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I. GUIDING PRINCIPLES & BASICS

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% 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.

What are the guiding principles of NOF?

- 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 NOF grantees have the greatest likelihood to sustain success and contribute to existing community vitality and activity. More information on the applicant and project eligibility requirements can be found in section II.

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 underrepresented 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 the NOF grant 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. More information about selection criteria and evaluation can be found in section III.

**Real estate acquisition**
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 NOF 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 NOF grantees with these critical hurdles. More information about eligible uses of program funds can be found in section V.

How does the NOF grant fund projects?

**Grant Types**
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:

**NOF Small Project Grants**
Applicants requesting $250,000 or less.

**NOF Large Project Grants**
Applicants requesting more than $250,000, but less than $2,500,000

In addition to the rules and procedures outlined in the Program Manual, all NOF Large Projects must:
- Receive City Council approval
- Engage in a Redevelopment Agreement with the City
- Utilize M/WBE companies for 26/6% respectively of the construction costs
• Hire City residents for 50% of the construction work
• Issue prevailing wage rate payments during construction to all persons working on the project

Further information on these large grant obligations can be obtained from NOF staff.

**Why can’t NOF grant funds cover all of my project costs?**
The NOF program recognizes that disinvested neighborhoods require more funding, particularly equity. The current rules allow for funding up to 80% of a new construction project and up to 100% of a rehab project, which is more than double the percentages of the City’s other incentive programs. New construction grants are capped at a lower percentage because they are typically multi-million-dollar projects that would significantly deplete the NOF.

**Why can’t I receive NOF grant funds upfront to avoid needing additional equity or loans, and to complete my project faster?**
The program is administered to efficiently and responsibly disseminate funding. The City is unable to front all project costs because it cannot guarantee that funds would be spent only on eligible project costs; or that misspent funds would be efficiently recouped; or that the program’s limited resources would be equitably distributed to multiple awardees throughout the city.
II. APPLICANT & 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). In addition to being located in the QIA, NOF Small Projects must also be located along, or significantly contribute to, designated Eligible Commercial Corridors or Priority Investment Corridors. Projects located in an INVEST South/West Corridor are given additional consideration during the application review process.

Determining QIAs

QIAs are defined as neighborhoods that have sustained significant economic disadvantage over the past 40 years, including high rates of unemployment, poverty and vacancy. Evaluation of these areas was informed by research 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, historic disinvestment and disadvantage. 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% 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 & 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 Grant projects can be located—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.
In fall of 2019, City staff analyzed hundreds of miles of street frontage zoned for commercial or business uses throughout the city’s South and West sides and identified ten INVEST South/West Community Areas and twelve INVEST South/West Corridors. The goal of the INVEST South/West initiative is to reactivate neighborhood cores that have historically served as focal points for pedestrian activity, shopping, services, transportation, public spaces and quality-of life amenities for local residents. Focusing on these twelve corridors allows the City to invest resources, such as NOF, in underinvested neighborhoods. NOF applicants whose project is located in an INVEST South/West 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, 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.

Projects must also demonstrate through their NOF application that they are feasible and ready to be implemented within a near-term timeframe.
III. SELECTION PROCESS

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 & Selection**

After screening for project location and eligible use, applications are evaluated by the City and the NOF Program Administrator on the following factors, and then forwarded to the NOF Advisory Committee for review.

**Project Readiness**

The first step to taking on a project is having control of the project site and be able to show evidence of this site control, or be engaged in the process to obtain site control. NOF acknowledges that obtaining site control BEFORE applying can be a significant barrier, so the City does not require formal control at application; however, applicants should be able to provide documentation demonstrating that they are working with the seller of the property or landlord in order to secure control.

Although grants can be used to renovate real estate, a project property that has significant issues, such as mechanic liens, court orders related to building code violations or substantial past due property taxes, are unlikely to be selected for a NOF grant.

**Project Financial Feasibility**

Applicants must be able to identify and detail the types of uses of project funds, including hard costs (e.g. building mechanical systems and façade repair), soft costs (e.g. architectural fees) and acquisition costs, when applicable.

Applicants must also be able to identify and provide proof of the sources of funding their share of project costs, in addition to, and outside of, the NOF grant. Applicants must be able to provide a balanced Sources and Uses table that identifies the type and amount of debt they have secured or will seek to secure, as well as the type and amount of personal equity they will contribute to the project to complement the NOF grant funds.

