



City of Chicago
Richard M. Daley, Mayor

Board of Ethics

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Room 303
320 North Clark Street
Chicago, Illinois 60610
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January 31, 1992

C O N F I D E N T I A L

[REDACTED]

[REDACTED]

RE: Case No. 92002.A, ADVISORY OPINION
Financial Interest in City Business

Dear [REDACTED]:

On January 7, 1992, [REDACTED]
[REDACTED]
telephoned the Board of Ethics to request an
advisory opinion in the matter of Ms. B [REDACTED]
[REDACTED], a City employee. After reviewing the
matter, the Board determines that Ms. B [REDACTED] should
not be prohibited from entering into the loan and
grant agreements with the City of Chicago.

Mr. [REDACTED]
[REDACTED]
personally presented the case to the Board at its
January 8, 1992 meeting. Mr. [REDACTED],
[REDACTED]
[REDACTED]
[REDACTED] was also present. They presented the
following facts.

FACTS: In 1985, Ms. B [REDACTED], an employee with the
City: [REDACTED], purchased from the City's
Department of Housing ("DOH") through the Homestead
Program a two-flat property located at [REDACTED]
[REDACTED]¹ Under the standard Homestead agreement, a
Homesteader purchases abandoned real estate from
the City for \$1.00, and in exchange must, among
other things, rehabilitate and occupy the property

¹ B [REDACTED] purchased the property with
her sister, M [REDACTED]. Although all of the
transactions described below involve both
B [REDACTED] and M [REDACTED], M [REDACTED]'s involvement
is irrelevant to this opinion since she is not
a City employee.



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for a minimum of five years. After purchasing the property, Ms. B [redacted] applied for a Section 312 loan from the DOH to rehabilitate the property. Although Section 312 loans are funded by the federal government (through the Department of Housing and Urban Development ("HUD")), the City grants the loans and administers the funds. In 1986, after inspecting the property, the DOH approved a [redacted] loan to rehabilitate the property; this in turn was the amount Ms. B [redacted] spent on the property. Upon receipt of the loan, Ms. B [redacted] began making her monthly payments. At all times, the DOH was aware of Ms. B [redacted]'s employment with the City.

In [redacted], structural defects in the property were detected. From [redacted] through [redacted], attempts were made to correct the defects. On [redacted], the City conducted an inspection of the property and determined that it was structurally unsound and unfit for occupancy. An inspection by HUD confirmed this determination. HUD agreed to the demolition of the property, but refused to forgive Ms. B [redacted]'s Section 312 loan. This left Ms. B [redacted] with a substantial loan debt and no home.

Because the problems with the property occurred through no fault of Ms. B [redacted]'s, the DOH has been working with her to rectify the situation. In [redacted], the DOH [redacted] [redacted] wrote to Ms. B [redacted] stating that the DOH would attempt to relocate her to a similar property in the same area, under the same financial terms. The DOH could not find another Homestead property that was suitable, but did find another comparable [redacted] property located at [redacted]. The sales price of that property is \$ [redacted]. In an effort to resolve the matter, the DOH made the following proposal to Ms. B [redacted]: (1) the City would pay off the remaining balance to HUD on the Section 312 loan, \$ [redacted] plus costs, totalling \$ [redacted], (2) the City would extend a 20 year Multi-Family Construction loan to Ms. B [redacted] for \$ [redacted] in exchange for the 312 loan payoff, and (3) the City would extend a conditional grant to Ms. B [redacted] for the [redacted] purchase price. Under the terms of the grant, the City will forgive 20% of its total for each year Ms. B [redacted] lives in the property, for a period of five years. If Ms. B [redacted] fails to reside in the property for the five year period, she must repay that portion of the grant that remains outstanding at that time.

Ms. B [redacted] accepted the City's proposal and was ready to enter into the necessary agreements when the concern was raised that these transactions between Ms. B [redacted] and the City may violate the Governmental Ethics Ordinance, since she is still a City employee.

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LAW: The applicable section of the Governmental Ethics Ordinance, section 2-156-110, states:

No . . . employee shall have a financial interest in his own name or in the name of any other person in any contract, work or business of the City or in the sale of any article, whenever the expense, price or consideration of the contract, work, business or sale is paid with funds belonging to or administered by the City, or is authorized by ordinance. . . .

Section 2-156-010 (1) of the Ordinance defines the term "financial interest" in relevant part as:

(i) any interest as a result of which the owner currently receives or is entitled to receive in the future more than \$2,500 per year; (ii) any interest with a cost or present value of \$5,000 or more . . .

ANALYSIS AND CONCLUSION: In previous cases, the Board determined that rehabilitation loans to City employees are prohibited by this provision of the Ordinance. See Case Nos. 90028.A, 90029.A, 90033.A, 90040.A, & 90062.A. However, in case number 90062.A, a case with facts similar to this one, the Board determined, based upon principles of equity, that a City employee could receive an additional Section 312 loan to complete the rehabilitation necessary to her home. In that case, the original rehabilitation work had been poorly performed and additional funds were needed to complete the work. The Board specifically noted that the employee had not concealed her City employment, the rehabilitation work was uncompleted through no fault of her own, and the employee already had expended considerable effort and money.

Similarly, the facts of this case show that Ms. B [REDACTED] never concealed her City employment. In addition, since [REDACTED] under the supervision of the City, she has expended considerable time and money on rehabilitating a house that is now set for demolition. Under these circumstances, just as in case no. 90062.A, the law must be considered in light of the principles of equity and justice. Therefore, based upon these particular facts of this case, the Board determines that Ms. B [REDACTED] should not be prohibited from entering into

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the proposed loan and grant agreements with the City of Chicago.²

Again, the Board appreciates [REDACTED] presentation of the case, and the willingness of all parties involved to comply with the ethical standards embodied in the Governmental Ethics Ordinance. We enclose the Board's procedural rules that apply after it renders a decision. If you have any further questions, please do not hesitate to contact us.

Sincerely,

Angeles L. Eames
MEH

Angeles L. Eames
Vice Chair

enclosure

cc: Kelly Welsh, Corporation Counsel
[REDACTED]

MEH:92002.L2

² Our determination in this case is based on an analysis of the City's Governmental Ethics Ordinance in light of the facts stated in this opinion. If the facts presented in this opinion are incorrect or incomplete, please notify the Board immediately, as any change in the facts may alter our opinion. Other rules or laws may apply to this situation.

NOTICE OF RECONSIDERATION AND RELIANCE

Reconsideration: This advisory opinion is based on the facts outlined in this opinion. If there are additional material facts or circumstances that were not available to the Board when it considered this case, you may request reconsideration of the opinion. A request for reconsideration must (1) be submitted in writing, (2) explain the material facts or circumstances that are the basis of the request, and (3) be received by the Board of Ethics within fifteen days of the date of this opinion.

Reliance: This advisory opinion may be relied upon by (1) any person involved in the specific transaction or activity with respect to which this opinion is rendered and (2) any person involved in any specific transaction or activity that is indistinguishable in all its material aspects from the transaction or activity with respect to which the opinion is rendered.