GC REALTY & DEVELOPMENT, LLC

WHAT THEY DON’T TELL YOU ABOUT REAL ESTATE INVESTING

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INTRODUCTION

As local property managers and investors in the Chicagoland area real estate market, we have worked alongside thousands of investors across various real estate transactions, each with their unique story.

The Chicagoland real estate market comprises the City of Chicago and its surrounding suburbs. The total area is made up of six counties. Cook County is the largest county and includes the City of Chicago. The additional five counties, often referred to as the "Collar Counties", are DuPage, Kane, Lake, McHenry, and Will. With just under 10 million people, the Chicagoland area is the third largest metropolitan area in the United States.

Specifically, the Chicagoland area is home to multiple Fortune 500 Companies as well as a truly remarkable mass transit system. The system runs continually and transports over 1.7 million people per day via el trains, busses and subways.

WHAT IS A REAL ESTATE INVESTOR

A real estate investor is defined as someone who actively or passively invests in real estate. Property investors from all over the world find the Midwest to be an especially attractive place where they can grow their real estate portfolio.

There are three common types of investors that we continually transact with and they include:

Out-of-State Investor

These real estate investors live outside of the Chicagoland area, often in a different State or Country. It is imperative that these investors be mindful of the detailed process entailed in successfully completing a transaction. In this down-

load, we will dive into how to successfully purchase real estate from contract to closing and the process of ongoing management there afterwards. We will also discuss the importance of familiarity with state and local leasing laws, municipality requirements, and how important it is to have a pulse on current market conditions.

Local Investor

These Chicagoland real estate investors live and work locally. They are savvy in the way that they purchase properties in order to expand their real estate portfolio. However, somewhere along the way, we notice they get lax in the way that they do business. They fail to keep up with ever changing laws and they don't formulate new ways to enhance their investment strategy.

Accidental Investor

These real estate investors became investors by "accident" when vacating their property forced them into the role of Landlord. The investors have difficulty realizing that their previous residence must now be run as a business in order to maximize this new opportunity.

Our eBook has all the information you need to know about what to do—and what not to do—when investing in the Chicagoland area real estate market. Although some information may not seem useful now, this eBook will prove to be a valuable download for any situations that may arise in the future. You may realize that some of the mistakes that we are sharing with you may be some of the mistakes you have already made. We are confident that we can help you be better prepared when faced with similar instances in the future.

We want to thank you in advance for taking the time to download this eBook and read it in its entirety. If at any time while reading or after completing the book you have any questions or comments, please feel free to contact GC Realty & Development, LLC. We welcome the opportunity to discuss all we have to offer in regard to purchasing, selling, or managing property in and around the Chicagoland area.

THE IMPORTANCE OF UTILIZING AN ATTORNEY IN A REAL ESTATE TRANSACTION

When you are purchasing real estate, whether it is a single family home, a multi-family apartment building, a vacant piece of land, or a commercial building, there is a highly detailed process that starts the moment the purchase contract is signed. That process does not end until the keys to the property have been given to the buyers at the closing table.

As Illinois Licensed Real Estate Brokers ourselves, we know we are ethically bound to look out for our client's best interests.

Illinois State law and Chicago municipality law do not require a real estate attorney to assist buyers or sellers involved in real estate transactions. However, hiring a local real estate attorney with local knowledge can certainly be a worthwhile investment. Although not common in other parts of the country, 98% of real estate transactions involve both parties having their own separate legal representation.

Your attorney will:

ENSURE DISBURSEMENT OF ACCURATE INFORMATION

Working with a local real estate attorney ensures that you are going to be given all accurate and pertinent material pertaining to your transaction. The attorney will take the time to review the documents, check them for accuracy, note any inconsistencies, and remedy any issues ahead of the closing.

These documents will include:

- Property disclosures produced by the seller
- Current tenant lease and application data
- Any subsidised housing inspection and the status of any outstanding issues
- Local municipality Point of Sale Inspections
- Local administrative and building codes

A local real estate attorney will also review the purchase or sale contract to ensure the terms are clear, understandable, and otherwise customary. They will confirm that there are not any issues with the title to the property. Most importantly, they will ensure that any agreements regarding repairs to the property are properly memorialized in writing and will complete all legally required pre-closing disclosures.

