

# City Lots for Working Families – Policies and Procedures

## 1. Application

- Complete application, confirming inclusion of all necessary information and documentation through the checklist provided and submit the \$1,000 application fee in the form of a non-refundable cashier's check, company check, certified check, or a money order made payable to the City of Chicago. Original and one copy of application are to be provided to City.
- Separately, the developer will pay for the appraisal and title reports, which will be ordered by the City.
- Applications are accepted on an ongoing basis and approved based on merit and availability of resources.
- From time-to-time, the City may decide to issue a "Request for Applications" to develop homes under the program in a specific geographic area. In such circumstances, a Public Notice will be published and an informational meeting will be held with interested parties.

## 2. DOH review and approval of application

- The Department will only review applications that include all necessary documentation and will notify the applicant if the application is incomplete.
- A staff member will work with each applicant throughout the application process.
- Staff will complete a thorough review of the application using DOH underwriting standards. DOH reserves the right to negotiate with the developer regarding the specifics of any aspect of the proposed each development.
- The architectural design/construction review is a critical component of the application process and consists of:
  - Architectural Design Review: review of design drawings, scope of work, project budget and context compatibility; approval will result in authorization of construction documents.
  - Construction Document Review and Final Construction Review components occur at the construction phase as detailed in section 5.

## 3. City Council approval

- At least thirty (30) days after the required approval by the Chicago Plan Commission, and if necessary the Community Development Commission, an ordinance requesting the sale of land for a project is introduced by the Mayor to the City Council and then referred for a public hearing to a City Council committee.
- Economic Disclosure Statement, Ownership Disclosure Affidavit, and scofflaw checks must be completed prior to the City Council submission.
- Developer may be asked to appear before a City Council Committee, usually Housing and Real Estate, to answer questions or present his/her proposal; if passed, the ordinance is referred to the full Council.

## 4. Drafting and signing of legal agreements

- Financing commitments and required organizational documents pertaining to the project must be made available to DOH staff for review; Corporation Counsel will issue a closing document checklist to developer. The Corporation Counsel will prepare a Land Sale and Redevelopment Agreement which will define the land conveyance, scope of work, construction schedule, and the description of qualified purchasers, to be executed by the City and developer. Construction lenders must execute a Subordination Agreement.
- Developers must comply with the City's insurance requirements.
- DOH staff, in consultation with the City's Corporation Counsel, will review the financing commitment and loan documents.

## 5. Construction

- Construction Document Review: design confirmation and review of construction drawings and specifications; legal survey, soil report and environmental assessments, review of construction budget.
- Final Construction Review: verification of sworn statements from owners and contractors, agreements with architect and general and subcontractors, addenda and addenda approval, building permit, inspecting architect approval, fee waivers, and certificate of insurance. DOH Construction approval issued.
- DOH Pre-construction meeting held with Developer and Contractor, Notice-to-Proceed issued.
- Developer must start construction within 3 to 6 months of the execution of the Land Sale and Redevelopment Agreement. Construction must be completed within the period outlined in the Agreement.
- Construction phase will include progress, punch list and final inspections.
- Developer will submit monthly construction status and sales reports to assigned DOH staff.
- Developer requests Certificate of Compliance at 100% project completion as approved by developer's architect.
- Developer Submits Certificate of Occupancy from Department of Buildings.

## 6. Sale and Closing of the newly constructed home

- Developer must submit a marketing plan to DOH Homeownership Center Division for approval
- Developers will supply DOH with a homebuyer application, along with supporting documentation for potential buyers. DOH staff will verify this documentation for affordability and eligibility purposes prior to a contract for purchase.
- Developer must submit a request to the DOH Closing Coordinator at least two weeks prior to closing date. This person will coordinate the City's role in the home sale closing among DOH, the Department of Law, outside counsel, the developer, and the title company.
- A homebuyer determined by the City to be eligible closes on the sale.
- Buyer will execute a mortgage recapture agreement or 5 year resale restriction if the land value is less than \$50,000.
- If any parcel is appraised over \$50,000 the land value will be recaptured upon re-sale of the home but is otherwise fully forgiven after 30 years of occupancy. In the City's sole discretion, homes may be placed into the [Chicago Community Land Trust](#) when the underlying land value exceeds \$50,000.
- General Contractor issues a limited warranty (valid for a minimum of 1 year from date of first occupancy)
- From time-to-time the City may select certain targeted areas in which Purchase Price Assistance may be made available to a limited number of buyers of homes built under the City Lots for Working Families program.

