



Chicago Department of Housing Northwest Side Preservation Ordinance Frequently Asked Questions

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Enforcement

When will the Tenant Opportunity to Purchase be enforced?

The Department of Housing began enforcement of the Tenant Opportunity to Purchase program on March 1st, 2025.

Properties listed after the effective date must comply with all sections of the chapter. Properties listed prior to March 1, but not under contract are exempt from the Notice of Intent to Sell (section 5-11-050) but must comply with this chapter starting with the timelines outlined in Right of First Refusal (Section 5-11-060) of the Municipal Code of Chicago.

Right of First Refusal

What specifically can a property owner or real estate agent acting on their behalf ask tenants about the Waiver of Right of First Refusal (ROFR)?

Owner or Realtor may not request a waiver of the Right of First Refusal during the Notice of Intent to Sell period outlined in Chapter 5-11-050. Once the Right of First Refusal is established by the property owner providing a Notice of Third-Party Offer, they may request a waiver from the tenants.

In the case of a rental property with five(5) or more dwelling units, if more than fifty percent (50%) of the tenants waive their right of first refusal, then the right is considered waived for the entire property and the owner is free to complete a sale to a third party purchased without violating the ordinance.

Owner or Realtor may not suggest, imply, or coerce a specific response on any form or a waive of the rights guaranteed by the ordinance.

If a seller of a 5 unit building gathers and produces statements from tenants representing at least 26% of the units expressing their disinterest in exercising their right of first refusal, can the seller immediately avoid the granted period for tenants to organize and register a tenant association?

Yes. In properties with 5 or more units, a tenant association with representation of at least 75% of tenants must be registered to exercise the right of first refusal.

What if a property owner does not have information that a tenant may request from the property owner (e.g., architectural and engineering plans)?

The property owner shall make a best effort to provide the required documentation. If any of the disclosures are not available to the owner, they are responsible for communicating that to the tenant(s).

What if tenants do not respond to the Notice of the Third-Party Purchase Offer after the period granted to exercise their right of first refusal is over?

The Department will consider this as tenants waiving their right of first refusal.

Can an owner reject a tenant association offer if the tenant association matches the listing price?

No, the owner may not reject the tenant association offer if the tenant association is able to match the listing price.

If the tenants or association reduce their offer during due diligence per the terms of the contract, can the seller cancel the contract and reach back out to the third-party purchaser? Would this restart the notice of offer period?

Tenants are required to meet the same terms and conditions of the third-party purchase agreement. If the tenants or a tenant association fail to meet those terms, they are not guaranteed the right of first refusal or a second attempt at purchase.

What if the third-party purchaser wishes to improve their offer after the tenants or association exercise their right of first refusal?

They may not - the tenant offer prevails. If tenants are able to match the terms and conditions of the third-party purchase agreement, then the right of first refusal is guaranteed.

Are there limitations on how a tenant may assign rights to a third party?

There are no limitations to how a tenant assigns their rights to a third party.

Can tenants choose to assign the right to purchase to a regular market rate buyer, and that buyer can operate the building at market rate and have the advantages inherent to being the right of first refusal buyer (5% down payment, refundable, et.al.)?

Yes.

Does the right of first refusal apply to short-term renters?

The right of first refusal applies to all tenants of a rental property that have a formal lease agreement written or verbal. This includes any tenants on month-to-month leases. Properties listed as "short term rentals" through online platforms are exempt from this requirement and are not covered under the right of first refusal.

Does right of first refusal apply to a tenant that moves into a building during the transaction with the tenant association or third-party purchaser?

The right of first refusal applies to any tenants who reside in the building at the time of intent to sell (OR) third party offer is made.

At what point do tenants need to provide financial assurance if requested by the property owner?

For properties with 4 or fewer units, any required financial assurances must be provided to the owner within 3 business days of exercising the right of first refusal.

In the case of properties consisting of five or more units, any required financial assurances must be provided to the owner within 5 business days of the exercising the right of first refusal.

How many times can a tenant's first right of refusal be reinstated?

