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Legislation Details (With Text)

File #: O2020-3987
Type: Ordinance
Status: Passed
File created: 7/22/2020
In control: City Council
Final action: 9/9/2020
Title: Expenditure of Affordable Housing Opportunity Funds to preserve housing within Woodlawn Community Area and amendment of Municipal Code Title 5 by adding new Chapter 5-10 entitled "Tenant Opportunity to Purchase Woodlawn Pilot Program"
Sponsors: Lightfoot, Lori E., Hairston, Leslie A., Taylor, Jeanette B.
Indexes: Affordable Housing Opportunity Fund, Ch. 10 Tenant Opportunity to Purchase Woodlawn Pilot Program, Housing
Attachments: 1. O2020-3987.pdf

Date	Ver.	Action By	Action	Result
9/9/2020	1	City Council	Passed	Pass
8/26/2020	1	Committee on Housing and Real Estate	Recommended to Pass	
7/22/2020	1	City Council	Referred	

OFFICE OF THE MAYOR
CITY OF CHICAGO

LORI E. LIGHTFOOT
MAYOR

July 22, 2020

TO THE HONORABLE, THE CITY COUNCIL OF
THE CITY OF CHICAGO

Ladies and Gentlemen:

At the request of the Commissioner of Housing, I transmit herewith, together with Aldermen Hairston and Taylor, an ordinance providing for Woodlawn-related funding and affordable requirements.

Your favorable consideration of this ordinance will be appreciated.

Very truly yours,

WOODLAWN HOUSING PRESERVATION ORDINANCE

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

WHEREAS, the City has determined that the continuance of a shortage of affordable housing to persons of low and moderate income is harmful to the health, prosperity, economic stability and general welfare of the City; and

WHEREAS, the DePaul Institute for Housing Studies found that the Woodlawn community area is a low and moderate income area in which home values have increased significantly in recent years, resulting in existing residents being vulnerable to increasing rents and displacement (see <https://displacement-risk.housingstudies.org>); and

WHEREAS, according to a report commissioned by the Network of Woodlawn and prepared by AECOM, the median home sales price in Woodlawn almost doubled from around \$92,000 in 2010 to about \$175,000 in 2019; and

WHEREAS, the DePaul Institute for Housing Studies found that proximity to other high-cost areas and the pending development of the Obama Presidential Center ("OPC"), along with other ongoing and future projects in the Woodlawn community area, have the potential to attract increased investment and development in the community, creating increases in housing costs, loss of housing affordability and displacement of low and moderate income residents; and

WHEREAS, the City Council of the City (the "City Council") finds that these circumstances in Woodlawn require proactive and meaningful action to reduce the displacement of vulnerable Woodlawn households, while continuing to promote the development of housing and amenities for current and future residents of the Woodlawn community area for a range of incomes; and

WHEREAS, the City Council finds that gentrification and displacement exacerbate historic patterns of racial and economic segregation, deepen concentrations of poverty and wealth, and widen disparities in access to good schools, jobs, healthcare and other amenities; and

WHEREAS, there are currently approximately 1,200 vacant lots in the area depicted on Exhibit A (the "Woodlawn Community Area"), of which about 76% are zoned residential, and approximately 208 of such residentially-zoned lots are City-owned; and

WHEREAS, the City's inventory of vacant land is a key resource which can be leveraged to ensure development of quality affordable housing for current and future residents of the Woodlawn Community Area; and

WHEREAS, this ordinance has five primary objectives:

first, to establish requirements for the disposition and development of vacant City-owned land that is residentially-zoned at the time of disposition in the Woodlawn Community Area ("City Land") to ensure that new housing created within the community serves households at a range of incomes;

second, to provide programming and resources to assist current and long-term Woodlawn Community Area residents vulnerable to neighborhood economic and housing market changes;

third, to promote the preservation of existing affordable housing in the Woodlawn Community Area;

fourth, to encourage the economic participation of local residents and businesses in the development of Woodlawn, particularly with respect to the development of City Land;and

fifth, to lay the groundwork for equitable growth and development for a range of incomes; and

WHEREAS, pursuant to Section 2-45-115(G)(1) of the Municipal Code of Chicago (the "Municipal Code"), funds deposited into the Affordable Housing Opportunity Fund ("AHOF Funds") may be used for the construction, rehabilitation or preservation of affordable housing or may be used in connection with such other housing programs as shall be specifically approved by the City Council for such revenues; and

WHEREAS, the City has created a variety of programs to facilitate the construction, rehabilitation and preservation of affordable housing, including the programs described below, which the Department of Housing ("DOH") intends to modify or fund for Woodlawn-specific projects and goals; and

WHEREAS, the DOH programs described below will include requirements and preferences consistent with the goal to create jobs and economic opportunities for, and promote the economic participation of Woodlawn residents and businesses in, the growth and development of their community, and

WHEREAS, the City Lots for Working Families ("CL4WF") program is an existing program established by ordinance adopted on November 8, 2017, and published in the Journal of Proceedings of the City Council ("Journal") for such date at pages 59287 through 59295, which allows the sale of vacant, City-owned land to developers for \$1 per parcel for the construction of affordable single-family homes and two-flats; and

WHEREAS, DOH wishes to modify the CL4WF program for the Woodlawn Community Area to allow construction of condominiums and townhouses (in addition to single-family homes and two-flats), and to permit DOH to impose long-term affordability restrictions on CL4WF homes (in addition to forgivable and low interest mortgages); and

WHEREAS, the Chicago Community Land Trust ("CCLT") Affordable Homeownership and Housing Program ("CCLT-AHHP Program") is an existing program established by ordinance adopted on October 16, 2019, and published in the Journal for such date at pages 7234 through 7243, which is designed to preserve existing affordable housing in neighborhoods that are at risk of gentrification or are gentrified or gentrifying; and

WHEREAS, Woodlawn is one of the targeted community areas under the CCLT-AHHP

Program; and

WHEREAS, the CCLT-AHHP Program is administered by the CCLT; and

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WHEREAS, the CCLT-AHHP Program provides grants of up to \$30,000 for home repairs and improvements in exchange for long-term affordability - i.e., homeowners must agree to place their homes into the CCLT portfolio and execute long-term affordability covenants in the CCLT's then-current form ("CCLT Covenant"); and

WHEREAS, in addition to gaining access to home repair assistance, CCLT-AHHP Program participants will benefit from reduced property taxes as a result of the maximum resale price requirements and other affordability restrictions imposed through CCLT Covenants; and

WHEREAS, the Building Neighborhoods and Affordable Homes program is an existing program established by ordinance adopted on October 31, 2018, and published in the Journal for such date at pages 87215 through 87221, which gives purchase price assistance to eligible and qualified buyers of CL4WF homes in five targeted areas within the City, including Woodlawn; and

WHEREAS, the City desires to expand the Building Neighborhoods and Affordable Homes program to include CL4WF homes created in the Woodlawn Community Area under the modified CL4WF program requirements set forth in this ordinance; and

WHEREAS, the Chicago Low-Income Housing Trust Fund ("CLIHTF") is a City-established, independent nonprofit organization that contracts with landlords to provide rental subsidies for tenants with household incomes at or below 30% of the area median income ("AMI"), to assist very-low-income households with access to quality affordable rental housing; and

WHEREAS, the CLIHTF has committed to making such subsidies available to assist in creating and preserving affordable rental units in the Woodlawn Community Area; and

WHEREAS, the Preservation of Existing Affordable Rentals ("PEAR") program is an existing program established by ordinance adopted on March 28, 2018, and published in the Journal for such date at pages 72208 through 72212, which provides funds to purchase or refinance multi-family rental buildings in appreciating neighborhoods in exchange for affordable rental covenants over a 30-year term to ensure that rents remain affordable for low and moderate income families; and

