

# NEIGHBORHOOD OPPORTUNITY FUND PROGRAM

Program Manual



City of Chicago  
Department of Planning and Development

**TABLE OF CONTENTS:**

1. The Neighborhood Opportunity Fund Guiding Principles and Basic Questions
2. NOF Grants: “Large” and “Small” Grants
3. Application and Project Eligibility Requirements
  - Geographic Requirements
  - Applicant and Project Requirements
4. Selection Process and Standards
5. Eligible Costs, Build Community Wealth Bonus and Grant Disbursement
  - Maximum Assistance Provided
  - Eligible Uses of NOF Assistance
  - Ineligible Uses of NOF Assistance
  - Limitations on Mixed-Use Developments
  - Build Community Wealth Bonus
  - NOF Methods of Funding
  - Combining City Assistance with Other Funds
6. Project Contractor and Grantee Requirements
  - Contractor Requirements
  - Scofflaw Requirements
  - NOF Project Timeline Requirements
7. Project Compliance
  - Project Compliance Term
  - NOF Recapture Provisions

# I. NOF GUIDING PRINCIPLES AND BASIC QUESTIONS

Chicago is a city of neighborhoods – one in which the strength of its diverse communities is a key element of the city’s success. In 2016, the City of Chicago made critical changes to the downtown density bonus program in order to ensure that the growth of the downtown district also drives equitable development throughout the city. These changes leverage new development in and near the Loop to generate funds that will catalyze investment on Chicago’s South, Southwest and West Sides. The Neighborhood Opportunity Fund (NOF) receives 80 percent of the funds generated by the downtown density bonus and was designed and has operated to create and reinforce inclusively vibrant commercial corridors in Chicago’s neighborhoods most in need.

## **The guiding principles of the Neighborhood Opportunity Fund are:**

- To invest in the communities most in need in the City of Chicago
- To recognize that strong neighborhood commercial corridors – where local residents can shop, eat and enjoy – make communities more livable, vibrant places
- To prioritize commercial uses that are resident-requested, are catalysts for positive change, and help make commercial corridors local destinations
- To ensure that investments are complementary with other neighborhood efforts and are structured to ensure long-term sustainability
- To build community-based wealth by supporting entrepreneurs of color and neighborhood employment

## **What is the eligibility map? How were these neighborhoods chosen?**

The NOF program focuses on the neighborhoods most in need to prioritize its resources. Eligible areas were selected using a number of factors, including rates of unemployment, poverty and vacancy. The City also identified active commercial corridors where grantees have the greatest likelihood to sustain success and contribute to existing community vitality and activity.

*For a complete description on what data points guide the eligibility map and how the commercial corridors were selected, refer to Section III the Application and Project Eligibility Requirements below.*

## **Why commercial corridors? Why support entrepreneurs of color?**

Neighborhood commercial corridors play a large role in defining the vitality of a neighborhood, benefiting local residents as well as the City at-large. At their most basic function, commercial corridors provide a local hub for goods and services in accessible locations. Research proves that healthy, vibrant commercial corridors foster positive economic development and socioeconomic outcomes for their respective communities. These corridors provide opportunities for employment, create and keep profit local, and ultimately, help to bolster a community’s social, political and economic capital. Moreover, these corridors celebrate the culture and spirit of a neighborhood, allowing neighbors to congregate in their own community, which further fuels neighborhood pride and investment.

Entrepreneurs of color — particularly African-American and Latinx entrepreneurs — remain under-represented in the small business landscape and continue to have lower rates of entrepreneurship than

majority entrepreneurs. This continued disparity stifles entrepreneurship and threatens the long-term health of Chicago.

NOF is designed to reverse decades-long disinvestment trends by helping to rebuild and revitalize local business corridors with targeted financial assistance and customer service for awardees.

## **What does NOF fund?**

### **Catalytic, feasible business and cultural uses and small business services**

Businesses and projects that offer amenities and services that are identified in community plans and with elected officials as priorities, as well as efforts that support small businesses directly, are eligible for NOF funding. In many neighborhoods, priority projects are sit-down restaurants, cafes and coffee shops, art galleries and performing arts venues, grocery stores, boutique clothing stores and shared office or commercial kitchen spaces that provide flexibility to local entrepreneurs building out their business. While these are common in more affluent neighborhoods, communities on the South, Southwest and West sides of the city often lack these neighborhood staples.

Social services, such as daycares, and workforce programs as a project's primary use, while critical for Chicago neighborhoods, are ineligible under NOF. The intent of this rule is to prioritize the equity needs of neighborhood businesses. Residential and industrial uses without a commercial component are also ineligible.