Tenants right of first refusal is reinstated and have another opportunity to purchase the property after the listing price is reduced by 10% or any time that the property is sold to a third-party purchaser and re-listed for sale

How does the Department of Housing define "tenant association" for the purpose of the Right of First Refusal, and what formal structures must tenant groups follow to exercise this right?

A tenant association is a group of tenants residing on the property at the time of the Notice of Intent to Sell or the Notice of Third-Party Purchase Offer. In order for a tenant association to be valid they must be registered with DOH no later than the end of the time guaranteed under section 5-11-060 Right of First Refusal of the ordinance.

In order for a tenant association to exercise their right of first refusal as guaranteed by the ordinance they must be:

- i. Properly registered with DOH
- ii. Represent the proper number of tenants (refer to the table below)
- iii. Provide the required financial assurances as required by the ordinance.

Number of Rental Units in the Property	Time to Form and Register an Association	Percent of Rental Units Represented by Association
1-2 rental units	No TA required	Single tenant
3-4 rental units	30 days	50% of tenants
5+ rental units	90 days	75% of tenants

How can tenants register a Tenant Association with the Department of Housing?

A tenant association may register with the Department of Housing at any point before the sale of the building or during the period for *Tenants to Form Organization and Exercise Right of First Refusal (5-10-060(b))*. To register a tenant organization with DOH, the tenants of the property must fill out and submit the Tenant Association Registration and

Notice Form to both DOH and the property owner, or their authorized representative, at least 7 business days prior to the end of the period granted in 5-10-060(b).

Tenants may register a tenant association with DOH at any time. Pending listing or sale of the property is not a requirement for residents to formally register a tenant association with DOH. The tenant association must identify a minimum of (i) one (1) officer in the case of properties with 6 or fewer rental units or; (ii) two (2) officers in the case of properties with 7+ rental units authorized by the association to act on their behalf.

What mechanisms or support will be available to assist tenant associations in purchasing properties if they choose to exercise the Right of First Refusal, particularly for tenants with limited financial resources?

If tenants have limited financial resources, they can assign their rights to a third party such as (but not limited to) a mission driven non-profit developer or limited equity co-op.

Do tenants have the right of first refusal in owner occupied buildings?

Yes, tenants have the right of first refusal in owner occupied buildings.

If a rental unit is utilized as an Airbnb or short-term rental- how is that handled under the Ordinance? How can compliance be recorded for a "certificate of completion"?

The ordinance does not apply to short-term rental units. DOH confirms compliance for individual sections of the ordinance.

Compliance

Will there be a document from the Department of Housing stating the property owner has complied with the process?

The Department will provide confirmation of receipt and compliance within 7 business days of receiving appropriate forms.

What confirmation will tenants receive after registering a tenant association?

The Department will provide the tenant association with a certificate of acknowledgement. Tenants must provide a copy of this certificate to the property owner within 10 business days from the registration date printed on the certificate.

How long will it take for the Department to verify process has been completed and the owner has complied with the law?

DOH will confirm receipt of any required documents and compliance within 7 business days of receiving the documents.

How will the Department ensure compliance with the law?

Compliance will be based on whether all the required forms have been properly filled out and correctly submitted to DOH and provided to the tenants.

How can property owners provide notices to tenant associations or tenants if a tenant association does not exist?

Delivery to all tenants on the property can be done through certified mail. Evidence to delivery of tenants is required in the submission of notices to DOH in the form of:

- i. certified mail receipt, or;
- ii. signed acknowledgement from each tenant that they received a copy, or;
- iii. formal written communication from each tenant that they received a copy.

What is considered a Public Notice of Intent to Sell for tenants?

The Public Notice of Intent to Sell must be posted in a high-traffic, easy-to-see, shared or common space. This can include, but is not limited to, the main entrance to the building, lobby posting/bulletin boards, mail rooms, etc.

How does “just cause eviction” work in the pilot program and how does this change Chicago’s existing “Fair Notice” requirements?

"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. This ordinance does not change the Fair Notice Ordinance requirements but does provide tenants in properties covered under the Tenant Opportunity to Purchase chapter additional time to remain in their unit if the property is sold.

