

MEDIUM COMMUNITY DEVELOPMENT GRANT: PROGRAM MANUAL

**DEPARTMENT OF PLANNING AND DEVELOPMENT
BUREAU OF ECONOMIC DEVELOPMENT**

LAST UPDATED: NOVEMBER 6, 2024



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I. CDG-M PROGRAM INTRODUCTION & OVERVIEW

Medium Community Development Grants (CDG-M) are intended for moderate real estate development projects requesting the use of \$300,000 to \$5,000,000 in financial assistance from the City. CDG-M awards are made during competitive, semi-annual funding rounds to eligible projects that demonstrate impactful development, create jobs, and improve the quality of life of neighborhood residents and visitors. CDG-M supports up to 50% of total project costs involving new construction, rehabilitation or both.

The CDG-M program is a consolidation of the Department of Planning and Development's (DPD) capital project funding sources – including bond funds from the Chicago Recovery Plan (CRP) and the [Housing and Economic Development Bond \(HED\)](#); the Neighborhood Opportunity Fund (NOF); and Tax Increment Financing (TIF) – which previously operated as separate grant programs. This relaunched CDG-M program consolidated the most effective components of these previous grant programs into a single program, with a unified set of rules and regulations, regardless of funding source. DPD reviews all applications for each eligible financing source and matches projects to the most appropriate source.

II. CDG-M ELIGIBILITY REQUIREMENTS

Who can apply for CDG-M?

Tenants and lessees; property owners and lessors; business owners; and developers are eligible to apply for CDG-M. Eligible users can apply independently or in combination with another eligible user, such as an owner-occupied building. Non-profit, social service, and religious organizations are eligible to apply for CDG-M but the project must be an eligible use that is generally accessible to the public.

What does CDG-M fund?

The CDG-M program fund capital real estate development projects proposing to construct a new structure or building addition; rehabilitate an existing structure; or a combination of both. The proposed project must be primarily comprised of one of the following uses either independently, or combined with another eligible use:

- Commercial (office, retail)
- Industrial and Manufacturing
- Mixed-use residential for projects with 10+ units and 100% ground-floor commercial use
- Cultural (museums, theaters, performance venues)
- Institutional (healthcare, education)
- Social Services (workforce development, unhoused interventions, etc.)

All uses must be generally accessible to the public and should add to the economic vitality of the surrounding neighborhood, benefit the community, and meet a local need. Projects must also be received as proposals, meaning construction of these projects must not be completed when the application is submitted.

The eligibility of all projects is evaluated by DPD on a case-by-case basis.

How much does CDG-M fund?

CDG-M funds up to 50% of total proposed project costs in an amount between \$300,001 and \$5,000,000. Applicants seeking \$300,000 or less must apply for a [City of Chicago Small Community Development \(CDG-S\)](#), and those seeking more than \$5,000,000 must apply for a [City of Chicago Large Community Development \(CDG-L\) Grant](#).

The funding structure, amount, and source are all determined by DPD and is subject to a review of the final budget to determine if there are sufficient eligible project costs. Awards for CDG-M may be provided as a grant, forgivable loan, or traditional loan at the discretion of DPD.

All outside financing needed to complete the proposed project is the responsibility of the applicant. These sources generally include a combination of equity, debt, charitable donations, additional subsidies, or grants. If a project has previously been awarded funding, an applicant

may still apply; however, if the applicant intends to combine CDG-M with another grant source that would exceed a total of \$5,000,000, then they must apply for CDG-L.

If eligible, applicants may qualify for additional funding, beyond the Base Grant – which is up to 50% of the proposed project – through the Local Residency Bonus. Together, the Base Grant and the Local Residency Bonus comprise the “Capital Grant,” which represents the total funds available for construction. If the project is ineligible for the Local Residency Bonus, the Base Grant alone serves as the Capital Grant.

Local Residency Bonus

If a proposed project is located within the NOF program’s Qualified Investment Area (QIA), and the applicant’s primary residence is also located within the QIA, the applicant is eligible for the Local Residency Bonus. Applicants who meet these requirements are eligible to receive additional funding of up to the lesser of 25% of the total proposed project cost or \$500,000.

