

**SECOND SUBSTITUTE ORDINANCE,
AS AMENDED**

WHEREAS, the City of Chicago (the "City") is a home rule unit of government under Article VII, Section 6(a) of the Constitution of the State of Illinois, and, as such, may exercise any power and perform any function pertaining to its government and affairs; and

WHEREAS, Chicago is in the midst of an affordable housing shortage of over 119,000 units and existing resources for development of new affordable units are scarce, oversubscribed, and insufficient to meet the need; and

WHEREAS, on April 19, 2024, the City Council approved SO2024-0007838, which authorized the issuance of general obligation Bonds and/or Additional Sales Tax Obligations (each as defined therein) in an aggregate principal amount not to exceed \$1,250,000,000, the proceeds of which will be used for various housing and economic development purposes; and

WHEREAS, other localities such as Montgomery County, Maryland and Atlanta, Georgia are either operating or are in the process of creating social housing to ensure their residents have safe and stable affordable housing options; now, therefore,

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

SECTION 1. Chapter 2-44 of the Municipal Code of Chicago (the "Municipal Code" or the "Code") is hereby amended by inserting a new Section 2-44-170, as follows:

2-44-170 Residential Investment Corporation.

A. *Definitions.* As used in this section, unless the context clearly indicates otherwise,

- i. "Affordable Unit" means a housing unit (i) with a monthly rent less than or equal to 30% of a household's income for a household whose income does not exceed 80% of the area median income, and (ii) occupied by a household whose income does not exceed 80% of the area median income, provided that the Board (as defined below) may allow up to one third of the total Affordable Units in a Development (as defined below) to have a monthly rent less than or equal to 30% of a household's income for a household whose income is between 81% and 100% of the area median income and occupied by a household whose income is between 81% and 100% of area median income if the Board deems it necessary for the financial sustainability of the Development in order to meet program priorities as described in the purpose described in Subsection 2-44-170(C) of the Code, such as the inclusion of Deeply Affordable Units (as defined below).
- ii. "Deeply Affordable Unit" means a housing unit (i) with a monthly rent less than or equal to 30% of a household's income for a household whose income does not exceed 30% of the area median income, and (ii) occupied by a household whose income does not exceed 30 percent of the area median income.

- iii. "Environmentally Sustainable" means any residential or mixed-use development that follows the standards of the Department of Planning and Development's Sustainable Development Policy or any subsequent updates or replacements to such policy, and the sustainability rules promulgated by the Board.
 - iv. "Financial Interest" means an ownership interest held by a Director, a Corporation officer, a Corporation employee, an Advisory Committee Member, or a Relative (each as defined below) in an Affiliated Entity (as defined below) that is valued or capable of valuation in monetary terms with a current value of more than \$1,000.
 - v. "HED Bond Ordinance" means that certain ordinance adopted by the City Council on April 19, 2024 and appearing at pages 11493 through 11568 of the Journal of the Proceedings of the City Council for such date.
 - vi. "Mixed-Income" means developments, whether residential or mixed-use, financed, acquired, or owned, where a minimum of 30 percent of the housing units are Affordable Units, provided that less than 30 percent of the housing units may be Affordable Units if deemed financially necessary by the Board to include Deeply Affordable Units, and further provided that in no case shall Affordable Units make up less than 10 percent of all housing units in a Development. To the greatest extent possible given fiscal and other development-specific constraints, the Corporation will strive to ensure all developments contain housing units that accommodate a mix of household income ranges, including extremely low-income (0-30% area median income), very low-income (30-50% area median income), low-income (50-80% area median income), and moderate-income (80-100% area median income), and a mix of unit sizes.
 - vii. "Relative" means a person who is related to a Director, a Corporation officer, or a Corporation employee, in each case as spouse or as any of the following, whether by blood or by adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister, half-brother or half-sister.
 - viii. "Tenant Governed" means residents of the Developments will have the ability to participate in and inform the decision-making process regarding the physical condition of the buildings, property management, and improvements affecting such residents.
- B. *Establishment.* The Department is hereby authorized and directed to take such steps as may be necessary to establish an independent, Illinois-registered not-for-profit residential real estate development corporation to have such name as shall be determined by the incorporators thereof (the "Corporation"). The Corporation shall have such powers and

authority as provided by law and consistent with the provisions of this section, including the power to charge fees and collect revenue.