All of this information will be documented and kept by your attorney should it ever need to be referenced post closing.

HIRING AN ATTORNEY WILL SAVE YOU PRECIOUS TIME

In order for a real estate transaction to complete successfully, there are multiple obligations and responsibilities that must be met by both parties prior to closing. In addition to the seller disclosing any known issues within the property, communication between parties is crucial to the success of the deal. Attorneys must work together to satisfy the multitude of requests made by lenders, title companies, local municipalities, real estate Brokers, homeowners association, and the county tax assessor association with the transaction.

It may seem as though these tasks can be completed meticulously and without the assistance of an attorney, but each step is vital to the process and must be executed flawlessly. It is inevitable that without the assistance of a local real estate attorney, preventable mistakes will occur. These mistakes can often cause major closing delays, or even worse, a cancelled transaction.

PROVIDING CLEAR TITLE TO THE BUYER

Of all the tasks handled by the Attorney, the most important will be the reviewing of the title to the property. In the role of "Title Agent", the attorney works alongside the Title Company to ensure that the seller actually has the legal right to pass full legal ownership of the property to the purchaser. Any issues that may be found on title will be noted and the title company and agent will work alongside the seller to solve any issues prior to the closing.

REVIEWING THE PLAT OF SURVEY

In addition to the contract, disclosures, and additional due diligence materials provided by the seller, the buyer's attorney also reviews the plat of surveys that depict the subject property.

WORK WITH ANY ISSUES POST-CLOSING

Disputes often can and do occur once a real estate transaction has been completed. An attorney that strictly deals in litigation can be expensive, often requiring several thousands of dollars as a retainer fee. However, deciding to utilize the services of a real estate attorney can significantly reduce the likelihood of disputes that may arise post closing.

Disputes that often occur post closing may include:

- Lack of disclosure on behalf of the seller
- Errors and omissions in the real estate purchase or sale contract
- Issues that may arise on Title
- Property condition once legal ownership has been passed on to new owner

The risk of post-closing litigation is reduced dramatically if both sides hire local real estate attorneys, from the time that the contract is signed, until the time the closing occurs. Since post-closing litigation is expensive, time consuming, and unpredictable, many times the purchaser assumes all the liability.

LOCAL REAL ESTATE ATTORNEY VS. REAL ESTATE ATTORNEY

You may be wondering how a local attorney may differ from a real estate attorney, and it's quite simple. A local attorney is described as someone who practices law within 50 miles of less of the subject property. Local customs are far more different in the Chicagoland area than they are in downstate Illinois areas, like Springfield or Peoria, for example.

A real estate attorney chooses to focus primarily on real estate based transactions. This can vary vastly from attorney's that practice many areas, or even general practice attorneys. Most attorney's focus their strength on mastering one or two particular fields and then develop their expertise and reputation in that area.

You would not hire a professional roofer to lay flooring in your home, and we highly suggest that you obtain the services of a reliable and reputable real estate attorney based on that same common sense principle.

If it is your goal to proactively, responsibly, and efficiently add income generating properties to your portfolio, then we highly recommend the assistance of a local real estate attorney to help you along the way. It will be one of the most advantageous additions to your investment plan.

INSPECTIONS ARE WORTH THE INVESTMENT

Professional home inspections can cost less than $500 per property plus save a potential buyer tens of thousands in repairs down the road. In the most extreme cases, a home inspection riddled with items can signal the end of a deal. The decision to not obtain an inspection, puts the purchaser at huge risk for potential issues that may arise down the road.

A few years ago we had the opportunity to speak to an investor who waived their right to a professional home inspection on their purchase of a 22 unit portfolio. They opted instead for a credit of $1,200 per unit as a credit off of the total purchase price.

Since this investor has closed, they have spent over $330,000.00 on maintenance and on much needed capital improvements.