NOF projects must be permitted by zoning for a given location, financially feasible and implementable. Having site control of the project property and a well-developed project budget that considers the need for other financial resources are two of the key ways to demonstrate feasibility, and both are significantly valued in evaluation.

*For a complete review of selection criteria and evaluation, refer to Section IV Selection Process and Standards below.*

### **Real estate**

Funding for real estate helps strengthen a commercial corridor because it is a permanent fixture in the community, adding value as a place for a business or cultural use and also by improving the aesthetics of the corridor overall. Investments in property can create momentum for additional investments in the same area and also can build community wealth if that property owner lives locally or if a business owner wants to purchase a building. NOF can fund acquisition costs, fees for architectural services, as well as the costs to renovate or construct a new building.

### **Technical assistance services that help projects get off the ground**

Many entrepreneurs know how to run their business but don't have experience seeking construction financing or working with contractors. In response to feedback from grantees and local partners, the City will help NOF entrepreneurs execute their projects by connecting them with and paying for the majority of the costs of approved local lending coaches and project managers who will assist grantees with these critical hurdles.

*For a complete description of eligible uses of NOF funds, refer to Section III Application and Project Eligibility Requirements below.*

## **How NOF funds grantees**

NOF funds are provided as grants that do not need to be repaid. Grants can fund up to 30% of a new construction project and up to 50% of the renovation of an existing building. In both cases, the NOF will fund an additional 15% of a project's costs when the business owner also lives locally through the **Build**

**Community Wealth Bonus.** Alternatively, the NOF can fund that same 15% bonus for wage expenses for new hires that live in Qualified Investment Areas. The program seeks to build community wealth through either ownership or employment, and it's always focused on residents living in neighborhoods most in need.

As part of the program, the City created a construction escrow system that allows grantees to put their funds into a project's construction simultaneously with the City so that no grantee has to take out a loan for the City's NOF grant, thereby reducing the difficulty grantees can face getting loans.

## **Why not 100% grants and/or upfront money so no additional equity or loans would be needed and projects could happen faster?**

The NOF program recognizes that disinvested neighborhoods require more funding, particularly equity. The current rules fund up to 45% for a new construction project and 65% of a rehab project, which is nearly double the percentages of the City's other incentive programs. New construction grants are capped at a lower rate because they are typically multi-million-dollar projects that would significantly deplete the NOF.

The program is administered to efficiently and responsibly disseminate funding. Upfront funding is not provided because it is not feasible for the City to fund all applications upfront; to guarantee that the funds would be allocated on eligible costs; to efficiently recoup misspent funds; and to equitably distribute limited resources to multiple awardees throughout the city.

## **II. "LARGE" AND "SMALL" GRANTS**

The NOF program can fund projects of a wide range in scale and cost. To simplify processes, the City divided the program into two tracks:

1. **NOF Large:** Projects requesting more than \$250,000 (projects with at least \$500,000 in total project costs)
2. **NOF Small:** Projects requesting less than \$250,000 (no minimum or maximum in total project costs)

For projects that fall into the NOF Small track based on their request for NOF funding, the Program Manual outlines all rules and processes associated with these types of applications.

For projects that fall into the NOF Large track, all rules and procedures outlined in the Program Manual apply other than the availability of the construction escrow and the following additional requirements apply: (i) approval individually through City Council, (ii) a Redevelopment Agreement with the City and (iii) with default penalties, utilization of M/WBE companies for 26/6% respectively of the construction costs, use of City residents for 50% of the construction work and payment of prevailing wage during construction. Further information on these large grant obligations can be obtained from NOF staff.

## **III. APPLICATION AND PROJECT ELIGIBILITY REQUIREMENTS**

In order to qualify for NOF assistance, both the applicant and the project must meet specific eligibility criteria. To the extent they do not meet the criteria, the application will be denied and may be referred to other City programs, as applicable, or local partners.

### **GEOGRAPHIC REQUIREMENTS**

In order to be considered for NOF assistance, projects must be located in areas of the City that have been designated by DPD as Qualified Investment Areas (QIA). For NOF Small Projects to be eligible for

assistance, projects must also be located along or significantly contribute to designated Eligible Commercial Corridors or Priority Investment Corridors.

#### **Determining QIAs:**

QIAs are defined as those neighborhoods that have had the most significant levels of sustained economic disadvantage over the past 40 years, including high rates of unemployment, poverty, and vacancy. This spatial analysis relied in part on research developed in “Mapping the DNA of Urban Neighborhoods (2016)” by E.C. Delmelle. To determine which areas of the City to designate as QIAs, the City used demographic data and social indicators from the U.S. Census from 1970 to 2010 to identify locations that have seen persistent disinvestment and disadvantage, dating back decades. In particular, the study utilized the following data to create an index:

- Educational attainment rates
- Vacancy rates
- Percent of individuals below the poverty line
- Percent of individuals on public assistance
- Percent unemployed

The QIAs selected for NOF reflect the bottom 20 percent of all census tracts within the City on this index.

