



# Office of Chicago City Clerk



SO2011-1424

Office of the City Clerk

## Tracking Sheet

**Meeting Date:**

3/9/2011

**Sponsor(s):**

Mayor Daley

**Type:**

Ordinance

**Title:**

Establishment of TIF purchase rehab program

**Committee(s) Assignment:**

Committee on Finance

## **S U B S T I T U T E** **O R D I N A N C E**

**WHEREAS**, the City of Chicago ("City") is a home rule unit of government under Section 6(a), Article VII of the 1970 Constitution of the State of Illinois and may exercise any power related to its local government and affairs; and

**WHEREAS**, in the City there are numerous homes and residential buildings that are vacant; and

**WHEREAS**, it is in the best interest of the City to promote and assist City residents in the purchase of owner-occupied housing by establishing programs whereby the City assists income-eligible homebuyers in the purchase and rehabilitation of their new housing; and

**WHEREAS**, it is in the best interest of the City to promote and assist in the development of affordable rental housing by establishing programs whereby the City assists in the purchase and rehabilitation of vacant buildings to be developed as affordable rental housing; and

**WHEREAS**, the establishment of a "Vacant Building TIF Purchase and Rehabilitation Program" will assist in the stabilization of neighborhoods and the city's housing market by providing assistance for the purchase and rehabilitation of vacant housing; now, therefore,

### **BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:**

**SECTION 1.** All of the above recitals are expressly adopted herein as the legislative findings of the City Council and incorporated herein and made a part of this Ordinance.

**SECTION 2.** This Ordinance shall be known and may be cited as the "Vacant Building TIF Purchase and Rehabilitation Program Ordinance of 2011."

(a) The commissioner is authorized to develop a Vacant Building TIF Purchase and Rehabilitation Program, consistent with the provisions of this Ordinance, to promote the purchase of and rehabilitation of eligible properties and eligible multi-family residential buildings, as those terms are herein defined.

(b) (1) For purposes of this section (b), the following definitions apply:

"Base purchase price" means the purchase price of an eligible property, excluding any taxes, insurance, closing costs, or other such costs.

"Closing costs" means reasonable and customary costs, not to exceed 3% of the base purchase price, associated with the closing of the purchase of the eligible property, including, but not limited to, transfer taxes, title company charges and recording fees.

"Commissioner" means the commissioner of housing and economic development.

"Department" means the department of housing and economic development.

"Eligible homebuyer" means a homebuyer with a household income of up to 120% of the PMSA Median Income.

"Eligible property" means a residential building, or a housing unit in a condominium or cooperative building, that is:

- (1) vacant;
- (2) located in an TIF area in the city; and
- (3) in need of substantial rehabilitation.

For purposes of this definition, the term "Condominium building" means a form of property established pursuant to the Illinois Condominium Property Act; and the term "Cooperative building" means a multiple-family building owned by a cooperative corporation, stock in which affords the owner thereof the right to possess or occupy a particular cooperative allocated to that stock within the complex. This right of possession or occupancy is granted through a proprietary lease or similar arrangement, and, unlike the owner of a condominium unit, the owner of the cooperative stock does not hold legal title to his or her individual cooperative.

"Housing unit" means a room or suite of rooms designed, occupied or intended for occupancy as a separate living quarter with cooking, sleeping and sanitary facilities provided within the unit for the exclusive use of the occupants of the unit; provided that a "housing unit" does not include dormitories, or hotels as that term is defined in Section 13-4-010 of this code.

"Household" means, collectively, all the persons who occupy a housing unit as their primary residence.

"Household income" means the combined income of the members of a household for the calendar year preceding the date that the application for the Program is filed with the commissioner.

"PMSA Median Income" means the Primary Metropolitan Statistical Area median income, for the Chicago-Naperville-Joliet, Illinois, Metropolitan Fair Market Rent Area, as determined by the United States Department of Housing and Urban Development from time to time.

"Principal residence" means an eligible homebuyer's primary or chief residence that he or she actually occupies on a regular basis.

"Program" means the Vacant Building TIF Purchase and Rehabilitation Program established by this Ordinance.

"Purchase price assistance" means financial assistance awarded by the department to eligible homebuyers to be used for the base purchase price and closing costs associated with the purchase of an eligible property.