Had a professional inspection been completed, the deficient items would have been noted, negotiated, remedied, or credited properly prior to closing. Needless to say, the cash flow for this once income generating property has been depleted for nearly 10 years based on these unforeseen expenditures. The worst part was, the purchase was supposed to be turnkey.

GENERAL HOME INSPECTION

The best way to obtain an overall picture as to how a home is operating is to have a home inspection completed. As mentioned above, it is a low cost investment that end up saving thousands of dollars, if not more, down the road.

Details found within the inspection report can assist both the buyer and their attorney in deciding whether to proceed with the purchase, or to terminate the transaction. The report can also assist in the negotiation of credits or purchase price reductions. Of utmost importance, however, is that the report can assist with the planning of longer term capital improvements that may be necessary.

Oftentimes, a home inspection will conclude that a property is in top condition, solidifying the decision by the buyer to proceed with the transaction.

Do keep in mind that home inspectors are generalized and have limited areas of specialty. It may be deemed necessary to look deeper into a particular issue such as structural issues, potential mold issues, or roofing.

SCOPING SEWER LINE

An integral step in the purchase of a home, especially a vacant one, is the completion of a scope of the sewer line. This is done with a camera that can view the sewer line between the house and city sewer with any catch basins in between. The cost of scoping can be a few thousand dollars, but can prevent \$7,000 - \$20,000 in potential future costs.

ROOF INSPECTIONS

Throughout the Chicagoland area, many homes are outfitted with roofs that are flat. The Chicagoland area is also home to unpredictable and inclement weather.

These two factors combined can cause a plethora of issues with the parapet, chimney, skylight, and copings of a property. This can be in addition to any standard that leaks that may occur and lead to interior damage very quickly.

For the investment of just a couple hundred dollars, you can hire a qualified roofer to visually inspect the condition of the roof, advise you of the condition, and guide you on any repairs or preventative maintenance that may be needed. Since a home inspector will not fully delve into a roof inspection, it is important that a buyer take the time to hire a professional to potentially avoid negative situations in the future.

RADON INSPECTION

Radon is a colorless, odorless gas that is found in the soil. It is typically at it's highest in basements and crawl spaces across many parts of the United States. It can easily go undetected and has the potential to cause serious ailments. Per Illinois law, the disclosure of any known unsafe radon levels is required by each seller who wishes to transfer property.A buyer has the right to complete a radon inspection on the property.

The typical cost for a radon test is around $200. A professional radon company will place the test at the property for a term of 48 hours. During this time, the system will tabulate the amount of radon in the air at hourly intervals. At the end of the test, the hope is that the radon level in the home is well below the 4.0 psi level. If the radon level is higher than that, the seller must take the proper steps to mitigate the issue. Radon mitigation is typically a cost that is paid for by the seller, and can cost anywhere from $1,200 - $4,000 depending on the size of the home.

“Measure twice and cut once” is a great message to take from the above section. Knowing what you get into beforehand can eliminate large risks and financial unknowns before you close on a property.

VILLAGE REQUIREMENTS

Local municipalities here in the Chicagoland area are playing a more vital role in the transactions of real estate investors. As a Landlord, here are a few terms that you will want to become familiar with.

POINT OF SALE INSPECTION (POS)

A Point of Sale Inspection (POS) occurs when a village visits a property prior to a seller finalizing the sale.

These inspections typically require a small fee to be paid for by the seller. During the inspection, a representative from the Village will inspect the property per the local village ordinances. Oftentimes, these inspections must be completed in order for the Village to release a transfer stamp, a requirement by the Title Company at closing.

Items that are noted during a point of sale inspection must be addressed by the seller prior the sale being finalized. There are some Villages that will allow any outstanding issues to be inherited by the buyer, so long as the buyer signs an affidavit stating that the work will be completed in a certain amount of time. There may also be a surety bond that is required, at the buyers, expense, to be placed with the Village so that the work is guaranteed to be completed by the buyer.

The City of Chicago does not require Point of Sale Inspections, but it is commonplace in the surrounding suburbs.