The maps of QIA will be reviewed and may be adjusted as needed at least every five years. The updated maps will be published by the DPD Commissioner through updates to the program website.

#### **Determining Eligible Commercial Corridors and Priority Investment Corridors:**

While the intent of the program is to drive investment into QIAs, the City recognizes the importance of further targeting these investments into areas where there is a density of commercial uses and a lot of foot traffic so that the projects are best poised for long-term success. Ideally, these investments will group together over time, increasing the level of impact on the community. In working toward this goal, the City identified two types of Commercial Corridors where NOF Small grants can be made—Eligible Commercial Corridors and Priority Investment Corridors:

**Eligible Commercial Corridors** are defined as those commercial streets that are immediately abutting a continuous public street within the QIA that generally allows for retail or commercial uses based on the underlying zoning (B- or C- zoning) of the properties immediately adjacent to those corridors.

Of the identified Eligible Commercial Corridors, the City identified streets that demonstrate the highest concentration of businesses, highest vehicular traffic and highest rates of public transit ridership. Those streets were classified as **Priority Investment Corridors**. Applicants that have a project located on a Priority Investment Corridor are given additional consideration during the application review process.

### **APPLICANT & PROJECT REQUIREMENTS**

**Eligible applicants must be a new or existing business owner, a property owner or landlord of a commercial property or a non-profit organization.**

Eligible projects must lead to the development or redevelopment of commercial or cultural spaces or small business support spaces that are accessible to the public. Establishments in these spaces should provide on either a permanent or short-term/pop-up basis goods and services, cultural or small business support opportunities that add to the vibrancy of the community. Without limitation, this may include grocery stores, retail establishments, restaurants, museums, small music and performing arts venues and/or office space that address the needs of the neighborhood.

Social services (e.g., daycares) and workforce programs as the primary use, while critical for Chicago neighborhoods, are ineligible under NOF. The intent of this rule is to prioritize the equity needs of

neighborhood businesses that are not candidates for **any** philanthropic or government equity/cash (not loan) support. Housing is also ineligible.

Per *Section IV Selection Process and Standards* below, projects must also demonstrate through their NOF application that they are feasible and ready to be implemented within a near-term timeframe.

## IV. SELECTION PROCESS AND STANDARDS

One of the commitments of the NOF program is to move projects quickly and efficiently through the review and selection process—apart from a general programmatic interest in getting funds out to create change as quickly as possible, a critical reason for this urgency is that applicants who are current or prospective tenants will typically not get a long contingency period from landlords.

### PROJECT REVIEW AND SELECTION

After screening for eligibility as to use, applications are evaluated by the City and the NOF Program Administrator on the following evaluative factors and then forwarded to the NOF Advisory Committee for review:

- **Project Readiness**
  - **Site control:** The first step to taking on a project is having control of the project site. Applicants should either currently have site control – demonstrated by providing a copy of a lease agreement or a deed – or be engaged in the process to obtain control. NOF acknowledges that getting site control BEFORE applying can be a significant barrier, so the City does not require formal control at application, and applicants in the latter situation should be able to provide some documentation showing they are working with the seller of the property or landlord in order to secure control.
  - **Property Readiness:** While grants can be used to renovate real estate, a Project Property that has issues such as mechanic liens, court orders related to building code violations or significant past due property taxes are unlikely to be selected for a NOF grant.
- **Project financial feasibility**
  - **Project Budget and Finances:** A successful NOF application will be able to detail the uses of funds for their project, which can include hard costs such as building mechanical systems and façade repair, soft costs such as architectural fees and acquisition costs for the price paid to acquire the Project Property (when applicable).

While identifying the scope of work and its estimated costs is important, even more important is demonstrating what sources of funding will be used for these project costs. Applicants should have a balanced Sources and Uses table that also identifies how much debt they will seek to secure and/or how much of their own equity they will provide to the project to complement the NOF grant funds.

#### **Please note the following:**

- Applicants who have other funding sources available are encouraged to share proof of funds as an attachment to their application. For applicants who have not yet secured their other sources of funds, they should be able to identify what their strategy is to do so. Any documents that demonstrate progress on securing these other sources can be included as

an attachment to the application as well.