"Residential building" means a building designed, arranged, used or intended to be used for residential occupancy that contains 4 or few housing units.

"Substantial rehabilitation" means the reconstruction, enlargement, installation, repair, alteration, improvement or renovation of a building, structure or portion thereof requiring a permit issued by the city and costing \$25,000.00 or more per housing unit to rehabilitate.

"Substantial rehabilitation assistance" means the amount of assistance granted to an

eligible homebuyer under the Program that shall be used for the substantial rehabilitation of the eligible property.

"TIF Area" means a redevelopment project area designated pursuant to the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 et seq., as amended from time to time.

"Vacant" means a residential building, or a housing unit in a condominium or cooperative building, which is lacking the habitual presence of human beings who have a legal right to be on the premises, or at which substantially all lawful residential occupancy has ceased; provided that a residential building or a housing unit in a condominium or cooperative building shall not be deemed vacant if it has been used as a residence by a person entitled to possession for a period of at least three months within the previous nine months and a person entitled to possession intends to resume residing at the property.

(2) In each eligible TIF area, the commissioner may use the TIF funds collected in an eligible TIF area, to provide purchase price assistance and substantial rehabilitation assistance to an eligible homebuyer for the purchase and substantial rehabilitation of an eligible property, consistent with the provisions of this Ordinance.

(3) To be eligible to participate in the Program, the person must be an eligible homebuyer.

(4) The amount of the purchase price assistance and substantial rehabilitation assistance granted to any eligible homebuyer for an eligible property shall be limited to no greater than 25% of the sum of the base purchase price plus the cost to substantially rehabilitate the eligible property.

(5) The commissioner shall prepare applications, in a form prescribed by the commissioner, which shall include all the information needed by the department to evaluate the applicant's eligibility to participate in the Program. Attached to every application shall be a copy of an inspection report for the proposed property prepared by a licensed and bonded home inspector, and any other information deemed necessary by the commissioner.

(6) Upon determination by the department that an applicant is eligible to participate in the Program, the department may provide the applicant purchase price assistance and substantial rehabilitation assistance, consistent with the provisions of this Ordinance, in the applicable amount as set forth in subsection (b)(4). As a condition of receiving such assistance, the eligible homebuyer shall occupy the eligible property as the eligible homebuyer's principal residence, as follows:

| <u>Amount of Assistance</u> | <u>For a term of</u>               |
|-----------------------------|------------------------------------|
| less \$15,000               | not less than 5 consecutive years  |
| \$15,000.00 - \$40,000      | not less than 10 consecutive years |
| \$40,001 or greater         | not less than 15 consecutive years |

Provided that if a longer term is required by any other applicable law, the longer term shall apply.

The term shall commence no later than 180 days after the date the eligible homebuyer

takes title to the eligible property.

(7) An eligible homebuyer shall, prior to closing on the purchase of an eligible property, attend a homebuyer education seminar provided by a HUD-approved, pre-purchase counseling agency, and, if applicable, a condominium-owner education seminar provided by an agency, approved by the commissioner, and submit to the department a certificate of completion for each seminar, as applicable.

(c) (1) For purposes of this subsection (c), the following definitions apply:

"Closing costs," "Commissioner," "Department," "Household," "Household income," "Housing unit," "Program," "PMSA Median Income," "Substantial rehabilitation" and "TIF Area" have the same meaning ascribed to those terms in subsection(b).

"Affordable rental housing" means a housing unit that is rented at a rental price that is affordable to households earning up to 50% of the PMSA Median Income.

"Base purchase price" means the purchase price of an eligible multi-family residential building, excluding any taxes, insurance, closing costs, or other such costs.

"Developer" means any person who develops an eligible multi-family residential building, but does not include a lender or any governmental entity.

"Development" or "develop" means the substantial rehabilitation of an eligible multi-family residential building .

"Eligibility criteria" means, at the time of the first rental by that household, a household earning up to 50% of the PMSA Median Income.

"Eligible multi-family residential building" means a multi-family residential building that is:

- (1) vacant;
- (2) located in an TIF area in the city; and
- (3) in need of substantial rehabilitation.

"Multi-family residential building" means a building designed, arranged, used or intended to be used for residential occupancy that contains 6 or more housing units that share common walls or common floors/ceilings with one or more housing units. The land upon which the building sits is not divided into separate lots.

