

KOSA AND OTHERS - ZONING
AMENAMENTS NW SIDE HOUSING PRESERVATION
TO THE ORDINANCE ORDINANCE

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

SECTION 1. Chapter 5-11 of the Municipal Code of Chicago is hereby amended by adding the language underscored, and by deleting the language struck through, as follows:

5-11-020 Definitions.

(Omitted text is unaffected by this ordinance)

"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.

"Material change" means any change in contract terms that result in a new purchaser and a change in sales asking price of ten percent or more than ten percent from the original contract listing price.

"Owner" means the person(s), firm, partnership, corporation, trust, organization, limited liability company or other entity, or its successors or assigns, that holds title to a rental property.

(Omitted text is unaffected by this ordinance)

5-11-060 Right of first refusal.

(Omitted text is unaffected by this ordinance)

(b) *Time for tenants to form organization.* In order to exercise its right of first refusal to purchase a rental property:

- (1) the tenants of a rental property consisting of five or more dwelling units shall have a period of 90 calendar days from receipt of the Notice of Sale to
 - (A) form a tenant association,
 - (B) inform the owner and the Department of its existence, and
 - (C) provide to the owner and the Department the names, addresses, and telephone numbers of at least two of the officers or representatives of such association.

(2) the tenants of a rental property consisting of four or three dwelling units shall have a period of 30 calendar days from receipt of the Notice of Sale to form a tenant association and inform the owner and the Department of its existence.

(3) at least one tenant of a rental property consisting of one or two dwelling units shall have 15 calendar days to inform the owner of its intent to exercise its right of first refusal.

(c) *Negotiation.* Any negotiations between the owner, or the owner's agents, and a tenant association or, in the case of a rental property consisting of one or two dwelling units, one or both tenants, or an agent as assigned under Section 5-11-080, shall require a continuing duty of good faith negotiations on the part of ~~the owner~~ all parties involved in the negotiation and transaction.

(d) *Exercise right of first refusal.*

(1) A tenant association or, in the case of a rental property consisting of one or two dwelling units, at least one tenant, shall exercise its right of first refusal by

delivering written notice to the owner prior to the expiration of the period required in subsection (b) that the tenant association or tenant(s), as applicable, elects to purchase the rental property pursuant to this chapter.

(2) ~~Any such subsection (d)(1) notice~~ Notice to the owner that the right of first refusal is being exercised shall be accompanied by any earnest money required under the terms of the third-party purchase agreement, subject to the cap set forth in Section 5-11-070.

(3) The contract formed by exercise of the right of first refusal shall be on the same terms and conditions as those set forth in the third-party purchase agreement, as modified by the terms of this chapter.

(4) Notwithstanding this general requirement or any term of the third-party purchase agreement, any such acceptance shall be presumed to be contingent upon the tenant association's, or tenant's, ability to conduct due diligence and secure financing before the deadline in subsection ~~(e)~~ (e) for completing the sale.

(5) Nothing in this section shall be construed to require any owner to extend any form of owner financing to tenants or a tenant association.

(6) If tenants fail to meet the requirements by the timelines set by this ordinance, then the ability to exercise their right of first refusal shall terminate.

~~(e)~~ (e) *Time for closing.*

(1) If a tenant association, or tenant(s) under subsection (b)(3), exercises its right of first refusal in accordance with subsection ~~(b)~~ (d), then the tenant association or tenant(s) shall have a period of either:

(A) 120 calendar days from the date of such notice in rental properties consisting of five or more dwelling units, or

(B) 60 calendar days in rental properties consisting of four or fewer dwelling units,

to conduct due diligence and secure financing, unless the owner and the tenant association, or tenant(s), have expressly agreed otherwise in writing.

(2) The owner must give the tenant association or tenant(s) any information about the rental property that the tenant association or tenant(s) reasonably requests, such as architectural and engineering plans and specifications, if available, and access to the rental property to inspect the same and conduct reasonable tests at reasonable times after reasonable notice.