- The City realizes financing is a challenge in implementing a project and realistically may not be finalized by the time of application. The key to a successful application is demonstrating that you have identified how much funding you need and that you have considered how you plan to fill any gaps in funding. Applicants are not penalized for not having secured a loan, but they are expected to have thought through what is needed and how they will work to secure the gap funding.
- **Construction Implementation:** Applications that show construction bids and/or detail how the estimated construction costs are substantiated, real estimates are evaluated more positively.
- **Catalytic Impact:** The City reviews which uses, in which neighborhoods, have the best potential of making a catalytic impact in a given QIA. DPD uses existing community plans as well as input from elected officials to identify projects that fill a community need and are desired by residents. Aldermanic input is critical, as, for example, a neighborhood tavern in one community may be a welcome, needed place for friends to gather, while, in others, it may be a contributor to negative elements.

Applications are evaluated relative to other application submissions. Selection of applications for funding is constrained by the available program budget as well as DPD's commitment to ensuring there is a balanced geographical distribution (to every extent possible) of projects throughout all QIAs to ensure change across the South, Southwest and West sides.

Once DPD, with the assistance of the NOF Program Administrator, has reviewed community plans and reviewed potential projects, as well as prioritized the set of eligible projects based on project readiness and catalytic impact, DPD presents its recommendations for funding to the NOF Advisory Committee.

The NOF Advisory Committee is a group of community economic development leaders representing a cross-section of the City that also makes up the Advisory Board for the Chicago Development Fund. The Committee will review the slate of recommended projects and provide feedback to DPD. Following the Advisory Committee's review, the recommended slate of projects will be submitted for final review and approval to the DPD Commissioner and the Neighborhood Economic Development leadership of the Mayor's Office; in the event the Commissioner or the Mayor's Office rejects any of the recommendations of the Advisory Committee, the Department must re-convene the Advisory Committee to review and present reasons for the divergence.

## **APPLICATION DEADLINES**

Applications for NOF Small grants are accepted during open application periods which are announced periodically by DPD. While generally the targeted number of open application periods will be twice per year, ultimately, the application timing depends on the available funding for the program which is unpredictable based on NOF-contributing downtown building permits.

Once an application period has opened, applicants will generally have six to eight weeks to submit their request for assistance, using the NOF Application form posted on the program's website accompanied by any supplementary materials they elect to submit.

Applications for NOF Large grants are accepted year-round.

## V. ELIGIBLE COSTS, BUILD COMMUNITY WEALTH BONUS AND GRANT DISBURSEMENT

### MAXIMUM ASSISTANCE PROVIDED

For NOF Small projects, the maximum assistance is \$250,000. There is no maximum assistance amount for NOF Large projects—the maximums are practically determined by the availability of funds.

The percentage of project costs funded by the NOF grant differs based on the following:

- Whether it is a renovation to an existing building or if it is a new construction project
  - **Renovations to existing buildings** can qualify for 50 percent of project costs
  - **New construction** costs for “ground-up” projects or new additions to existing buildings can qualify for 30 percent of project costs
- Whether an applicant qualifies for the **Build Community Wealth Bonus\***
  - Applicants who have their primary residence in a QIA can qualify for an additional 15 percent of their project’s costs as part of the NOF grant

For projects that qualify for the Build Community Wealth Bonus, the percentage of project costs funded by the NOF grant increases as follows:

- 50 → 65 percent for renovations to existing buildings
- 30 → 45 percent for new construction projects (including new additions)

\*For complete policies and procedures related to the Build Community Wealth Bonus, please see the relevant section entitled **Build Community Wealth Bonus** below.

In all cases, total NOF funding for Small Projects cannot exceed \$250,000. A request that would exceed this amount must be processed through the NOF Large Projects track.

### ELIGIBLE USES OF NOF ASSISTANCE

#### **Funds for rehabilitation and new construction projects**

NOF generally funds costs related to new construction or the rehabilitation of existing buildings, including property acquisition. These costs include:

#### **Hard Costs**

- General rehabilitation of existing buildings, including:
  - Roofing, masonry and façade repair
  - HVAC, plumbing and electrical systems
  - Rough and finish carpentry
  - Interior buildout including drywall, flooring and ceilings
- New construction (up to 30 percent of total project costs)
- Environmental remediation
- Demolition
- Security measures (e.g. security cameras)
- Minor site improvements (e.g., fencing or planters) as part of a larger, eligible project
- Business signage (eligibility determined on a case-by-case basis)

### **Soft Costs to Design, Plan, Acquire and Finance a Project**

- Architectural and engineering fees
- Costs of a survey or environmental review associated with a property acquisition
- Property acquisition costs\*
- Project Management fees associated with bid-letting, contract negotiation and management of contractors

#### **\*Note regarding property acquisition with NOF funds:**

While the costs of acquiring land or a building are eligible for funding, NOF funds will not be provided up front for this purpose to avoid any possibility that NOF funds will be used to only fund acquisition without the completion of a project. Therefore, a grantee needs to secure the property independently. The acquisition costs are credited to the grantee and will reduce the amount of funds the grantee would otherwise need to provide towards the rehabilitation or new construction project.