C. *Purpose.* The purpose of the Corporation is to address the housing needs of Chicagoans by financing, acquiring, owning, and operating buildings which contain permanently Affordable Units and which are Mixed-Income, Environmentally Sustainable, and Tenant Governed (the "Development(s)"). The Corporation shall strive to include Deeply Affordable Units when possible. This purpose shall be implemented by the Corporation's articles of incorporation and bylaws.

D. *Governance.*

i. Board of Directors. The Corporation shall be directed and administered by a Board of Directors (the "Board") consisting of a minimum of thirteen (13) directors and a maximum of fifteen (15) directors (each a "Director"). The Board shall consist of six (6) ex officio Directors (as described below); two (2) Directors who are residents of Developments (as described below); and seven (7) additional Directors (as described below). The number of Directors shall be initially a minimum of six (6) and shall, as appointments are made, increase to a maximum of fifteen (15). The Board shall include:

1. Six (6) ex officio Directors (the "Ex Officio Directors"):

- a. The Commissioner or their designee, who will hold the executive office of Board Chair upon the establishment of the Board and for the duration of the Corporation's existence;
- b. The Chief Financial Officer or their designee;
- c. The Chief Sustainability Officer or their designee;
- d. The Commissioner of Planning and Development or their designee;
- e. The Chair of the City Council Committee on Finance or their designee; and
- f. The Chief Procurement Officer or their designee.

2. Two (2) Directors who are residents of Development Affordable Units and appointed by the Mayor with the approval of the City Council within 12 months of the first Development initially reaching 90% occupancy.

3. Seven (7) additional Directors appointed by the Mayor with the approval of the City Council. Directors appointed under this Subsection (D)(i)(3) must have professional expertise related to or be an attorney practicing in at least one of the following areas:

- a. Market-rate real estate development, acquisitions, financing, or asset management;
- b. Affordable housing development or asset management;

- c. Research, organizing, advocacy, or service provision in the areas of affordable housing, environmental sustainability, tenant organizing, or tenant's rights; or
 - d. Labor.
 - 4. The Directors described in (i)(2) and (i)(3) of this Subsection (D) are collectively referred to as the "Appointed Directors" in this section.
 - ii. Certain Board Actions. Each Board resolution approving the acquisition, financing, or disposition of a Development must receive a majority vote of the Directors then in office.
 - iii. Bylaws of the Corporation. The Corporation's bylaws (the "Bylaws") shall be in substantially the form attached as Exhibit A to this ordinance of 2025 which added this section to this Code. The Corporation is authorized to adopt the Bylaws with insubstantial changes from such form, which shall not include any changes to Section 2.2(b) or Section 5.1 of such form of the Bylaws, and which shall not be inconsistent with the provisions of Section 1.3 of such form of the Bylaws.
- E. *Board Terms*. Appointed Directors will be appointed to the Board for a term of four (4) years. Directors initially appointed pursuant to Subsection 2-44-170(D)(i)(3) of the Code shall serve for the following terms: at least two such Directors for a term commencing with the date of appointment of such Directors and ending two years later; and at least two such Directors for a term commencing with the date of appointment of such Directors and ending three years later. Thereafter, succeeding Appointed Directors shall serve for a term of four years. Appointed Directors may be re-appointed by the Mayor but such re-appointment shall be subject to the approval of the City Council. Each Appointed Director shall hold office until the expiration of the term for which they are appointed or until their successor has been appointed or until their death, resignation, or removal.

In the event of any vacancy in the position of any Appointed Director, such vacancy shall be filled using the procedure described in Subsection 2-44-170(D)(i)(2) or (D)(i)(3) of the Code, as applicable. Any appointment and associated City Council approval subsequent to the appointment of the initial Appointed Directors shall occur within one year of any vacancy created. Directors will not receive a salary for their service on the Board and will be compensated only for reasonable out-of-pocket expenses. Appointed Directors will be subject to removal for cause by the Mayor.
- F. *Advisory Committees*. The Board may establish and disband from time to time non-voting advisory committees to provide recommendations to the Board. Advisory committee members ("Advisory Committee Member") shall be appointed by the Board.
 - i. The Board shall be required to establish a Resident Advisory Committee:
 - 1. Within 12 months of the first Development initially reaching 90% occupancy;

2. Comprising residents of such Developments in such number and with such terms as determined by the Board;
 3. With equal representation of residents in market-rate units and Affordable Units;
 4. Authorized to provide policy recommendations to the Board regarding the Corporation's investments in quality-of-life budgets, tenant amenities, and other policies that impact residents of the Developments; and
 5. Permitted to recommend to the Board for consideration residents of the Developments for the Board seats described in Subsection 2-44-170(D)(i)(2) of the Code.
- ii. The Board shall be required to establish a Sustainability Advisory Committee:
1. Within 90 days of the first Board meeting;
 2. Comprising:
 - a. Sustainable and/or green building professionals and technical experts;
 - b. Developers with sustainable multi-family development experience;
 - c. Representatives from the Department and from the Departments of Planning and Development, Environment, and Buildings; and
 - d. Professionals with experience in labor.
 3. Authorized to recommend environmental sustainability standards for Developments.