However, in no case may the total award of City funds exceed the \$5,000,000 maximum grant award. For example, if the Base Grant of a project is \$4,700,000, the Local Residency Bonus would be limited to \$300,000.

Eligible grant finalists must submit two of the following four items as proof of residency, prior to executing the Redevelopment Agreement (described later in this document):

1. Copy of the recorded lease or deed
2. Driver’s license, State ID, or CityKey card
3. Voter’s registration card
4. Utility bill dated within the last 90 days

Entities applying with multiple owners must provide evidence that at least 50% of the ownership can be attributed to individuals who reside in the QIA.

How can CDG-M funds be spent?

CDG-M funds can be used to reimburse the following project costs associated with the eligible project uses, referenced above. These are referred to as “eligible costs.”

Hard Costs

Hard costs are associated with construction and permanent building improvements. Eligible hard costs include, but are not limited to, the following:

- Site preparation, including clearing, demolition, earthwork and environmental remediation
- Substructure, including foundations and basement
- Shell, including roof, floor, exterior walls, windows, and doors
- Interior construction, including walls, doors, stairs, floors, and ceilings.
- Building mechanicals and services, including electrical, plumbing, HVAC, fire protection, and elevators
- Public infrastructure (e.g. sidewalks, landscaping, storm sewers, sight lighting) as part of a capital project

Soft Costs

Soft costs are associated with professional services and fees related to eligible hard costs. Eligible soft costs include, but are not limited to, the following:

- Architectural, engineering and design (e.g. feasibility studies, master planning, design work)
- Land and real estate costs (e.g. legal fees, appraisals, assessments, real estate research, surveying)
- Site preparation (e.g. cost estimates; surveys; traffic, geotechnical, and environmental studies)
- Zoning (e.g. legal fees associated with a zoning amendment)

Acquisition Costs

Acquisition costs are associated with acquiring real estate and property. Eligible acquisition costs include that of the land, improvements, legal and professional services, and typical closing costs. Acquisition costs are eligible if they are arms-length transactions that were incurred within two years of the application being submitted.

Projects with acquisition costs must include substantial and related rehabilitation or new construction work. Applications submitted only for reimbursement of property acquisition costs, without an associated structural rehabilitation or new construction project (redevelopment project), will not be considered for the CDG-M program.

How can't CDG-M funds be spent?

CDG-M funds cannot be used to reimburse any of the following, regardless of their association with the eligible project uses.

- Hard costs related to furnishings, fixtures, and equipment (e.g. refrigerators, tables, desk chairs); however, these costs can be included in the total proposed project cost, provided they are purchased for the proposed project and will be located at the proposed project site.
- Hard or soft costs related to surface parking lots (e.g. design, construction, resurfacing, etc.), unless it is specifically required as an engineered barrier that addresses environmental remediation concerns.
- Projects that only correct deferred maintenance issues (e.g. roof repairs, boiler system replacement).
- Projects that only conduct minor structural/site repairs and improvements (e.g. outdoor patio resurfacing).
- Projects that only address building repairs compelled by a Circuit Court Order (e.g. ADA compliance).
- Operational expenses of any kind, including administrative costs or staff salaries.
- Projects that include Low-Income Housing Tax Credit (LIHTC) funds as a source of financing.
- Projects that only improve government facilities.

Are there location requirements for CDG-M?

No. CDG-M can fund proposed projects anywhere in the City of Chicago; however, some funding sources that support CDG-M (NOF and TIF) are dependent on the proposed project location.

III. CDG-M PROJECT SELECTION PROCESS

CDG-M applications are accepted on a rolling basis, with semi-annual funding round deadlines, generally in February (Round 1) and August (Round 2). Applicants must complete and submit a [City of Chicago CDG-M Grant Application](#) through the City's online platform, Submittable. Applicants must complete the free registration with Submittable to apply.

All eligible projects are evaluated by staff for all eligible funding sources administered by the Bureau of Economic Development.