The City realizes that financing is a challenge and realistically may not be finalized by the time of application. Successful applicants identify how much funding is needed and have considered how to fill funding gaps. Applicants who have not secured sources of funding for their share of project costs are expected to have acknowledged what is needed and be able to identify a strategy to secure the funding gap.

**Construction Implementation**

Applications should 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 and INVEST South/West Corridors 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; in the event the Commissioner rejects any of the recommendations, the Department must re-convene the Advisory Committee to review and present reasons for the divergence.

**Application Deadlines**

Applications for NOF Small Projects are accepted semi-annually, typically during the months of January and July, for approximately six weeks. These terms may be adjusted depending on available funding.

Applications for NOF Large Projects are not being accepted at this time. Please check the NOF website and follow us on social media (@ChicagoNOF) for program updates.
IV. GRANT STRUCTURE

The maximum grant assistance available to NOF Small Projects is $250,000. The maximum grant assistance available to NOF Large Projects is $2,500,000.00. In all cases, requests for funds in excess of $250,000 must be processed through the NOF Large Projects track.

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

- Whether the project identifies renovating an existing building OR new construction:
  - Renovations of existing buildings can qualify for 50% of project costs
  - New construction costs for “ground-up” projects or new additions to existing buildings can qualify for 30% of project costs

- Whether an applicant qualifies for either or both of the Build Community Wealth Bonus(es)
  - If an applicant maintains his or her primary residency in the Qualified Investment Area, their project may qualify for the Local Residency Bonus. This bonus provides up to 25% of total eligible project costs, and may be applied towards the construction budget.
  - If an applicant hires new employees who maintain their primary residence in an NOF eligible area, their project may qualify for the Local Hiring Bonus. This bonus provides up to 25% of total eligible project costs as a reimbursement for wage expenses or training costs.
  - The percentage of project costs funded by the NOF grant increases for projects that qualify for the Build Community Wealth Bonus (BCBW):
    - Renovations of existing buildings (50%) → up to 100% with both BCWBs
    - New construction (30%) → up to 75% with both BCWBs

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 Bonuses provide eligible projects with additional support by increasing the maximum assistance provided by each bonus up to 25% of the total project cost. If the Build Community Wealth Bonus would increase the total amount of NOF Small Project assistance above $250,000, the applicant would be issued a reduced bonus, not to exceed a total grant of $250,000. Nonprofits cannot qualify for bonuses, as their purpose is to build resident wealth through ownership or employment.

Applicants may qualify for either Build Community Wealth bonus, or both bonuses, and must indicate which they intend to receive when applying. If the Applicant does not indicate his or her interest in the bonus prior to the issuance of the NOF Award Letter, the Applicant may not, later, attempt to secure the bonus.

The Build Community Wealth Bonuses are optional, not required. If applicants do not meet the bonus criteria, the level of assistance will be determined by the maximum grant assistance available to the grantee, as defined above.

Build Community Wealth Bonus - Local Residency

The NOF grantee maintains their primary residence in a Qualified Investment Area (QIA) (see below for further description). For businesses with multiple owners, at least 50% of the ownership must be attributed to individuals who reside in the 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 – Local Residency.

**Build Community Wealth Bonus - 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.)

**Residency in a Qualified Investment Area (QIA)**
For NOF grantees who maintain their primary residency in a QIA, the bonus is provided by increasing the maximum percentage of assistance by up to 25% of total project costs. This increases the maximum percentage of assistance for rehabilitation projects from 50% to up to 75% or 100%, and new construction projects from 30% up to 55% or 80%.

**Required Documentation for Proof of Primary Residency**
Proof of residency is required to show that the NOF grantee lives within the QIA. NOF grantees must submit current copies of at least two (2) forms of documentation that verify the NOF grantee’s name and primary residence address.

NOF grantees interested in/qualifying for the Local Residency 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

**Hiring Residents in a Qualified Investment Area**
For NOF grantees who commit to hiring two or more full-time equivalent (FTE) employees who maintain their primary residency in a QIA, the bonus will provide up to 25% of the total eligible project cost as a reimbursement for wage expenses or training costs. The two FTE requirement may be fulfilled with multiple employees working at least 20 hours per week (at least 60 hours across all part-time employees).

