at bottom

1B

1.B or Use your bill/meter readings^ ☐

	3.B heated by: (pick one)	3.B rates	units	fees
all monthly	2.A Water (gallons) 0		\$4.08 per 1000 gallons	none
per unit	2.B Electric (kWhr) 0		0.113202 per kWhr	12.77
	2.C Gas (Therms) 0		0.485528 per therm	35.71

rates at bottom

4

4 Using typical inputs & gas heat

	monthly	annual	annual additions per unit	
Per unit that equals			laundry	common lights
Water	\$26.44	\$317.26	\$53.93	
Sewer*	\$26.44	\$317.26		
Garbage*	\$9.50	\$114.00		
Electric	\$70.72	\$848.64		\$106.08
Gas	\$71.20	\$854.43		\$503.69

Units Total (with ADU): 3

5

5. Pick a split/metered scenario:

Landlord reimbursed for city utilities, covers laundry, lights, heat

\$3,939.03 annual costs to Cost-Benefit

Usage Scenarios

	common	owner	total
Landlord covers city utilities & shared laundry, lights; no gas & electric beyond their use	\$2,725.61	\$1,703.07	\$4,428.68
Landlord covers city utilities, heating, & shared usage; no gas & electric beyond their use	\$4,236.69	\$1,703.07	\$5,939.77
Landlord reimbursed for city utilities, covers laundry, lights, their gas & electric	\$480.04	\$2,451.59	\$2,931.64
Landlord reimbursed for city utilities, covers laundry, lights, heat, their gas & electric	\$1,991.13	\$1,947.90	\$3,939.03

*senior exemptions (zero sewer fees) are not applicable for multi-unit buildings (2 or more units)
buildings with 5+ units will need to contract for their own garbage pick-up (4 or less are serviced by the city), see Chi_maintenance to estimate

^single family homes may be unmetered, if so use the county averages (at top) for utilities
(high and low average from EIA midwest consumption numbers (2015 average))

RATE SOURCES (2020)

click to expand at left

AVERAGE USAGE (2015, 2010)

click to expand at left

ESTIMATING UTILITIES: WATER, SEWER, GARBAGE, POWER

As you update your property, you will add multiple meters—water, gas, and electric—so disentangling utility and energy bills should be fairly easy. This calculator incorporates likely additional costs for common areas and overall usage, providing different scenarios for split utilities so you can estimate recurrent costs.

In terms of additional costs for a multi-unit building, you should anticipate new charges to cover the common area electricity, additional water usage from shared laundry facilities, and, if heating from a steam system, increased gas bills for the finished

2 **basement.** As the property owner, you will receive combined bills (#2) from the City for each metered water line, with sewage charges and garbage collection fees (for four-flats or less). As a multi-unit owner you are no longer eligible for sewer-rate reductions or cancellation. Your tenants' gas and electric accounts should be entirely separate and billed directly in their name.

It is your decision as to whether and how to pass water, sewer, and garbage costs along to tenants, in pro-rated rent or variable monthly payments. Likewise, shared heating costs are commonly incorporated into overall rent calculations. If you have a larger building (Five or Six-Flat) and must rent one of your basement conversions as an affordable unit, you are required to calibrate combined rent and utility costs so that they fall beneath the city's affordable thresholds.

CALCULATOR CONTENTS

The 'Chi_Utilities' calculator estimates annual, building-wide utility costs, to incorporate into your overhead calculations:

- 1** At the top you have the choice to **estimate monthly costs based on a) averaged monthly volumes (water, electric, gas)** for Cook Co. from the Energy Info Administration or **b) you can add your own meter readings**, from a typical month for one unit

(#1.A–B). If using your past bills/meter readings, try to input an averaged value as heating and air-conditioning costs vary widely, given the Chicago climate (#2.A–C). For both average and custom values check to indicate whether using electric or gas for heating, as utilities charge lower rates for higher anticipated volumes (#3.A–B). The rates shown for both options are taken from 2020 rates for City of Chicago, ComEd, and People's Gas and are available at the bottom of the table.

4 **The center section uses the selected monthly usage numbers (average or custom inputs) to calculate monthly and annual costs for one unit (the owner-occupied unit) and likely shared costs per unit.** Laundry is typically 17% of a household's water usage; common lighting is set to 12.5%; heating is assumed to be nearly 66% of gas usage. Your actual usage may vary but this provides a rough starting value to multiply by the total number of units in the building.

5 **The bottom section offers four scenarios representing different levels of utility coverage by the landlord to be incorporated in the cost-benefit analysis.** The most extensive and expensive is to absorb all city utility costs, shared heating, and common laundry/electric. The most minimal strategy is to pass city utility fees along to tenants and keep heating, gas, and electric all separate, covering only laundry and common lighting. Pick the scenario that most closely matches your anticipated separation of meters and building systems.

Broadly speaking, these calculations, over the long-term, are likely to slightly under-estimate the full annual cost of utilities.