A NOF project that includes acquisition costs must also include substantial rehabilitation or new construction work. The amount of the grant may NOT exceed the total budget for rehab or new construction on a 1:1 basis, regardless of the purchase price (and thus eligible costs) for the building. This is done to assure that NOF is not merely being used to enrich an applicant versus to improve a community.

### **Funds for project-based technical assistance services:**

Over the summer of 2018, the City of Chicago held three strategic planning sessions with over 40 NOF stakeholders, including NOF grantees, lenders and community organization partners to learn how the NOF program could continue to adapt to support grantees and neighborhoods most in need. Overall, while the NOF grant is a critical equity contribution to a project, grantees and partners identified two significant challenges that hold grantees back from making their projects come to reality:

- **Managing the contracting and construction processes:** Grantees are already spread thin running their own businesses (some while still working a day job). Finding licensed, insured and reputable contractors and design professionals – and then working through contracts and project management – is a significant lift for grantees.
- **Navigating the lending landscape and securing access to other sources of capital:** Many grantees struggled with the time and process of working with lenders. Finding and securing the additional financial resources (equity or debt) needed to fund the parts of the project not covered by the NOF Grant (e.g. the other 35-50% of the project's cost) is an area of consistent need.

In response to this feedback and in the interest of increasing the expediency of and success rates for NOF projects, as of Spring 2019, grantees may receive funding to pay for the following technical assistance services related to their project:

- 1. Construction project management services, including:**
  - a. Bid-letting for architects and construction contractors
  - b. Contract negotiation and execution
  - c. Management of payment documentation during the course of the project
  - d. Ongoing project management during the construction period
- 2. Project-based lending coaching, including:**

- a. Assistance with preparation of financial documentation (e.g. balance sheets, income statements, financial forecasts, personal financial statements) required for loan application(s)
- b. Analysis of qualifications for various types of debt products and amount of debt using industry standard metrics such as debt service coverage ratios
- c. Submission of loan application(s) and assistance during underwriting process(es)
- d. Assistance with loan closing process and withdrawals on approved funding

The NOF program will provide a vetted list of Technical Assistance service providers (TA Providers) who provide the above referenced services. These TA Providers were selected through an open [Request For Qualifications \(RFQ\)](#) process in February 2019. TA Providers included on the vetted list are not specifically endorsed by the City of Chicago, but grantees may choose from among them to negotiate a contract for technical assistance services.

The initial TA Provider list was established in May 2019. DPD staff and the NOF Program Administrator will review the performance of and seek feedback from NOF grantees regarding their experience with TA Providers. A TA Provider may be removed from the list at DPD's discretion following review of performance and feedback. Otherwise, TA Providers will remain on the list for at least one (1) year. By May 2020, the list may be updated and expanded. If DPD and TA Providers are in mutual agreement, TA Providers will remain on the list for the next year.

While the general parameters of the technical assistance services rendered and their maximum costs will be determined by DPD staff, contracts with the TA Providers will be done on a per-project basis between NOF Grantees and the TA Provider. Fees for the TA Providers must be based on an agreed upon hourly rate and must be associated with identified project milestones (e.g. completion of bid letting and contract negotiation; a loan approval.) A TA Provider can invoice the NOF grantee no more than four (4) times during the course of their engagement. The City of Chicago will be party to and a signatory of the contract and corresponding invoices to ensure the services are considered eligible costs for NOF funding.

The following maximum limits have been established for fees for Technical Assistance:

- Fees for **construction project management** are capped at 20% of the approved NOF grant amount or \$25,000, whichever is less.
- Fees for **project-based lending coaches** are capped based on the loan size, recognizing that smaller loans are often more difficult (and time intensive) to secure.
  - For loans of \$0 - \$50,000, fees will be capped at 20% of the final loan amount.
  - For loans of \$50,001+, fees will be capped at 15% of the loan amount or \$15,000, whichever is less.

NOF funding for TA Provider services will be provided at 95% of the costs of the Technical Assistance contract. The NOF grantee must provide at least 5% of the contract amount with their own funds (debt or equity.)