How are applications reviewed?

DPD staff first determine if the proposed project is eligible for CDG-M based on the amount of funds requested and the proposed uses of funds. Any proposed project determined ineligible will not be fully reviewed by DPD. Projects that are determined eligible are reviewed for potential issues related to zoning, design, and historic preservation, and evaluated by the following criteria:

Project Site

- Property Identification Numbers (PINs) associated with subject property have clean titles without liens, unpaid taxes or court orders.
- The condition of the land and structures, site suitability, and environmental issues of the subject property.
- Submission of photos of the subject property site and existing structures (interior and exterior).

Project Proposed Uses

- Proposed project uses are permitted by-right, or applicant is in the process of a required zoning amendment.
- Proposed project will be occupied by the applicant's business or tenants.
- If tenants are involved, the applicant submits signed lease agreements or letters of interest for all tenants.
- All proposed project occupants, whether by owner or tenant, are registered and in good standing with the Illinois Secretary of State.

Project Impact

- Identifying if the proposed project will bring a new business to the community, enhance an existing business, or retain an existing business.
- Fully detailing the proposed project services and explains how these services will impact surrounding uses and development.
- Fully detailing how the proposed project will impact current and future business operations and explains the benefits of operating their business in the community.
- Fully detailing the structural work and site work needed to complete the proposed project.

Project Documents

- Submission of documentation evidencing site control: executed lease of at least five years; deed; real estate contract; letter of intent to lease or purchase; City Land Sale application acceptance.
- Submission of executed leases or letters of intent to lease, for at least five years, from all tenants listed as proposed Project occupants.
- Submission of a detailed site plan, detailed elevations and detailed renderings that represent the project narrative.
- Submission of design documents reflecting the City's Neighborhood Design Guidelines.
- Submission of a detailed contractor estimate that represents the project narrative.

Project Budget and Financing

- Submission of a Developer Input Form (DIF) completed including the Development Assumptions, Development Costs and Capital Stack.
- Demonstration that the Development Costs, Capital Stack and contractor estimate are aligned and that the project's sources and uses are in balance.
- Submission of financial documentation to support the non-City portion of the budget in an amount that matches the amounts in the Capital Stack. This may include:
 - Bank account statements in applicant's name with account numbers redacted.
 - Loan term sheets or agreements in applicant's name.
 - Signed and notarized letters indicating gifts of funds to applicant.
 - Formal commitments of outside funds to Applicant that specify the nature and terms of the obligations.
- Demonstration that the project has exhausted all potential, outside funding sources and cannot proceed with the project without the funding request.
- Submission of a statement of financial need explaining how the proposed project is experiencing economic hardship and why it would have unacceptable returns without City assistance.

Additional Site Characteristics

Projects are also reviewed for the general site characteristics identified below. The presence of these factors is not a requirement to be selected for CDG-M, but projects demonstrating one or more of these are given greater consideration:

- Subject property is in a Community Area on the City's South, Southwest, and West sides.
- Subject property is a Chicago Landmark, Contributing Building, or Orange-Rated Building.
- Subject property is a County- or City-Owned Parcel.
- Subject property is vacant.
- Subject property has been vacant for at least 24 consecutive months.

What helps a project get selected for funding?

The CDG-M program was developed to improve accessibility to City funding sources; however, applicants bring a range of experience to the table when planning and developing projects, and some applicants may be more successful with a team of experienced professionals at their side. It is recommended that applicants engage a real estate attorney, an accountant or

representative from a financial institution supporting the proposed project, an architect, and at least one contractor.

If an application is received prior to the funding round deadline, DPD staff may have sufficient time to review it and send the applicant a deficiency letter that identifies any issues with the application. The applicant can correct, and then resubmit the application, prior to the deadline. It is in the applicant's best interest to apply well in advance of the round deadline so that DPD staff can review the application and determine if additional information is needed. DPD will not, however, accept additional documentation for an application after the funding round deadline. Any additional information or documentation in support of an application must be submitted prior to the funding round deadline.