WHEREAS, the City desires to authorize the use of \$1.5 million in AHOF Funds, or other legally appropriated funds, to create a Woodlawn PEAR Program, as more specifically set forth on Exhibit B attached hereto, for the purpose of refinancing apartment buildings in the Woodlawn Community Area in order to preserve affordable rental housing; and

WHEREAS, the Renew Woodlawn Homeownership Program is a rehabilitation and affordable homeownership initiative under the Choice Neighborhoods Initiative Grant program, which program was approved and authorized by the Chicago City Council by ordinance adopted on May 4, 2011, and published in the Journal for such date at pages 118448 - 118450, and is an existing partnership between the Community Investment Corporation ("CIC"), Neighborhood Housing Services of Chicago, Inc., an Illinois not-for-profit corporation ("NHS"), Preservation of Affordable Housing, Inc. ("POAH"), and Woodlawn residents to facilitate the rehabilitation of vacant homes in Woodlawn for sale to income-qualified, owner-occupant, homebuyers; and

WHEREAS, the Renew Woodlawn Homeownership Program has facilitated the acquisition and redevelopment of at least 45 residential units and created over 30 new

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homeowners in Woodlawn, and the City desires to continue this successful affordable homeownership initiative in the Woodlawn Community Area; and

WHEREAS, the City desires to appropriate \$500,000 in AHOF Funds, or other legally appropriated funds, to fund the continuation of the Renew Woodlawn Program, and authorize DOH to execute such agreements with POAH, CIC and/or NHS for that purpose, as more specifically set forth in Exhibit C attached hereto; and

WHEREAS, in addition to these existing programs, the City, through DOH, desires to establish two new anti-displacement and housing preservation programs for the Woodlawn Community Area, as hereinafter described; and

WHEREAS, the first program DOH intends to establish is the Woodlawn Vacant Residential Building Acquisition and Rehabilitation Revolving Financing Facility Program (the "Woodlawn Loan Fund"), which will facilitate the acquisition and rehabilitation of vacant residential properties in Woodlawn for sale or rental as affordable housing by low-income households, as more specifically set forth in Exhibit D attached hereto; and

WHEREAS, the City anticipates the Woodlawn Loan Fund will be a collaborative effort between the City, CIC and participating lenders; and

WHEREAS, under the Woodlawn Loan Fund program, the City will fund a special-purpose loan loss reserve account to reimburse CIC and/or participating financial institutions for losses in connection with defaults on their loan portfolios for the program; and

WHEREAS, the City desires to appropriate \$1.5 million in AHOF Funds, or other legally appropriated funds, to fund the loan loss reserve and administration of the Woodlawn Loan Fund; and

WHEREAS, the second program DOH intends to establish is the Woodlawn Long-Term Homeowner Home Improvement Grant Program ("Woodlawn Home Improvement Grant Program"), which will provide forgivable loans for home repairs and improvements to long-term, owner-occupants of single-family residential properties in the Woodlawn Community Area, as more specifically set forth on Exhibit E attached hereto; and

WHEREAS, under the Woodlawn Home Improvement Grant Program, the City will provide up to \$20,000 in assistance for home safety, exterior repair, and energy efficiency improvements to income-eligible homeowners (earning up to 120% of AMI) who have owned their homes as their principal residences for at least 5 years; and

WHEREAS, the City desires to appropriate \$1 million in AHOF Funds, or other legally appropriated funds, to fund the Woodlawn Home Improvement Grant Program; and

WHEREAS, DOH desires to enter into an agreement with NHS to administer the Woodlawn Home Improvement Grant Program (the "NHS Agreement"); and

WHEREAS, residents of the Woodlawn community have voiced hope that the OPC will lead to economic revitalization, but also fear that it will lead to real estate speculation, an influx of higher-income

residents, rising land prices and real estate taxes, escalating rents and displacement of current, vulnerable neighborhood residents; and

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WHEREAS, the City recognizes that major private and public capital investments may induce gentrification, and that early intervention is critical to prevent displacement of long-term residents; now, therefore

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

SECTION 1. 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, which shall be known as the Woodlawn Housing Preservation Ordinance.

SECTION 2. Disposition of City Land for the Development of Homeownership Units. Except as provided in paragraph (f) below, whenever the City sells City Land in the Woodlawn Community Area for the development of owner-occupied units, the requirements of the CL4WF Program shall apply, subject to the following modifications:

a) Type of Housing. In addition to single-family homes and two-flats, developers may construct townhomes and condominiums.

b) Minimum Number of Lots Sold. When condominium units are developed through the CL4WF Woodlawn Program, the requirement that a minimum of eight (8) lots must be purchased shall be waived, but any condominiums developed under the CL4WF Woodlawn Program shall have a minimum of ten (10) condominium units.

c) Duration of Affordability Restrictions. A minimum of 75% of the units created through the CL4WF Woodlawn Program in any single development shall be sold to, and at prices affordable to households with household incomes at or below 120% of the AMI, and may be placed in or administered by the CCLT or other community land trust, subject to an affordable housing agreement in a form approved by the Commissioner and enforceable by the City as a third party beneficiary.

d) Neighborhood Developer Preference. Pursuant to Section 4(a) of this ordinance, the Department shall give preference to applications and proposals submitted under this section by Woodlawn Neighborhood Developers (as defined in Section 4(a)).

e) Local Resident Employment Plan. Pursuant to Section 4(b) of this ordinance, the Department shall require each applicant under the CL4WF Woodlawn Program to provide as part of their application, and implement as part of their development, a Neighborhood Hiring Plan (as defined in Section 4(b)).

f) Financial Assistance. The provisions of this Section 2 are the minimum requirements for the development of owner-occupied housing on City Land if the development receives city financial assistance as defined in the 2015 ARO, Section 2-44-080 of the Municipal Code.

g) Purchase Price Assistance. The Building Neighborhoods and Affordable Homes program is hereby expanded to include CL4WF homes created in the Woodlawn Community Area under the modified CL4WF program requirements set forth in this Section 2.

SECTION 3. Disposition of City Land for the Development of Rental Units. Except as provided in Section 3(h) below, whenever the City sells City Land in the Woodlawn Community Area for the development of 6 or more rental housing units, the following requirements shall apply:

a) 15 or more units. Except for projects subject to subsection (c) below, for projects with 15 or more units, at least 20% of the residential units shall be leased to households whose incomes do not exceed 80% of AMI, with at least 5% of the units reserved for households with incomes at or below 50% of AMI, and at least 5% of the units reserved for households at or below 30% of AMI. The rents for these units shall be affordable to households at these various income levels.

b) 6 to 14 units. Except for projects subject to subsection (c) below, for projects with 6 to 14 units, at least 10% of the residential units shall be leased to households whose incomes do not exceed 80% of AMI at rents affordable to households at that income level. Projects with 6 to 9 units shall be exempt from the requirements of the Minority-and-Women-Owned Business Enterprise Construction Program as set forth in Section 2-92-650 et seq. of the Municipal Code, as such requirements are customarily modified for land sales, and the city resident hiring requirements set forth in Section 2-92-330 of the Municipal Code, as such requirements are customarily modified for land sales.

c) Reservation for Very Low-Income Households. Notwithstanding the affordability requirements set forth in subsections (a) and (b) above, for a period of twenty (20) years from the effective date of this ordinance, the City shall reserve 52 City-owned vacant lots (the "Reserved Lots"), representing 25% of the lots comprising the City Land, for the development of rental projects in which at least thirty percent (30%) of the residential units (the "Very Low-Income Units") shall be leased to households whose incomes do not exceed 50% of AMI, with at least six of the Very Low-Income Units reserved for households with incomes at or below 30% of AMI. The rents for the Very Low-Income Units shall be affordable to households at the 30% and 50% AMI income levels, as applicable.

d) Density of Reserved Lots. The Reserved Lots shall include a minimum of 10 lots zoned at the highest allowable density in the area (B2-3) and a maximum of 42 zoned at RS 1-2.

e) Percentages. Where the application of the percentage requirements of this section results in a fractional housing unit, the developer shall round up to the nearest whole number for any portion of 0.5 or above and round down to the nearest whole number for any portion less than 0.5.

f) Duration of Affordability Restrictions. The affordable units required by this section shall remain affordable for a minimum period of 20 years after the last affordable unit in the project has been leased. Prior to the issuance of a building permit for any project subject to the affordable housing requirements of this Section 3, including, without limitation, excavation or foundation permits, the developer shall execute and record an affordable housing agreement in a form approved by the Commissioner.

g) Neighborhood Developer Preference. Pursuant to Section 4(a) of this ordinance, the Department shall give preference to applications and proposals submitted under this section by Woodlawn Neighborhood Developers (as defined in Section 4(a)).