Gas and electric rates can be volatile as they are tied into energy costs and respond to climatic swings. In addition, the City of Chicago's rates are tied into the cost of capital improvements. *This calculator, which feeds into the 'Cost-Benefit' analysis, anticipates annual increases at the rate of inflation, which is low and steady compared to the factors above.* See the **City's water and sewer rates** (bit.ly/Chicago-Water-Rates) and your gas and electric bills to calibrate based on prior rates and usage.



CALCULATOR 6

INSURANCE & MANAGEMENT . Risk . Admin

MANAGEMENT RIGHTS & RESPONSIBILITIES

Chicago Rents Right

Good Tenants, Good Landlords, Great Neighborhoods!

For more information, please call 312-742-RENT (7368)



Lori E. Lightfoot
Mayor of Chicago

CITY OF CHICAGO
RESIDENTIAL LANDLORD AND
TENANT ORDINANCE SUMMARY



At initial offering, this Summary of the ordinance must be attached to every written rental agreement and also upon initial offering for renewal. The Summary must also be given to a tenant at initial offering of an oral agreement, whether the agreement is new or a renewal. Unless otherwise noted, all provisions are effective as of November 6, 1986. (Mun. Code Ch. 5-12-170)

IMPORTANT: IF YOU SEEK TO EXERCISE RIGHTS UNDER THE ORDINANCE, OBTAIN A COPY OF THE ENTIRE ORDINANCE TO DETERMINE APPROPRIATE REMEDIES AND PROCEDURES. CONSULTING AN ATTORNEY WOULD ALSO BE ADVISABLE. FOR A COPY OF THE ORDINANCE, VISIT THE CITY CLERK'S OFFICE ROOM 107, CITY HALL, 121 N. LASALLE, CHICAGO, ILLINOIS.

IMPORTANT NOTICE

A message about porch safety: The porch or deck of this building should be designed for a live load of up to 100 lbs. per square foot, and is safe only for its intended use. Protect your safety. Do not overload the porch or deck. If you have questions about porch or deck safety, call the City of Chicago non-emergency number, 3-1-1.

WHAT RENTAL UNITS ARE COVERED BY THE ORDINANCE? (MUN. CODE CH. 5-12-010 & 5-12-020)

- Rental units with written or oral leases (including all subsidized units such as CHA, BHDA, Section 8 Housing Choice Vouchers, etc.) **EXCEPT**
- Units in owner occupied buildings with six or fewer units.
- Units in hotels, motels, rooming houses, unless rent is paid on a monthly basis and unit is occupied for more than 32 days.
- School dormitory rooms, shelters, employee's quarters, non-residential rental properties.
- Owner occupied co-ops and condominiums.

WHAT ARE THE TENANT'S GENERAL DUTIES UNDER THE ORDINANCE? (MUN. CODE CH. 5-12-040)

The tenant, the tenant's family and invited guests must comply with all obligations imposed specifically upon tenants by provision of the Municipal Code, applicable to dwelling units, including section 7-28-859:

- Buying and installing working batteries in smoke and carbon monoxide detectors within tenant's apartment.
- Keeping the unit safe and clean.
- Using all equipment and facilities in a reasonable manner.
- Not deliberately or negligently damaging the unit.
- Not disturbing other residents.

LANDLORD'S RIGHT OF ACCESS (MUN. CODE CH. 5-12-060)

- A tenant shall permit reasonable access to a landlord upon receiving two days notice by mail, telephone, written notice or other means designed in good faith to provide notice.
- A general notice to all affected tenants may be given in the event repair work on common areas or other units may require such access.
- In the event of emergency or where repairs elsewhere unexpectedly require access, the landlord must provide notice within two days after entry.

SECURITY DEPOSITS AND PREPAID RENT (MUN. CODE CH. 5-12-080 AND 5-12-081)

- A landlord must give a tenant a receipt for a security deposit including the owner's name, the date it was received and a description of the dwelling unit. The receipt must be signed by the person accepting the security deposit.
- However, if the security deposit is paid by means of an electronic funds transfer, the landlord has the option to give an electronic receipt. The electronic receipt must describe the dwelling unit, state the amount and date of the deposit, and have an electronic or digital signature. (eff. 10-8-10)
- However, the landlord may accept the payment of the first month's rent and the security deposit in one check or one electronic funds transfer.

TABLE: 6-CHI_ADMIN INSURANCE

Quickly estimate of Landlord Insurance Premiums / Liability Costs

Enter your current Insurance Premium: *Chicago average, update**

Pro-rated by additional area to be insured (given answers from Chi_rent):

basement unit (smaller) 0.66

existing unit(s) 2

\$2,195 updated for square footage

Pick Existing Insurance type

homeowners

landlords adds avg. 20% to premiums: liability and medical coverage on property

\$2,633 updated for landlord coverage/liabilities

Add personal property for your unit:

*Chicago average, update**

formerly covered in homeowners

\$100 misc processing & registration fees

\$2,983 reasonable estimate, annual premium

get a quote to calibrate premium estimates to
your building, its value, and your
neighborhood

quote from existing insurer, for updated policy

estimate or (if available) quote feeds management total below

1.A Marketing and Leasing*

edit and update values as desired

	cost/unit annual	source
advertising (3 weeks)	30	Zillow rates
broker fees	0	none assumed
security deposit interest	22	CIC mgmt toolkit
misc leasing/app paperwork	30	
marketing sum (costs * rental units)	164	