As a buyer, you want to be sure that you fully understand the requirements of each municipality so that you can avoid any future potential issues.

ANNUAL RENTAL LICENSE INSPECTIONS REQUIREMENTS

Many suburban areas have enacted Rental Licensing Programs that follow strict requirements. They require properly filed annual documentation, annual fees, and annual inspections. Their intent is to provide safe housing to those leasing property in their area.

PROPERTY FINES

During the rental licensing process, the Village may require that items found on their inspection be repaired and addressed immediately. Contractors that will be handling the scope of work must be permitted to do so. Additionally, these processes may include multiple visits by Village inspectors across various departments.

PERMITTED PROPERTY REPAIRS

During the rental licensing process, the Village may require that items found on their inspection be repaired and addressed immediately. Contractors that will be handling the scope of work must be permitted to do so. Additionally, these processes may include multiple visits by Village inspectors across various departments.

EXISTING PROPERTY VIOLATIONS

A property may already carry its own set of building code or ordinance violation issues, and a seller or buyer may not even be fully aware that there is an issue. Upon successful completion of the transaction, any existing violations will become the inherent responsibility of the new buyer. The previous property owner may not even have been aware of any issues as they may have never been forced themselves to be compliant. Issues like this can span throughout many years and through the transaction cycle of multiple owners.

You can avoid these types of issues by performing a thorough due diligenceby visiting the subject property municipality website, calling City Hall directly, or by obtaining a complete report by submitting a Freedom of Information Act (FOIA) request.

In the most extreme cases we have witnessed investors spending upwards of $50,000 to remedy violations. All which could have been avoided with the use of an attorney and proper due diligence.

IS IT REHABBED PROPERTY OR JUST "LIPSTICK ON A PIG"?

Property photos and advertising language can be deceiving, and as nice as they seem, they do not truly depict the infrastructure or the true mechanics of a property. Nowadays, it is common to see properties being marketed as "rehabbed". Investors must realize that cosmetic repairs and simple upgrades like cabinets or appliances can cost less than $2,000. However, repairs unseen to the naked eye, like the replacement of collapsed sewer lines, can cost tens of thousands.

Minimizing capital expenses at the onset of your investment will lead to a healthy cash flow and in order for that to happen, a truly rehabbed property should contain the following:

- Full tear-off roof rather than an additional layer
- Newer and higher efficiency windows
- Newer and higher efficiency furnaces
- Newer and higher efficiency hot water heaters
- New copper plumbing in place of galvanized plumbing
- Newer sewer lines
- Newer upgraded electrical that includes a service panel with expandability
- Newer gutters and soffits that carry water away from the property
- Dry basement or crawlspace with no evidence of water intrusion

We frequently see properties in which a rehabber has painted, replaced cabinets, fixtures, appliances, and flooring. These items of minimal cost, or "lipstick on a pig" can wind up costing a new buyer thousands of dollars down the road. Buyers of these types of rehabs need to prepare for the cost of major improvements down the road, and may want to take that into consideration when preparing a purchase offer.

HOUSING CHOICE VOUCHER PROGRAM - SECTION 8

There is often a negative stigma associated with Section 8 Housing, however, in the Chicagoland area, the Housing Choice Voucher Program is a popular option for real estate investors. In fact, fully understanding the program and its benefits can prove to be very lucrative for an investor.

Section 8 is a government program administered by HUD that provides the payment of rental housing assistance to private landlords on behalf of low income households in the United States. The Housing Choice Voucher Program(HCV) provides "Tenant-based" rental assistance for individual units such as, single family homes or condominiums, based on an individual tenant's situation. Having a Section 8 tenant in your property is not limited to any particular neighborhood or County, and any landlord can participate.

The entire program is administered by the US Department of Housing and Urban Development (HUD), but locally there are individual housing authorities with local offices managing specific areas.

In Chicago, there are numerous offices, like the Chicago Housing Authority(CHA), which covers only Chicago. The Housing Authority of Cook County(HACC) covers all Cook County areas which are not Chicago. Other offices include Dupage Housing Authority (DHA), or Housing Authority of Elgin (HAE). The CHA in Chicago is the second largest Housing Authority in the country with over 46,000 households participating in the HCV program.