(h) Local Resident Employment Plan. Pursuant to Section 4(b) of this ordinance, the Department shall require each applicant for City Land under this Section 3 to provide as part of their application, and implement as part of their development, a Neighborhood Hiring Plan (as defined in Section 4(b)).

(i) Financial Assistance. The provisions of this Section 3 are the minimum requirements for the development of rental housing on City Land if the development receives city financial assistance as defined in the 2015 ARO, Section 2-44-080 of the Municipal Code.

SECTION 4. Community Economic Development.

a) Neighborhood Developers. Whenever the City sells City Land under this ordinance through a competitive selection process, the City shall give preference to applications and proposals submitted by qualified developers (i) that are majority-owned by one or more neighborhood residents, and whose management and daily business operations are controlled by one or more such neighborhood residents; or (ii) that have completed one or more projects within the Woodlawn Community Area, and whose principal business offices are located within the Woodlawn Community Area ("Woodlawn Neighborhood Developers"). As used in this ordinance, "neighborhood resident" means any person who has a primary residence in the Woodlawn Community Area for at least the preceding 12-month at the time the developer submits an application or proposal. DOH shall establish a process to verify the status of an applicant as a Woodlawn Neighborhood Developer.

b) Neighborhood Hiring. The Department shall require the developer of each project developed under this ordinance to include a specific plan for the hiring of residents in the Woodlawn Community Area, including employment outreach and/or training ("Neighborhood Hiring Plan").

SECTION 5. Woodlawn Community Area Plan. Any development on City Land pursuant to Section 2 or Section 3 of this ordinance shall be in accordance with the design guidelines and other requirements set forth in any Woodlawn Community Area Plan adopted by the Chicago Plan Commission and/or City Council, and by rules established by the Department.

SECTION 6. Woodlawn PEAR Program (\$1.5 Million).

a) The Woodlawn PEAR Program, as set forth in Exhibit B attached hereto and made a part hereof, is hereby authorized.

b) The amount of \$1,500,000 is hereby appropriated for the Woodlawn PEAR Program from AHOF Funds or other legally appropriated funds.

c) The Commissioner and a designee of the Commissioner (collectively, the "Authorized Officer") are each hereby authorized, subject to approval by the Corporation Counsel, to enter into and execute such agreements and instruments, and perform any and all acts as shall be necessary or advisable in connection with the implementation of the Woodlawn PEAR Program.

SECTION 7. Renew Woodlawn Homeownership Program (\$500,000).

a) The Renew Woodlawn Homeownership Program, as set forth in Exhibit C attached hereto and made a part hereof, is hereby authorized.

b) The amount of \$500,000 is hereby appropriated for the Renew Woodlawn Homeownership Program from AHOF Funds or other legally appropriated funds.

c) The Authorized Officer is hereby authorized, subject to approval by the Corporation Counsel, to enter into and execute such agreements and instruments and perform any and all acts as shall be necessary or advisable in connection with the implementation of the Renew Woodlawn Homeownership Program, including, without limitation, agreements with CIC, NHS and/or POAH to fund and administer the program.

SECTION 8. Woodlawn Vacant Residential Building Acquisition and Rehabilitation Revolving Financing Facility Program (\$1.52 million).

a) The Woodlawn Loan Fund program, as set forth in Exhibit D attached hereto and made a part hereof, is hereby authorized.

b) The Authorized Officer is hereby authorized, subject to approval by the Corporation Counsel, to enter into and execute such agreements and instruments and perform any and all acts as shall be necessary or advisable in connection with the implementation of the Woodlawn Loan Fund program.

c) The amount of \$1,520,000 is hereby appropriated for the Woodlawn Loan Fund program from AHOF Funds or other legally appropriated funds, and \$100,000 each year hereafter, subject to appropriation.

SECTION 9. Woodlawn Long-term Homeowner Home Improvement Grant Program (\$1 Million in Home Repair Assistance).

a) The Woodlawn Long-term Homeowner Home Improvement Grant Program, as set forth in Exhibit E attached hereto and made a part hereof, is hereby authorized.

b) NHS is hereby designated to administer the Woodlawn Long-term Homeowner Home Improvement Grant Program, subject to the supervision of DOH.

c) The Authorized Officer is hereby authorized, subject to approval by the Corporation Counsel, to negotiate, execute and deliver the NHS Agreement with NHS to administer the Woodlawn Long-term Homeowner Home Improvement Grant Program, and such other supporting documents as may be necessary to carry out and comply with the provisions thereof with such changes, deletions and insertions as shall be approved by the Authorized Officer, and is also hereby authorized, subject to approval by the Corporation Counsel, to enter into and execute such other agreements and instruments, and perform any and all acts as shall be necessary or advisable in connection with the implementation of the Woodlawn Long-term Homeowner Home Improvement Grant Program.

d) The Woodlawn Long-term Homeowner Home Improvement Grant Program is an Eligible Program, and employees of the City who qualify for participation in the

Woodlawn Long-term Homeowner Home Improvement Grant Program are Eligible Persons, as such terms are defined in Section 2-45-13Q of the Municipal Code.

(e) The amount of \$1,000,000 is hereby appropriated for the Woodlawn Long-term Homeowner Home Improvement Grant Program from AHOF Funds or other legally appropriated funds.

SECTION 10. Title 5 of the Municipal Code of Chicago is hereby amended by adding a new Chapter 5-10, as follows:

**CHAPTER 5-10
TENANT OPPORTUNITY TO PURCHASE WOODLAWN PILOT PROGRAM**

5-10-010 Title, purpose and scope.

This chapter shall be known and may be cited as the "Tenant Opportunity to Purchase Woodlawn Pilot Program," and shall be liberally construed and applied to promote its purposes and policies.

It is the purpose of this chapter and the policy of the city, in order to protect and promote the public health, safety and welfare of its residents, to empower tenants to purchase multi-family rental properties, at market prices, within a reasonable period of time and to thereby minimize tenant displacement, stabilize households facing displacement pressures and promote the preservation of affordable rental housing in neighborhoods at risk of gentrification.

5-10-020 Definitions.

For purposes of this chapter, the following definitions apply:

"Affordability preservation agreement" means an agreement between the owner and a tenant association (i) in which the tenant association agrees to maintain the rental property in a manner that preserves the property's existing affordability restrictions, or (ii) that would qualify the property as affordable housing, and (iii) in which the affordability restrictions set forth in the agreement are memorialized in covenants running with the land, in a form approved by the commissioner, enforceable by the city as a third party beneficiary. The affordability restrictions in each affordability preservation agreement shall extend for a period of not less than thirty (30) years from the sale, subject to such exceptions as the commissioner may provide for by rule issued hereunder.

"Affordability restrictions" means limits on rents and income for persons or families seeking to qualify as tenants in the rental property.

"Affordable housing" means that the mean value of all rents paid by tenants in the rental property shall not exceed 60% of area median income, and that the gross household income of new tenants in the rental property shall not exceed 80% of area median income.

"Commissioner" means the commissioner of the department.

