

ORDINANCE

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”) is hereby amended by inserting a new Section 2-44-160, as follows:

2-44-160 Residential Investment Corporation.

- a. *Definitions.* As used in this section, unless the context clearly indicates otherwise,
- i. “Affordable” means a housing unit 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.
 - ii. “Deeply Affordable” means a housing unit 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.
 - iii. “Environmentally Sustainable” means any residential or mixed-use development that follows the standards of the 2022 Chicago Energy Transformation Code, or any subsequent updates to such code, and the Department of Planning and Development’s Sustainable Development Policy or any subsequent updates or replacements to such policy.
 - iv. “Financial Interest” means an interest held by a Voting Member, 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 of the City 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, be they residential or mixed-use, financed, acquired, or owned, where a minimum of 30 percent of the residential units are Affordable units.
 - vii. "Relative" means a person who is related to a Voting Member, 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.
- 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 not inconsistent 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 permanently Affordable, Mixed-Income, and Environmentally Sustainable housing (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 nine (9) and a maximum of eleven (11) members ("Voting Members"). The Board shall include:
 - 1. Four (4) ex officio Voting Members (the "Ex Officio Voting Members"):
 - 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; and
 - d. The Commissioner of Planning and Development or their designee.

2. Between five (5) and seven (7) additional Voting Members appointed by the Mayor with the advice and consent of the City Council. Voting Members appointed under this subsection (d)(i)(2) must have professional expertise (with respect to items a. to e.) or experience (with respect to item f.) related to 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. Tenant organizing or tenant's rights advocacy community-based organizations;
- d. Affordable housing research or advocacy;
- e. Environmental and sustainability research, advocacy, or organization; or
- f. Resident of a Development affordable housing unit.

ii. **Board Action.** Each Board resolution approving the acquisition, financing, operation, or disposition of a Development must receive a majority vote of the Board.

e. *Board Terms.* Voting Members, excluding Ex Officio Voting Members, will be appointed to the Board for a term of five (5) years. Such Voting Members initially appointed pursuant to subsection (d)(i)(2) above shall serve for the following terms: at least two Voting Members for a term commencing with the date of appointment of such members and ending two years later; and at least three Voting Members for a term commencing with the date of appointment of such members and ending three years later. Thereafter, succeeding Voting Members, excluding Ex Officio Voting Members, shall serve for a term of five years. Voting Members, excluding Ex Officio Voting Members, may be re-appointed by the Mayor but such re-appointment shall be subject to the consent of the City Council.

Each Voting Member will serve until his or her successor is duly qualified and appointed. In the event of any vacancy in the position of any Voting Member (excluding Ex Officio Voting Members), such vacancy shall be filled using the procedure described in the preceding paragraph of subsection (d)(i)(2). Any appointment and associated City Council consent subsequent to the appointment of the initial Voting Members shall occur within one year of any vacancy created. Voting Members will not receive a salary for their service on the Board and will be compensated only for reasonable out-of-pocket expenses. Voting Members, excluding Ex Officio Voting Members, 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 review investments and provide recommendations to the Board on Developments and property management. Advisory committee members ("Advisory Committee Member") shall be vetted and recommended by the Board and appointed by the Mayor.

- i. The Board shall be required to establish a Resident Advisory Committee as follows:
 1. Within 12 months of the first Development initially reaching 90% occupancy, the Board must establish a resident advisory committee composed of residents of such developments with such terms as determined by the Board; and
 2. The Resident Advisory Committee must have equal representation of residents in market-rate and affordable units.

g. *Conflicts of Interest.*

- i. If any Voting Member or Relative of such Voting Member has a Financial Interest in any entity (an "Affiliated Entity") that is being considered by the Corporation to receive funds from the Corporation (whether directly or indirectly), such Voting Member shall recuse themselves from any vote or debate of the Board regarding such Affiliated Entity. All Voting Members owe the Corporation a fiduciary duty (with the Ex Officio Voting Members having a primary fiduciary duty to the City) and therefore, are strictly prohibited from making decisions or recommendations on behalf of the Corporation for personal financial gain.
- ii. Any Advisory Committee Member who has a Financial Interest in any Affiliated Entity shall recuse themselves from any vote or debate of the 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 Voting Member or Advisory Committee Member shall be retained by the Corporation to perform work for the Corporation.
- iv. No Voting Member or Advisory Committee Member shall perform work for any entity being considered to receive funds from the Corporation.

h. *Staff Support.* The Department is authorized to provide such internal support to the Corporation as may be required to accomplish its purposes and mission.

- i. *Reporting.* On a quarterly basis, the Corporation shall provide to the Department and to the Chair of the 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 Chair of the Committee on Finance.

j. *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 k below;
- iii. In accordance with the HED Bond Ordinance, any grant or loan from the City to the Corporation equal to or exceeding \$5,000,000 for a single project, sourced from or to be reimbursed by proceeds of bonds issued pursuant to the HED Bond Ordinance, must have also received City Council approval, and 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;
- iv. Any Development-related costs, including staffing and operating costs, that may be sourced from or be reimbursed by proceeds from any bond sale of bonds provided by the City to the Corporation must be bond-eligible costs;
- v. The Corporation shall ensure that any Development that received City funds is not sold without the consent of the Authorized DOH Officer (as defined below), who is authorized to enter into any agreements or record any covenants they deem prudent to protect the tenancy of current renters and maximize long term affordability;
- vi. 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;
- vii. 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
- viii. The Corporation shall be responsible for obtaining professional assistance and advice related to any insurance requirements and litigation arising from any Development.

k. *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.

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.