1.B Administration (self-managed)*

update values; replace with your lawyer,
accountant (etc.) hourly fees

	cost annual	source
misc printing & copying	100	CIC mgmt toolkit
legal - collections, evictions	450	"
book-keeping audit	450	"
administrative sum	1000	



Overall revision
line-items & costs

\$4,147 Net Est. Management & Insurance Costs

COVERING RISKS & MANAGEMENT OF RENTALS

As a landlord, you have a number of responsibilities to tenants and greater liability for potential accidents in your building. This calculator estimates the management and insurance costs of running a multi-unit building. While relatively minor, these fees are necessary to find renters and avoid larger litigation costs in the wake of accidents and tenant disputes.

If you're not a Two-Flat owner, the costs and task of management can feel nebulous. A quick way to get a sense of your responsibilities is to review Chicago's Residential Landlord and Tenant Ordinance (bit.ly/Chicago-RTLO). As a small building (< six units), it's not legally binding for your unit, but it offers a template for typical management tasks, including:

- placing security deposits into interest-earning saving accounts
- setting reasonable late payment fees (and legal caps of fees)
- setting rights of access and maintenance standards
- resolving tenant-landlord disputes and means of recourse



It's advisable that you both read the ordinance summary and pass it along to tenants, so everyone is on the same page.

To flesh out a full plan and robust budget for managing your building, you should reference the Community Investment Corporation's Property Management Manual (bit.ly/CIC-Property-Manual). Their extensive guide covers marketing apartments, setting up tenant selection procedures, enforcement and eviction processes, and speaks to the relative cost-efficiencies of managing larger vs. smaller buildings.

Having spent time and money, creating a new unit and finding tenants, it is essential to have the proper insurance to protect your basement investment. A landlord policy offers two broad types of coverage. It protects a) the physical structures on the property in case

of a loss/damage and includes b) liability coverage, should a tenant/visitor slip and fall. As you update to a landlord policy, it should have:

- **Dwelling Coverage** for the physical rental property: It is the cost to replace the existing structure.
- **Other Structures** for any other buildings like garages or sheds.
- **Personal Property** for your personal items: furniture, home goods, and computers. (Tenants will need renters insurance.)
- **Loss of Use** for any rental income you could lose. Set this to equal your annual gross rents.
- **Medical Payments** for any medical bills you may be responsible for.
- **Liability Coverage** for injury or lawsuits brought against the property (min. \$500,000 coverage).

CALCULATOR CONTENTS

1 In terms of budget estimation, the 'Chi_Admin Insurance' table translates the bare minimum of tasks into low estimates, assuming you will manage the building yourself (#1.A-B). What you see in the sheet, like the costs of marketing units on Zillow, or legal fees for a real estate lawyer, are meant as a best-case scenario facing evictions and rental turn-around. Consider, for instance, the 'public' face of showing units: do you need unit photos, cleaning, painting, or a paid broker to help show the apartment? That's just part of the management cycle. Double-check and update costs as needed.

2 **3** **4** Landlord's insurance is more expensive than homeowners and you can anticipate paying about 20% more a year for a landlord policy. For approximate numbers, input your existing policy (#2) and type (#3). For quick estimate purposes, this calculates a landlord's policy - with personal property (#4) separated from building and liability costs - as 120% of homeowners rates, with rough increases for finished basement units. **For an accurate estimate, get an updated quote from your current insurer.** Net costs from management and insurance feed into the 'Cost-Benefit' analysis.

CALCULATOR 7

MAINTENANCE . Routine . Preventative . Emergency Reserves

CALCULATING RESERVES

3. Emergency Reserves

update based on trade expert estimates

substantial capital projects

	cost		
major roof repair	\$ 12,000.00		
major hvac repair	\$ 3,000.00		
major plumbing repair	\$ 4,000.00		
sum	\$ 19,000.00	5	\$ 3,800.00

typical emergency replacement costs

	cost	cycle	annual saving
ejector & sump pumps	\$ 1,300.00	annual	\$ 1,500.00
appliance - laundry	\$ 1,000.00	annual	\$ 1,200.00
appliance - kitchen	\$ 800.00	annual	\$ 1,000.00
with install of each	\$ 200.00		

\$ 7,500.00

Lifespan & costs

Rule of thumb is to earmark 15% min. of monthly rent for emergency reserves & capital projects. 30.33%

That may not be adequate for older buildings or small multi-units

Original prices are from the initial construction estimates. To update, you should get building-specific estimates from trade experts and set realistic replacement timelines based on the age/lifespan of existing building elements.

