



Office of the City Clerk

City Hall
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Legislation Text

File #: SO2014-6997, Version: 1

SUBSTITUTE ORDINANCE

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

WHEREAS, The City's home-rule authority includes the power to enact ordinances and regulations aimed at preserving safe, decent, and affordable housing in Chicago; and

WHEREAS, The City Council has determined that single-room occupancy buildings (SROs) are an essential component of the City's affordable housing stock, and that this form of housing is increasingly scarce due to sale and other market forces; and

WHEREAS, For this reason, the City has a vital interest in maintaining existing affordable housing by discouraging the conversion and demolition of SROs; and

WHEREAS, The City therefore expresses a firm commitment to make resources available, between now and the end of the year 2018, to preserve no less than 700 SRO units for very and extremely low-income Chicagoans by implementing an aggressive strategy centered on encouraging owners to participate in a variety of incentive programs and to cooperate in the efforts of preservation buyers to acquire SROs; and

WHEREAS, In addition to this commitment on its own behalf, the City recognizes the need to enact new legal requirements tailored to preserve Chicago's existing SROs; now, therefore,

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

SECTION 1. The recitals set forth above are incorporated herein by reference and made a part hereof.

SECTION 2. Title 5 of the Municipal Code of Chicago is hereby amended by adding a new chapter 5-15, as follows:

CHAPTER 5-15

SINGLE-ROOM OCCUPANCY PRESERVATION ORDINANCE

5-15-010 Title and purpose.

This chapter shall be known and may be cited as the "Single-Room Occupancy Preservation Ordinance," and shall be liberally construed and applied to achieve its purpose, which is to promote the public welfare by preserving single-room occupancy buildings, thereby sustaining the availability of affordable housing in neighborhoods throughout Chicago. The legislative intent of this chapter is to advance the City's vital interests in reducing homelessness and maintaining an economically diverse population.

5-15-020 Definitions.

For purposes of this chapter, the following definitions apply:

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"Affordable housing" means housing where the residents pay no more than 30 percent of their adjusted gross monthly household income in rent.

"Conversion" means any action that transforms all or part of an SRO into any type of use, residential or non-residential, that does not meet the definition of SRO.

"Demolition" means any action resulting in the complete or partial, interior or exterior, destruction of an SRO, or the combination of two or more units in an SRO to make a larger unit, or any other action that results in the reduction of the number of units in an SRO.

"Extremely low-income" means those individuals and families whose gross household incomes are between zero and 30 percent of the median gross household income for the Chicago region, as determined by the Secretary of the United States Department of Housing and Urban Development, with adjustments for smaller and larger families.

"Low-income" means those individuals and families whose gross household incomes are between 50 and 80 percent of the median gross household income for the Chicago region, as determined by the Secretary of the United States Department of Housing and Urban Development, with adjustments for smaller and larger families.

"Owner" has the meaning ascribed to that term in Section 13-4-010 of the Municipal Code of Chicago.

"Selling or otherwise transferring ownership" means transferring the current owner's interest in an SRO to any person, other than a member of the owner's family, by any means, including changing the title or changing the beneficiary of a trust. This definition does not include any internal transfer of control between current officers, members, or managers of corporations, partnerships, or other business entities. Nor does this term apply to any transfer of an SRO where the new owner has committed to maintain at the property a number of units of subsidized affordable housing for low-, very low-, and extremely low-income individuals and families equal to at least 80 percent of the current number of units at the property.

"Single-room occupancy building" or "SRO" means a residential building that contains five or more single-room occupancy units and in which at least 90 percent of the units are single-room occupancy units.

"Single-room occupancy unit" or "SRO unit" has the meaning ascribed to that term in Section 17-17-02164 of the Municipal Code of Chicago.

"Subsidized affordable housing" means affordable housing where individuals and families reside and pay rent to the owner with the benefit of governmental or charitable rental subsidies, rental assistance payments, or other housing assistance payment contracts, which may create a third-party right to the tenancy.

"Unsubsidized affordable housing" means affordable housing where individuals and families reside and pay rent to the owner without the benefit of any governmental or charitable rental subsidies, rental assistance payments, or other housing assistance payment contracts.