How long does the application review process take?

The entire review process, from the close of the semi-annual funding round to the finalist announcement, takes approximately four to five months.

What if my project is not selected for funding?

All applicants will be notified if their project is selected or not selected for a grant.

Applicants whose projects are not selected for funding may reapply for future funding rounds, if desired. Applicants may also contact DPD staff to request a deficiency letter outlining any issues, questions and concerns about a declined application.

V. CDG-M PROGRAM APPROVAL PROCESS

When a project is selected for funding and the applicant becomes a CDG-M finalist, the grant approval process begins. It is important to note that grant funds cannot be disbursed until the project has received full approval through the execution of a Redevelopment Agreement (RDA). Therefore, it is not recommended that applicants begin construction on any portion of their project until the following steps are complete.

What is the process for receiving grant approval and becoming a grantee?

During this time, the applicant is required to fulfill a set of conditions, and the project progresses through internal approvals. This process is expected to take approximately six months, but can be extended, upon request from the finalist, for no more than two, six-month increments.

CDG-M Orientation

Following the finalist announcement, CDG-M finalists attend an orientation that explains the grant approval process, payment structure and options, and covenants associated with the proposed project. Finalists are also introduced to their DPD project managers and each other.

Term Sheet

Following the orientation, finalists receive a Term Sheet from their DPD project manager, which outlines the terms and conditions for receiving the grant, and the official amount of funds being awarded to the finalist.

Redevelopment Agreement

Within six months of receiving the Term Sheet, CDG-M finalists must execute an RDA with the City. This document details the legal requirements for receiving CDG-M funding, and is signed, or executed, by both the CDG-M finalist and the City. The RDA execution process is referred to as "closing." The following conditions, outlined in the Term Sheet, must be fulfilled by the CDG-M finalist to execute (or close) the RDA:

CORPORATE DOCUMENTS

The finalist must submit a copy of its articles or certificate of incorporation or organization containing the original certification of the Secretary of State, in Good Standing.

ECONOMIC DISCLOSURE STATEMENT & AFFIDAVIT

The City of Chicago requires disclosure of the information requested in the Economic Disclosure Statement and Affidavit ("EDS") before any City agency, department, or City Council action regarding the matter that is the subject of the EDS. Individual forms must be completed by all individuals, corporations, or other entities that an economic interest greater than 7.5% of the project's legal ownership or lease. EDS forms are subject to review and approval by the Department of Law.

CITY DEBT CHECK

DPD will initiate and conduct a preliminary Scofflaw review to determine any indebtedness the applicant, or its affiliates, may owe to the City. Any debts owed by the applicant due to unpaid parking tickets, water bills, inspection fees, permit fees, child support/alimony, building code violation, and other administrative hearing fees, must be paid in full, or show evidence of entering a payment plan through the Office of the Comptroller. Applicants must meet one of these conditions to receive City Council approval and grant funds. If more than 120 days have lapsed between the initial Scofflaw review and City Council approval, a second Scofflaw review will be conducted

ENVIRONMENTAL REVIEW

The finalist must provide all environmental reports or audits they have obtained for the proposed project property, including a Phase I Environmental Site Assessment for any unassessed portion of the proposed project property, as well as written verification from the appropriate municipal, State and/or federal environmental agency that any identified environmental issues have been resolved to their satisfaction.

PRE-CONSTRUCTION COMPLIANCE MEETING

The finalist, general contractor, and all major subcontractors must meet with DPD's Construction Compliance staff to review the plan to achieve the City's Construction Compliance obligations (MBE/WBE, City Residency and Prevailing Wage Requirements). The finalist must submit a copy of the informational conference letter, signed by the Construction Compliance staff.

SITE CONTROL

The finalist must submit documentation, evidencing that the proposed project property has been secured:

- Tenant: Executed lease for at least five years for the proposed project property AND written evidence of property owner's consent to record the RDA against the tenant's leasehold interest in the Property.
- Owner-Occupied: Deed for the proposed project property.
- Property Owner: Deed for the proposed project property. (Executed tenant leases, for at least 75% of the Project, for a term of at least five years, must be submitted for the Certification of Completion.)