7-CHI_MAINTENANCE - ROUTINE & PREVENTATIVE

1.A Routine: Service Contracts Building & Grounds

update based on existing contracts

	cost	by unit or bldg	task cycle	sum	notes
trash collection	\$ 150.00	unit	weekly	\$ 450.00	only applicable over 4 units
extermination	\$ 40.00	unit	monthly	\$ 120.00	
janitorial service	\$ 230.00	unit	weekly	\$ 690.00	
commons/laundry/grounds					
ground/lawn work	\$ 350.00	building	weekly	\$ 350.00	
snow removal	\$ 130.00	building	winter var	\$ 130.00	
				\$ 1,290.00	Routine Contracts

1.B Routine: Supplies, Parts, & Materials

update based on experience with inventory

	cost	by unit or bldg	task cycle	sum	notes
janitorial supplies	\$ 25.00	unit	n/a	\$ 75.00	See table for full list of maintenance tasks (Truncated for display)
ground & fertilizer supplies	\$ 140.00	building	weekly	\$ 140.00	
mower, blower, etc. repairs	\$ 28.00	unit	annual	\$ 84.00	
misc. - lights, other	\$ 22.00	unit	n/a	\$ 66.00	
intercom repairs	\$ 10.00	unit	n/a	\$ 30.00	

2. Preventative: Seasonal & Annual Repairs

update based on existing contacts & experience

	cost	by unit or bldg	task cycle	sum	notes
parking/site resurfacing	\$ 30.00	unit	semi-annual	\$ 90.00	
hvac - filter replacements	\$ 7.00	unit	annual	\$ 21.00	
carpet cleaning	\$ 22.00	unit	annual	\$ 66.00	
carpet repair or replacement	\$ 22.00	unit	annual	\$ 66.00	
paint supplies - gal. per	\$ 22.00	unit	annual	\$ 66.00	
common area paint (2 gal.)	\$ 45.00	building	annual	\$ 45.00	
roof repairs - patching*	\$ 350.00	building	annual	\$ 350.00	
porch and structural repairs*	\$ 350.00	building	annual	\$ 350.00	
hvac repairs - by contractor*	\$ 210.00	building	annual	\$ 210.00	
boiler, traps, radiator valves, water heater draining					
plumbing - by contractor*	\$ 210.00	building	bi-annual	\$ 210.00	
catch-basins, gutters, downspouts, drain routings					
electric work - by contractor*	\$ 100.00	building	annual	\$ 100.00	
fixture additions, etc.					
painting - by contractor*	\$ 70.00	unit	annual	\$ 210.00	
appliances - by contractor*	\$ 70.00	building	annual	\$ 70.00	
				\$ 1,854.00	Preventative Maintenance Total

*get specific estimates from trade experts

Original prices are from the CIC Toolkit - sample budget with inflation - for a six-unit building. You should anticipate higher fees for routine contracts, as you have less bargaining power.

Rule of thumb is to earmark 8-12% of monthly rent for maintenance. 15.84%

That may not be adequate for affordable areas or small multi-units

\$ 3,917.00 Routine & Preventative Sum

PLANNING MAINTENANCE: COSTS, CYCLES, AND RESERVES

If you've gotten this far in the manual, you've probably realized there is no such thing as a maintenance-free building. The purpose of maintenance is to keep the property safe, clean, and in good working condition. Regular repairs and annual assessments should halt decay and deterioration before it takes root – in common spaces, structural systems, mechanical systems, appliances and the building grounds. For estimation purposes, the table 'Chi_Maintenance' sorts maintenance into a series of routine tasks—occurring weekly, monthly, or as annual prevention—and a set of emergency repair and replacement costs, which can be covered by a reserve of savings.

As an owner-occupant, you may decide to do some of these services yourself, like lawn care or gutter cleaning. Even if you contribute labor, it is important to plan and schedule your maintenance in advance, to cover the cost of materials and synchronize seasonal tasks, like changing heater filters or checking radiator valves.

CALCULATOR CONTENTS

Conceptually, the main maintenance table includes:

- 1 **Routine maintenance contracts & materials:** Often accomplished by outside labor, these tasks correct problems that result from continuing wear on the property and equipment, accidents or abuse. This includes non-emergency repairs to the building, the equipment and the grounds such as performing snow removal, lawn care, sweeping, cleaning windows, and hallway vacuuming. Update by line-item.
- 2 **Preventive Seasonal/Annual repairs & materials:** This includes regularly scheduled upkeep on all areas of the property and equipment, esp. for heat/cooling. It allows trade experts to catch problems early and prevents expensive replacements to the building systems and structure. Update by line-item.

- Your costs, for routine contracts and annual service, will likely vary from the generic rates above, which are derived from Community Investment Corporation's manuals. As a small multi-unit building you are unlikely to have much bargaining power when hiring for lawn care or cleaning, and thus may pay more. **For a more accurate estimate of routine maintenance costs, update the current line-items based on trade-experts connections and existing contracts.** See Community Investment Corporation's **Property Management Manual** for more on developing a maintenance plan (bit.ly/CIC-Property-Manual).

- 3 **The final, reserve table outlines recommended savings for emergency repairs and capital building projects.** While not as extensive as the routine list, you can anticipate that these funds will be used to cover long-term up-keep, like inevitable roof repair and furnace replacement. These funds should also be used to handle tenants' (or your own) urgent or emergency maintenance requests, like replacing broken fridges or immediately fixing broken water pipes.