"Purchase price assistance" means financial assistance awarded by the department to a developer to be used for the base purchase price and closing costs associated with the purchase of an eligible multi-family residential building.

"Substantial rehabilitation assistance" means the amount of assistance granted to a developer under this Program that shall be used for the substantial rehabilitation of an eligible multi-family residential building.

"Vacant" means a multi-family residential building, which is lacking the habitual presence of human beings who have a legal right to be on the premises, or at which substantially all lawful residential occupancy has ceased; provided that a multi-family residential building shall

not be deemed vacant if it has been used as a residence by a person entitled to possession for a period of at least three months within the previous nine months and a person entitled to possession intends to resume residing at the property.

(2) Notwithstanding section 2-45-110, in each eligible TIF area, the commissioner may use the TIF funds collected in an eligible TIF area to provide purchase price assistance and substantial rehabilitation assistance to a developer for the purchase and substantial rehabilitation of an eligible multi-family residential building, consistent with the provisions of this Ordinance.

(4) As a condition of receiving purchase price and substantial rehabilitation assistance, the developer shall be required to establish between 30% to 50% of the housing units in the eligible multi-family residential building as affordable rental housing. The amount of such assistance granted to any developer shall be limited as follows:

| <u>Percentage of Affordable<br/>rental housing developed</u> | <u>Maximum amount of assistance</u>   |
|--|---|
| 30%  | no greater than 30% of the sum of the base purchase price plus the cost to substantially rehabilitate |
| 40%  | no greater than 40% of the sum of the base purchase price plus the cost to substantially rehabilitate |
| 50%  | no greater than 50% of the sum of the base purchase price plus the cost to substantially rehabilitate |

(5) The commissioner shall prepare applications, in a form prescribed by the commissioner, which shall include all the information needed by the department to evaluate the developer's eligibility to participate in the Program. Attached to every application shall be a copy of an inspection report for the proposed property prepared by a licensed and bonded home inspector, and any other information deemed necessary by the commissioner.

(6) Upon determination by the department that a developer is eligible to participate in the Program, the department may provide the developer purchase price assistance and substantial rehabilitation assistance, consistent with the provisions of this Ordinance, in the applicable amount as set forth in subsection (c)(4).

(7) The affordable rental housing required by this subsection shall continue to be affordable for a period of 15 years after the time of the issuance of the certificate of occupancy (or after the first day of the initial lease, if no such certificate is issued).

Provided that if a longer term is required by any other applicable law, the longer term shall apply.

(8) The rental of such affordable rental housing created pursuant to this ordinance shall be made only to households meeting the eligibility criteria.

(9) Prior to the issuance of a building permit to a developer for any eligible multi-family residential building, the commissioner shall cause a lien, regulatory agreement or similar instrument to be recorded, initially, prior to development, against the, and comprising the, eligible multi-family residential building, and subsequently, in connection with the rental of any affordable rental housing, against the land on which such affordable rental housing is located to secure the requirements of this Ordinance and the recapture of the following amounts:

(i) Upon the rental of any housing unit required to be affordable rental housing under this Ordinance at a rental price that renders the housing unit not affordable rental housing, or to a household that does not meet the eligibility criteria, the owner shall pay a fee of \$500.00 per unit per day for each day that the owner is in noncompliance; provided that prior to the assessment of the penalty, the owner shall have 90 days, after written notice from the commissioner, to cure the noncompliance. If after 90 days the owner fails to cure the noncompliance, the fees shall be assessed from the first day of noncompliance. The 90-day time period to cure the noncompliance may be extended by the commissioner for good cause.

(d) Nothing in this Ordinance shall be construed to authorize the expenditure of TIF funds that: (i) are inconsistent with provisions of the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 et seq., as amended from time to time; or (ii) have not been appropriated and approved by the city council.

(e) No purchase price assistance or rehabilitation assistance, as those terms are herein defined, shall be awarded pursuant to this Ordinance unless the TIF funds for such assistance are appropriated and approved by the city council.

(f) The commissioner is authorized to adopt such rules and regulations as the commissioner may deem necessary for the proper implementation, administration and enforcement of this Ordinance.

**SECTION 3.** This ordinance takes effect after its passage and approval.