These funds will be held by the City and provided to the NOF 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 three months.

Ineligible employees include, but are not limited to, the applicant’s family members (by blood or marriage), persons dwelling at the applicant’s primary residency, or the applicant themselves.
NOF grantees may submit a reimbursement request for the Build Community Wealth Bonus — Local Hiring funds 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.
V. USING GRANT FUNDS

Eligible Uses of NOF Grant Funds

NOF reimburses the following costs associated with new construction, or the rehabilitation of existing buildings:

**Hard Costs**
- Roofing, masonry and façade repair
- HVAC, plumbing and electrical systems
- Rough and finish carpentry
- Interior build-out including drywall, flooring and ceilings
- Environmental remediation
- Demolition
- Security measures (e.g. security cameras)
- Minor site improvements in conjunction with new construction or building rehabilitation (e.g., fencing)
- Business signage (eligibility determined on a case-by-case basis)

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

**Acquisition Costs**
- 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, an NOF grantee needs to secure the property independently. The acquisition costs are credited to the NOF grantee and will reduce the amount of funds the NOF grantee would otherwise need to provide towards the rehabilitation or new construction project.

- An NOF project that includes acquisition costs must also include substantial rehabilitation or new construction work. The total amount of the grant award may NOT exceed the total budget for rehab or new construction on a 1:1 basis, regardless of the acquisition costs (and thus eligible costs). When acquisition costs are included in the total project costs, the total NOF grant will be limited by either the total grant percentage OR the total construction budget (combined hard and soft costs), whichever is less. This is done to assure that NOF is not merely being used to enrich an applicant versus to improve a community. Please see the following examples for reference:

<table>
<thead>
<tr>
<th></th>
<th>Project Costs</th>
<th>Grant %</th>
<th>NOF Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>$250,000</td>
<td></td>
<td>$50,000</td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Hard/Soft)</td>
<td>$50,000</td>
<td>(0.75)</td>
<td>$37,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$300,000</td>
<td></td>
<td>$87,500</td>
</tr>
</tbody>
</table>

In this example, when Acquisition Project Costs exceed Construction Project Costs, the reimbursement of Acquisition Project Costs ($50,000) is limited to the Construction Project Costs.
**Low acquisition costs; high construction costs; NOF grant of 75% (50% rehab + 25% BCWB).**

<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Grant %</th>
<th>NOF Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>$50,000</td>
<td>(0.75)</td>
</tr>
<tr>
<td>Construction (Hard/Soft)</td>
<td>$250,000</td>
<td>(0.75)</td>
</tr>
<tr>
<td>Total</td>
<td>$300,000</td>
<td>(0.75)</td>
</tr>
</tbody>
</table>

In this example, when Construction Project Costs exceed Acquisition Project Costs, Acquisition Project Costs can be reimbursed at the full grant percentage ($37,500), since the Total Project Cost does not exceed the Construction Project Costs.

**Ineligible Uses of NOF Grant Funds**

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:

- Construction or rehabilitation of residential units, or the residential portion of a mixed-use building
- Social services and support programs, including day care and workforce uses, as the primary use
- Industrial or manufacturing uses as the primary use
- Minor repairs and improvements, (e.g. painting or carpeting), if not in conjunction with new construction or building rehabilitation
- Parking lots, if not in conjunction with new construction or building rehabilitation
- 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 costs cannot be reimbursed, but may be included in the total project cost, provided that they are purchased for the NOF project, and will be located at the NOF project site.

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, rehabilitation, or acquisition of residential dwelling units. Applicants with mixed-use projects may apply for NOF assistance for sections of the project associated with commercial space, 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.
VI. RECEIVING GRANT FUNDS

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

Construction Reimbursement

Eligible funds are provided to NOF 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 ONLY be issued to the NOF grantee (name must match the application and the reimbursement voucher documents) OR to a financial institution providing bridge construction financing, at the request/direction of the NOF grantee. NOF 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.

NOF grantees may submit up to three, separate voucher reimbursements. NOF grantees submitting more than three voucher reimbursements may incur administrative costs that will be the responsibility of the NOF grantee.