- Your costs for emergency and capital repairs will likely vary from the rates listed, which are derived from the initial NHS construction cost estimates. You may want to add additional items to the emergency replacement list based on your building. **For an accurate accounting of capital repair costs, get trade experts' estimates of replacement cost and remaining lifespan (to time your incremental savings).** *All maintenance costs & reserve recommendations are summed and incorporated in the 'Cost-Benefit' analysis.*

In addition to developing a maintenance budget and plan for yourself, it is helpful to remind tenants of their responsibilities to keep trash areas clean, notify you about extermination needs, and track concerns (moisture, slow drains, etc.) so you can address issues before they become expensive emergencies or code violations.

CALCULATOR 8

COST-BENEFIT SUMMARY . Break-Even Calcs

TABLE: 8-COST-BENEFIT BREAK-EVEN

1

CAN YOU AFFORD THIS PROJECT? WHEN WOULD YOU 'BREAK EVEN'?

1. Roughly Estimated Time to Break Even on Investment - given current inputs from each calculator page

When does the cumulative net value of the conversion (from the balance of benefits & costs) equal the amount of cash invested in a basement conversion?

Without Financing (or Interest)

Costs for Construction \$117,561.71 starting from the Construction total, Chi_Construction (C218)

7 Years to Break Even

when is cumulative net value = or > than construction costs? (compares above with column U at bottom of page)

When does the cumulative net value of the conversion (from the balance of benefits & costs) equal the amount invested in a financed basement conversion?

With Financing (and Loan Interest)

Total Costs for Loan \$163,932.63 Loan starting from the Construction total, with interest paid over lifetime, Loan_Terms (D78*D80) & downpayment

8 Years to Break Even

when is cumulative net value = or > than construction costs? (compares above with column U at bottom of page)

Quick Summary of Value growth over time

Time Horizon in Cumulative Years	YEAR 10	YEAR 20	YEAR 30	YEAR 40
NPV of Net Benefits (Cumulative)	\$ 208,580.01	\$ 748,116.22	\$1,784,661	\$3,374,481

2

Annual Benefits of ADU addition to Building

Rent & Operational Income

see source tabs to adjust estimates based on market research

All Rental Income \$24,730 starting value of all rents, from bottom of Chi_Rental Rates (E488)

Yearly Increase 4.86% annual increase based on area average annual increase, Chi_Rental Rates (E442)

simplified annual calculation: Next years rent = prior years rent * (prior years rent * annual avg. increase)

Annual Appreciation on Building with ADU

Bldg + ADU value \$515,091 based on recuperated basement conversion costs, Chi_Taxes (D73 or D75)

Appreciation percent 5.46% annual appreciation based on 5-yr average, by Chicago Neighborhoods, Chi_Taxes (D135)

use apprec. above ☒ check to use area estimates, uncheck for more conservative estimate of real estate growth

moderated appreciation 3.47% average of inflation and area appreciation

5.46% Appreciation Chosen

simplified annual calculation: Next years building value = prior years building value + (prior years building value * chosen annual appreciation)

Total Annual Benefits = Rent Income + Annual Appreciation

Annual Costs of Building Ownership & Management

Loan Payments (ADU)

see sources to adjust estimates, based on revised loan APR or loan length

Loan Payment \$5,617 starting value from Loan Rates (D80) * yearly payments, update originals to make sure length,

simplified annual calculation: Payments are fixed, per calculations on 'loan_terms'.

Continues, by theme
(truncated).

3

YEAR	BENEFITS				COSTS							NET VALUE	
	Rent Income	Building value	Annual Appreciation	4. TOTAL BENEFITS ANNUALLY	Loan Payments	Existing Mortgage Payments	Property Taxes	Utilities*	Insurance & Admin	Maintenance	5. TOTAL COSTS ANNUALLY	ANNUAL NET VALUE (NOMINAL)	CUMULATIVE NET VALUE (NPV)
Year 1 2020	\$24,730	\$515,091	\$0	\$24,730	\$29,129	\$12,032	\$9,112	\$3,939	\$4,147	\$11,417	\$58,359	(\$33,630)	(\$33,630)
Year 2 2021	\$25,930	\$543,215	\$28,124	\$54,054	\$5,617	\$12,032	\$9,112	\$3,997	\$4,209	\$11,586	\$34,967	\$19,088	(\$14,604)
Year 3 2022	\$27,189	\$572,875	\$29,660	\$56,849	\$5,617	\$12,032	\$9,112	\$4,057	\$4,271	\$11,758	\$35,088	\$21,760	\$6,217
Year 4 2023	\$28,510	\$604,154	\$31,279	\$59,789	\$5,617	\$12,032	\$9,112	\$4,117	\$4,335	\$11,932	\$35,212	\$24,577	\$29,389
Year 5 2024	\$29,894	\$637,141	\$32,987	\$62,881	\$5,617	\$12,032	\$11,471	\$4,178	\$4,399	\$12,109	\$37,697	\$25,184	\$52,787
Year 6 2025	\$31,345	\$671,928	\$34,788	\$66,133	\$5,617	\$12,032	\$11,505	\$4,240	\$4,464	\$12,288	\$37,857	\$28,276	\$78,674
Year 7 2026	\$32,867	\$708,616	\$36,687	\$69,554	\$5,617	\$12,032	\$11,541	\$4,302	\$4,530	\$12,470	\$38,022	\$31,532	\$107,121
Year 8 2027	\$34,463	\$747,306	\$38,690	\$73,153	\$5,617	\$12,032	\$11,578	\$4,366	\$4,597	\$12,655	\$38,190	\$34,963	\$138,203
Year 9 2028	\$36,136	\$788,109	\$40,803	\$76,939	\$5,617	\$12,032	\$11,618	\$4,431	\$4,665	\$12,843	\$38,363	\$38,576	\$171,995
Year 10 2029	\$37,891	\$831,140	\$43,031	\$80,921	\$5,617	\$12,032	\$11,659	\$4,497	\$4,734	\$13,033	\$38,539	\$42,382	\$208,580