The finalist must also provide a copy of the Title Policy for the proposed project property, or a binding, signed, marked-up commitment to issue such initial Title Policy, certified by the Title Company, showing the finalist as the named insured in at least the amount of CDG-M funds, along with copies of all Schedule B title exception documents.

Additionally, the finalist must, at their own expense, provide evidence of clean title, under its name and any Trade Names, per a list of entities referenced in the RDA.

INSURANCE

The finalist, at its own expense, must submit evidence that the project property is insured to the degree of coverage required in the RDA.

SURVEY

Upon request, the finalist must submit a copy of the survey(s) for the proposed project property.

FINAL CONSTRUCTION ESTIMATE & CONTRACT

The finalist must submit a final and comprehensive contractor estimate for the proposed project scope of work. All estimates must reflect the same scope of work and final project budget, as well as account for the City's M/WBE, Prevailing Wage and City Residency construction compliance requirements. The finalist must also submit a certified copy of the construction contract, with any modifications, amendments, or supplements, and, upon request, copies of any subcontracts.

FINAL PROJECT BUDGET & FINANCING

The finalist must submit a final project budget that accurately reflects the construction contract and the project financing. The finalist must submit proof of project financing, evidencing that all financing sources outside of CDG-M funds have been secured and are available.

FINAL ZONING APPROVAL

The finalist must verify that all proposed project uses and physical improvements comply with the zoning requirements for the project location. If the project uses and/or improvements require a zoning map amendment, licenses, or permits, the finalist must provide evidence of the approved zoning map amendment, secured licenses and/or permits, and Aldermanic input. Upon request, the finalist must submit, at a minimum, a final site plan, final renderings, and final elevations for the project. All DPD comments on the project design must be addressed prior to executing the RDA.

BUILDING PERMITS

The finalist must submit proof of all permits required by the City's Municipal Code for work associated with the proposed project for all corresponding costs to be eligible for reimbursement.

ESCROW AGREEMENT

If selected, the escrow agreement between the City, title company and finalist must be fully executed.

Certificate of Completion

Once project construction has completed, CDG-M recipients receive a Certificate of Completion (Certificate). Project construction must be completed within the timeframe dictated by the RDA, which is generally two years. Projects that are not completed in this timeframe will be in default of the RDA terms, meaning the CDG-M may be forfeited, and the RDA may be terminated. CDG-M recipients must demonstrate the following, in addition to other requirements outlined in the Term Sheet, to receive the Certificate.

M/WBE REQUIREMENTS

The grantee must fulfill at least 26% MBE and 6% WBE participation for all direct and indirect construction costs associated with the proposed project.

CITY RESIDENCY REQUIREMENTS

The grantee must hire City residents to perform 50% of all construction hours.

PREVAILING WAGE REQUIREMENTS

The grantee must adhere to the City's prevailing wage requirement for all construction trades, as established by the Illinois Department of Labor.

CERTIFICATE OF OCCUPANCY

The grantee must obtain and submit proof of all permits required by the City's Municipal Code to occupy the project premises.

BUSINESS LICENSES

The grantee must obtain all necessary business licenses.

DOCUMENTATION

The grantee must appropriately document all eligible project costs. Documentation includes, but is not limited to, detailed invoices, cancelled checks, sworn owner's statement, sworn statement of contractor and subcontractor to owner and final lien waivers.

VI. CDG-M PAYMENTS

CDG-M funds are issued as reimbursement for eligible project expenditures. The funds may be disbursed incrementally, as progress payments, or as a single reimbursement upon project completion. The finalist must select a payment method before executing the RDA.

Single Reimbursement

CDG-M recipients may receive a one-time disbursement of 100% of their grant funds following DPD's issuance of the Certificate. Projects utilizing NMTC generally must select this payment option.