"Department" means the department of housing or any successor agency.

"Rental unit" or "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.

"Just cause eviction" means any eviction for serious or repeated violations of the terms and conditions of a lease or occupancy agreement, or for violation of applicable federal, state or local laws or for other good cause.

"Owner" means the person(s), firm, partnership, corporation, trust, organization, limited liability company or other entity, or its successors or assigns, that holds title to a rental property.

"Purchaser" means a party who has entered into a purchase contract with an owner and who will, upon performance of the purchase contract, become the new owner of the rental property.

"Rental property" means any occupied residential rental building, or a group of residential rental buildings operated as one entity, within the Woodlawn Community Area, with a total of 10 or more dwelling units. Rental property does not include:

- a) "assisted housing" or an "assisted housing development" or a "development," as those terms are defined in the City of Chicago Affordable Housing Preservation Ordinance;
- b) housing accommodations in any hospital, convent, monastery, extended care facility, asylum or not-for-profit home for the aged, temporary overnight shelter, transitional shelter, or in a dormitory owned and operated by an elementary school, high school or institution of higher learning; student housing accommodations wherein a housing agreement or housing contract is entered into between the student and an institution of higher learning or student housing wherein the institution exercises control or supervision of the students; or student housing owned and operated by a tax exempt organization affiliated with an institution of higher learning;
- c) public housing units managed by the Chicago Housing Authority;
- d) owner-occupied buildings containing 9 units or less.

"Sale" or "sell" means an act by which an owner conveys, transfers or disposes of rental property by deed or otherwise, whether through a single transaction or a series of transactions, including: (i) transfer of title to rental property; (ii) transfer of a majority interest in owner; or (iii) lease of rental property for more than 7 years.

"Tenant" means a natural person entitled by written or oral agreement or by sufferance to occupy a rental unit to the exclusion of others, and who is residing in a rental unit at the time of a notification under Section 5-10-60(a). If more than one tenant is listed on a lease any such tenants may exercise the rights granted under this chapter.

"Tenant association" means an association of tenants, whether incorporated or not, for which written consent to forming a tenant association has been given by tenants representing at least 75 % of the occupied units in the rental property, and which association notifies the owner of the rental property and the department of its existence or establishment prior to the expiration of the 90-day period stated in subsection 5-10-060(b) and has provided to the owner and the

department the names, addresses and telephone numbers of at least two of the officers or representatives of such association. The percentage shall be calculated based on the number of occupied rental units in a rental property rather than the number of individuals listed on leases as tenants. Tenants agreeing to participate in a tenant association shall signify their consent to form a tenant association by signing a form provided by the department. Any reference to a "tenant association" in this chapter shall be deemed to include any third party or assignee under section 5-10-080.

"Third party purchase agreement" means an arm's length third-party agreement whereby an owner agrees to sell a rental property, including, without limitation, a purchase and sale agreement, contract of sale, purchase option or other similar instrument.

"Title" means a legal or equitable ownership interest in a rental property; or a legal, equitable, or beneficial interest in a partnership, limited partnership, corporation, trust or other entity that has a legal or equitable ownership interest in a rental property.

5-10-030 Right of First Refusal Conferred.

This chapter shall be construed to confer upon each tenant association a right of first refusal to purchase any rental property for sale in the Woodlawn Community Area upon the terms set forth herein.

5-10-040 Exceptions.

The requirements of this chapter shall not apply to the transfers identified below, but shall apply to any subsequent transfer to a non-exempt party:

a) a transfer of legal title or an interest in an entity holding legal title to a rental property pursuant to a deed of trust or mortgage, and thereafter any transfer by foreclosure sale or deed in lieu of foreclosure pursuant to a deed of trust or mortgage to an entity not affiliated with the owner; or

b) a transfer made in connection with any bankruptcy proceeding (including, but not limited to, any transfer made by a bankruptcy trustee); or

c) a tax sale or transfer pursuant to tax foreclosure; or

d) a transfer by devise or intestacy, or any other transfer made in connection with a bona fide effort to pass an interest in real property to one's devisees or heirs (including, but not limited to, such transfers made in connection with a living trust); or

e) a transfer between or among spouses, domestic partners, siblings (including, but not limited to, half-siblings, step-siblings, and adoptive siblings), parents (including, but not limited to, step-parents and adoptive parents) or guardians and their children, grandparents and their grandchildren, aunts or uncles and their nieces or nephews, great-aunts or great-uncles and their grand-nieces or grand-nephews, or first cousins, or any combination thereof; or

f) a transfer of bare legal title into a revocable trust, without actual consideration for the transfer, where the transferor is the current beneficiary of the trust; or

g) a transfer to a named beneficiary of a revocable trust by reason of the death of the grantor

of the revocable trust; or

h) a transfer by the trustee of a revocable trust if the transfer would otherwise be excluded under this chapter if made by the grantor of the revocable trust; or

(i) a transfer pursuant to court order or court-approved settlement; or

(j) a transfer by eminent domain or negotiated purchase under threat of eminent domain; or

(k) a transfer directly caused by a change in the form of the entity owning the rental property, provided that the transfer is without consideration.

5-10-050 Notice of Intent to Sell.

a) Notice Prior to Listing Required. No less than 30 days prior to listing or otherwise offering a rental property for sale, the owner shall provide notice to the tenant association, or if no tenant association exists, to each tenant, and to the department, of the owner's intent to sell. The notice required by this subsection shall be delivered in person or mailed, by certified or registered mail, return receipt requested, on a form provided by the department, and shall contain the following information: (1) the name, address and telephone number of each owner of the rental property; (2) the address of the rental property; (3) a description of the rental property, including the number of units and the number of bedrooms within each unit; (4) the proposed asking price for the rental property; (5) a statement that the owner intends to sell the rental property; and (6) a summary of tenant rights under this chapter. The owner shall also post a notice of intent to sell in a form provided by the department at all public entrances to the rental property. The owner shall keep all return receipts required by this subsection (a) for a period of three years after the sale of the rental property, and make such receipts available for inspection by the commissioner at all times during the owner's business hours..

b) Additional Disclosures. The tenant association, or if no tenant association exists, any tenant in the rental property, or the department, may in writing, at any time after receipt of the owner's notice of intent to sell, request the following additional information:

1) the most recent rent roll, including each unit number and the monthly rent charged for each unit;

2) a list of vacant apartments, and a statement of the rental property's vacancy rate during the preceding 12 months;

3) the income and expense report for the twelve-month period prior to the notice, including capital improvements, real property taxes and other municipal charges; and

(4) any other information the commissioner may specify by rule.

The owner shall have a period of 30 calendar days from receipt of such request to provide the information.

5-10-060 Right of First Refusal.

a) Notice of Offer. If the owner receives and accepts a bona fide offer from a third party to purchase the rental property, then the owner shall promptly provide written notice of such offer ("Notice of Sale"), to the tenant association, or if no tenant association exists, to each

tenant in the rental property, and to the department. Any such third-party purchase agreement shall be contingent upon the right of first refusal set forth in this chapter. The Notice of Sale must include an executed duplicate original of the third-party purchase agreement, and the disclosures set forth in section 5-10-050(b), unless the owner has previously made such disclosures and the disclosures remain accurate and complete.

b) **Time for Tenants to Form Organization and Exercise Right of First Refusal.** The tenants of the rental property shall have a period of 90 calendar days from receipt of the Notice of Sale to form a tenant association and exercise their right of first refusal to purchase the rental property. The tenant association shall exercise its right of first refusal by delivering written notice to the owner prior to the expiration of the 90-day period that the tenant association elects to purchase the rental property pursuant to this chapter. Any such notice from the tenant association shall be accompanied by any earnest money required under the terms of the third-party purchase agreement, subject to the cap set forth in section 5-10-070. The contract formed by exercise of the right of first refusal shall be on the same terms and conditions as those set forth in the third-party purchase agreement, as modified by the terms of this chapter. Notwithstanding this general requirement or any term of the third-party purchase agreement, any such acceptance shall be presumed to be contingent upon the tenant association's ability to conduct due diligence and secure financing before the deadline in subsection 5-10-060(c) for completing the sale. Nothing in this subsection shall be construed to require any owner to extend any form of owner financing to a tenant association.