Pre-Development Reimbursement (Applicable to Small Project Grants only)

NOF finalists and grantees often incur eligible soft costs, such as architectural bids or plans for their project, in order to apply for the NOF grant. NOF finalists and grantees may receive 75% of eligible pre-development costs, up to $25,000, that they incur prior to receiving a Conditional Award Letter. Those seeking a pre-development reimbursement must submit a voucher with supporting documentation substantiating the incurred costs, and clear a Scofflaw check. Eligible pre-development costs must be incurred within the six months before the NOF applicant receives notification of their ‘finalist’ status. For instance, if an NOF applicant receives notification on April 1, 2020 that they are an NOF finalist, they may submit pre-development expenses incurred no earlier than October 1, 2019. DPD will reimburse up to three (3) vouchers for pre-development costs. If an NOF finalist receives a pre-development reimbursement, and later becomes an NOF grantee, their pre-development reimbursement will be deducted from their total grant amount.

Technical Assistance Services Reimbursement (Applicable to Small Project Grants only)

NOF grantees often have difficulty finding and managing licensed, insured and reputable contractors and design professionals, as well as finding and securing financial resources to fund the portions of their project not covered by the NOF grant. NOF grantees may receive funding to contract with a vetted list of Technical Assistance service providers (TA Providers) who offer construction project management services, and project-based lending coaching. 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 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.

More information about Technical Assistance services can be found in section IX.
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 NOF 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 NOF 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%) on a per-draw basis, alongside the NOF grantee. A third-party lender may also deposit loan funds directly into the NOF grantee’s escrow account and can also elect to do so on a per-draw basis.

The City funds 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 2020, $500 per construction draw).

Combining Neighborhood Opportunity Funds 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 section IV.

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.
VII. CONTRACTOR & 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.

NOF 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.

Scofflaw searches will be conducted at least twice for every NOF grantee; however, DPD reserves the right to conduct a Scofflaw search at any time during the grant period. A Scofflaw search will be conducted if and when an NOF finalist requests a Pre-Development reimbursement. If an NOF finalist who requested a Pre-Development reimbursement becomes an NOF grantee, the Scofflaw search conducted for his or her Pre-Development reimbursement will be counted as the first of two, required Scofflaw searches. If an NOF finalist becomes an NOF grantee and does not request a Pre-Development reimbursement, the first Scofflaw review will be conducted prior to the NOF grantee receiving his or her Conditional Award Letter. The second and final Scofflaw search for all NOF grantees will be conducted when NOF grantees submit their final voucher for reimbursement. NOF grant funds cannot be distributed in any way, to any participant, without the participant clearing their Scofflaw search.

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.

NOF finalists who 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, or the NOF grantee is not making significant progress towards clearance (entering into a payment plan), DPD reserves the right to remove the NOF grantee from the program.

Project Timeline Requirements
After an NOF applicant has been selected as a finalist, they must complete the following next steps in an expeditious manner:

Step 1: Submit all NOF finalist documents (non-exhaustive list below) within 30 days.
   a) Economic Disclosure Statement(s)
   b) Proof of Site Control
   c) Principal Profile Form(s)
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 DPD approves all required documentation, the finalist will receive a Conditional Award Letter and become a grantee.

Step 3: After issuance of a Conditional Award Letter, NOF 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. An 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.
VIII. 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. NOF 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 NOF 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.
IX. Technical Assistance Program

Role of Technical Assistance Providers
As of the spring of 2019, NOF offers additional funding to NOF Small grantees (grants of $250,000 or less) for technical assistance through Construction Project Managers and Project Lending Coaches.

Construction Project Managers: These individuals help NOF grantees find reputable contractors more expeditiously and provide support to them in the contract negotiation stage as well as during the construction period.

Project Lending Coaches: These individuals help NOF grantees prepare to apply for any debt they need to fund the project as well as during the loan application and closing processes. These individuals may also help NOF grantees self-assess the amount of debt they will be able to qualify for to ensure they are sizing their projects accordingly.

* Please note that total NOF funding for Small Grants (including NOF funding for an Approved TA Provider) can never exceed $250,000 as a grant of greater than $250,000 would be required to go to City Council and be subject to additional construction requirements. Therefore, if an NOF grantee is receiving the full NOF Small Grants maximum of $250,000, they are currently ineligible for this additional support but can still contact the list of Approved TA Providers to engage their services on their own as needed.