To receive the Certificate of Completion, the finalist must submit the following materials:

- Evidence acceptable to DPD that the actual expenditures and final TPC is equal to, or in excess of, the amount listed in the RDA and its exhibits. If the final cost is less than the TPC, CDG-M funds will be reduced on a dollar-for-dollar basis.
- Final Owner's Sworn Statement, with \$0 outstanding balance
- Final Contractor's Sworn Statement, with \$0 outstanding balance.
- Final Lien Waivers
- All Invoices and Cancelled Checks (front/back copies)
- Title Company Disbursement Reports (if applicable)
- Signed letter on finalist's letterhead, and a signed and notarized affidavit, stating project completion according to the plans and specifications from the RDA
- Signed letter on the Architect's letterhead stating project completion according to the plans and specifications from the RDA
- Certificate of Occupancy from the City's Department of Buildings indicating compliance with all building permit requirements.
- Construction Compliance Closeout Letter from the City's Department of Housing Construction Compliance Division indicating compliance with all MBE/WBE, Prevailing Wage, and City Residency Requirements.

The RDA will describe the process for requesting the Certificate and will provide that the City shall make best efforts to respond in writing within 45 days of receiving such request in writing. There will be no deemed approval associated with the request for a Certificate.

If a project includes New Market Tax Credits (NMTC) as a funding source, the CDG-M funds must be bridged if included in the NMTC structure.

Progress Payments

If selecting progress payments, the finalist must establish a construction escrow account at their own expense. The finalist will receive a total of four, incremental disbursements of CDG-M funds: three during construction (30%, 60%, 90%), and the fourth and final disbursement (100%) following the issuance of the Certificate. Each escrow draw will require review and approval of the finalist's documentation by DPD. Finalists selecting this option must execute an escrow agreement with DPD and the title company concurrently with the execution of the RDA.

The City will not disburse any installment of funds via a construction escrow until the following evidence has been submitted indicating that the project has incurred eligible costs in an amount equal to, or greater than, the amount of the installment payments established in the construction escrow agreement:

- Owner's Sworn Statement
- Contractor's Sworn Statement
- Lien Waivers
- Invoices and Cancelled Checks (front/back copies)
- Title Disbursement Reports (if applicable)

VII. CDG-M GRANT CONDITIONS

As a condition of receiving CDG-M Funds, applicants must fulfill certain requirements outlined in the RDA. Failure to comply with these terms can result in the City either withholding payment of funds or seeking the return of any previously disbursed funds.

City Debt Check

Grantees must pay any City indebtedness in full or enter into a payment plan through the Office of the Comptroller, to receive City Council approval and grant funds. Scofflaw searches will find debts owed due to unpaid parking tickets, water bills, inspection fees, permit fees and other administrative hearing fees.

Scofflaw searches will be conducted at least once for every grantee; however, DPD reserves the right to conduct a Scofflaw search at any time during the grant period. This debt check will generally be conducted either prior to introduction at City Council or the execution of the RDA, as applicable. If more than 120 days have lapsed between this debt check and either City Council approval or execution of the RDA, then a second Scofflaw review may be conducted. Any project that has unresolved debt with the City will not be advanced to City Council or be allowed to execute their RDA.

An on-going condition of the RDA is that the Developer have no outstanding debt with the City. Prior to the issuance of both the payment of City funds and the Certificate, the Developer will be required to affirm that they do not have outstanding debt to the City. Providing a false or misleading statement in this document may result in a default and termination of the RDA. DPD reserves the right to conduct a Scofflaw search at any time during the grant period to enforce this provision.

Construction Requirements

Projects receiving CDG-M funds are expected to meet a number of construction-related requirements as a condition of the RDA. It is extremely important that recipients and their General Contractors understand these terms and conditions.

General Contractors

Finalists must bid out three competitive contractor bids and select the lowest, responsible, qualified bidder. The finalist may submit a written request to the relevant commissioner, not a designee, to waive the Competitive Bid Process. Approval of this request would be contingent on the relevant commissioner personally certifying that they have reviewed the request and find that proceeding without a Competitive Bid Process is in the best interest of the City. Any such waiver and commissioner's certification shall be included as exhibits to any associated RDA.