BREAK-EVEN ESTIMATES: BENEFITS, COSTS, & NET VALUES

The final calculation table, 'Cost-Benefit Break-Even', takes the results of your prior estimations—of capital and operating costs—and sums them to determine your annual profit or debt and year-by-year cumulative net value. For the most part this table compiles automatically. There aren't many places to insert data or add custom values; rather, they should be adjusted in the prior seven thematic tables.

CALCULATOR CONTENTS

For ease of use, the layout is broken into three pieces:

- 1 The top section includes the key outcomes of your calculation, the break even values and a optimistic snapshot of decade-by-decade increases in value.
- 2 The middle explains where all the inputs are linked from, so you can flip back and forth between tabs as you seek to edit inputs.
- 3 The bottom sections hold all the annual cost-benefit summations, which track year-by-year profits and value accumulation.

At the top, the key outcome to examine is the break-even value. This tells you how many years it will take for the cumulative net value (of your building and rental income) to equal or exceed either the cost of construction (with or without financing), as derived from the bottom calculations. Consider your goals to contextualize this number: if you anticipate selling the building in five years it only makes sense to do a project that breaks even by year five. If you're going to be there for the next 15 years, breaking even in 12 years is entirely reasonable. The 'value growth over time' provides a quick read out of longer term value accumulation. This over-estimates value, as appreciation rates are unlikely to stay stable over 40 years.

As described at the middle and shown at the bottom, the annual determination of nominal net value is calculated by adding your annual benefits:

4

- rental income
- annual appreciation of building value

5

and subtracting your total annual costs:

- home-improvement-loan payments
- mortgage payments
- property taxes
- utilities
- insurance & management costs, and
- maintenance costs. & reserve savings.

Year-to-Year calculation, for the next year's benefit or cost in each column, is simply the prior year's value increased by inflation. The exceptions are in appreciations, loan payments, and taxes. **Appreciation** is set to start once the renovation is complete, so it begins in the second year, based your neighborhood's average five year appreciation rate. **Loan payments** start with both the down payment and monthly payments and then, from the second year on, only include the monthly payments. **Taxes** are frozen for the first four years (the home improvement exemption) and then are based on the appreciated building value. (*This likely over-estimates your taxes, as the assessment cycle is much slower, but also serves as a useful hedge against unanticipated rate changes.*)

In broad terms, the idea is to make sure that your gains in value (as liquid rent or fixed real-estate) are larger than your operating costs and loan liabilities, so that your annual (nominal) net value is positive. Once you've managed to eliminate your initial construction loan debt and balance your accumulate net value with your total construction costs (break-even), then annual net value additions are generating positive profit.



FINDING FINANCING . Resources & Expert Advice

NEIGHBORHOOD HOUSING SERVICES: FINANCIAL ASSISTANCE & EDUCATION

Browser: nhschicago.org/fix/home-repair-loans/

Home > Fix My Home > Home Repair Loans

Need Home Repair or Improvement?

Neighborhood Lending Services, Inc. (NLS) has the loans and services you need to get the job done right.

General Home Improvements <ul style="list-style-type: none">New kitchenNew roofNew sidingCentral air-conditioning, etc.	Energy Efficiency Improvements <ul style="list-style-type: none">Comprehensive air sealingInstalling new or increasing insulationUpdating to a more efficient furnace or boiler
Home Safety Improvements <ul style="list-style-type: none">Correcting dangerous electrical problemsUpdating hazardous heating systems	Vintage Home Improvements <ul style="list-style-type: none">Masonry re-paving and repairRestoring original wood windowsRepairing decorative metal cornices

What is NLS?
Neighborhood Lending Services is an Illinois state-licensed, nonprofit mortgage lender that offers affordable, fixed-rate home improvement loans for large or small needs.

Eligibility

- We lend in neighborhoods throughout the City of Chicago, Elgin/Northeast Kane County and south suburban Cook County
- Income eligibility and other restrictions may apply
- Make an appointment to find out if you are eligible

Repayment Terms

- Repayment terms up to 20 years, with affordable interest rates and no prepayment penalties
- Forgivable loans are available together with Home Improvement loans to help with home repairs
- Income eligibility and other restrictions may apply

How To Apply for a Loan

[Apply for your loan online](#)

or

Call 773-329-4111 to speak with a Loan Originator

Support NHS Chicago

[Donate Now](#) [Create Your Account](#)

Connect With Us

NHS Chicago
1279 N. Milwaukee Avenue, 4th Floor
Chicago, Illinois 60622
(773) 329-4111

NHS 4276722

Browser: nhschicago.org/learn/workshops/

Home > Learn Now > Workshops

Workshops & Education

Whether you are interested in buying a home or are an existing homeowner, Neighborhood Housing Services of Chicago (NHS) provides a variety of workshops to empower you to make smart decisions.