"Very low-income" means those individuals and families whose gross household incomes are between 30 and 50 percent of the median gross household income for the Chicago

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region, as determined by the Secretary of the United States Department of Housing and Urban Development, with adjustments for smaller and larger families.

5-15-030 Preservation fees.

Any preservation fee remitted pursuant to this chapter shall be calculated by the commissioner of planning and development. The formula for determining such fees may be adjusted annually based upon the United States Bureau of Labor Statistics's Consumer Price Index for all Urban Consumers for the Chicago metropolitan area, or, if this index no longer exists, some other comparable index, selected by the commissioner of planning and development in his reasonable discretion.

5-15-040 SRO Improvement and Stabilization Program.

a) The commissioner of planning and development is authorized and instructed to establish an SRO Improvement and Stabilization Program to incentivize the preservation of well-maintained SRO units. All preservation fees collected pursuant to this chapter shall be utilized solely for purposes related to the operation of the SRO Improvement and Stabilization Program.

b) Subject to appropriations and the availability of funds from other sources, the SRO Improvement and Stabilization Program shall provide incentives such as forgivable loans for the purpose of rehabilitating SROs; grants to make up the difference between offers to purchase tendered by prospective buyers intending to maintain affordable housing at SROs and larger offers tendered by prospective buyers intending to convert those SROs to other uses; on-site, City-funded social and case management services; and/or other comparable measures.

c) As part of the SRO Improvement and Stabilization Program, the commissioner of planning and development shall investigate the possibility of securing incentives that are outside the authority of the City to provide, including, but not limited to, property tax credits from Cook County for owners of SROs who maintain affordable housing.

5-15-050 Sales and transfers of SROs.

(a) Unless exempt pursuant to subsection 5-15-050(b), before selling or otherwise transferring ownership of an SRO, the owner shall meet the requirements described in either subsection 5-15-050(a)(1) or subsection 5-15-050(a)(2).

(1) (A) The owner may choose to:

i) provide to the department of planning and development by first class mail, and to the residents of the SRO by hand delivery and first class mail, at least 180 days' notice of the proposed sale or transfer of the property;

ii) allow 180 days following the date of notice for a buyer intending to maintain affordable housing at the location, including, but not limited to, current residents and their representatives, to tender an offer to purchase the property; and

iii) upon receiving such offer, engage in good-faith negotiations, during the remaining portion of the 180-day period described in subsection 5-15-

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050(a)(1)(A)(ii), as well as any extension of time beyond that 180-day period agreed to by the owner and the offering party, toward a purchase and sale agreement with the offering party.

B) If the owner accepts an offer tendered and negotiated in the manner described in subsection 5-15-050(a)(1)(A), then the owner shall include in the purchase and sale agreement a clause whereby the purchaser agrees to maintain the property, for a period of not less than 15 years, as subsidized or unsubsidized affordable housing for very low-income individuals and families; provided, however, that for each unit the purchaser agrees to maintain as subsidized or unsubsidized affordable housing for extremely low-income individuals and families, the purchaser may set aside one unit as subsidized or unsubsidized affordable housing for low-income individuals and families. However, any unit that is subsidized such that the resident's portion of the rent constitutes not more than 30 percent of his adjusted gross monthly household income that falls under this subsection 5-15-050(a)(1)(B) may be rented to a low-income individual or family. Each purchase and sale agreement shall provide for the sale to be completed within one year. The closing on any sale that falls under this subsection may be extended beyond one year on agreement of the parties, provided they are diligently and actively pursuing all necessary governmental approvals and those approvals have not been subject to a final denial by the relevant governmental entity.

C) If the owner receives an offer and meets the requirement of negotiating in good faith, as described in subsections 5-15-050(a)(1)(A)(ii) and (iii), but does not reach a purchase and sale agreement with the offering party, then the owner shall have a period of 120 days following the expiration of the 180-day notice period described in subsection 5-15-050(a)(1)(A)(i) within which to enter into a purchase and sale agreement to sell or transfer the property to any other party. The purchase and sale agreement shall provide for the sale to be completed within one year. The closing on any sale that falls under this subsection 5-15-050(a)(1)(C) may be extended beyond one year on agreement of the parties, provided they are diligently and actively pursuing all necessary governmental approvals and those approvals have not been subject to a final denial by the relevant governmental entity. Each owner subject to this subsection shall be required to fulfill the resident relocation requirements described in subsection 5-15-060(b), but shall not be required to pay the preservation fee described in subsection 5-15-050(a)(2). Beginning on the 121st day following the expiration of the 180-day notice period described in subsection 5-15-050(a)(1)(A)(i), the owner shall not sell or otherwise transfer the property without repeating the process described in subsection 5-15-050(a)(1)(A).