Funding for these Technical Assistance services are considered eligible soft costs for the NOF project. Funding received for these services are limited by the \$250,000 maximum program assistance for NOF Small projects. So, for projects that are already receiving \$250,000 in NOF funding for building rehabilitation or new construction, the City cannot provide additional funding for technical assistance services.

### INELIGIBLE USES OF NOF ASSISTANCE

Projects that receive NOF assistance must have a catalytic impact on the neighborhood and lead to the development of new commercial spaces or spaces that directly support small businesses with supports or arts/cultural establishments. As a result, the following are not eligible for NOF grants:

- Residential dwelling units or the residential portion of a mixed-use building

- Social services, including day care and workforce uses, as the primary use
- Industrial uses as the primary use
- Minor repairs and improvements, such as painting or carpeting, *if a standalone project*
- Repairs or improvements that are specifically compelled by a Circuit Court Order (e.g. Order of Permanent Injunction, Order of Demolition)
- Working capital and business operational expenses
- Equipment or furniture\* (these costs cannot be paid for with NOF funding, but they may be included in the total project cost provided that they are purchased for and will be located at the NOF project.)

Applicants that have previously defaulted (after cure periods have passed) on any City-funded projects in the preceding two years are not eligible to receive NOF assistance, and any Applicant currently in default on any City-funded project will not be eligible to receive NOF assistance until such default is cured.

### LIMITATIONS ON MIXED-USE DEVELOPMENTS

NOF assistance may not be used for the construction or rehabilitation (or acquisition) of residential dwelling units. Mixed-use projects may apply NOF assistance to those sections of the project associated with the commercial spaces, but not the residential dwelling units. Assistance can, however, be fully applied to improvements that impact the building as a whole (i.e., façade improvements, tuckpointing, or roofs) but such work will be eligible for assistance on a pro-rata basis for the commercial space only. Projects for mixed-use buildings that don't clearly have an impact on the viability or expansion for the commercial business in place are not competitive applications.

### BUILD COMMUNITY WEALTH BONUS

A primary goal of the NOF program is to build community wealth by supporting locally-based business and property owners and creating new employment opportunities for local residents. In order to support projects that advance these objectives, the Build Community Wealth Bonus provides eligible projects with additional support by increasing the maximum assistance provided by up to 15 percent of the total project cost. Nonprofits cannot qualify for the Build Community Wealth Bonus, as the purpose of the Bonus is to build resident wealth through ownership or employment.

#### **There are two ways an applicant can qualify for the Build Community Wealth Bonus:**

1. **Locally-based business or property owner:** The NOF grantee maintains their primary residence in a Qualified Investment Area (see below for further description).
2. **Local hiring:** The NOF grantee hires a minimum of two (2) new employees for the business that have their primary residence in Qualified Investment Area (see below for further description.)

Applicants must indicate that they are applying for the Build Community Wealth bonus when submitting their application. If the Applicant does not indicate its interest in the bonus prior to the issuance of the NOF Award Letter, the Applicant may not, later, attempt to secure the bonus.

If the Build Community Wealth bonus would increase the total amount of NOF assistance above \$250,000, the applicant must either be evaluated and processed as a NOF Large Project or be limited to less than the 15 percent bonus (for a total assistance amount of \$250,000.)

The Build Community Wealth bonus is an option and not a requirement. If applicants do not meet the bonus criteria, the level of assistance will be determined by the program rules as defined in the “*Maximum Assistance Provided*” section above.

## **RESIDENCY IN A QUALIFIED INVESTMENT AREA**

For grantees that maintain their primary residency in a Qualified Investment Area (QIA), the bonus is provided by increasing the maximum percentage of assistance by up to 15 percent of total project costs. This increases the maximum percentage of assistance for rehabilitation projects from 50 to 65 percent, and new construction projects from 30 to 45 percent.

### Required Documentation for Proof of Primary Residency

Proof of residency is required to show that the grantee lives within the QIA. Grantees must submit current copies of at least two (2) forms of documentation that verify the Grantee's name and primary residence address.

Grantees interested in/qualifying for this Bonus will be required to provide at least TWO of the following items (additional types of documents may be accepted upon review):

- Mortgage document, copy of recorded deed or signed lease agreement
- Real estate tax bill
- Section 8 letter
- Driver's license
- State or municipal ID card
- Utility bill/cable bill/phone bill
- Vehicle registration
- Pay check stub
- Bank statement
- Credit card statement

**Please note:** for businesses with multiple owners, at least 50% of the ownership must be attributed to individuals who reside in QIA. Alternatively, for businesses with more than two (2) owners, if at least one owner has their primary residence in a QIA and is also the primary manager of the business, they will qualify for the Build Community Wealth Bonus.

