



# City of Chicago



O2023-1588

Office of the City Clerk

## Document Tracking Sheet

**Meeting Date:** 4/19/2023

**Sponsor(s):** Lightfoot (Mayor)

**Type:** Ordinance

**Title:** Amendment of ordinance which authorized Building Neighborhoods and Affordable Housing Purchase Price Assistance Program (BNAH) (forgivable grants) now transferring funds into the program and authorizing promulgation of rules for administration

**Committee(s) Assignment:** Committee on Housing and Real Estate



OFFICE OF THE MAYOR  
CITY OF CHICAGO

LORI E. LIGHTFOOT  
MAYOR

April 19, 2023

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 an ordinance amending the Building Neighborhoods and Affordable Homes Ordinance.

Your favorable consideration of this ordinance will be appreciated.

Very truly yours,

A handwritten signature in black ink that reads "Lori E. Lightfoot".

Mayor

## **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, and, as such, may exercise any power and perform any function pertaining to its government and affairs; and

WHEREAS, pursuant to an ordinance adopted by the City Council of the City (the "City Council") on October 31, 2018 and published at pages 87215 to 87221, inclusive, of the Journal of Proceedings of the City Council (the "Journal") of such date, the City Council authorized a Building Neighborhoods and Affordable Housing Purchase Price Assistance program (the "Original BNAH Program") that authorized the Department of Planning and Development ("DPD") to provide financial assistance as forgivable grants on behalf of qualified buyers of newly-constructed single-family housing buildings that are located in specific neighborhoods of the City and that were built under the City's City Lots for Working Families program; and

WHEREAS, administration of the City's affordable housing programs was transferred by the City Council from DPD to a re-established Department of Housing ("DOH") pursuant to an ordinance adopted by the City Council on November 14, 2018 and published at pages 90308 to 90371, inclusive, of the Journal of such date; and

WHEREAS, DOH wishes to revise and expand the Original BNAH Program to any location city-wide and to single-family homes built pursuant to any City land sale redevelopment agreement (the "City-Wide BNAH Program"); and

WHEREAS, the City desires to appropriate funding for the implementation of the City-Wide BNAH Program; now, therefore,

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

SECTION 1. The above recitals are incorporated herein and made a part hereof.

SECTION 2. The City-Wide BNAH Program, as set forth in Exhibit A attached hereto and made a part hereof, is hereby authorized.

SECTION 3. Subject to the approval of the Corporation Counsel, and subject to the appropriation of funding, the Commissioner of DOH (the "Commissioner") and a designee of the Commissioner are each hereby authorized to deliver forgivable grant agreements and execute lien covenants with Eligible Participants (as defined on Exhibit A hereof) for the purpose of financing the purchase of one or more Eligible Properties (as defined on Exhibit A hereof), and to execute all such other agreements and instruments, including subordinations of the City lien covenants to later re-financings, and to perform any and all acts as shall be necessary or advisable in connection with the City-Wide BNAH Program.

SECTION 4. The Commissioner shall promulgate rules pertaining to the implementation of the City-Wide BNAH Program.

SECTION 5. The City-Wide BNAH Program is not subject to the affordable requirements set forth in Sections 2-44-085 through 2-44-105 of the Municipal Code of Chicago (the "Municipal Code").

SECTION 6. The City-Wide BNAH Program is an Eligible Program, and employees of the City who qualify for participation in the City-Wide BNAH Program are Eligible Persons, as such terms are defined in Section 2-44-110 of the Municipal Code.

SECTION 7. The amount of \$5,000,000 is hereby appropriated for the City-Wide BNAH Program from the fund referred to in Section 2-44-085(1) of the Municipal Code. The amount of \$5,000,000 is also hereby appropriated for the City-Wide BNAH Program from certain funds available to the City from Community Development Block Grant ("CDBG") funding or other multi-family housing funding sources.