As with any investment, there can be many positives and negatives to establishing this type of income within your portfolio. For first-time Section 8 landlords, proper education is necessary.

SECTION 8 PROGRAM BENEFITS

Rental Payment Consistency

Residents that are included in the Section 8 program have a portion of their rental payment paid by the government each month. As a Landlord of a tenant on the program, you can expect that on the first day of the month the rental payment will be deposited. Contracts between participants in the program will vary as to what portion the tenant will be responsible for and what portion will be paid for by the government, and they are based on the tenants income.

Ideally, Landlords can expect subsidized payments around 70% of the monthly rent with the tenant being responsible for only 30%. Tenants whom are responsible for a portion of their rent each month tend to be more emotionally invested in remaining in the property long term.

Preparing for Vacancy

There is always the potential to prepare for any vacancy that may occur prior to a property being leased again. Tenants are often lax during the move-out process and that can result in delays finding a new tenant, not to mention a reduction in income the property may be generating. Communicating a lease renewal or acceptable move out procedure is critical to minimize any vacancy.

Long term tenants

The application, documentation, and approval process for Section 8 is extremely lengthy and daunting. After final approval, tenants are happy to finally be in the property and participating in the program. We find that tenants that are happy with their current Landlord or Management company stay in their residences for many years.

Tenant Eviction & Rent Payment

In the rare instance that you need to file for eviction against the tenant, Section 8 will continue to pay the monthly subsidy payment until the tenant has vacated the property. In the aftermath of the eviction, the tenant can be fined with further penalties from CHA.

SECTION 8 PROGRAM DOWNFALLS

As with anything, there can be some downfalls associated with participating in the housing voucher program. It's important to understand that there is much more to understand than what is outlined here.

Vacating a Tenant

There are times when a tenant is not a good fit for a property or even worse, they may be a menace to the neighborhood. Being diligent in assisting the tenant with relocating can help maintain an accurate timetable for your upcoming vacancy.

Failed Inspection Caused by Tenant

Tenants may say and do spiteful things to inspectors to cause a failed inspection. A tenant may not agree and become aggressive or hostile when the landlord is trying to do what's right for the operation of the property. That is why it's crucial to have a Landlord representative at every inspection to ensure that the outcome can be controlled.

Housing Authority May Stop Payment

The failing of an annual inspection more than once can likely result in the income from Section 8 being abated. This essentially means that the Housing Authority will stop paying until the issues within the property have been resolved and that the property has been reinspected to code.

Fluctuation of Tenant Payment

If the annual income generated personally by your tenant changes, Section 8 may deem it necessary to change the initial agreed upon payment terms.

Tenant Voucher Change

The vouchers held by tenants are based on bedroom size. Since household members change, so does the voucher. A tenant adding a member to their household will certainly be given a voucher for a higher bedroom count. This can lead to a vacancy very quickly as the tenant will want to obtain a larger home. When a tenant's voucher is reduced in size (ex. 3 bdrm to 2 bdrm), the monthly rent will not decrease, but the tenant's portion will increase. As the tenants portion increases, this can often lead to collection issues. It can also cause a tenant to want to move to find a more affordable scenario for themselves.

Payment Timeframe

Once the rental amount has been agreed upon and the tenant has taken possession of the home, it can take anywhere from 30-45 days to receive the first payment through the program. As this may induce an interruption of cash flow, be aware that often during their second month of leasing the property, a double payment of rent may occur. This can help you get back on track for the third month in order to make on-time monthly payments. You will be entitled to 100% of all rent due based on the lease.

Working within Section 8 anywhere in Chicagoland can be a very profitable long-term strategy for your investments. Early on, understanding how to maneuver the program will help you avoid many of the common issues investors experience. Ultimately, we suggest hiring a local property manager who can help you learn by doing it right on the first attempt.

If you are managing the property yourself, it's important to connect with local property managers or owners that understand this process. If you hire a property manager, first ensure the manager can prove their extensive knowledge of the process before you consider working with them. Don't let your new property manager learn on your dime.