List of Providers
The current list of TA Providers is available at www.neighborhoodopportunityfund.com

Fees for Technical Assistance Services
After notice of an NOF grant award, NOF grantees will be able to select and determine scope with an Approved TA Provider. Compensation for Approved TA Providers will vary depending on the scale of the NOF project and the services that are required.

Fees for these services must be billed using an hourly rate with a total time commitment relative to each required project milestone below.

Fees for Construction Project Managers will be capped at 20% of the approved NOF grant amount or $25,000 (assuming work on all three milestones), whichever is less, and must be based on a total time commitment and an hourly rate.

Fees for Project Lending Coaches are determined by loan size, recognizing that smaller loans are often more difficult to secure. For loans from $0-50,000, fees will be capped at 20% of the final loan amount. For loans over $50,001, fees will be capped at 15% of the loan amount or $15,000 (assuming work on all three milestones), whichever is less. Fees must be based on a total time commitment and an hourly rate.

The NOF grantee is required to pay a down payment of 5% on the estimated contract. If the total billed amount ultimately exceeds the estimated contract amount, the NOF grantee must make an additional payment, as they will be required to fund at least 5% of the total contract amount. If the total billed amount is less than the estimated contract amount, the TA Provider must issue a refund for the difference between 5% of the total billed amount and the initial deposit to the NOF grantee.
Required Milestones for Payment

The following are the minimum required milestones at which payment will be issued for each of the Approved TA Provider roles. Respondents are permitted to include for consideration additional milestones at which payment could be received.

Construction Project Manager Milestones

- **Milestone 1 - Completion of Bid Letting**
  The point at which the NOF grantee has received at least two adequate bids from contractors for their scope of work and has selected the contractor with whom they want to work with. Please note that in some projects, depending on complexity and scale, this may require that an architect was selected and engaged with to produce architectural drawings for the contractors to bid on.

- **Milestone 2 - Permit Issuance and "Ground Breaking"**
  The point at which the project has all of its required approvals and construction is demonstrably underway.

- **Milestone 3 - Project Completion**
  The point at which the project has passed all of its inspections and all payment documentation (inclusive of sworn statements and lien waivers) has been collected.

Project Lending Coach Milestones

- **Milestone 1 - Loan Application Preparation**
  Completion of prep work for and submission of loan application(s) – the point at which the NOF grantee has prepared and organized all the necessary financial documents, business plan (if necessary), and other documents required in loan package and has submitted at least one application to a targeted lender.

- **Milestone 2 - Loan Approval**
  The point at which the NOF grantee has obtained a formal loan approval document such as a commitment letter for an amount that will fill the gap in their project budget not funded by the NOF grant or their own equity.

- **Milestone 3 - Loan Closing**
  The point at which the NOF grantee has closed on their loan and has no additional work to do (other than providing construction draw documentation) in order to qualify for and access those funds.

Not every project will contain every milestone (e.g., an NOF grantee could have already completed bid letting and only needs help on CPM 2 and 3), which is why the RFQ requires respondents to give hourly rates as well as total time commitments for each milestone.

Milestones Not Reached

For projects in which an NOF grantee does not reach milestones for factors fully outside of an Approved TA Provider’s control (e.g., an NOF grantee decides to not move forward), an Approved TA Provider may apply for a full payment associated with the unachieved milestone. Full payment of the contracted milestone payment will be given under conditions, including:

a) The party responsible for the delay or failure to reach milestones has formally acknowledged that they decided to no longer move forward (e.g., letter from the NOF grantee stating that they are rescinding their project.)

b) The Approved TA Provider was not listed as a reason for the NOF grantee in arriving at their decision.

c) The hours worked by the Approved TA Provider can be substantiated.
Determining Scope of Services
NOF grantees and Approved TA Providers will be responsible for scoping the services to be delivered based on individual needs of each, unique, NOF grantee project and its relevant milestones. Each Approved TA Provider will be responsible for documentation of the services provided to NOF grantees (based on the agreed-upon scope of services).

Contracting & Invoicing
Prior to the initiation of any services, an NOF grantee and their selected Approved TA Provider shall enter into a contractual agreement on a form deemed acceptable by the City of Chicago which includes an invoice form and supplementary information that evidences the work for which payment is requested. Payments can be made up to four (4) times during an engagement.

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.