No more than 180 days after the first meeting of the Sustainability Advisory Committee, such committee shall advise the Board on recommended pathways to meet the environmental sustainability standards for the Developments, within the framework of the Department of Planning and Development's Sustainable Development Policy. The recommendations shall take into account the cost-effectiveness of those standards including construction costs and ongoing operational costs required to comply with such standards.

G. Conflicts of Interest; Ethics.

- i. If any Director, Corporation officer, Corporation employee, or Relative of such Director, officer, or employee has a Financial Interest in or has received any income or compensation in the past 12 months or reasonably

expects to receive in the following 12 months from any entity (an "Affiliated Entity") that is being considered by the Corporation to receive funds from the Corporation (whether directly or indirectly), such Director, officer, or employee shall recuse themselves from discussion or decision regarding such Affiliated Entity (including, for any such Director, any vote or debate of the Board regarding such Affiliated Entity). All Directors, Corporation officers, and Corporation employees owe the Corporation a fiduciary duty (with the Ex Officio Directors owing a primary fiduciary duty to the City as officers or employees of the City subject to Chapter 2-156). Therefore, all Directors, Corporation officers, and Corporation employees are strictly prohibited from making decisions or recommendations on behalf of the Corporation for personal financial gain. All Corporation officers and Corporation employees shall be required to file with the Board of the Corporation a disclosure of their economic interests to assist the Board of the Corporation in enforcing the provisions of this subsection.

- ii. Any Advisory Committee Member who has a Financial Interest in or who has received any income or compensation in the past 12 months or reasonably expects to receive in the following 12 months from any Affiliated Entity shall recuse themselves from any vote or debate of such Committee regarding such Affiliated Entity. All Advisory Committee Members owe the Corporation a fiduciary duty and therefore, are strictly prohibited from making decisions or recommendations on behalf of the Corporation for personal financial gain.
- iii. No Director, Corporation officer, Corporation employee, Advisory Committee Member, or Affiliated Entity shall be retained by the Corporation to perform work for the Corporation.
- iv. No Director, Corporation officer, Corporation employee, Advisory Committee Member, or Affiliated Entity shall perform work for any entity being considered to receive funds from the Corporation.
- v. *Application of Chapter 2-156 of the Code to the Corporation.*
 - 1. The Corporation shall be deemed to be a City Contractor as defined in Subsection 2-156-010(e) of the Code and shall be subject to all associated requirements for City Contractors in Chapter 2-156 of the Code, including but not limited to Section 2-156-018 (Duty to report corrupt or unlawful activity), Section 2-156-019 (Whistleblower protection), Article V (Board of Ethics) and Article VII (Penalties for Violation) of Chapter 2-156 of the Code, to the extent necessary for the Board of Ethics to have adjudicatory and enforcement authority over the Corporation as a City Contractor.
 - 2. The Appointed Directors shall be subject to Article II, Part 3 (Gifts and Other Favors) of Chapter 2-156 of the Code, and for interpretation of the applicability of these Gifts and Other Favors

provisions to the Appointed Directors, each Appointed Director shall be deemed a "city official" or "official" and references to "city employment" shall be construed as "employment with a City Contractor."