Financial Fresh Start (Financial Capability)

Our two-hour financial education workshop helps you:

- Develop a spending plan
- Reduce your debt
- Increase your credit score

These are online courses taught by a live instructor via Zoom.

Thursday June 4
6PM - 8PM One 2-hour session
[Register Here](#)

Thursday June 18
6PM - 8PM One 2-hour session
[Register Here](#)

Online Home Buyer Education

Complete home buyer education with eHome, an online home buyer education course. Proceed at your own pace in completing 6 modules, which are also available in Spanish. The regular cost of this course is \$99, but use the discount code NH-ISC49 for a significant reduction in price to \$50.

[Register Here](#)

Home Buyer Education Webinars

Learn about the home buying process such as the basics of budgeting, improving credit, understanding the closing process and down payment assistance programs.

These are online courses taught by a live instructor via Zoom.

Tuesdays June 9, 16, 23, and 30
6PM - 8PM, Eight-hour course delivered in four 2-hour sessions
[Register Here](#)

Saturdays June 13th and June 20th
9AM - 1PM, Eight-hour course delivered in two 4-hour sessions
[Register Here](#)

A Home Buyer Education certificate of completion, required to qualify for some down payment assistance programs, is valid for one year from date of completion.

Additional Workshops for Homeowners and Homebuyers

We also offer a variety of other workshops for current and future homeowners, such as estate planning, insurance and taxes, and trolley tours of neighborhoods and homes for sale. To view these offerings, click here.

Support NHS Chicago

[Donate Now](#) [Create Your Account](#)

LOAN & PROJECT GUIDANCE

If you're contemplating a basement conversion project and want to learn more about the construction process or home improvement financing options, make an appointment with Neighborhood Housing Services (NHS). NHS is a nonprofit neighborhood revitalization organization committed to helping homeowners and strengthening neighborhoods throughout Chicago and South Suburban Cook County. Neighborhood Lending Services (NLS), an NHS-affiliated corporation, is Illinois's largest nonprofit lender for homeowners and new home buyers. Whether you are interested in free Home Buyer Education classes or a fixed-rate loan to buy a home or fix up your home, NHS has the expert help you need.

For those borrowing through NHS, they can assist with construction services, education, and loan origination. Taken together, NHS helps their clients to:

- Develop a detailed scope of work for your basement
- Assist in finding qualified contractors and procuring project estimates
- Answer questions throughout construction and inspects work for quality assurances
- Identify lead and material issues for mitigation, in collaboration with the Chicago Home Safety Partnership
- Provide energy, fire-safety, and code audits to help you reduce your building's safety risks and environmental footprint
- Determine eligibility, terms, and rates for NLS's non-profit loans, as well as forgivable loans and ADU/maintenance grants (as available) from the City of Chicago Dept. of Housing and Illinois.

Additional educational materials on energy efficient renovations and accessible additions can be found at Enterprise Community Partners (ECP, links right). Because Two to Four-Flat buildings are relatively small multi-unit buildings (compared to Chicago's apartment towers), there aren't major subsidies or special tax rebates directed at single building

owner-occupants. For those investing at a larger scale, see Community Investment Corporation, next page, as well as ECP's financing.

NHS COURSES & COUNSELING:

- **Financial Education:** NHS's financial workshops empower you, as a buyer or homeowner, to make smarter decisions and develop realistic budgets for your home investments. Register for courses at: www.nhschicago.org/learn/workshops
- **Construction Services:** If borrowing through NHS, construction services can help you navigate the entire home repair process, from finding contractors to making sure your home is safe, secure, and passes inspection. Learn more at: www.nhschicago.org/fix/construction-services
- **Loan Applications:** NHS's loan originators can help determine your financing options and whether your project is eligible for alternate funding sources. Talk with your accountant first to determine your existing resources and long-term goals. Learn more at: www.nhschicago.org/fix/home-repair-loans/

OTHER EDUCATION RESOURCES:

- **Multifamily Green Retrofit Toolkit, ECP:** This toolkit includes sample projects, screening questionnaires, and other tools to help you assess whether your property is a good candidate for an energy-efficient retrofit, which could be productively combined with conversion work. Access at: bit.ly/ECP-Multifamily-Retrofit
- **Aging In Place Design Guidelines, ECP:** Although not identical to ADA requirements, CEP's Aging In Place Design Guidelines offer an easy-to-understand approach to integrating accessibility into your potential basement unit. Read at: bit.ly/ECP-Aging-In-Place