c) **Time for Closing.** If the tenant association exercises its right of first refusal in accordance with subsection (b), the tenant association shall have a period of 120 calendar days from the date of such notice to conduct due diligence and secure financing, unless the owner and the tenant association have expressly agreed otherwise in writing. The owner must give the tenant association any information about the rental property that the tenant association reasonably requests, such as architectural and engineering plans and specifications (if available), and access to the rental property to inspect the same and conduct reasonable tests at reasonable times after reasonable notice. At the end of this 120-day period (or any other period to which the owner and the tenant association have expressly agreed in writing), the owner shall sell the rental property to the tenant association upon those terms. If the 120-day period (or any other period to which the owner and the tenant association have expressly agreed in writing) ends on a Saturday, Sunday or other legal holiday in the city of Chicago, then the closing shall occur on the first business day thereafter. If the rental property is conveyed to the tenant association under this right of first refusal, any prepaid rent shall be apportioned as of the closing date and applied on account of the purchase price.

d) **Tenant Association's Rejection of Offer.** If the tenant association fails to exercise its right of first refusal on or before the deadline set forth in subsection (b), or terminates the contract pursuant to its terms, or defaults (unless there is a mutual default), then such right will be deemed waived and the owner may sell the rental property to the third party purchaser identified in the third party purchase agreement on the terms specified therein. If the sale to such third party purchaser fails for any reason to close, or if there is any material change in the terms of sale from those set forth in the third-party purchase agreement, then the tenant association's right of first refusal under this chapter shall be reinstated. Any sale of the rental property by the owner to a different party or on any materially different terms shall be null and void.

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e) **Third Party Rights.** The right of a third party to purchase a rental property is subject to the right of first refusal conferred by this chapter. Upon exercise of the right of first refusal, the third party purchase

agreement between the owner and the third party purchaser shall automatically terminate, and neither the owner nor the tenant association nor the rental building shall be bound or in any way affected by any such agreement and such third party purchaser shall not have any interest in the contract between the owner and the tenant association formed by exercise of the right of first refusal. Without limiting the generality of the foregoing, the owner and the tenant association may freely modify the terms and conditions on which the sale from the owner to the tenant association may be made. For example, the time periods for exercising the right of first refusal under subsection (b) and for closing under subsection (c) are minimum periods, and the owner may grant the tenants a reasonable extension of such period, without liability under a third-party agreement. Third party purchasers are presumed to act with full knowledge of tenant rights and public policy under this chapter.

f) Continuing Right. The right of first refusal is a continuing right and shall apply as often as the owner (including but not limited to any owner which acquired its interest in a sale to which the right of first refusal applied but was not exercised) shall sell the rental property.

5-10-070 Financial Assurances; Deposit.

The owner may not require the tenant association to prove financial ability to perform as a prerequisite to entering into a contract. The owner shall not require the tenant association to pay a deposit of more than 5% of the contract sales price in order to make a contract. The owner must refund the deposit in the event of a good faith failure of the tenant association to perform under the contract.

5-10-080 Exercise or Assignment of Rights.

A tenant association may exercise the rights established under this chapter in conjunction with a third party or by assigning those rights to any party, whether private or governmental. Such an exercise or assignment may occur at any time in the process provided in this chapter and may be structured in any way the tenant association, in the tenant association's sole discretion, finds acceptable. The tenant association shall give the owner written notice of such third party or assignee within ten (10) business days of entering into a written agreement. Any rights conferred upon tenant associations under this chapter shall extend to any such third parties or assignees, and, upon receipt of notice of such third parties or assignees under this section 5-10-080, owners shall treat such third parties or assignees in the same manner as tenant associations under this chapter.

5-10-090 Waiver of Rights.

An owner shall not request, and a tenant may not grant, a waiver of the right of first refusal conferred by this chapter. An owner shall not require waiver of any other right under this chapter.

5-10-100 Notice.

Any notice required by this chapter shall be deemed to have been provided when delivered in person or mailed by certified or registered mail, return receipt requested, to the party to whom notice is required.

5-10-110 Preservation as Rent-Restricted Affordable Housing.

Any rental property purchased by a tenant association under the right of first refusal conferred by this chapter shall be maintained as rent-restricted affordable housing for no less than 30 years. The commissioner shall establish procedures to ensure that each rental property acquired under this chapter is subject to an affordability preservation agreement that sets forth the manner in which the rental property shall be preserved as rent-restricted affordable housing.

5-10-120 Duties of Owner Relative to Existing Tenancies.

No owner shall disturb any tenancy, other than for a just cause eviction, during the time periods set forth in this chapter.

5-10-130 Sale of Property to Third Party Purchaser.

If the tenant association waives its right of first refusal, and the owner sells the rental property to a bona fide third party purchaser, such purchaser shall allow the current tenants to remain in their respective dwelling units for the longer of six months from the effective date of the sale or until each tenant's lease expires, at the same terms and conditions as before such sale. Such purchaser may, with the agreement of the tenants, relocate such tenants to comparable units with comparable rents in accordance with procedures to be established by the rules of the department.

5-10-140 Rules.

The commissioner shall have the authority to promulgate rules necessary to implement the requirements of this chapter.

5-10-150 Penalties.

Any person who violates this chapter shall be fined not less than \$200.00 nor more than \$1,000.00 for each offense. Each day that a violation continues shall constitute a separate and distinct offense to which a separate fine shall apply.

5-10-160 Private Right of Action.

Any aggrieved person, including but not limited to any tenant or tenant association, may enforce the provisions of this chapter by means of a civil action in which the court may provide injunctive relief or award treble damages and the plaintiffs' court costs and reasonable attorneys' fees.

5-10-170 Remedies Cumulative.

The penalties and remedies provided in this chapter shall be in addition to any other penalty or remedy provided by law.

SECTION 11. Department of Housing Preservation Initiatives

With respect to the Woodlawn Community Area, for at least the five (5) consecutive years following the effective date of this ordinance, DOH will: (1) identify and track all existing legally restricted affordable housing in the Woodlawn Community Area in order to proactively address any at-risk subsidized housing; (2) reconvene the Woodlawn Housing Working Group every six months for the first two years, and annually thereafter, to report on changes in the Woodlawn

Community Area housing market and progress on implementation of the ordinance; and (3) work with the DePaul Institute for Housing Studies and other data sources to update data annually on changing land values and other housing and economic indicators in Woodlawn, South Shore and Washington Park.

SECTION 12. To the extent that any ordinance, resolution, rule, order or provision of the Code,

or part thereof, is in conflict with the provisions of this ordinance, the provisions of this ordinance shall control. If any section, paragraph, clause or provision of this ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this ordinance.

SECTION 13. This ordinance shall be effective as of the date of its passage and approval.

EXHIBIT A

MAP OF WOODLAWN COMMUNITY AREA

(Attached)

WOODLAWN PEAR PROGRAM

PROGRAM PARAMETERS

Residential Rental Housing Projects located in the Woodlawn Community Area shall be eligible as determined under the Woodlawn PEAR Program rules and regulations. "Residential Housing Projects" shall mean one or more buildings that collectively contain six (6) or more Housing Units on one or more parcels or lots under common ownership or control, including contiguous parcels.

To be eligible to participate in the PEAR Program, at least 20 percent of the on-site Housing Units in a Residential Rental Housing Project must qualify as affordable housing under the eligibility criteria for the PEAR Program upon provision of Woodlawn PEAR refinancing by the City/DOH.