What are considered penalties for non-compliance?

Examples of violations and non-compliance with this chapter include, but may not be limited to, the following:

1. Failure to provide complete, accurate, and timely disclosures, notices, and other relevant information.
2. Delaying or preventing access to the rental property for the purpose of inspections or other due diligence processes.
3. Purposely withholding information from another party in the negotiation.
4. Mischaracterizing the terms of a deal or agreement with a third party.
5. Early termination of tenancy by the property owner in violation of Section 5-11-130.
6. Any other violation of good faith negotiations, as that term is defined in Section 5-11-020 of the Code.

Will the Department provide templates or standardized materials to help property owners comply with tenant notice requirements, including language translations or accessible formats?

All forms for tenants and property owners are available at Chicago.gov/NWSPreservation. The Tenant Notice of Intent to Sell, Public Notice of Intent to Sell, and Notice of Third-Party Purchase Offer form is available in Arabic, Chinese (Simplified), Hindi, Polish, Spanish, and Urdu.

What specific records should owners maintain to prove compliance with all notice, fee, and tenant rights provisions?

Maintain DOH confirmation of form receipt, copies of notices, and evidence of delivery of the Notice of Intent to Sell and Notice of Third-Party Purchase Offer to all tenants on the property in the form of:

1. certified mail receipt(s) or;
2. signed acknowledgement(s) from each tenant that they received a copy or;
3. formal written communication from each tenant that they received a copy.

Can an owner or real estate professional ask tenants to complete the Notice of Intent to Sell form including the written question regarding right of first refusal?

Residents have the right to the full period of time to exercise or waive the right of first refusal as outlined in (5-11-060(d)) based on the number of units in the property. Owners may not request a waiver of the right of first refusal during the Notice of Intent to Sell period (5-11-050). Once the owner provides the Notice of Third-Party Offer they may ask if the tenant plans to waive their right of first refusal. Nothing prevents the tenant from waiving their ROFR when they receive the Notice of Intent to Sell.

Can a tenant rescind a waiver of the Right of First Refusal?

No. If the tenant waives their Right of First Refusal either in writing or by signing one of the approved forms that waiver is considered final, unless there is a circumstance that would reinstate the right of first refusal as described above.

Do the tenants need to form the association before the owner needs to provide them with due diligence documents such as rent rolls?

No, tenants do not need to form a tenant association before requesting and receiving this information. Tenants may request these disclosures at any point during the process. Owners must provide the information included with the Notice of Third-Party Offer form.

Relationship

What options do landlords have if tenants stop paying rent while exercising their right of first refusal?

The ordinance does not allow tenants to stop paying rent during the ROFR periods. Tenants who are not paying rent would be considered in violation of their lease agreement and subject to any late fees, penalties, and evictions in accordance with City and State law.

If tenants stop paying rent during the ROFR period, landlords have several options to address the issue, though the specifics can vary depending on the lease agreement. Some options include

1. Enforce the Lease Agreement:

- a. Late Fees: If the lease includes provisions for late fees, the landlord can charge these to encourage the tenant to pay the outstanding rent.
- b. Notice of Nonpayment: The landlord can send a formal notice to inform the tenant of their failure to pay rent, often giving them a certain period to pay or face legal action.

2. Negotiation or Payment Plan:

- a. If the tenant is experiencing temporary financial difficulties, the landlord may agree to a payment plan to allow the tenant to pay off the rent arrears over time. This could be beneficial for both parties in maintaining the tenant relationship.

Ultimately, the best course of action depends on the specifics of the lease agreement, so landlords should seek legal assistance to ensure they are complying with all legal requirements.

What happens to any damage caused to units during the “right of first refusal” time period?

Tenants are still liable for any damages to the unit beyond reasonable wear and tear.

Are there restrictions on tenants asking for compensation from the owner in order to waive their option to purchase?

The ordinance does not mention tenant compensation for the waiver for the ROFR.

Depending on the specifics of the situation a request for compensation for the waiver of the ROFR could qualify as a breach of the good faith negotiations requirement under the ordinance.