HAVING THE RIGH TEAM AROUND YOU

A large part of any real estate investor's success is having the right team around them to guide them through the process and assist in avoiding pitfalls along the journey. It's important to have a team to turn to when you are únsure, or have issues you need to solve quickly, especially when it's a circumstance you have never experienced and are unfamiliar with.

On the other hand, we have seen many investors spend years trying to build their team. They're weary to even make offers on properties until they feel they have the "A-Team" in place. We often watch future investors interview multiple lawyers and countless contractors. They will even sit down with many CPAs, when in reality, they're years away from having to file their first tax return. While they are putting together their "team", real estate prices are rising and the markets are changing. This extensive due diligence comes with a high cost of opportunity.

We think it is important to work with people you are comfortable with and you know are looking out for your best interests. No matter how many times you interview a potential team member there is always a 50/50 chance the relationship will not work in the long term, so save yourself the time and go with a group already customized to working on what you are aiming for.

Remember the successful investors team you might hijack are most likely already streamlined. Most successful people are only surrounding themselves with a top-tiered team, and they have the ability to move quickly to make changes when things are not working.

PROPERTY TAXES

Property taxes are paid in almost every area of the United States. Inevitably, property taxes are also always rising as the price of real estate goes up.

HOW YOUR TAX BILL IS CALCULATED

In Illinois, two factors go into determining your tax bill. The first is the taxable value of your home; the second is the tax rate. The tax rate is the percentage of the taxable value that the local tax authorities use to calculate your property tax amount. You can learn more about property taxes in Illinois from the Illinois Department of Revenue.

Each Illinois County has a slightly different tax rate calculation. In most Illinois counties the taxable value of a home is 33.3% of the home's Fair Cash Value.

The Fair Cash Value is essentially the amount the home would sell for on the open market. In Cook County the fair cash value is 10%.

UNDERWRITING PROPERTY TAXES

When you are calculating figures as an investor in advance of buying a property, you must be sure that the current annual tax amount is the same amount you will be expected to pay when you're the property owner. The existing property tax scenario for your seller may be different than yours post-closing as the buyer.

In Illinois, if a real-estate owner occupies the property, then that owner can request a Homeowners Exemption from the governing body. This can help to reduce the annual property tax obligation. Unfortunately, as an investor you don't get that exemption because you won't be living there as your primary residence.

Any property owner over the age of 65 using the property as their primary residence can qualify for a senior exemption. They are also eligible for a "Senior Freeze" if they are over the age of 65 and their income is below a certain threshold. This exemption will freeze the value of the property which the governing body uses to calculate the annual property tax amount.

In order to account for your potential annual tax amount in the years to come, it's necessary to take those potential current exemptions into consideration when underwriting a property. If you are buying a property which is occupied by a senior with a freeze, the current taxes could be thousands less per year than what you will eventually pay. Utilize your realtor, property manager, and public records to research the existing and potential tax rate. If you look at other properties in the same area or nearby areas for similar assessed values in the area, you can get an idea of what the highest annual taxes others are paying.

CONTESTING PROPERTY ASSESSMENTS

Many investors don't realize they have the legal right to contest their annual property tax amount. The local assessor's office is in charge of deciding how much your property is worth. This is called an assessment. The amount of property tax you have to pay for your house is based on the assessed value of your property.

> The ability to reduce your annual property tax amount is based on the ability to show the assessor that your property is worth less than the assessor's assessment.

As the investor, the burden is on you to prove to the assessor that the value is less than what they think. You may do this by providing appraisals, public records, or realtor comparables for similar recent sales in the immediate area of your property.

You may also contest the assessor's value by visiting the local township assessor's office or submitting your documents online. There is a fairly simple form and there is no fee, you simply complete their standard form and provide any documentation you may need to validate your case.

Many investors choose to hire an attorney that specializes in reducing an investors annual property tax obligation instead of doing it themselves. Law offices specializing in this service usually do not charge the investor anything unless they save you money, in which case the fee is generally calculated on a percentage of the amount of money saved.