3. The Appointed Directors shall be subject to Article VI (Campaign Financing) of Chapter 2-156 of the Code. For purposes of application of the Campaign Financing provisions, the Corporation as an entity, each Appointed Director as an individual, and each entity "doing business" with the Corporation shall each be interpreted as a "person doing business with the City," as those terms are defined in Subsection 2-156-010(h) and (r) of the Code, respectively. The Corporation shall report each entity "doing business" with the Corporation, as that term is defined in Subsection 2-156-010(h) of the Code (substituting the Corporation for "the city or any city agency" in said definition), within one week of the Corporation engaging the entity, to the Department of Fleet and Facility Management for purposes of inclusion in the list of contractors the Department of Fleet and Facility Management is required to compile under Subsection 2-156-520 of the Code (Access to list of current contractors). The Department of Fleet and Facility Management shall include each such entity reported by the Corporation to the list of contractors compiled under Subsection 2-156-520 of the Code.
4. Appointed Directors shall be subject to Article III (Financial Disclosure) of Chapter 2-156 of the Code, and for purposes of application of the Financial Disclosure provisions, each Appointed Director shall be interpreted as an "appointed official" under Subsection 2-156-150(a)(iii) of the Code.
- vi. The Corporation shall request from the Board of Ethics, as a contractor per Subsection 2-156-145(e) of the Code, information regarding the application of Chapter 2-156 of the Code to the Corporation under said Chapter and this subsection. The Corporation shall use this information provided by the Board of Ethics to develop and conduct an ethics training, required at least annually for all Directors, Corporation officers, and Corporation employees.
- vii. The Board shall adopt policies for all Directors, Corporation officers, and Corporation employees on the following subjects: duty to report corrupt or unlawful activity, whistleblower protection, fiduciary duties, prohibited political activities, soliciting gifts or favors, document retention, conflicts of interest and ethics policy and training (see this subsection (vii) below), sexual harassment prevention, financial interest disclosures, and restrictions on campaign financing.
- viii. The Board shall adopt a conflict of interest policy informed by the information provided by the Board of Ethics, as referenced in Subsection

2-156-145(e) of the Code, and said policy shall be at least as restrictive as this Subsection (G). Said conflict of interest policy may include additional provisions to meet the Internal Revenue Code standards for conflict of interest policies required for tax-exempt 501(c)(3) public charities, if the Corporation chooses to seek said tax-exempt status. Regardless of whether or not the Corporation seeks, obtains, or loses tax-exempt 501(c)(3) public charity status with the Internal Revenue Service, the Corporation shall abide by all regulations, statutes, and precedential opinions interpreting said regulations and statutes regarding the limitations on activities to influence legislation and political campaign intervention applied to tax-exempt 501(c)(3) public charity entities, including the activities of such an entity's directors, officers, and employees in the course of their work or utilizing entity resources.

- ix. Adoption of and ensuring the adherence to the policies and duties referenced in this subsection (G) shall be considered part of the fiduciary duties owed to the Corporation by all Directors.
- H. *Tenant Governance Committees.* The property owner shall permit the residents of each Development to elect a Tenant Governance Committee to elevate the requests of the residents, provide feedback regarding the Development's quality of life budget, and other Development-specific recommendations to the Development's property management company. Each Tenant Governance Committee shall have authority to request a formal review by the property owner regarding the performance of the property management company. If the property owner does not respond to such request within 30 days, the Tenant Governance Committee is permitted to further escalate concerns to the Corporation, which shall cause such property owner to respond within 30 days.
- I. *Staff and Financial Support.* The Department is authorized to execute one or more initial grant agreements with the Corporation, not to exceed \$4,500,000 in the aggregate, during the first year after the Corporation has been established, for such operating capital to the Corporation as may be required to accomplish its purpose, as described in subsection C, subject to the availability of appropriated funds. The Department shall provide, and the Corporation shall receive, the Staff who provide services to the Department substantially similar to those required to fulfill the Corporation's purpose as described in subsection C. For purposes of this subsection, "Staff" shall mean staff of the Department who are not managerial, supervisory, or confidential employees.
- J. *Quarterly Reporting.* On a quarterly basis, the Corporation shall provide to the Department and to the City Council Committee on Finance reports on all financial and legal transactions entered into during the previous quarter; the current status of all existing financial and legal agreements; the current status of all properties owned and operated by the Corporation; and any other information as requested by the Commissioner and/or the City Council Committee on Finance.
- K. *Annual Reporting.* On an annual basis the Corporation shall provide a report to the City Council Committee on Housing and Real Estate documenting the following:

- i. A schedule of the Corporation's real estate portfolio, including addresses, units, percentage of affordable units, affordability levels, value, debt, and building condition;
- ii. A summary of all current Developments in the pipeline, including projects under construction, and projects that have closed on financing but have not broken ground;
- iii. A qualitative report regarding the progress and impact of the Corporation's efforts, including information deemed pertinent by the Board and any other information requested by the Commissioner and/or the Chair of the City Council Committee on Housing and Real Estate; and
- iv. A copy of the annual audit prepared in accordance with Subsection 2-44-170(W) of the Code.

