

landlord guide

version 2.3

the definitive guide for chicago landlords

domu.com
.....
chicago apartments

Chicago Landlord Guide

Whether you're a big management company, a part-time real estate investor, or a first-time landlord, you'll face the same challenges and (with limited exceptions) be forced to comply with the same laws when renting out your apartment. The key to success is retaining tenants, avoiding vacancies, and staying on the right side of the law, particularly in Chicago where the penalties for non-compliance with the local landlord-tenant ordinance are draconian and expensive.

In this guide, **domu** hopes you'll find the advice you need to succeed. You'll get useful tips on marketing to renters, landing creditworthy and responsible tenants, and making all the disclosures required by federal, state, and local law. We've even provided sample forms on the [Free Forms](#) section of our website, plus links to other sources of valuable information.

Rent The Apartment Quickly

- Price the unit competitively. Repeated showings are time-consuming and inefficient. (Checking **domu** for comparable apartments is a great way to learn the market.)
- Structure leases to expire during the early spring and summer months when the Chicago rental season is hottest. The winter season is traditionally slow.
- Prepare the property to show well. Touch up paint, remove clutter, clean the unit, and be cognizant of landscaping.
- Use the Internet to market the property. In this rapidly changing technological world, tenants turn to the Internet first, and **domu** routinely exceeds one million page views per month.
- Take appealing photographs, primarily of the building exterior, the kitchen, the living area, and the bathrooms. Renters are reluctant to schedule appointments if they can't preview the apartment interior online. More often than not, tenants who have not seen pictures first will end up not renting the apartment.
- If necessary, offer concessions, such as one month's free rent.
- Respond promptly to e-mail and telephone inquiries.

Screen Your Tenants

- Personally interview all potential tenants before renting the apartment.
- Require all tenants to complete and sign an application form at the tenant's own expense. The application should request the tenant's consent to a credit check, as well as a criminal background check, an eviction report, and a sex offender search. (Feel free to use the [domu tenant application form](#).) Request a driver's license or other form of identification in order to ensure that the face matches the name on the credit report.

- Credit-checking options for part-time landlords include both [RentApplication.net](#) and [TransUnion SmartMove](#).
- If a prospective tenant poses any kind of credit risk, require that the lease be guaranteed by a creditworthy third party. Typically, residential leases contain a form guaranty provision. In addition, all persons who will be living in the apartment should be required to co-sign the lease.
- Obtain references from prior landlords. Some landlords will only answer written questions, in which case you should send them the [domu landlord verification form](#). Questions to ask include:
 1. Did the tenant timely pay rent?
 2. Was the tenant considerate of neighbors?
 3. Did the tenant give proper notice before vacating?
 4. Did the tenant leave the premises in good condition?
 5. Would you rent to this tenant again?
- Satisfy yourself that the tenant can afford the monthly rent. [domu](#) provides a [rent calculator](#) for precisely this purpose.
- Remember that the City of Chicago prohibits discrimination on the basis of race, color, sex, age, religion, disability, national origin, ancestry, sexual orientation, marital status, parental status, military discharge status, or source of income.

Make All The Legally Required Disclosures

In this highly-regulated city of ours, every rental agreement — and particularly those governed by the Chicago Residential Landlord and Tenant Ordinance (colloquially known as the CRLTO) — requires a hefty stack of documents and disclosures. These forms are all made available on [domu's website](#). Failure to comply with the CRLTO can result in severe financial penalties. **Do not fail to provide any paperwork required by the ordinance!**

As a first step, read the [definitional section](#) of the CRLTO to determine whether the apartment you are renting is governed by the ordinance. Most are, but if yours is not (owner-occupied buildings of six units are the most typical exception), then much of your work will be simplified, as many of the disclosure requirements will not apply to you.

- **Lead-Based Paint Disclosure.** A lead warning statement and disclosure form is required by federal law for all properties built before 1978. Federal law also mandates that the landlord provide the tenant with the EPA-approved pamphlet about lead-based paint hazards. A copy of this pamphlet is attached to [domu's lead-based paint disclosure form](#). As the disclosure form indicates, landlords

must provide tenants ten days to conduct a paint inspection or risk assessment for lead-based paint or lead-based paint hazards, although the parties may agree, in writing, to lengthen or shorten the period for inspection.

- **Radon Disclosure.** The Illinois Radon Disclosure Act, 420 ILCS 46/1, requires any landlord renting out a unit on the first or second story above ground level (but not on the third story or higher) to disclose to prospective tenants the existence of a radon hazard, but only if a radon test has indicated the presence of radon. This does not mean, however, that lessors are required to conduct radon testing. They are not. Disclosure is mandated only if a prior tenant provides the landlord, in writing, with the results of a test indicating the presence of a radon hazard or if the landlord conducts its own test and determines that a radon hazard exists. Even if a radon hazard exists, the Act does not require landlords to provide any type of informative pamphlet to renters. Instead, mere disclosure of the radon hazard suffices. For more information on dealing with the results of a positive radon test, please consult the Act, which is actually quite concise and easy to read, unlike most Illinois statutes. **domu**'s Radon Disclosure Form can be found [here](#).
- **Bed Bug Prevention And Treatment Brochure.** Landlords whose apartments are governed by the CRLTO are required to provide tenants with a brochure prepared by the Chicago Department of Health relating to the prevention and treatment of bed bugs. A copy of this form is available [here](#).
- **Heat Disclosure.** This disclosure is required if the tenant is responsible for paying the utility provider directly for heat supplied primarily by natural gas or electricity. Chapter 5-16 of the Chicago Municipal Code requires the landlord to provide the tenant, as part of the lease agreement, the projected annual and average monthly cost of utility service based on energy consumption during the most recent twelve months of continuous occupancy. Landlords who do not have this information handy may either send the utility company a [standard form](#) (allowing several weeks for processing) or call the utility company directly and obtain the information by telephone.
- **Security Deposit Receipt.** Section 5-12-080(b) of the CRLTO requires the landlord to provide a security deposit receipt, and a failure to do so can have severe consequences. A form containing all the required fields is available [here](#).
- **Security Deposit Interest Rate Summary.** Section 5-12-170 of the CRLTO requires the landlord to provide a Security Deposit Interest Rate Summary to any renter. The City of Chicago updates this form annually, and a copy is available [here](#).
- **Summary of the CRLTO.** Section 5-12-170 of the CRLTO requires that a summary of the ordinance itself be provided to any renter. The City of Chicago has produces its own form, and a copy is available [here](#).