(2) An owner shall not be subject to any of the requirements described in subsection 5-15-050(a)(1) if he remits to the City, before selling or otherwise transferring his property, a preservation fee in the amount of the number of units at the property times \$20,000.00 (as adjusted pursuant to Section 5-15-030).

(b) An SRO for which plans, and applications for all required permits, were filed on or before June 25, 2014, where said plans call for modifications that will bring the SRO under the definition of "newly constructed" set out in Section 13-206-020 of this Code, shall be exempt from the requirements described in subsection 5-15-050(a), as well those described in Sections 5-15-060 through 5-15-090, for a period of 15 years from that date. However, this exemption does not relieve an SRO owner of his responsibilities under Sections 5-15-060 through 5-15-090 insofar as those responsibilities extend to individuals or families residing in subsidized or unsubsidized units at the property that are affordable for low-, very low-, or extremely low-income households.

5-15-060 Anti-displacement and relocation requirements.

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a) Long-term Residents. Each resident of an SRO that is scheduled to be demolished, converted, or sold or otherwise transferred, who has resided at the property for at least 32 consecutive days immediately preceding the date the owner initiates, as applicable, either the demolition or conversion, or the sales process described in Section 5-15-050(a), shall be considered a long-term resident. Each owner of an SRO who intends to convert, demolish, or sell or otherwise transfer the property in a manner that will result in the displacement of residents shall submit a list of all long-term residents to the commissioner of planning and development and, where applicable, to the purchaser of the property.

b) Requirements Related To Displaced Residents. In situations where an SRO is scheduled to be converted, demolished and replaced, or sold or otherwise transferred in a manner that results in the displacement of residents, the owner or purchaser, as applicable, shall determine which, if any, of the current income-eligible and lease-compliant long-term residents wish to return to the property. If the number of affordable units scheduled to be retained is more than zero but less than the number of such long-term residents wishing to return, then the owner or purchaser, as applicable, shall determine via lottery which of those residents to invite to return to the property.

1) In situations where conversion or construction renders the SRO temporarily uninhabitable, the owner shall arrange for comparable temporary accommodations, as defined by the commissioner of planning and development, for each resident who is invited and intends to return to the property, as well as all reasonable moving and related expenses, not to exceed one month's rent (or the amount of rent the resident has paid over the most recent 30 days, if rent is not paid on a monthly basis).

2) In all cases under this subsection 5-15-060(b), the owner or purchaser, as applicable, shall refund to each resident who is not invited to return to the property any security deposit, any interest due on the security deposit, and all prepaid rent. In addition, the owner or purchaser, as applicable, shall pay each such resident who Qualifies as a long-term resident a one-time relocation assistance fee in the amount of the greater of \$2,000.00 or three months' rent (or three times the amount of rent the resident has paid over the most recent 30 days, if rent is not paid on a monthly basis). If any affordable housing units will be maintained or created at the property, the owner or purchaser, as applicable, shall also give each displaced long-term resident the option of placement on a waitlist for such a unit. This subsection 5-15-060(b)(2) does not apply to any owner or purchaser subject the Uniform Relocation Act, 42 U.S.C. 5 4601 et seq.

c) Higher Relocation Fee Required Where Owners Proceed Under Subsection 5-15-050(a)(2). In situations where an SRO is scheduled to be sold or otherwise transferred pursuant to the terms described in subsection 5-15-050(a)(2), in addition to complying with the requirements described in subsection 5-15-060(b), the owner shall pay each displaced long-term resident a supplemental one-time relocation assistance fee in the amount of \$8,600.00.