MANAGING PROPERTY . Resources & Expert Advice

COMMUNITY INVESTMENT CORPORATION: MANAGEMENT EDUCATION

The screenshot shows the CIC homepage with a navigation bar including links for About CIC, Loans, Programs, Properties for Sale, Policy, News & Events, and Contact. The main content area features a large image of a young girl in a pink jacket and hat, with the text: "We improve neighborhoods and lives. An innovative, human-centered approach to lending for affordable rental housing. WATCH OUR VIDEO". Below this is a "FEATURED NEWS" section mentioning CIC's selection as a grant recipient. A "Loans" section titled "What type of loan do you need?" offers options for Multifamily, Energy Retrofits, 1-4 Unit, and Mezzanine Debt. The Multifamily option includes a description of flexible financing and a "GET STARTED" button. A "Property Management Training" section states: "Whether you own 6 units or 600 units – or maybe you're just getting started – CIC has a workshop for you." and includes links for "On-Demand Learning" and "PMT Certificate Program".

The screenshot shows the "Property Management Training" page. The header includes the same navigation bar as the homepage. The main heading is "Best-in-industry workshops and training." followed by a paragraph: "Rental building owners know that it takes more than financing to have a successful rental project. That's why CIC offers best-in-industry workshops and trainings to help current and aspiring owner-operators grow and strengthen their business." Below this, a section titled "Workshop \$50 | Single topic \$25 or free | Event" lists five on-demand training options:

On-Demand Learning	On-Demand Replay	On-Demand Replay	On-Demand Replay	On-Demand Replay
Showing Your Rental Units Virtually	Maintenance Management	Your Questions, Answered: Payroll Protection Program for Multifamily Building Owners	Landlord Legal Update, Summer 2020	
PMT Certificate Program Online Learning Take at Your Own Pace	Webinar 1 hour	Webinar 1 hour	Webinar 1 hour	Webinar 1 hour
INFO	INFO	INFO	INFO	INFO
REGISTER	WATCH NOW	WATCH NOW	WATCH NOW	WATCH NOW
			POWERPOINT	POWERPOINT
				COVID-19 UPDATE

Below the training list is a "Property Management Materials" section titled "Resources and Downloads" with three columns of links:

- CIC Workshop Materials**
A practical guide with accompanying forms & resources for developing a property-specific toolkit.
[Residential Property Management Procedures Manual](#)
[Property Management Training Appendix and Toolkit](#)
- CIC On-Demand Video Library**
Access all of CIC's on-demand topical webinars and rewatch at your convenience.
[Landlord Responsibilities: COVID-19 Protection Ordinance Review](#)
[Applications to Lease-Up](#)
[Lending in the "New Normal" Market](#)
[Showing Your Vacant Units During COVID-19](#)
- Further Resources on Best Practices**
The latest guidance, documents, and resources to help you manage your property.
[Chicago RLTO Summary](#)
[General Landlord Responsibilities](#)
[Evictions](#)
[Maintenance and Repairs](#)
[Security Deposit Interest Rates](#)
[Chicago Illinois](#)

MANAGEMENT GUIDANCE

If you're contemplating a basement conversion project and want to learn more about building management and maintenance, Community Investment Corporation (CIC) provides educational materials. CIC is the Chicago metropolitan area's leading lender for the acquisition, rehabilitation, and preservation of affordable rental housing. CIC financing provides much-needed investment in credit-starved communities and ensures affordable housing for Chicago's workforce. CIC's Property Management Training Program provides owners and managers with the information and skills they need to successfully operate multifamily housing.

In particular, you can sign up for a property management training workshop, which:

- Prepares landlords with the knowledge to better market, manage and maintain residential rental property;
- Covers topics, such as marketing, fair housing, the landlord/tenant ordinance, insurance, nuisance abatement, real estate tax issues, maintenance and budgeting;
- Can be done online, through a series of thematic sessions; and
- Is accompanied by the Residential Property Management Procedures Manual and Appendix Toolkit, which includes sample budgets, legal and market resources for operating as a landlord in Chicago.

CIC also has a number of templates, forms, and booklets to streamline the process of maintenance/rehab construction and communicating with tenants. If you're looking for specific area real estate and apartment associations, see their resources page. Additional educational materials on energy efficient maintenance and operations can be found at Enterprise Community Partners (ECP, links right). As a lender, CIC also finances affordable Two to Four-Flat housing at development scale, with loans for nine + building cluster investments.

CIC COURSES & COUNSELING:

- **CIC's course and workshop schedule:** for online and in-person courses. See upcoming trainings: www.cicchicago.com/programs/property-management-training
- **Residential Property Management Procedures Manual:** A practical guide for developing a property-specific procedures manual. Read at: bit.ly/CIC-Property-Manual
- **Property Management Training Appendix and Toolkit:** Includes sample documents and forms useful for property management. Read at: bit.ly/CIC-Property-Toolkit

OTHER MANAGEMENT TOOLS:

- **Green Operations and Maintenance Tools, ECP:** ECP's green operations manuals provide templates and forms for a maintenance program and are designed to ensure that green design intentions are codified into operations and maintenance guidelines. Aimed at larger buildings, they are instructive to review for refining your maintenance plan. Access at: bit.ly/ECP-Green-Maintenance

