

Keep Chicago Renting



PROTECTING TENANTS IN FORECLOSURE

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- The Problem

- Approx. 18,000 vacant units currently in the City of Chicago
- 2012: 9,000 properties that completed a foreclosure auction.
 - ✦ Roughly 90% of these properties become bank owned.
- In City's most distressed communities, these bank-owned properties can sit vacant for years before re-entering the market.
- Advocate spot checks of 156 properties in 2012:
 - ✦ 75% of Albany Park rental properties had become vacant
 - ✦ 67% of Englewood rental properties had become vacant
 - ✦ 59% of Hermosa/Belmont-Cragin rental properties had become vacant

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- Applies to:
 - an owner (mostly lienholders and banks) of a foreclosed rental property who becomes the owner through a foreclosure, i.e., a certificate of sale, deed in lieu of foreclosure or consent foreclosure.
 - tenants in the foreclosed rental property who were tenants on the date the owner becomes the owner of the foreclosed rental property.

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- Does NOT apply to:
 - an owner who was an owner of a foreclosed rental property prior to the effective date of the ordinance;
 - a bone-fide third party purchaser;
 - a person appointed a receiver.

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1. Registration
2. Notice
3. Relocation Assistance
4. Enforcement

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- Registration
 - Owner must register the property with the Department of Buildings no later than 10 days after becoming the owner of a foreclosed rental property.
 - ✦ \$250 registration fee

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- Notice

- Mirrors State law requirement.
- Within 21 days of becoming the owner of the foreclosed rental property, the owner must provide all known tenants that this is not a notice to vacate and advise the tenants that eligible tenants may be eligible for relocation assistance.
- Notice must also include the name, address and telephone number of the owner and property manager or owner's agent responsible for the property.
- Notice must also be posted on the primary entrance to the foreclosed rental property.

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- Relocation Assistance
 - Requires the owner of a foreclosed rental property to pay an eligible tenant a relocation fee of \$12,000 if the owner does not offer the tenant the option to renew or extend the tenant's current lease at a rent that is no more than 102% of the current rent (only can increase the rent 2% every twelve months).
 - If the rental unit is occupied by more than 1 qualified tenant, the total relocation assistance is capped at \$12,000.
 - The relocation assistance shall be paid no later than 7 days after the date the tenant vacates the rental unit.
 - The owner may not deduct any charges from the relocation assistance, except any unpaid rent may be deducted unless the rent was lawfully withheld.
 - The owner does not have to pay relocation assistance to any tenant from whom the owner has obtained a judgment for possession.
 - The owner has the duty to pay the relocation assistance until the foreclosed rental property is sold to a bona-fide third party purchaser.

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Component	Amount	Rationale
Potential increased rents for a new apartment	\$5250	The federal Uniform Relocation Act provides this amount to cover potential rent increases for 3.5 years after relocation
Upfront costs for a new apartment	\$3258	Many renters must pay one month's rent for a security deposit plus last month and this month's rent upfront, and the average month of rent in Chicago is \$1086 (HUD Housing Scorecard)
Rental application fees	\$340	The average rental application fee is \$300 and the average credit check fee is \$40

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Component	Cost	Rationale
Moving fees	\$1250	The median number of rooms in a Chicago apartment is 5 (American Community Survey), and the Illinois URA schedule for moving costs provides this much in compensation for 5 rooms
Costs incurred in searching for new housing	\$400	A similar Los Angeles ordinance provides at least \$400 for costs associated with finding a new apartment (transportation, lost wages, etc.)
Compensation for disruptions from involuntary moves	\$1575	A similar Los Angeles ordinance provides \$3150 to long-term occupants in recognition of the costs and hardships associated with the disruption of involuntary relocation (i.e. commutes, child care, etc.); this amount is half of what Los Angeles provides
Total	\$12,073	

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- **Enforcement**
 - An eligible tenant who does not receive appropriate relocation assistance or who does not receive the required notice, has a private cause of action.
 - The penalty for failing to pay the appropriate relocation assistance is twice the amount of the relocation assistance, plus attorney's fees.
 - The general penalty for violating the ordinance is \$500 to \$1,000 per violation, with each day of violation a separate offense.
 - Jointly enforceable by the Department of Buildings and BACP.

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	CURRENT PROTECTIONS	PROPOSED ORDINANCE	COMPROMISE REVISED ORDINANCE	LOS ANGELES	NEW YORK CITY	SAN FRANCISCO
Notice to Tenants	Tenant receives notice that owner is in foreclosure w/in 7 days. For condo conversion, tenant receives 6 months' notice, can extend lease by 6 months.	Remaining tenants post-foreclosure receive notice of their rights.	Remaining tenants post-foreclosure receive notice of their rights.	If a property is being sold, tenants receive notice of sale and their rights from current owner.	State requires lender to provide notice to tenants when property goes to foreclosure.	N/A
Minimum time before foreclosure eviction	Tenant receives 90 -120 days to remain in lease in foreclosure.	Eviction in foreclosure banned outright.	Tenant can remain in unit in one-year intervals at 102% rent until property is sold, or tenant receives compensation of \$12,000.	Bans eviction of tenants in foreclosure, but allows eviction for property conversion.	Bans eviction of tenants in rent-controlled units that are in foreclosure; allows eviction for property conversion or demolition.	Bans eviction of tenants in foreclosure, but allows eviction for property conversion or demolition.
Compensation to Renters	Only for condo conversions, tenant gets \$1,500-\$2,500.	Tenant remains in property – evictions banned in foreclosure.	Lender provides compensation of \$12,000 for tenants in foreclosure, or extends the lease in one-year intervals until property is resold.	Owner provides compensation up to \$18k for displaced tenants when owner goes out of business, switches to commercial use, etc.	Owner provides moving costs and stipends case by case (under New York State process).	Owner provides compensation up to \$15,000 to displaced tenants when owner converts the property or demolishes it.
Owner Obligations	Owner notifies tenant that he is the subject of a foreclosure within 7 days.	Evictions in foreclosure banned – owner must let tenants stay renting at current rent.	If owner was the foreclosing entity or lender, must provide \$12,000 to tenants or extend lease in one-year intervals until property is resold.	Evictions in foreclosure banned for rent stabilized properties (90 percent of rental stock).	Evictions in foreclosure banned (for rent-stabilized properties).	Evictions in foreclosure banned (for rent-stabilized properties).
Foreclosing Entity Obligations	Entity may be required to refund security deposits to tenants.	Entity registers foreclosure with city departments and keeps tenants in place until property resold.	Entity registers foreclosure with Dep't of Buildings once foreclosure finishes and judicial sale occurs.	Evictions in foreclosure banned for rent stabilized properties (90 percent of rental stock).	Evictions in foreclosure banned (for rent-stabilized properties).	Evictions in foreclosure banned (for rent-stabilized properties).
Penalties	Tenant receives \$200 if owner fails to notify of pending foreclosure filing against property.	Tenant receives \$5000 if deceived of their rights.	Lender pays City of Chicago \$500 to \$1000 for violations; building conversion permits may be held if violation occurs.	Building conversion permits blocked until relocation is provided to tenant.	N/A	N/A

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