SECTION 8. To the extent that any ordinance, resolution, rule, order or provision of the Municipal 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 9. This ordinance shall be in full force and effect immediately upon its passage and approval.

## Exhibit A

### City-Wide Building Neighborhoods and Affordable Homes Purchase Price Assistance Program

#### General Description:

The Program provides forgivable grants to qualifying buyers to assist in their purchase of primary, owner-occupied residences that are located within the City, as set forth below and further subject to implementing rules adopted from time to time by DOH.

#### Eligible Participant is defined as:

All of (1), (2) and (3) must be met:

- (1) A homebuyer (individual or jointly) who is purchasing an Eligible Property;
- (2) who will dwell within one of the dwelling units within the Eligible Property as her, his or their primary, owner-occupied home for a term of ten (10) years; and
- (3) whose household income does not exceed 140% of the median household income for the Chicago Primary Metropolitan Statistical Area, or any lower percentage required under the provisions of certain grant funding as described in "Grant Amount" below.

#### Eligible Property is defined as:

A newly constructed single-family residential building containing no more than four dwelling units that was built pursuant to a City land sale redevelopment agreement.

#### Forgivable Grant terms:

Grant amount: Not to exceed \$100,000 per Eligible Property.

Grants funded with CDBG funds will be limited to Eligible Participants whose household income does not exceed 80% of the median household income for the Chicago Primary Metropolitan Statistical Area.

Term: 10 years from the date of the Grant agreement

Eligible costs: The grant proceeds may be used for any of the following costs, paid to others (not directly to the Eligible Participant), in connection with the purchase by the Eligible Participant of the Eligible Property:

- To seller: (i) the difference between the sale price and the appraised value of the Eligible Property (the "property appraisal gap"); or (ii) the amount of the Eligible Participant's down payment
- To others: the following expenses actually incurred by the

Eligible Participant, if any: title insurance, credit reports, recording fees, appraisal costs, mortgage discount points, transfer stamps, water certification settlement fees, third party property inspection fees, first year's pre-payment of mortgage insurance, single-payment mortgage insurance, pre-paid interest

- Any such other costs actually incurred by the Eligible Participant, as approved by DOH at time of purchase

Cash out, or cash to Eligible Participant:	Not permitted
Eligible Participant's equity:	Not less than \$1,000.00 or 3% of the purchase price, whichever is lower
Property appraisal:	A copy of the property appraisal; prepared by a licensed appraiser, along with the negotiated purchase price of the Eligible Property, must be supplied to DOH for analysis of the property appraisal gap amount
Senior loan:	A copy of the senior loan commitment to the Eligible Participant must be supplied to DOH for analysis of the down payment amount
Other loans:	The Eligible Participant must be the named borrower on all other loans made in connection with the Eligible Property during the Term
Security:	An Affordable Housing Covenant and Agreement, entered into by the Eligible Participant and the City, will be recorded as a lien against the Eligible Property at the time of sale, to run for the Term of the Grant
Other liens:	Permitted, only by (i) the senior purchase mortgage, (ii) any second junior mortgage required under the City land sale redevelopment agreement, and (iii) utility easements
Priority of lien:	The lien of the Affordable Housing Covenant and Agreement shall be (i) junior to the senior purchase mortgage, and (ii) senior to the second junior mortgage required under the City land sale redevelopment agreement
Re-subordination:	Permitted, only to any replacement senior purchase mortgage (not a home equity line of credit) undertaken by the Eligible Participant during the Term and submitted by the Eligible Participant to DOH for analysis and approval
Amount Forgiven:	An amount equal to one tenth (1/10 <sup>th</sup> ) of the original Grant amount

will be forgiven on each anniversary of the date of the Grant, provided that the Eligible Property continues to serve as the primary or principal dwelling of record of at least one Eligible Participant and the Eligible Participant continues to be an Eligible Participant as defined above

Recapture:

Recapture analysis and workouts of troubled Grants will be undertaken by DOH pursuant to hardship rules it adopts for the Program