(3) At the end of this 120-day period, 60-day period, or any other period which has been agreed upon in writing, as applicable, the owner shall sell the rental property to the tenant association or tenant(s) upon those terms. If the applicable closing period ends on a Saturday, Sunday, or other legal holiday in the City, then the closing shall occur on the first business day thereafter. If the rental property is conveyed to the tenant association or tenant(s) under this right of first refusal, any prepaid rent shall be apportioned as of the closing date and applied on account of the purchase price.

~~(e)~~ (f) *Tenant association's rejection of offer.* If the tenant association or tenant(s) fails to exercise its right of first refusal on or before the deadline set forth in subsection ~~(b)~~ (d)(1), or terminate the contract pursuant to its terms, or defaults (unless there is a mutual default), then such right will be deemed waived and the owner may sell the rental property to the third-party purchaser identified in the third-party purchase agreement on the terms specified therein. If the sale to such third-party purchaser fails for any reason to close, or if there is any material change in the terms of sale from those set forth in the third-party purchase agreement, then the tenant association's, or tenant's, right of first refusal under this chapter shall be reinstated. Any sale of the rental property by the owner to a different party or on any materially different terms shall be null and void.

~~(e)~~ (g) *Third-party rights.* The right of a third-party to purchase a rental property is subject to the right of first refusal conferred by this chapter. Upon exercise of the right of first refusal, the third-party purchase agreement between the owner and the third-party purchaser shall automatically terminate, and neither the owner nor the tenant association or tenant(s), as applicable, nor the rental building shall be bound or in anyway affected by any such agreement and such third-party purchaser shall not have any interest in the contract between the owner and the tenant association or tenant(s) formed by exercise of the right of first refusal. Without limiting the generality of the foregoing, the owner and the tenant association or tenant(s) may freely modify the terms and conditions on which the sale from the owner to the tenant association or tenant(s) may be made. For example, the time periods for exercising the right of first refusal under subsection ~~(b)~~ (d)(1) and for closing under subsection ~~(e)~~ (e) are minimum periods, and the owner may grant the tenants a reasonable extension of such period, without liability under a third-party agreement. Third-party purchasers are presumed to act with full knowledge of tenant rights and public policy under this chapter.

~~(f)~~ (h) *Continuing right.* The right of first refusal is a continuing right and shall apply as often as the to each owner shall sell the of a rental property. The right of first refusal applies to all owners of the a rental property including, but not limited to, any owner that acquired its interest in a sale to which the right of first refusal applied but was not exercised. However, the extended timelines granted in this chapter for tenants to exercise the right of first refusal may only be exercised once after an owner places the rental property for sale, or if there is a material change to the purchase price.

5-11-070 Financial assurances; deposit.

~~The owner may not require the tenant association to prove financial ability to perform as a prerequisite to entering into a contract.~~ In order to exercise its right of first refusal (a) in a rental property consisting of five or more dwelling units, the tenant association or assignee under Section 5-11-080 shall provide the owner with a letter of interest or letter of intent from a community organization, lender, or community development financial institution indicating that the purchaser is in the process of obtaining preapproval for financing the purchase; and (b) in a rental property consisting of four units or fewer, the tenant association, tenant(s) under Section 5-11-060(b)(3), or assignee under Section 5-11-080 shall provide the owner with a preapproval letter from a lender. The owner shall not require the tenant association or tenant(s) under Section 5-11-060(b)(3), to pay a deposit of more than 5 percent of the contract sales price in order to make a contract. The owner must refund the deposit in the event of a good faith failure of the tenant association or tenant(s) to perform under the contract.

5-11-090 Waiver of rights.

(a) An owner shall not request a waiver of the right of first refusal conferred by this chapter.

(b) An owner shall not require waiver of any other right under this chapter.