## 7. Post-closing

- DOH monitors warranty compliance.
- Buyer is required to submit annual occupancy compliance documentation to DOH for (5) five to thirty years (typically (5) five years) depending on the amount of the land write down. This shall consist of an affidavit stating that the property is the owner's primary residence, and a copy of the owner's driver's license or state identification that displays the same address as the subject property.

# Application to Develop Single Family Homes under the City Lots for Working Families program

The City of Chicago seeks to provide moderate-income working families with the opportunity to purchase high-quality new homes. The goal is to expand housing supply in support of healthy communities, especially those traditionally bypassed for new development.

The Department of Housing (DOH) recognizes today's high costs of construction and has packaged a number of benefits designed to reduce the total development cost and yield a lower sales price to qualified purchasers:

Assistance available to the developer:

- Conveyance of city-owned vacant lots for as little as \$1 per buildable lot

Assistance available to the qualified purchaser:

- Home Buyer Assistance Program and/or TaxSmart Program benefits (see page 6 for more information on these programs).

## Program Requirements

- Single-family homes must be priced to be affordable for a household at 120% of the area median income.
- For a given development, there can be a maximum of 25% market rate units (i.e., units with no limits on sales price or buyer income).
- Developments shall satisfy program design requirements (see Attachment 1).
- Developers shall demonstrate economic feasibility and marketability of proposed development.
- Developers shall demonstrate experience, financial capability and ability to undertake, finance and capacity to complete development within prescribed time frames and for targeted sales prices. Developers with limited experience should apply to develop the minimum number of homes allowed under the program – eight (8).
- Any one application under the program has a maximum of 20 units (one 2-flat equals 2 units.)
- Developers shall comply with all applicable city, state, and federal regulations governing the program.

# Summary

Feature		Application to Develop Single Family Homes
<b>Benefits</b>	City-owned land	Conveyed for as little as \$1 per buildable lot
<b>Types of housing</b>	Condominiums	No
	Rental housing	No
	Single family homes & two-flats	Priced to be affordable for households at 120% AMI
<b>Development caps</b>	Appraised value of lot (up to \$50,000)	Forgiven over 5 years
	Appraised value of lot (amount over \$50,000)	First \$50,000 is forgiven over 5 years; the balance is subject to repayment at up to 3% simple interest if home is sold during the first 30 years after the purchase date, unless sale is to an income-qualified homebuyer who purchases the home for an affordable price
<b>Mortgage recapture provisions</b>	Recapture provisions	Recapture provisions for total appraised value of lot will be modified if the land is conveyed to the Chicago Community Land Trust.
	Purchasers of affordable single family units and two-flat buildings (household income)	≤ 140% AMI
	Renters of two-flat rental unit	No restriction on household income
	Income eligibility & affordability determined and approved by DOH Homeownership Center	Yes
	Homebuyer must have certificate of completion of approved home ownership counseling program	No
<b>Regulatory requirements</b>	DOH architectural review	Yes
	Environmental clearance	Yes; and any remediation costs will be borne by the Developer.
	Mayor's Office of People with Disabilities Approval	Yes
	MBE/WBE	No*
	City Residency Hiring Requirements	No*
	Davis Bacon	No
	Section 3	No

\* EXCEPTION: If any City Lot within a Project has an Appraised Value greater than One Hundred Twenty-Five Thousand and No/100 Dollars (\$125,000), the Project shall be subject to MBE/WBE and City Residency Hiring Requirements.