- **Disclosure of Segregated Account.** Landlords are required to hold all security deposits in a segregated account and to disclose *in the lease* the name and address of the financial institution where the funds are kept. The specifics can be found in Section 5-12-080(a)(3) of the CRLTO.
- **Disclosure of Conditions Affecting Habitability.** Section 5-12-100 of the CRLTO requires the landlord to disclose all code violations cited by the City of Chicago during the preceding twelve months for the dwelling unit or common areas, as well as information concerning the pendency of any code enforcement or compliance board proceeding. The landlord is also required to provide certain information regarding any notice of intent by the City of Chicago or any utility provider to terminate water, gas, electrical or other utility service to the dwelling unit or common areas.
- **Disclosure of Managing Agent.** Section 5-12-090 of the CRLTO requires the landlord to disclose the name, address, and telephone number of (i) any person authorized to manage the premises and (ii) a person authorized to accept service of legal process and formal notices or demands under the lease.
- **Rules and Regulations.** If the rental agreement is for an apartment included within a condominium or homeowners' association, be certain to include a copy of the association rules and regulations with the lease.

Conduct A Walk-Through

- If possible, at or prior to the move-in, conduct a walk-through of the apartment to document the condition of the unit and its various appliances. For your convenience, **domu** has produced a [checklist](#) for this purpose.
- Ask the tenant to review and sign a checklist.
- During the inspection, demonstrate how the security, heating, and air conditioning systems operate.

Properly Handle Security Deposits

The easiest way to get sued in Chicago is to violate the CRLTO rules regarding security deposits. Our ["Chicago Landlord's Guide To Handling Security Deposits"](#) is the most definitive source of information on this topic. All landlords should read this guide thoroughly in order to avoid unpleasant surprises in this notoriously tenant-friendly town.

In the meantime, here's a general list of the landlord's obligations with respect to security deposits:

1. **Provide a receipt.** Include the owner's name, the date the security deposit was received, and a description of the dwelling unit. The receipt must be signed by the person accepting the security deposit. If the security deposit is paid by means of an electronic funds transfer, the landlord may provide an electronic receipt containing a description of the dwelling unit, the

amount and date of the deposit, and an electronic or digital signature. We have created a [security deposit receipt](#) for use by Chicago landlords.

2. **Disclose the location.** A written rental agreement must specify the financial institution where the security deposit will be deposited.
3. **Avoid commingling.** All security deposits must be held in a federally insured, interest-bearing account in a financial institution located in Illinois. Security deposits and interest thereon may not be commingled with other assets.
4. **Pay annual interest.** A landlord must pay annual interest on security deposits and prepaid rent held more than six months. The annual interest rate is set by the city and published at the beginning of each year.
5. **Timely refund security deposits and properly document repair costs.** Before any amounts may be deducted from the security deposit, the landlord must supply the tenant with an itemized statement of the damages. This statement must be delivered within 30 days of the termination of the tenancy. A landlord must return the security deposit, plus interest, if any, minus unpaid rent and expenses for damages, within 45 days from the date the tenant vacates the unit.

A landlord who fails to comply with the security deposit obligations imposed by the CRLTO may be liable to the tenant in an amount equal to two times the security deposit, plus court costs and attorney fees. Do not let this happen to you. Know your obligations regarding the handling of security deposits.

As an aside, as increasing numbers of landlords have gotten socked with costly lawsuits alleging technical violations of the CRLTO, there has been a steady movement away from security deposits. Many landlords now require a modest, fixed, non-refundable “move-in fee.” For more information, please consult the [domu “Chicago Landlord’s Guide To Security Deposits”](#) and the [domu blog article](#) regarding the Chicago Association of Realtors’ recommendation that local landlords no longer accept security deposits.

Consider Hiring A Management Company

A management company is capable of handling all the day-to-day issues arising in connection with the ownership of an apartment unit. A single middle-of-the-night telephone call from a tenant with a flooding toilet is all it takes to appreciate the services of a property manager. In addition, a property manager creates a buffer that protects a landlord against the consequences of becoming too personal with the tenant. Landlords do not like to be approached personally and asked for relief with rent payments or to be told “sob stories” by tenants seeking concessions. A management company eases the difficulty associated with making emotionally difficult decisions.

Among other things, a property manager will:

1. Collect and account for rent.

2. Create an annual budget.
3. Contract for repairs, maintenance, and landscaping.
4. Bind property and liability insurance.
5. Show the property, conduct tenant screenings, and prepare the documentation.

The fees charged by a property manager will vary with the number of units being managed. Landlords should be aware, however, that there are property management firms willing to accept the responsibility of managing even a single unit. The cost may be as high as ten-percent of the monthly rent, but the peace of mind is typically worth the expense.