Minority Business Enterprise/Women Business Enterprise (MBE/WBE)

The finalist must also meet the City's contract participation requirement of at least 26% and 6% for MBEs and WBEs, respectively, for the project's construction hard costs. The costs will be more fully described in the MBE/WBE exhibit to the RDA, but examples are provided below:

- Environmental remediation
- Demolition
- Site preparation
- Building construction
- Construction contingency (if actually incurred) to complete construction of the Project)

Failure to meet the MBE/WBE requirement will result in the non-issuance of the Certificate and the termination of the RDA.

City Residency Requirements

The finalist must meet City resident requirements for all contracts let involving construction. City residents must perform 50% of all construction hours. This City requirement cannot be waived.

If the finalist fails to contract out 50% of all construction man-hours to City residents, the value of the City financial assistance being provided will be reduced by 1/20th of 1% (.0005) of the final aggregate dollar value expended for all construction contracts let for the project (to be assessed at the completion of the Project). In addition, failure to meet this requirement will result in a delay in the issuance of the Certificate until the failure is resolved.

Prevailing Wage

The finalist must pay prevailing wages for all construction trades, as established by the Illinois Department of Labor. Failure to meet this requirement will result in a delay in the issuance of the Certificate until the failure is resolved.

Construction Monitoring

Although City written approval for the disbursement of project equity and lender financing will not be required, the City will require the finalist to provide the City with quarterly written progress reports detailing information regarding MBE/WBE utilization, prevailing wage and city residency compliance. Documentation may include, but shall not be limited to:

- Sub-contractor's activity report;
- Contractor's certification concerning labor standards and prevailing wage requirements;
- Contractor letter of understanding;
- Monthly utilization report;
- Authorization for payroll agent;
- Certified payroll;
- Duplicates of applicable support documentation verifying the disbursement and receipt of overall project funds (i.e. invoices, canceled checks, partial and final waivers-of-lien, etc.);
- If any shortfall exists, these reports must also include a plan by the finalist to address said shortfall.

The City also retains the right to review draw requests which must be accompanied by, among other things, invoices, canceled checks, lien waivers, owner's sworn statement, general contractor's sworn statement and MBE/WBE subcontractor contract amounts and certification letters as a prerequisite to disbursement.

Failure to meet any of the terms above will result in a delay in the issuance of the Certificate until all deficiencies are cured.

Changes to Project Scope

Following the RDA execution, the City shall have the right to review and approve the following:

- Changes in scope which reduce the square footage of the Project by more than 5%
- Changes in the basic uses of the project
- Increases in the total project budget of more than 10%
- A delay in the completion of the project by more than 6 months

The finalist is at risk of proceeding with any of the above without City written approval. Other material change orders made by the finalist (as defined in the RDA, by the City at its sole discretion) shall be reported to the City in the finalist quarterly reports. Failure to comply with this requirement will be considered an Event of Default.

Limits on Developer Action

Prior to the issuance of the Certificate, the finalist also may not, without the City's consent:

- Merge, liquidate or consolidate;
- Sell, lease or transfer the Project or all or substantially all of its property;
- Enter into any transaction outside the ordinary course of business that would materially adversely affect the ability of the finalist to complete the Project;
- Assume or guarantee the obligations of any other person or entity that would materially adversely affect the ability of the finalist to complete the Project; or
- Enter into a transaction that would cause a material and detrimental change to the finalist's condition.

This section shall not apply to a transfer from the finalist to one of finalist's subsidiaries or affiliates through a quitclaim. Failure to comply with this requirement will be considered an Event of Default.

Failure to Complete

Failure by the finalist to secure the Certificate for the Project prior to the 2nd anniversary of the RDA closing date will be considered an Event of Default.

Long-Term Monitoring Provisions

Following construction and the issuance of a Certificate of Completion, the RDA details a number of long-term requirements that applicants are required to follow throughout the term of the agreement.

Compliance Period

The finalist must fulfill several requirements once the project is completed. For CDG-M RDAs, the term of this compliance period is five years.