Of the on-site Housing Units that are set aside as affordable housing under the eligibility criteria for the PEAR Program, the following criteria will apply:

For half of said Housing Units:

Shall be leased to households whose incomes do not exceed fifty percent (50%) of the Chicago Primary Metropolitan Statistical Area Median Income (AMI) at rents that do not exceed the maximum rents, adjusted for household size, for households with household incomes at 50% AMI, as published annually by the City of Chicago.

For the other half of said Housing Units:

Shall be leased to households whose incomes do not exceed thirty percent (30%) of the Chicago Primary Metropolitan Statistical Area Median Income AMI at rents that do not exceed the maximum rents, adjusted for household size for households with household incomes at 30% AMI, as published annually by the City of Chicago.

Residential Housing Projects which are subject to outstanding Financial Assistance or other outstanding governmental subsidies shall not be eligible to participate in the Woodlawn PEAR Program.

Any loan made by DOH under the Woodlawn PEAR Program shall be for a term of not less than 15 years, and not to exceed 30 years after the closing date ("Closing Date") of said loan at an interest rate not to exceed three percent per annum.

The duration of affordability restrictions for Affordable Housing shall be for a minimum period of 15 years after the Closing Date. Such restrictions shall be documented in affordable housing agreement which shall be recorded against the Residential Rental Housing Project receiving a PEAR Program loan.

Underwriting guidelines for loans made under the PEAR Program shall be determined in accordance with the PEAR Program rules and regulations.

EXHIBIT C

RENEW WOODLAWN HOMEOWNERSHIP PROGRAM

The Renew Woodlawn (RW) homeownership program is designed to increase access to homeownership for low and moderate-income residents with household incomes at or below 120%, of the area median income

(AMI) of the Woodlawn Community Area, attract new moderate-income homeowners to Woodlawn, and address the problem of blight caused by vacant properties in Woodlawn.

The City will grant to POAH \$500,000 to administer the RW program.

POAH will utilize the funds to identify, acquire, and transfer vacant, 1-4 unit, residential properties located in the Woodlawn Community Area to qualified developers for rehabilitation and resale to income qualified homebuyers, or directly to income qualified homebuyers who will purchase and rehabilitate the properties as their principal residence.

The City grant funds may be used for acquisition and disposition, administration, marketing and homebuyer grants, but may not be used for construction.

POAH may transfer properties to developers through a competitive solicitation process per property, or through a competitive process to solicit a pool of qualified developers experienced in the rehabilitation of residential properties in Chicago.

Whenever POAH so transfers properties acquired for the RW program to developers, the competitive selection process shall give preference to responsive developers (i) that are majority-owned by one or more Woodlawn Community Area residents, and whose management and daily business operations are controlled by one or more such neighborhood residents; or (ii) that have completed one or more residential development projects within the Woodlawn Community Area, and whose principal business offices are located within the Woodlawn Community Area ("Woodlawn Neighborhood Developers"). As used in this ordinance, "neighborhood resident" means any person who has a primary residence in the Woodlawn Community Area for at least the preceding twelve (12) months at the time the developer submits an application or proposal.

POAH may provide prospective buyers with up to \$15,000 in subsidies towards the purchase, or up to \$50,000 in subsidies towards the purchase and rehab, of any one- to four-unit vacant property acquired by POAH or by RW partners Community Investment Corporation (CIC) or Neighborhood Housing Services of Chicago (NHS) for the RW program and located in the Woodlawn Community Area.

POAH will endeavor to solicit the participation of diverse developers, contractors and brokers in the administration of the program. Program requirements and rules shall be subject to HUD Choice Neighborhood Initiative applicable requirements and City approval, pursuant to a grant agreement between POAH and the City of Chicago, through DOH..

EXHIBIT D

WOODLAWN VACANT RESIDENTIAL BUILDING ACQUISITION AND REHABILITATION REVOLVING FINANCING FACILITY PROGRAM

("WOODLAWN LOAN FUND PROGRAM")

Community Investment Corporation ("CIC") is a certified Community Development Financial Institution

community lender. CIC will provide the following Woodlawn Loan Fund Program administration and implementation services within the Woodlawn Community Area (the "Area").

1. Multi-Bank Participation Arrangement. CIC will create a pool of bank funds by entering into a master participation agreement with several banks for the purpose of creating a shared-risk loan fund for lending to projects in the Woodlawn Community Area ("Loan Fund") by CIC as described below. The Arrangement will have the following features:

2. City Grant Funds. The City will make a grant to CIC of \$1,520,000 as follows:

a) Loan Loss Reserve. City will make a grant to CIC of not to exceed \$1,400,000 for the purpose of creating a loan loss reserve for the reimbursement of losses, if any, incurred by CIC in connection with defaults by housing loan borrowers

b) Program Administration. The City will make a grant to CIC of \$120,000 for the administration of the Loan Fund for the first year, and a grant of \$100,000 each year thereafter that the Loan Fund remains in operation and administered by CIC, subject to appropriation of funds by the Chicago City Council

c) The Loss Reserve will have the following features:

CIC will deposit the grant money into a separate interest-bearing loan loss reserve account, controlled by CIC. The LLR Account, once opened, may not be transferred or assigned without the prior written permission of the City and may not be invested by CIC.

LLR Account interest earned shall be re-invested into the LLR account during the Term.

LLR Account funds shall be released from the account only to pay Allowed Claims for defaulted loans, or as otherwise allowed in the LLR documents. CIC will not receive a separate administrative fee from the City for operating the LLR Account

Funds in the LLR Account will not be used to make direct loans to Borrowers at any time. -

3. Housing Acquisition and Rehabilitation Loans. Using a pool of not less than \$7,000,000, CIC will lend directly to qualified developers for the acquisition and rehabilitation of

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vacant single-family and multi-family within the Woodlawn Community. The loan program will have the following features:

Long-term affordability requirements shall include:

- **All for-sale single-family properties must be sold to owner-occupant homeowner households earning no more than 120% of AMI annually. If for-sale units are marketed in excess of 6 months, CIC may request approval for the property to be rented**
- **For not less than 10 years after a multi-family rental building is placed in service,**

not less than one-half (50%) of all rental units therein must be leased at rents not exceeding the applicable maximum rents for 80% of AMI as published annually by the City.

Multifamily construction and/or rehab loans provided to developers from the Woodlawn Loan Fund will not exceed 3.5% per annum interest

Multifamily loans may be repaid by a separate permanent financing loan made by CIC or a separate lender

**Single family construction or rehab loans will not exceed 3.5% per annum interest
CIC will have the power to foreclose on mortgages.**

CIC can receive an administration fee of not to exceed 1.5% (150 basis points) of the face value of each single-family acquisition and rehabilitation loan for CIC's application processing, due diligence, loan origination, draw inspections, servicing, reporting costs with respect to that loan, in addition to any applicable application and inspection fees. CIC can receive an administration fee of not to exceed 1.5% (150 basis points) of the face value of each single-family acquisition and rehabilitation loan for CIC's application processing, due diligence, loan origination, draw inspections, servicing, reporting costs with respect to that loan, in addition to any applicable application and inspection fees. Loan amount shall not exceed the reasonable cost of acquisition, holding, rehabilitation, and sale or lease up/stabilization of the subject property

Equity requirement for each borrower shall not be less than 10%, which can be used to cover closing costs at CIC's discretion

Loans must be evidenced by a mortgage lien recorded against the subject property, running in favor of CIC

CIC will maintain and document credit policy/processes, including meeting minimum financial reporting standards, delinquency based loan loss reserve calculations, delinquency and charge-off standards, and restructure and extension reporting.

4. Program Administration. Program administration work will include the following:

CIC staffing, salaries, equipment, reporting, underwriting, travel, and the like.