d) Higher Relocation Fee Required if Property Vacated Due to Unsafe Conditions. In the event the City vacates an SRO due to unsafe building conditions, or a court orders an SRO vacated due to unsafe building conditions: (1) the owner shall provide, within 14 days, a one-time relocation assistance fee of \$10,600.00 to each person who was a resident of the SRO at the time of the execution of the order to vacate; and (2) if the owner subsequently transfers or sells the property, he shall be required to fulfill the requirements of Section 5-15-050(a), regardless of how much time passes between the execution of the order to vacate and the sale

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or transfer. In this situation, the term "resident" in Section 5-15-050(a) shall be interpreted to mean "resident of the SRO at the time of the execution of the order to vacate." Subsection 5-15-060(d)(1) does not apply where the unsafe building conditions are caused by fire or casualty, unless the damaging event is directly caused by

the owner.

5-15-070 Change in terms of rental, lease, or occupancy agreements.

The owner of an SRO shall hand deliver to each resident written notice of any change in the terms of that resident's rental, lease, or occupancy agreement, including changes in the frequency or amount of payment for rent, occupancy, or other housing purposes. The timing of this notice shall be determined by the resident's existing rental, lease, or occupancy agreement, whether written or oral. For example, if a resident pays rent on a weekly basis, he is entitled to one week's notice pursuant to this section. A rent increase imposed in compliance with this section shall not constitute retaliatory conduct for purposes of Section 5-15-090, so long as the increase is imposed on a property-wide basis.

5-15-080 Provision of room keys to residents.

The owner of an SRO shall provide each resident a copy of his room key. If an owner violates this section, the affected resident shall be entitled to \$2,000.00 or twice the monetary value of the damages sustained, whichever is greater. An owner may charge a fee of not more than \$10.00 for replacing a key lost by a resident.

5-15-090 Retaliation prohibited.

(a) Where a resident has resided at an SRO for at least 32 consecutive days, the owner of the property shall not knowingly terminate the resident's tenancy, increase the resident's rent, decrease the resident's services, bring or threaten to bring a lawsuit against the resident for possession, or refuse to renew a lease or tenancy because the resident has, in good faith:

- 1) complained of code violations applicable to the premises to a governmental agency, elected representative, or public official charged with responsibility for enforcement of a building, housing, health, or similar code;
- 2) complained of a building, housing, health, or similar code violation, or an illegal owner practice, to a community organization or the news media;
- 3) sought the assistance of a community organization or the news media to remedy a code violation or illegal owner practice;
- 4) requested that the owner make repairs to the premises, as required by a building code, health ordinance, other regulation, or a residential rental agreement;
- 5) become a member of a tenants' union or similar organization;
- 6) testified in any court or administrative proceeding concerning the condition of the premises;
- 7) participated in an offer to purchase to the property or in good-faith negotiations pursuant to 5-15-050(a)(1); or

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(8) exercised any other right or sought any other remedy provided by law.

b) If an owner is found to have violated subsection 5-15-090(a), the aggrieved resident shall have

both a cause of action and a defense in any retaliatory action for possession, and shall be entitled to either recovery of possession or termination of the rental or occupancy agreement, as applicable. The resident shall also be entitled to an amount equal to either twice his monthly rent, or twice the amount of rent he has paid over the most recent 30 days (if he does not pay rent on a monthly basis). Upon the termination of a rental or occupancy agreement pursuant to this subsection 5-15-090(b), the owner shall return to the resident any security deposit, any interest due on the security deposit, and all prepaid rent.

c) In an action by or against a resident, evidence that the resident undertook conduct protected under subsection 5-15-090(a) within one year prior to the alleged act of retaliation shall create a rebuttable presumption that the owner's conduct was retaliatory.

5-15-100 Enforcement.

a) Any resident of an SRO who is injured by a violation of this chapter may institute injunctive, mandamus, or other appropriate legal action seeking enforcement. A resident who institutes a legal action pursuant to this chapter and is adjudged to be a prevailing party may be awarded attorney's fees and court costs. If the court finds that a plaintiff who brought a proceeding under this subsection 5-15-100(a) did not reasonably believe his action was well grounded in fact and warranted by this chapter, or that the action was brought for an improper purpose, such as harassment, unnecessary delay, or the imposition of needless litigation expenses, the defendant may be awarded attorney's fees and court costs.

b) If the City initiates or joins any enforcement action against an owner who violates or resists enforcement of Section 5-15-050 or Section 5-15-060, the owner shall be fined not less than \$200.00 nor more than \$500.00 for each offense upon which a finding of liability is entered. Each day a violation continues shall constitute a separate offense.

c) If the owner of an SRO sells or otherwise transfers the property before remitting to the City a preservation fee required under this chapter, the owner and purchaser shall be jointly and severally liable for the payment of such fee.