CONTESTING BY USING VACANCY

Preparing a property by means of rehabilitation can take months. If this is the case, you may have the opportunity to reduce your annual tax obligation by receiving a property tax reduction for one year.

REVIEWING TAX RECORDS FOR ACCURACY

Proper documentation is imperative to the assessment of your home. Information compiled by the local assessors office should always be checked for accuracy.

Check online or visit your local assessor's office to locate the assessor's records.

You may find that the following items on your tax record may be inaccurate:

- Square footage of home
- Square footage of lot
- Recent purchase price
- Improvements
- Bedrooms / Baths
- Lot Size
- Old structures that are now removed, like a garage

Keep in mind that modifying any of these items may result in the addition of value to your property. This can result in a higher than normal tax bill.

Property taxes are an expense that an investor has the least control over. It's very important that you are sure of what your estimated annual tax amount will be when underwriting a deal or contesting the property tax.

UNDERSTANDING UNIQUE LOCAL LAWS

Successfully transacting business in the Chicagoland area means abiding by and understanding the many unique local laws. As an investor, you and your property manager must be fully aware of these in order to prevent any legal issues.

CHICAGO RESIDENTIAL LANDLORD & TENANT ORDINANCE

Known also as the CRLTO, this set of laws, put in place in the 1980s, is the guide for what you can and cannot do as a landlord in the City of Chicago. The CRLTO sets the criteria for how to handle security deposits, notice for access, and determines the specific details of your lease. If you don't follow the requirements to a "T," it can cost you thousands in fines and attorney fees to defend yourself. For a summary of the ordinance feel free to visit our website noted on the last page of this download.

This exact summary must be included in every Chicago written lease as an additional example of one of the requirements of the CRLTO.

SECTION 8 PROGRAM PARTICIPATION

Up until 2013, it was not a requirement to participate in the HCV Section 8 program in Chicagoland. Since then things have changed and it is now not only mandatory, but can be considered housing discrimination if violated.

Naperville and all of Cook County have rules stating landlords cannot discriminate against tenants using HCV program vouchers. In these areas you must underwrite your rental applications no differently than you would a market-rate application.

There is often a difference in rent when it comes to what a market-rate tenant would pay. This is based on the average rent for other similar units in the area, versus what Section 8 will approve for a rent amount.

You should always take this into account through your advertising, screening, and denial process to avoid being accused of housing discrimation.

JUST HOUSING ORDINANCE

The Just Housing Amendment was passed on April 25, 2019 and amends the Human Rights Ordinance by providing protections for leasing applicants with a criminal record that apply for residential rentals in Cook County. The Amendment went into effect on January 1, 2020, and Cook County started enforcement of the Amendment on February 1, 2020. The goal of this ordinance is as follows:

- Ensure that people with criminal records have equal access to housing opportunities in Cook County
- Impacts properties located only in Cook County
- Requires you a two step screening process where you must screen credit, eviction/rental history, income history, etc. before you screen criminal background
- Only permits you to take into account criminal convictions that occurred less than 3 years prior in your analysis. All other convictions cannot be considered (unless convicted of a sex crime).

The Housing Authority began to assess penalties of this ordinance as of this past February 1, 2020. The penalties for non-compliance are fines between $100 to $500 for each offense, and for each day a violation continues.

The laws above are just a small sample of all of the important things you must know to stay compliant as a Real Estate Investor here in the Chicagoland area.

PROPERTY MANAGEMENT AS AN OPTION

The Chicagoland area is flooded with property management firms, and it can be difficult to determine which one will work in your best interest as an investor. An easy way to narrow down your options is to find a firm that has local investing expertise. 90% of the companies in the Chicagoland area do not have this expertise. If you are hoping to narrow the search down even further, look for and hire a company that has successfully transacted and rehabilitated over 200 investment properties. You will find that you are now down to only one or two options.

We are often asked “If the Property Manager is managing properties in their own portfolio, will they focus only on that and not on my investment?”. In our many years of experience, that cannot be further from the truth.