## **HIRING RESIDENTS IN A QUALIFIED INVESTMENT AREA**

For grantees that commit to hiring two or more full-time equivalent employees that maintain their primary residency in a QIA, the bonus will provide up to 15 percent of the total eligible project cost as a reimbursement for wage expenses or training costs.

These funds will be held by the City and provided to the grantee as a reimbursement for wages paid to eligible employees or for expenses paid to a professional training firm. **These funds are NOT paid out during the course of the project to contractors.**

In order to be eligible, an employee must be hired no earlier than three (3) months preceding the date of final disbursement of NOF funds for the renovation or new construction project. Additionally, employees must be continually employed for a minimum of 12 weeks, work a minimum of 30 hours per week and receive at least minimum wage as defined by the City of Chicago. The City wants to make sure that residents are being hired and employed for 3 months.

Ineligible employees include, but are not limited to, the applicant's family members (by blood or marriage), any other person dwelling at the applicant's primary residency or the applicant themselves.

Grantees may submit a reimbursement request for the Build Community Wealth Bonus funds for local hiring on a quarterly basis. The awarded funds will be available for up to one year following the issuance of the Certificate of Completion. If there is a balance of funds remaining at the one-year anniversary of the issuance of the Certificate of Completion (i.e., insufficient hiring has occurred), all remaining funds will be

released. Additionally, if, for any reason, there are three months of continuous inactivity or no reimbursement requests, DPD retains the right to release the Bonus funds.

#### Required Documentation for Eligible Employees

- Paystubs reflecting employee's name, address and date of payment. The paystub should also reflect at least 30 hours worked per week.
- Completed worksheet submitted by NOF grantee outlining eligible employees, hours worked and total wages paid.

### NOF METHODS OF FUNDING

Funds for NOF awards are generally disbursed in one of two ways: (1) reimbursement following the completion of the project OR (2) payments during construction from a project-dedicated escrow account.

#### **REIMBURSEMENT**

Eligible funds are provided to grantees following the completion of the project, provision of all payment documentation, clearance of any scofflaw debt (see section below re: additional eligibility requirements) and any other requirements that may be relevant for that project (e.g. for a start-up business, the necessity for obtaining a business license from the City of Chicago.) Funds may be provided directly to the applicant or to a financial institution who provided bridge construction financing, at the request/direction of the NOF grantee. Grantees will often pick this option if they are ready to go with financing and do not want to enter into additional paperwork or incur additional time.

#### **CONSTRUCTION ESCROW**

Securing bridge financing to front fund the portion of a project that the NOF grant will cover can be challenging and expensive for NOF grantees. To alleviate these challenges and financing costs, NOF leadership established a system where, under the direction of the City and supervision of the NOF Program Administrator, NOF grantees can set up a construction escrow account at Chicago Title and Trust.

With a construction escrow, the NOF grantee is only required to deposit their portion of the project costs into their escrow account at Chicago Title rather than front funding all the project costs and receiving a reimbursement. The City is also protected by assuring that lien waivers have been submitted to avoid any potential mechanic's liens that would slow the project down.

The NOF Program Administrator oversees the set-up process to establish each project escrow account as well as the individual construction draws per project. DPD is party to each project's construction escrow agreement and provides written approval to the Project Administrator and the Title Company for each disbursement of funds through the construction escrow accounts.

NOF grant funds are provided to grantees (via direct payment to their contractor(s)) during the course of project construction through construction draws at the appropriate funding level for project costs (pursuant to the Maximum Assistance Standards and NOF Eligible Uses of Funds.) Construction draws require documentation review (i.e. sworn statements and lien waivers) and approval from Chicago Title and Trust as well as the NOF Program Administrator and the City of Chicago. The City will deposit the NOF grant funds into a NOF grantee's escrow account once the grantee has deposited their funds (sourced from their own equity or through a loan), or, will fund the account at the appropriate level (e.g. 50 percent) on a per-draw basis, alongside the grantee. A third-party lender may also deposit loan funds directly into the grantee's escrow account and can also elect to do so on a per-draw basis.

The City funds all administration fees for the construction escrow accounts for up to three construction draws; any additional construction draws beyond that must be fully funded by the NOF grantee or by a lender on their behalf (as of 2019, \$500 per construction draw).

## COMBINING NOF ASSISTANCE WITH OTHER CITY FUNDS

Applicants may use NOF assistance simultaneously in conjunction with other City funds, including a TIF redevelopment agreement, the Small Business Improvement Fund or the Adopt-a-Landmark Fund. However, if the total value of the assistance provided from NOF and other City sources is greater than \$250,000, the applicant must be evaluated and processed as a NOF Large Project. In no case may the total value of assistance from NOF and other City sources exceed the maximum percentage of assistance as defined in the “Maximum Assistance Provided” section.