Job Creation and Retention

The RDA will note that the finalist will aspire to hire and/or retain a specific number of full time-equivalent positions as part of the Project. The exact number of positions will be reasonably agreed upon by the finalist and the City during the Project approval process. The finalist will provide information regarding employment on an annual basis.

Operations Covenant

The finalist shall continuously operate the entirety of the project in the manner described in the Term Sheet, or for uses approved by DPD at its sole discretion, for the duration of the Compliance Period, apart from recognized holidays or other closures in the normal course of business.

The Operations Covenant shall run with the land and be binding upon any transferee of the property, except for the Flip Provision. The City will require that all lenders subordinate their liens to the covenants that run with the land, in favor of the City. This provision does not apply to mortgage(s) that replace any permanent mortgage and which secure financing in a principal amount not to exceed the principal amount of the senior loan, NMTC loan, or bridge loan outstanding immediately prior to such refinancing. Failure to comply with the terms of this section shall be considered an Event of Default.

Occupancy Covenant

The finalist will be required to maintain no less than 75% of the Project occupied by operational businesses throughout the Compliance Period. Failure to comply with the terms of this section shall be considered an Event of Default.

Flip Provision

In the event of a refinance, sale or transfer of the Project or any part thereof (each happening being a "Capital Event"), from the execution of the RDA until the end of the compliance period, the finalist agrees to pay and remit to the City an amount equal to 100% of CDG-M funds paid to date.

Annual Compliance Reports

The finalist shall be required to provide Annual Compliance Reports (the "Annual Compliance Report") consisting of a letter from the finalist itemizing all ongoing requirements with evidence and certification attached which is sufficient to prove that all ongoing requirements have been satisfied during the preceding year.

As part of the Annual Compliance Report, the finalist shall also submit a jobs report detailing the following information for each employee:

- Employee status as full-time or part-time
- ZIP code for their primary residency
- Total employment tenure in months
- Wages above or below the "Living Wage" rate as defined for that year.

The finalist will be required to provide this information annually on the anniversary of the issuance of the Certificate throughout the compliance period. Failure by the finalist to submit the Annual Compliance Report within 60 days of each anniversary will be considered an Event of Default without notice or opportunity to cure. Following this Event of Default, the finalist shall be required to pay, as liquidated damages, \$10,000 for each such Event of Default.

Cure Period

Following an Event of Default of job creation and retention and the occupancy covenant, the finalist shall be entitled to two non-consecutive one-year cure periods (each being a “Cure Period”) during the life of the compliance period. During a Cure Period, the City will not be required to make a payment of CDG-M funds. Once cured, any default year by the finalist shall not count towards the required term of the Compliance Period or any other obligation of the finalist under the RDA. If two defaults have occurred and have both been independently cured, then any subsequent default shall constitute an Event of Default without notice or opportunity to cure.

City Remedies

Upon the occurrence of an uncured Event of Default, the City may terminate the RDA and any other agreements to which the City and finalist are or shall be parties, suspend disbursement of CDG-M funds, and/or seek reimbursement of any CDG-M funds paid. In addition to the terms in this agreement, the RDA will contain the City’s standard default provisions.

Any applicant currently in default of an agreement with an existing City-funded project is ineligible to execute an RDA for additional City funding until such default is cured. Additionally, any applicant who has an uncured default, or termination of an agreement on any City-funded project in the two years preceding the application submittal, is ineligible to apply for additional CDG-M funds.

VIII. ACRONYM DICTIONARY

- BED** DPD's Bureau of Economic Development
- CDG** Community Development Grant
- CoC** Certificate of Completion
- CoO** Certificate of Occupancy
- CRP** Chicago Recovery Plan
- DPD** City of Chicago's Department of Planning & Development
- HED** Housing and Economic Development Bond
- NMTC** New Market Tax Credits
- NOF** Neighborhood Opportunity Fund
- QIA** Qualified Investment Area, the area where NOF funds can be used
- RDA** Redevelopment Agreement
- TIF** Tax Increment Financing