EXHIBIT E

WOODLAWN LONG-TERM HOMEOWNER HOME IMPROVEMENT GRANT PROGRAM

The City shall make a grant to Neighborhood Housing Services of Chicago ("NHS") in an amount not to exceed \$1,000,000.00 for the administration of the Woodlawn Long-Term Homeowner Home Improvement Grant Program. NHS will provide the following Woodlawn Long-Term Homeowner Home Improvement Grant Program administration and implementation services within the Woodlawn Community Area (the "Area"). NHS

may use up to \$150,000 of grant funds for NHS program administration costs.

Definitions.

"Application" means an application from a potential Eligible Homeowner for a Grant hereunder, in a form prepared by NHS and approved by DOH.

"Corporation Counsel" means the Corporation Counsel of the City.

"Eligible Costs" means the following rehabilitation costs which are incurred by Eligible Homeowners pursuant to the Grant Documents and funded with Grant funds: exterior improvements including but not limited to roofs, windows, entryways, porches and masonry; up to 30% of the total Grant amount may be used for interior life/safety improvements, including specifically repairs to heating systems and related electrical and plumbing repairs, but only to the extent that such improvements are designed to address a current (rather than potential) health and safety risk; and related permit fees and architect's fees.

"Eligible Homeowner" means, collectively, all the persons who have continuously occupied a Qualified Housing Unit as their primary residence for at least five (5) years prior to the Application date, and which may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements, qualifying as a Qualified Family at the time the Eligible Homeowner submits an application to NHS, but shall not include any individual who is an employee of the City, or any individual who is an employee, agent, consultant, officer, elected official, or appointed official, of NHS (or any person who was an employee, agent, consultant, officer or elected or appointed official within one year prior to the date any Grant is made) if, in either case, the individual exercises or has exercised any functions or responsibilities with respect to activities assisted with Program Funds or who is or was in a position to participate in a decision-making process or gain inside information with regard to such activities, or has or will have any interest in any contract, subcontract or agreement with respect to the housing unit, either for himself or for those with whom he has family or business ties.

"Event of Default" means any event of default as set forth in Section 5.1 hereof.

"Grant" means any grant of funds, in an amount not to exceed the Maximum Program Assistance, made by NHS to an Eligible Homeowner from Program Funds. Each Grant is subject

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to recovery by NHS or the City if the grantee ceases to continuously occupy the Qualified Housing Unit for five years after the Grant date, pursuant to the following:

If grantee ceases occupancy:	Percent of Grant amount to be repaid by grantee:
Within one year of Grant date	100%
Within two years of Grant date	80%
Within three years of Grant date	60%
Within four years of Grant date	40%

Within five years of Grant date 20%

"Grant Documents" means the agreements and instruments, including a Mortgage, entered into between NHS and an Eligible Homeowner in connection with a Grant, which documents shall be in substantially the form approved by Corporation Counsel.

"HUD" means the United States Department of Housing and Urban Development.

"Maximum Program Assistance" means \$20,000 for a Qualified Housing Unit.

"Median Income" means the median income of the Chicago area, adjusted for family size, as determined by HUD from time to time.

"Mortgage" means a mortgage lien on the Qualified Housing Unit, in favor of the City as mortgagee, recorded with the Cook County Recorder's Office, which mortgage may be junior in lien to any prior mortgage on the Qualified Housing Unit, and which may be subordinated to any replacement senior mortgage that is undertaken during the Grant repayment period.

"NHS" means Neighborhood Housing Services of Chicago, Inc., an Illinois not-for-profit corporation, and its successors and assigns.

"Program Funds" means those funds which will be used by the City to implement the Program in accordance with this Agreement.

"Qualified Family" means a family whose annual household income does not exceed 120 percent of the Median Income.

"Qualified Housing Unit" means a one- to four-unit residence located within the Woodlawn Community Area which is used for residential purposes; provided, however, that the residence has not been assisted within the five years prior to the date of Application with a home improvement grant or subsidy under the City's Neighborhood Lending Program. In the case of a two- to four-unit residence, one unit shall be occupied by the Eligible Homeowner at the time the Application is made and the Grant Documents are executed.

"State" means the State of Illinois.

Application Processing

(a) NHS shall accept and process Applications in the following manner (or as otherwise agreed to by DOH and NHS):

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- (i) NHS shall make Application forms available for a period of four to six weeks;**
- (ii) NHS shall make applications available at certain locations within the Woodlawn Community Area such as community centers, aldermanic offices or libraries (as agreed to by DOH);**

iii) Applications shall also be available by calling NHS;

iv) The Application will be approximately three (3) pages in length, from which NHS will be able to determine eligibility hereunder. NHS will require homeowners to provide more information if needed;

v) All Applications shall be returned directly to NHS; the City will not accept Applications;

and

(vi) All Applications received by a defined deadline of two weeks after the expiration of the period in (i) above.

b) NHS shall review all Applications for eligibility, completeness and compliance with the Agreement. NHS shall verify the initial eligibility of each applicant within five days after its receipt in the manner described in subsection (c) below. Only those Applications which meet such criteria will be approved. Applications so approved are to be numbered as they are received. Applications shall be approved for grants on a first come, first served basis ("Selected Applicants"). The amount of each Grant request from each Selected Applicant, including the applicable fee to be paid to NHS hereunder, will be deemed to be for the Maximum Program Assistance. When the aggregate amount of approved grants reaches up to \$848,000, or such other amount as DOH shall in writing specify to NHS, then NHS shall stop accepting Applications.

To accommodate the possibility that additional Selected Applicants will need to be chosen from eligible Applications because some earlier Applications are not in compliance with this Agreement, or because Program Funds are still available to make Grants, NHS may establish a waiting list of up to 25 applicants by order of application receipt.

c) NHS shall obtain income and title information regarding the Eligible Homeowner and the Qualified Housing Unit, respectively, and shall verify information presented in the Application. NHS shall assure that an Eligible Homeowner qualifies as a Qualified Family at the time an Application is received by NHS. In determining whether an Eligible Homeowner qualifies as a Qualified Family, NHS calculates income in a manner determined by NHS and approved by DOH.

d) NHS shall securely forward the name, address and Social Security number of every Selected Applicant to the City's Department of Finance for a scofflaw check. NHS shall perform an initial site visit to verify that the property will qualify. NHS shall approve a scope of work. No building will qualify as a Qualified Housing Unit hereunder if the combination of the Grant funds, funds from the Eligible Homeowner and matching loan funds described herein hereof do not cover the cost of correcting the health and safety issues which have been identified by NHS inspectors. For any Qualified Housing Unit, no more than 30% of the Eligible Costs paid for from Program Funds can relate to interior life/safety improvements.

e) For applicants who do not meet the requirements of this Agreement, as determined by NHS after its initial review described in subsection (c) above, NHS shall provide notice to such applicants that their Application has been rejected within two weeks after the expiration of the

period described in subsection (a)(vi) above. For all applicants whose Application is in compliance with the requirements of this Agreement (based on NHS's initial review described in subsection (c) above), NHS will notify each such applicant, within two weeks of the date of the approval of their application, as follows: those who are not Selected Applicants will be notified that their name has been placed on a waiting list; and Selected Applicants will be asked for further information to process their Application. The notice to Selected Applicants will also inform the applicant that, if requested materials are not supplied within 45 days in a form satisfactory to NHS, the applicants will forfeit their status as a Selected Applicant and will be placed at the bottom of the waiting list. If the scofflaw check described in subsection (d) above reveals that any amounts are owed to the City, then the materials requested by NHS shall include evidence that all such amounts have been paid or that the applicant has entered into a payment plan with the City. Thereafter, NHS shall, within 90 days of the date of the approval of an application, complete its review of all information required hereunder and notify each such Selected Applicant whether they are eligible for a Grant, the amount of the Grant, and whether other funds need to be obtained by the Applicant. No Selected Applicant shall be eligible for a Grant hereunder until NHS has received the results of the scofflaw check described in (d) above and has received evidence either that all amounts owed to the City have been paid, or that the applicant has entered into a payment plan with the City. NHS shall provide the City with a copy of each such notice described above. All notices of rejection shall include the reasons for such rejection.