## Program Features: Developers

### Maximum development costs

To ensure that homes are affordable to a broad range of families under City Lots for Working Families Program, DOH calculates affordability based on the factors that go into a buyer's monthly mortgage payment and their annual household income:

Type of Housing	Maximum Sale Price
Single-family home	See attached Exhibit 3
Condominium	Not allowed
Two-flat	See attached Exhibit 3

# Program Features: Buyers

## Eligible buyers

### Income Limits

Purchasers of affordable units in the proposed development are households with incomes up to 140% of the area median income who will occupy the home as their principal residence.

The income limits table provided in Attachment 3 identifies household income levels as percentages of the median for the metropolitan area. The developer is responsible for obtaining all qualification checklist items from the homebuyer's income and assets and forwarding this information, when complete, to the DOH Homeownership Center.

Buyers who are not currently City of Chicago residents can purchase a home through this program. City of Chicago employees are also eligible to purchase a home if they meet all eligibility criteria.

## Additional information related to the eventual homebuyer

To help make homeownership possible for broad range of working families, Mayor Rahm Emanuel established the **Home Buyer Assistance Program** to offer grants that support down payment and closing costs. The Chicago Infrastructure Trust will administer the program, working in conjunction with authorized lending institutions responsible for accepting and processing applications. The Home Buyer Assistance Program is open to families or individuals who are buying a home or refinancing an existing mortgage. More information can be found at: <http://chicagoinfrastructure.org/initiatives/home-buyer-assistance-program/>.

The **TaxSmart** program allows eligible homebuyers to subtract 25% of their annual mortgage interest payments directly from their federal income tax liability. The credit can be claimed each year that the homebuyer holds the mortgage loan and uses the home as a primary residence. TaxSmart is available through participating lenders and must be obtained in conjunction with a mortgage. More information can be found at:

[https://www.cityofchicago.org/city/en/depts/dcd/supp\\_info/taxsmart\\_mortgagecreditcertificate.html](https://www.cityofchicago.org/city/en/depts/dcd/supp_info/taxsmart_mortgagecreditcertificate.html).

## Selection Criteria

The criteria used to evaluate developers' applications are based on the following:

- Evidence of developer's financial capacity and ability to obtain project financing
- Completeness, quality, and experience of development team
- Demonstrated progress on prior City sponsored projects
- Demonstrated community input and support
- Proven depth and quality of experience in successfully developing residential buildings in the community where the selected development is located, or in a community with similar market characteristics
- Applications that evidence interest of potential buyers
- Designs that respect the context of the block and surrounding community
- Site plans that accommodate the need for private open space within a development and enhance the entire site with a well-designed landscaping plan

## Application Submission

DOH requires an original and one copy of the application. All applications must be complete in all respects.

Submitting an application is not a guarantee that the City will sell City-owned land to the applicant.

Applications will be accepted during general business hours, 8:30 a.m. to 4:30 p.m., except for City of Chicago holidays, in the office of:

Department of Housing  
Attn: Home Ownership Center  
121 N. LaSalle St., Room 1006  
Chicago, IL 60602-1265

Completed applications must be accompanied by the non-refundable application fee, which cannot be waived, in the amount of \$1,000 in the form of a cashier's, company or certified check, payable to the City of Chicago.

All materials submitted become the property of the City. The Department reserves the right to revise or modify the application instructions to developers in writing. The City, however, will not be responsible for any failure to advise any prospective developer of any written changes.

The Department reserves the right to request and set a deadline for the submission of supplemental requested information. Such additional information may include, but is not limited to, more detailed site or architectural plans, more specific financial information, firm financial commitments, or other documentation necessary to make a final recommendation to the City Council for its approval.

No application from any person, firm, or corporation in arrears or in default to the City of Chicago, upon any debt or contract, or a defaulter as surety or otherwise upon any obligations to the City, or one who had failed to perform faithfully any previous contract with the City, will be presented to the City Council for approval. (See also "[Economic Disclosure Statement and Affidavit](#)," available from the Department of Procurement Services.)