L. Conditions to Receipt of Funds from the City.

- i. The Board will, consistent with the purposes and objectives described herein, establish criteria for all loans or grants made by the Corporation;
- ii. Each grant or loan from the City to the Corporation must have received the approval of the Budget Director or their designee and the Chief Financial Officer or their designee, and be memorialized as contemplated in Subsection 2-44-170(M) of the Code;
- iii. Any grant or loan from the City to the Corporation to be used for the financing of any Development must have also received City Council approval;
- iv. All costs paid for with the proceeds of any bonds issued pursuant to the HED Bond Ordinance shall be tracked and reported by the Corporation to the City in accordance with applicable requirements under the HED Bond Ordinance;
- v. Any Development-related costs, including staffing and operating costs, that may be sourced from or be reimbursed by proceeds from any sale of bonds provided by the City to the Corporation must be bond-eligible costs;
- vi. The Corporation shall ensure that ownership of any Development that received City funds is not restructured in a manner that decreases the controlling stake of the Corporation below 51 percent without (a) the approval of the Authorized DOH Officer (as defined below), who is required to enter into any agreements or record any covenants necessary to protect the tenancy of current renters and maximize long term affordability, and (b) City Council approval;
- vii. Any City funds repaid by Developments at such Development's stabilization or conversion must be reported to the Commissioner and will require City Council approval to be further utilized for the financing of any new Development;

- viii. The Board shall have no power to pledge the full faith and credit of the City, nor shall any obligation issued by the Corporation in connection with any Development be a general obligation of the City;
 - ix. The Board will be responsible for overseeing the preparation and auditing of its financial statements, including full compliance with applicable generally accepted accounting principles; and
 - x. The Corporation shall be responsible for obtaining professional assistance and advice related to any insurance requirements and litigation arising from any Development.
- M. *Authority to Enter into Agreements.* The Commissioner or a designee or successor thereof (the "Authorized DOH Officer") is hereby authorized, subject to approval by the Corporation Counsel, to enter into and execute such agreements and instruments and perform any and all acts as shall be necessary or advisable in connection with the implementation of loans or grants to the Corporation. The Authorized DOH Officer is hereby authorized, subject to the approval of the Corporation Counsel, to negotiate any and all terms and provisions in connection with such loans or grants which further the purpose of the Corporation. Notwithstanding the foregoing, with respect to any applicable agreements for the Department to provide staff support to the Corporation, such agreements shall be at arms-length and shall comply with Subsection 2-44-170(I) of the Code.
- N. *Accessibility.* All buildings and housing units developed under this section must comply with the accessibility requirements of federal, state, and local law. In addition, all Affordable Units, and at least 20% of all other housing units in each Development, must be "accessible dwelling units," as that term is defined in Section 17-17-0202 of the Code. The property owner and property management shall give preference in leasing a portion of such units to people with disabilities.
- O. *Veterans.* Developments must give preference to veterans for at least 10% of the total number of Affordable Units. Where the calculation of requirements described in this Subsection results in a fractional housing unit, the property owner or property management company shall round down to the nearest whole number. The veteran preference may be achieved by setting aside 10% of the total number of Affordable Units for veterans for 30 days after the Development begins accepting applications. If, after 30 days, the Affordable Units remain unleased or unpurchased, the property owner or property management company may offer such units for lease by other income-eligible applicants.
- P. *Affordable Housing.* Each Development shall be deemed to qualify as "Affordable Housing" for purposes of Chapter 16-18 of the Code. Sections 2-44-085 through 2-44-105 of the Code shall not apply to the Developments.
- Q. *Vouchers.* The Corporation shall establish procedures to maximize the number of Affordable Units and Deeply Affordable Units by prioritizing tenant applicants with portable rental subsidies when the payment standard of the subsidy is equal to or greater than the asking rent of the unit.
- R. *Acquisitions and Rehabilitations.* In situations involving acquisitions or rehabilitations of residential properties with existing tenants, the Corporation shall seek to achieve mixed-

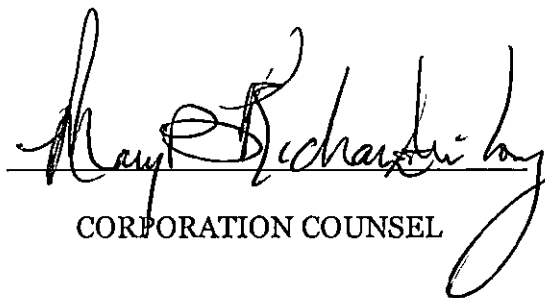
income, sustainability, and other target outcomes described in this section as tenants voluntarily terminate their tenancy in the building. The Corporation shall establish a relocation policy that provides adequate technical and financial support for temporary and permanent relocation.