(f) NHS shall enforce the following energy-efficiency requirements for the program:

- i) If a Qualified Housing Unit is having its roof replaced and the roof insulation is below R-49, then the project will be required to include R-49 insulation in the roof (except in the case that the roof cavity is not able to be insulated due to a finished attic) ("Insulation Requirement");
- ii) If the Eligible Homeowner plans to replace the heating system, such as a boiler or furnace, in the Qualified Housing Unit, then the heating system must meet the Energy Star standards for energy efficiency ("EE Heating System Requirement").

Procedures for Selected Applicants

(a) Technical/Rehabilitation Services. For all Selected Applicants, NHS shall make an initial site visit to the Qualified Housing Unit and assist the Selected Applicant in the preparation of detailed plans and specifications for the renovation work. NHS shall monitor the process by which the Selected Applicant selects a contractor (or contractors) to do the renovation work to ensure that any contractor has been selected through a competitive bid process. NHS must approve the contractor selected, which must be licensed and properly insured; in its approval, NHS shall consider the financial strength of the contractor. NHS shall review the contract(s) between the Selected Applicant and the contractor(s) for the renovation work. NHS shall make available to each Selected Applicant (i) a current list of contractors and subcontractors which are certified by the City as Minority Business Enterprises or Women Business Enterprises, and (ii) a current list of contractors and subcontractors which have current insurance certificates and proof of City home repair and/or business licenses on file with NHS. While the requirements of Section 2-92-330 of the Municipal Code of the City of Chicago (City Resident Employment Requirement) will not apply to the renovation work done pursuant to the Program, NHS shall use its best efforts to recruit and encourage the use of qualified contractors based in Chicago (particularly in the Woodlawn Community Area) for the renovation work being funded pursuant to this Agreement.

b) Requirements for Grants for Qualified Housing Units. After approving an Application, NHS shall promptly prepare and execute Grant Documents for each Grant. NHS shall assure that each Grant satisfies all

applicable requirements of federal, State and local law, and that:

- i) Program Funds finance only Eligible Costs;
- ii) [intentionally omitted];
- iii) [intentionally omitted]; and
- iv) one or more (up to four) units of the Qualified Housing Unit shall be occupied by the Eligible Homeowner.

c) Closing. NHS shall promptly close each Grant. Prior to disbursement of any Program Funds by NHS, NHS shall require each Eligible Homeowner to enter into the Grant Documents. NHS shall assure that the renovation of the Qualified Housing Unit commences within six months of the date on which a Grant closes. NHS shall provide in all Grant Documents that the City is a third-party beneficiary of the Grant Documents. NHS shall not provide Program Funds to any Eligible Homeowner in an amount in excess of the applicable Maximum Program Assistance; provided, that the maximum amount so provided may be adjusted by mutual agreement of DOH and NHS based on the availability of Program Funds and the projected need of a particular community.

d) Disbursement of Proceeds. NHS shall deposit the Program Funds into an interest-bearing segregated or escrow account established by NHS for this purpose. Any income earned on amounts held in the account shall be used for Program Services and administration. NHS agrees that any disbursements from this account which are later determined to have been made in violation of this Agreement will be repaid to this account by NHS. Prior to disbursing any proceeds of a Grant, NHS shall determine the aggregate amount of Program Funds which have been provided or approved for a Qualified Housing Unit and shall not disburse any funds exceeding the Maximum Program Assistance. NHS shall also assure that no Program Funds shall be paid until such funds are needed to for the payment of Eligible Costs, and that the proceeds of a Grant do not exceed available Maximum Program Assistance with respect to the Qualified Housing Unit. NHS may pay Program Funds to the Eligible Homeowner when NHS receives evidence of prior payment to the contractor for the rehabilitation work (consisting of a copy of the check issued to the contractor, which is not required to be a cancelled check, and/or a copy of the sworn statement), or directly to the contractor upon proof that the required construction work has been completed (sworn statement, lien waivers, sign-off permits, etc., as applicable). There shall be no commingling of funds among Grants by NHS and each Grant shall be accounted for separately in the records maintained by NHS.

e) Servicing; Monitoring.

1) NHS shall specify an employee directly responsible for the working on each Grant. NHS shall provide DPD with notice of the person(s) responsible for these duties and the respective Grants.

2) If an Eligible Homeowner breaches any covenant or agreement under the applicable Grant Documents, NHS shall mail notice of such breach to the Eligible Homeowner as provided in the Grant Documents (with a copy to DOH) and shall take such further action consistent with the terms of this Agreement.

(3) NHS shall monitor the progress of the renovation work to confirm compliance with this Agreement and the Grant Documents. The Grant Documents shall provide that the Eligible Homeowner must approve of payment of funds from NHS to a contractor for the rehabilitation work, or that NHS may pay the contractor directly. NHS shall inspect the renovation work prior

to providing payment. NHS shall make a final inspection of the renovation work at its completion to confirm compliance with this Agreement and the Grant Documents.

f) **Reporting.** On the seventh day of each month of each year during the term hereof, NHS shall submit to the City a monthly report in a form approved by DOH and containing the following information for each Grant closed during the previous month, and for each Eligible Homeowner whose Application has been approved: (i) the address (including zip code) and census tract of the Qualified Housing Unit; (ii) the name, address, income and race (if known) of each Eligible Homeowner for such Qualified Housing Unit; (iii) the amount of the applicable Grant and the date of the Grant; (iv) the amount of Program Funds, if any, provided to such Eligible Homeowner or on behalf thereof to the contractor by the end of the preceding month, and the use of such funds; (v) the status of the renovation work on such Qualified Housing Unit; and (vi) the names of any Eligible Homeowners who have defaulted on any matching loan provided through NHS. In addition, NHS shall also include the following in such report regarding the Program as of the end of the preceding month: (i) information about each matching loan made to an Eligible Homeowner, or matching funds provided by the Eligible Homeowner, including the amount of the loan or other funds, the address of the subject property and evidence that matching funds were provided; (ii) number of renovations in process; (iii) number of renovations completed; (iv) total number of applicants; (v) total number of Applications reviewed; (vi) total number of Applications approved; (vii) total amount of Grant funds disbursed hereunder; (viii) number of Qualified Housing Units; (ix) description of building style; (x) whether initial site visit indicated that a new roof was needed; (xi) whether initial site visit indicated that additional roof insulation was needed; (xii) whether initial site visit indicated that air-sealing was needed; (xiii) whether a new roof was installed; (xiv) whether roof insulation was installed; (xv) whether air-sealing was performed; (xvi) whether the heating system was replaced with an energy-efficient or non-energy-efficient replacement; (xvii) costs of any roof replacement; (xviii) cost of any air-sealing; (xix) total project cost; and (xx) whether waiver for Electricity and Gas Data provided.

g) **Marketing.** NHS shall make information about the Program, including Applications, readily available to persons applying to become Eligible Homeowners. In connection therewith, NHS shall prepare and distribute brochures and other written materials describing the Program. NHS shall also make appropriate personnel available to speak at seminars to promote and explain the Program and shall conduct other affirmative outreach efforts (including organizing or participating in seminars, conferences and public meetings) to disseminate information about the Program to the public. NHS shall cooperate (and shall bind its contractors to cooperate) with DPD in any program which DOH may undertake to promote and explain the Program. NHS shall dedicate sufficient employee time and resources to respond promptly to inquiries from potential applicants.

Compliance with the City's Building Codes

Prior to each disbursement of proceeds in connection with a Qualified Housing Unit, NHS shall assure to its best efforts that the rehabilitation work performed by the contractor on that Qualified Housing Unit complies with the building codes of the City and required copies of applicable permits.