This provision is not applied to any funds received pursuant to a contract for goods and services, a Delegate Agency agreement, a Cook County tax incentive or the TIFWorks program.

## **VI. PROJECT CONTRACTOR AND GRANTEE REQUIREMENTS**

### CONTRACTOR REQUIREMENTS

Contractors must be appropriately licensed by the City of Chicago (with exception where the City’s Department of Buildings expressly allows it) and carry satisfactory insurance. Certificates of Insurance showing Commercial General Liability Insurance coverage will be required.

Grantees must submit at least two contractor bids for the projects they are submitting for funding consideration to ensure they have multiple estimates and that they are able to test that they are receiving market-rate pricing on materials and labor. Contract bids should have sufficient detail in work specifications as well as line-item pricing. Lump sum pricing will not be acceptable.

For NOF Large applicants, there are additional requirements for contractors regarding the utilization of M/WBE companies for 26/6% respectively of the construction costs, use of City residents for 50% of the construction work and payment of prevailing wage during construction. Further information on these large grant contractor obligations can be obtained from DPD, Bureau of Economic Development.

### SCOFFLAW REQUIREMENTS

All NOF grantees must be clear on all city indebtedness in order to receive approval for funding and to receive disbursements of an approved NOF grant. Scofflaw searches will find debts owed due to unpaid parking tickets, water bills, inspection fees, permit fees and other administrative hearing fees.

All applicants must acknowledge their understanding of these requirements at the time of application and must certify that they are clear on scofflaw issues or will be entering into a payment plan in the near-term to address them.

Grantees that have scofflaw debt that was not identified by the applicant at the time of application will be provided thirty (30) days to address these debts. If they are not cleared within that timeframe (which clearance can include entering into a payment plan) or are not making significant progress towards clearance, DPD reserves the right to remove them from the program.

### NOF PROJECT TIMELINE REQUIREMENTS

After an NOF applicant has been selected for funding, they must complete the following next steps in an expeditious manner:

**Step 1: Submit all Grantee Documents (non-exhaustive list below) requested within 30 days.**

- a. Economic Disclosure Statement(s)
- b. Proof of Site Control
- c. Principal Profile Form(s)
- d. Affidavit(s) of Child Support Compliance

**Step 2: Submit finalized Project Documents (non-exhaustive list below) within 90 days.**

- a. Two sets of construction bids for the project
- b. An architectural and engineering bid for the project, if necessary
- c. Copies of the City of Chicago business license(s) for selected contractors
- d. Copies of Certificates of Commercial General Liability Insurance for selected contractors

After both Grantee and Project Documents have been submitted for review, DPD will issue a Conditional Award Letter before construction begins with the final grant amount.

**Step 3: After issuance of a Conditional Award Letter, Grantee completes the NOF project within 365 days.**

Eligible projects should be able to quickly begin construction and complete the project. Only projects that are prepared to move forward within these timeframes should submit applications.

**Extensions to timelines**

While expediency is critical for this program, DPD may provide extensions of up to an additional 90 days for Step 2 of a NOF project and up to 150 days for Step 3. A NOF Grantee must be in open communication with the NOF Program Administrator and/or the Department about any delays and request extensions well in advance of a deadline for it to be considered.

## **VII. PROJECT COMPLIANCE**

### **PROJECT COMPLIANCE TERM**

Funded NOF projects are subject to a three-year monitoring and compliance term following the issuance of the final payment and a Certificate of Completion where they cannot sell the Project Property or relocate their business away from the Project Property without prior written consent from DPD. Grantees will be required to provide annual status reports that provide some basic data about the business as well as confirm that they are still located and operating at the Project Property.

### **NOF RECAPTURE PROVISIONS**

All NOF Grantees will complete a NOF Grant Recipient Covenant form that covenants, among other things, that they will not sell or relocate from the property without consent from DPD during the three-year monitoring term. Violation of this will require the NOF grantee to reimburse the City the amount of the NOF grant.

For grantees that own their property (this does not apply to tenants), a Memo of Grant Recipient Covenant will be recorded on the title of the Project Property, memorializing this recapture provision. After three years, a release of this document will be recorded on title.

### **Still have a question?**

The NOF website is another helpful resource to get more information and to check if a particular property is eligible for NOF funding. If you have a specific question that still isn't addressed, please don't hesitate to reach out! Email [nof@cityofchicago.org](mailto:nof@cityofchicago.org).