Exemptions

Will the Tenant Opportunity to Purchase program prevent me from transferring my property to my family?

No. TOPA exempts transfers between 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.

What options does an owner have to sell a property because their financial situation is dire but not in foreclosure?

The ordinance exempts properties sales related to:

1. 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.
2. a transfer made in connection with any bankruptcy proceeding (including, but not limited to, any transfer made by a bankruptcy trustee).
3. a tax sale or transfer pursuant to tax foreclosure.

Are there exemptions or accommodations for properties with unique tenant compositions (e.g., mixed-use properties or properties with a mix of commercial and residential units)?

The right of first refusal only applies to tenants of residential units on the property. Commercial tenants do not have the right to first refusal.

Public Funds

What constitutes receiving public funding and the restriction of affordable units?

Public funds include any loans, grants, or other monetary support received directly from the Department of Housing, any other City of Chicago department, office, or sister agency, or from any privately administered program that disburses city funds.

Does the affordability restriction apply to purchasers who are not existing tenants of a property who use public funds in a transaction?

The affordability restriction applies to any purchaser as defined in the ordinance.

Purchase

Would buildings purchased by tenants who exercise their right of first refusal - but do not use public funds - be subject to an affordability restrictive covenant?

No, buildings purchased by tenants without the use of public funds will not be subject to an affordability restrictive covenant.

How would an entity become a “authorized community partner”?

Authorized community partners are private entities who administer city funds or execute programs on behalf of City Departments. This can happen through an organization being a

City Department Delegate Agency or an organization that is selected to administer a program through a competitive procurement process by a City Department.

Does the Department have a current list of “authorized community partners”? Could this be made available on the website for owners to work with these partners?

There are currently no authorized community partners who are administering programs to support the purchase of properties through the 606 TOPA pilot program. A full list of DOH delegate agencies can be found at chicago.gov/housing.

Transaction

What assurances does an owner have that a tenant association can successfully close on the property within the required timeframe?

Tenants must submit evidence that they are able to or are in the process of securing proper financing to close on the purchase of the property. The property owner can also collect a deposit from any authorized purchaser exercising the right of first refusal after receiving financial assurances. This deposit shall not be more than five percent of the contract sales price.

What options do have owners if a tenant association or tenant fails to obtain financing within the specified period?

If an authorized purchaser fails to provide the necessary financial assurances or deposits within the allowed timeframes the right of first refusal shall be considered waived. If any authorized purchaser is unable to or fails to comply with Article 4 of the rules the owner will be allowed to execute the sale to an authorized third party. Alternatively, the owner may negotiate a new timeline with tenants to secure financing.

Does the ordinance restrict owners to negotiate parallel offers with third-party buyers while tenants are exercising their Right of First Refusal?

Property owners may negotiate parallel offers with third party buyers but must honor the tenants’ right of first refusal and the timelines which includes allotting tenants the period they have to exercise their right of first refusal.

What are the consequences for tenants who violate good faith negotiations?

Property owners may collect a deposit from any authorized purchaser exercising the right of first refusal. This deposit shall not be more than five percent of the contract sales price. Authorized purchasers who do not comply with the “good faith negotiation” definition in the ordinance shall forfeit their deposit if they fail to close on the contract within the allowed timeframes.

Do CHA residents have the right of first refusal?

Tenants who reside in privately-owned rental housing who receive Housing Choice Vouchers or other forms of tenant subsidies are covered under the ordinance and have the ROFR.

Public housing managed by the Chicago Housing Authority is not covered under the ordinance.

Unintended Consequences

Has the DOH reviewed the impact of the tenant opportunity to purchase timelines on seniors or lower income owner occupied households in the pilot zone?

This is a pilot program, DOH will do the necessary evaluation to understand if there is an impact throughout the duration of this program.

Are there protections in place to prevent future rent increases in buildings purchased by tenant associations or to ensure these units remain affordable long-term, not using public funds?

The Department of Housing does not regulate private market rentals that do not use DOH or other public funds.

Are there protections in place for property owners who face financial losses due to extended transaction timelines that come with exercising Right of First Refusal?