(c) An owner may not ask a tenant if the tenant intends to waive the right of first refusal during the period governed by Section 5-11-050. After the end of that period, an owner may ask, but not require, a tenant if the tenant intends to waive the right of first refusal.

(d) In a rental property consisting of five or more dwelling units, if fifty percent of the tenants waive their right of first refusal, then the right of first refusal is waived and the owner does not need to wait for the period required by Section 5-11-060.

5-11-180 Pilot period.

This Chapter 5-11 shall expire of its own accord without further action of the City Council on December 31, 2029.

SECTION 2. The Department of Housing shall issue a report assessing the effects of Chapter 5-11 no less than 120 days prior to December 31, 2029.

SECTION 3. Section 3 of the ordinance with Chicago City Clerk reference number SO2024-0011001, which was passed by the Chicago City Council on September 18, 2024, printed in the Journal of the Proceedings of the City Council of the City of Chicago, Illinois, of September 18, 2024, from pages 16737 to 16749, specifically from pages 16742 to 16748, and went into effect on October 9, 2024, shall have its effect suspended, retroactive to October 9, 2024, and not be effective until March 1, 2025.

SECTION 4. A purely typographical error in Section 17-2-0303-B of the Municipal Code of Chicago is hereby corrected by striking through and thereby deleting romanette "(ii)" as follows:

17-2-0303-B Exemptions.

1. In the RS3 district, the minimum *lot area per dwelling unit* may be reduced to 1,500 square feet when 60% or more of the *zoning lots* fronting on the same side of the *street* between the two nearest intersecting *streets* have been lawfully improved with *buildings* containing more than one *dwelling unit* or ~~(ii)~~ when the property is located within the "Predominance of the Block" boundaries as defined by Section 17-7-0591. This exemption will only allow for the establishment of a two-unit *building*.

(Omitted text is unaffected by this ordinance)

SECTION 5. On March 24, 2021, the City Council of the City of Chicago passed an ordinance, referenced as O2021-746, published on pages 28494 through 28498 of the Journal of the Proceedings of the City Council of the City of Chicago for that date. Section 3 of that ordinance, found on page 28498 of the aforementioned Journal, was a section that automatically repealed the ordinance on April 1, 2022. That date has since been extended twice, most recently on March 20, 2024, as published in the Journal of the Proceedings of the City Council of the City of Chicago on pages 10236 through 10239, which extended the date to December 31, 2024. The section is now amended by deleting the language stricken through and by inserting the language underscored as follows:

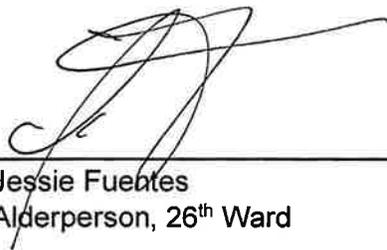
Section 3. This ordinance shall take full force and effect on April 1, 2021 ~~and shall expire and be repealed of its own accord, without further action by the City Council, on December 31, 2024.~~
This ordinance shall apply to permits applied for on and after the effective date as well as permits applied for before the effective date, but which have not been issued by such date.

SECTION 6. Sections 3, 4, and 5 of this ordinance shall take effect upon passage and approval. The rest of this ordinance and the entirety of Chapter 5-11 of the Municipal Code of Chicago shall take full force and effect on March 1, 2025.



Carlos Ramirez-Rosa
Alderman, 35th Ward

Ruth Cruz
Alderman, 30th Ward



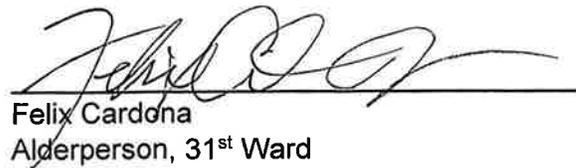
Jessie Fuentes
Alderman, 26th Ward



Rosanna Rodriguez-Sanchez
Alderman, 33rd Ward



Daniel La Spata
Alderman, 1st Ward



Felix Cardona
Alderman, 31st Ward