As investors with our own managed portfolios, we:

KNOWS WHAT IT’S LIKE TO LOSE

We are investors who have dealt with bad tenants, unforeseen costly repairs, and made overall bad purchasing decisions. These issues caused us undue financial and personal stress until we found a resolution. When something goes wrong with your property, don’t you want a property manager who knows what it’s like to go through these situations personally? A property manager that knows what it’s like to lose has the understanding of what you are feeling, and has the experience to get you out of the situation with minimal financial repercussions.

MANAGES BY NUMBERS

As seasoned investors, we know that it is all about the numbers. Your property management firm should be measuring your numbers on a daily basis and be making proactive decisions based on past and present data.

Below are a few sample questions you may want to ask any potential Property Management firms you may be considering to manage your investment. Keep in mind that any firm you are interviewing should be able to provide you with adequate and detailed responses to the questions below. A lack of response or understanding of any of the concepts below may mean that you are dealing with a firm that is skilled or experienced.

- How long does it typically take to procure a tenant from the day you begin marketing the property through lease execution?
- On average, what are your open collection rates for the end of the previous two quarters?
- On average, how many maintenance requests do you process and complete per month?
- What is the average monetary work order amount?
- What is the average cost of unit turnover?
- What percentage of your owners are local?
- What percentage of your owners are not local?
- What percentage of your portfolio includes Section 8 program participants?
- What is your average email response time for owners?
- What is your average email response time to tenants?

Having a in depth knowledge of the above concepts can be a key in making future decisions that will affect the quality of the return on your investment.

DOES IT MAKE SENSE TO MANAGE YOURSELF OR OUTSOURCE?

Time is money, but what does that really mean to you as an investor? If you decide to manage your own real estate investments, it is true that you may save on monthly management fees and small maintenance costs. But, what is the cost of opportunity that comes with that?

Cost of opportunity can come at the expense of your family, your own business, or even your career. We challenge real estate investors who seek to manage their own portfolios to track how much time they are spending managing their property, and what they believe their time is worth.Our studies have found that a property that is self managed will accrue 20-22 hours per year of time, not including the time it takes for turnover and leasing.

More often than not, Property Management firms that have streamlined processes and the proper resources often cost less than the costs included in managing the property yourself.

GET IN TOUCH WITH US

We hope that you can utilize the information that we have provided here as a helpful resource as you delve into the world of real estate investing and property management. If you are looking to expand your opportunities and work with a property manager that will help you elevate your investments skills, reach out to us today.

CALL Mark Ainley at **630-781-6744**

EMAIL mark@gcrealtyinc.com
to discuss how GC Realty & Development, LLC can help you.

Visit www.GCREALTYINC.com

ABOUT THE AUTHOR

MARK AINLEY is an investor, Real Estate Managing Broker, and local Property Manager with nearly two decades of experience in all facets of real estate.Mark is the co-founder of GCR&D, a full-service real estate brokerage, property management, and real estate investment firm in the Chicago real estate market. Through his brokerage, he consults with both local and out-of-state investors on the acquisition, stabilization, and management of their rental property portfolio. GCR&D recently made the "top 5000 fastest growing companies in the United States" list by influential Inc.

He was featured on CNBC's TV show *The Deed*, featuring one of his rehabs. He has also been featured on podcasts like *Bigger Pockets*, *The Real Estate Mogul Podcast*, *Joe Fairless, REI Diamonds, and Real Estate Money School*. In 2017, he was featured on the cover of *Top Agent - Property Management Edition.*

He has spoken at numerous events throughout the United States including investing summits in Dallas, Atlanta, San Francisco, and Chicago. Mark takes pride in sharing his personal experiences, both good and bad, with new investors, out-of-state investors, or even less experienced entrepreneurs on what steps to avoid when growing a real estate investment and management business.

Through his years of experience, and having completed over 480 successful rehabilitation projects, Mark is able to share his breadth of knowledge on such topics as Property Management, business scaling, the rehabilitation and flipping of properties, asset management and stabilization, market analysis, and investing.