Tenants must provide property owners with evidence that they are able to or are in the process of securing proper financing to close on the purchase of the property.

In the case of 4 properties or less, this letter must be provided within 3 business days of exercising right of first refusal and in cases of 5 properties or more the letter must be provided within 5 business days. Property owners may also collect a deposit from any authorized purchaser exercising the right of first refusal. This deposit shall not be more than five percent of the contract sales price. The property owner shall refund the deposit in the event of a good faith failure to close on the contract on the part of the authorized purchaser.

Authorized purchasers who do not comply with the “good faith negotiation” definition in the ordinance shall forfeit their deposit if they fail to close on the contract within the allowed timeframes. A property owner shall not collect a deposit prior to receiving the financial assurances. If an authorized purchaser fails to provide the necessary financial assurances or deposits within the allowed times the right of first refusal shall be considered waived and the property owner will be allowed to execute the sale to an authorized third-party.

Will the Tenant Opportunity to Purchase impact minority property owners' ability to sell at market rate?

No, the Tenant Opportunity to Purchase program does not limit property owners' ability to sell at market rate.

Notice

Can a property owner let a lease expire during the notice of intent to sell, notice of offer, or time for closing?

The ordinance does not require the automatic extension of an expiring lease. Tenants covered under this chapter are covered by the minimum notice requirement under § 5-12-130(j).

What are the specific requirements for issuing a “notice to sell” to tenants?

The property owner must provide both the tenants association for the rental property, or each individual tenant if no association exists, and the Department of Housing (DOH) with a copy of the Tenant Notice of Intent to Sell no less than:

1. 60 days prior to listing the property for sale for properties of 5+ rental units, or
2. 30 days prior to listing the property for sale for properties with 1-4 rental units.

To comply with this requirement, property owners of covered properties must email DOH@cityofchicago.gov with the Subject Line: *Notice of Intent to Sell: [Property Address] (606 District)*. The submission must include a completed copy (or copies) of the notice form and evidence of delivery to all tenants on the property in the form of:

1. certified mail receipt(s), or
2. signed acknowledgement(s) from each tenant that they received a copy, or
3. formal written communication from each tenant that they received a copy.

Pilot

Have there been any transactions in the Woodlawn tenant opportunity to purchase pilot program?

There have been no transactions in the Woodlawn Pilot District since its inception.

Has the Department of Housing conducted an economic analysis on how the ordinance's additional fees might affect the housing market in the area?

This analysis will be conducted near the expiration of the Pilot Program on December 31, 2029.

Will there be a review process or pilot period to assess whether the ordinance achieves its goals?

The ordinance requires that DOH provide a report to council no less than 150 days before the expiration of the pilot program.

Demolition Surcharge

For properties not intended to be replaced with single-family units, are there any exceptions to the \$20,000 per unit and \$60,000 per building demolition fees?

The ordinance lists exemptions to the demolition surcharge. The surcharge required under this section shall not apply if:

1. At least 50% of the dwelling units in any building replacing the building subject to subsection (c) will be restricted to households earning up to 60% of the Area Median Income, as evidenced by documentation required by the Department of Housing; or
2. The demolition of the building is determined to be necessary to remedy conditions imminently dangerous to life, health or property, as evidenced by a written order issued by the Department of Buildings, Department of Public Health, Fire Department or a court of competent jurisdiction.

How will the surcharge funds be managed by the Housing Trust?

Funds collected through the demolition surcharge are allocated to the Chicago Housing Trust for the construction, rehabilitation or preservation of affordable housing in the two pilot areas. Funds are allocated and used in direct proportion to the revenue collected in each pilot area.

How does the ordinance interact with zoning laws that restrict certain types of building conversions, such as the legalizing of two-flats within areas otherwise zoned for single-family homes?

The ordinance legalizes the by-right construction of two-flats in RS3 zoned districts for properties located within the Predominance of the Block (606) boundaries. For these lots the minimum lot area in RS3 districts is reduced to 1,500 square feet per dwelling unit only for the establishment of two-unit buildings.