SECTION 3. Section 17-14-0200 of the Municipal Code of Chicago is hereby amended by inserting the language underscored, as follows:

17-14-0200 Department of Planning and Development.

17-14-0201 Creation. The Department of Planning and Development is created under Chapter 2-45 of the Municipal Code of Chicago and is under the direction of the Commissioner of Planning and Development. The Commissioner of Planning and Development is authorized to administer Sec. 17-17-02164. This authority includes the power to promulgate any rules, regulations, and procedures necessary to administer that section.

(Omitted text is not affected by this ordinance)

SECTION 4. Section 17-17-0200 of the Municipal Code of Chicago is hereby amended by deleting the language stricken and inserting the language underscored, as follows:

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17-17-0200 General Terms.

(Omitted text is not affected by this ordinance)

17-17-02164 Single-Room Occupancy Unit. A dwelling unit within a single-room occupancy (building) that is used or intended to be used as sleeping quarters or living quarters with or without cooking facilities, and

that contains not more than one habitable room consisting of not more than 250 square feet of floor area, excluding from the calculation of floor area any kitchen having less than 70 square feet of floor area; provided, however, the size and room limits of this section do not apply to Government-Subsidized SRO buildings to the extent necessary to qualify for the applicable government subsidy, as determined by the Commissioner of Planning and Development.

(Omitted text is not affected by this ordinance)

SECTION 5. This ordinance shall not apply to any SRO that satisfies each of the following requirements:

- a) The SRO was under contract to be sold or otherwise transferred as of October 8, 2014;
- b) the SRO is the subject of a loan restructuring authorized by the Chicago City Council on or after May 15, 2014; and
- c) the SRO is the subject of a transaction in which the buyer/transferee is required (by contract, recorded covenant, or other agreement) to maintain at the property for at least 20 years a number of residential units for individuals and families whose gross household income is not greater than 40 percent of the median gross household income for the Chicago region, as determined by the Secretary of the United States Department of Housing and Urban Development, with adjustments for smaller and larger families, which equals or exceeds 33 percent of the current number of units at the property.

SECTION 6. This ordinance shall take effect 10 days after its passage and publication.

Subject:

Please Add Or Change The Co-Sponsor As Shown Below.

Alderman Alderman_ Alderman, Alderman, Alderman

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Please Remove Or Change The Co-Sponsor As Shown Below.

Alderman_ Alderman_ Alderman, Alderman, Alderman

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Date Filed ^ | ' \ 0 ' C ^

Final copies to be filed with:

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- City Clerk

Chicago City Council Co-Sponsor Addition/Change

Document No.:

Subject:

Please Add Or Change The Co-Sponsor As Shown Below.

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Final copies to be filed with:

- Chairman of Committee to which legislation was referred
- City Clerk

Chicago City Council Co-Sponsor Addition/Change

Document No.:

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Standards

**November 12, 2014
CHICAGO,
ILLINOIS**

TO THE PRESIDENT AND MEMBERS OF THE CITY COUNCIL:

Your Committee on Housing and Real Estate which was referred a substitute ordinance by the Department of Planning and Development, introduced together with Alderman Ray Suarez (31st Ward), Alderman Walter Burnett Jr. (27th Ward), Alderman Ameya Pawar (47th Ward) and others, amending the Municipal Code regarding Single-Room Occupancy and affordable housing preservation. (SO2014-6997)

Having the same under advisement, begs leave to report and recommend that Your Honorable Body Pass the proposed substitute ordinance transmitted herewith.

This recommendation was concurred in by a unanimous vote of the members of the committee present with no dissenting votes.

Ray Suarez, Chairman Committee on Housing & Real Estate