- S. *Prevailing Wages; M.B.E./W.B.E.* Each Development utilizing City funds for construction or rehabilitation shall be subject to the requirements of the Illinois Prevailing Wage Act, 820 ILCS 130/1 *et seq.*, and the M.B.E. / W.B.E. Construction Program, Section 2-92-650 *et seq.* of the Code, each act or section as now enacted or as hereafter amended.
- T. *Open Meetings.* The Corporation shall comply with the provisions of the Illinois Open Meetings Act, 5 ILCS 120/1 *et seq.*, as now enacted or as hereafter amended, with respect to the conduct of the meetings of the Board.
- U. *FOIA.* The Corporation shall provide public access to books, records, minutes and documents, in accordance with the Illinois Freedom of Information Act, 5 ILCS 140/1 *et seq.*, as now enacted or as hereafter amended ("FOIA"). The Corporation shall cooperate with the City with respect to compliance with the requirements of FOIA concerning any public documents or records that are in the possession of the Corporation but are nonetheless subject to the City's obligation to provide public access under FOIA.
- V. *Cooperation with OIG.* The Corporation, including all Directors, Advisory Committee Members, officers and employees of the Corporation, shall have a duty to cooperate with the City of Chicago Office of the Inspector General (the "OIG") in any investigation, audit or review undertaken by the OIG with respect to the performance of the Directors, Advisory Committee Members, officers and employees of the Corporation; any projects financed or supported by the Corporation; and any programs or operations undertaken by the Corporation; all in order to detect and prevent misconduct, inefficiency and waste within the programs and operations of the Corporation. In the course of an investigation by the OIG, upon the OIG's request, the Corporation's premises, equipment, personnel, books, records and papers shall be made available as soon as practicable to the OIG. For the avoidance of doubt, for the purposes of Section 2-56-050(a)(4) of the Code the Corporation shall be deemed to be a contractor providing services to the City.
- W. *Annual Audits.* The Corporation shall ensure that annual audits of the Corporation are conducted in compliance with applicable law.
- X. *Labor Peace Agreement.* To the extent permitted under applicable law, the Corporation shall be required to enter into a labor peace agreement with any labor organizations representing or seeking to represent the Corporation's employees. As used in this Subsection, "labor peace agreement" means a written agreement between the Corporation and any labor organization representing or seeking to represent the Corporation's employees, that (a) prohibits the labor organization and its members from engaging in work stoppages, boycotts, picketing, or any other activity that may interfere with or hinder the operations of the Corporation; (b) contains commensurate provisions on the part of the Corporation to ensure labor peace as may be agreed upon by the parties; and (c) contains a means of amicably and finally resolving disputes between the Corporation and its employees.

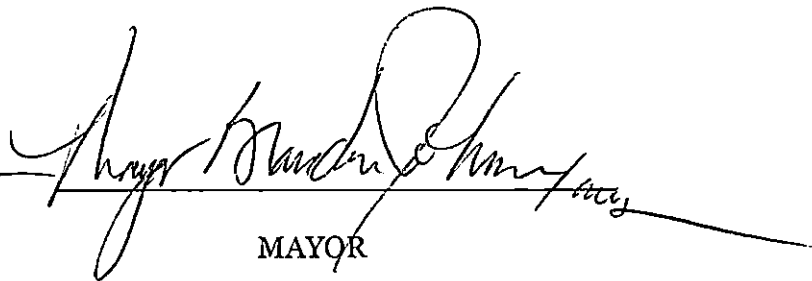
SECTION 2. *Conflicts and Severability.* To the extent that any ordinance, resolution, rule, order or provision of the Municipal Code, or part thereof, is in conflict with the provisions of this ordinance, the provisions of this ordinance shall control. If any section, paragraph, clause or provision of this ordinance shall be held invalid, the invalidity of such section shall not affect any of the other provisions of this ordinance.

SECTION 3. This ordinance shall take effect upon its passage and approval.

APPROVED


CORPORATION COUNSEL

APPROVED


MAYOR

DATED: 5/8/25

DATED: 5/8/25