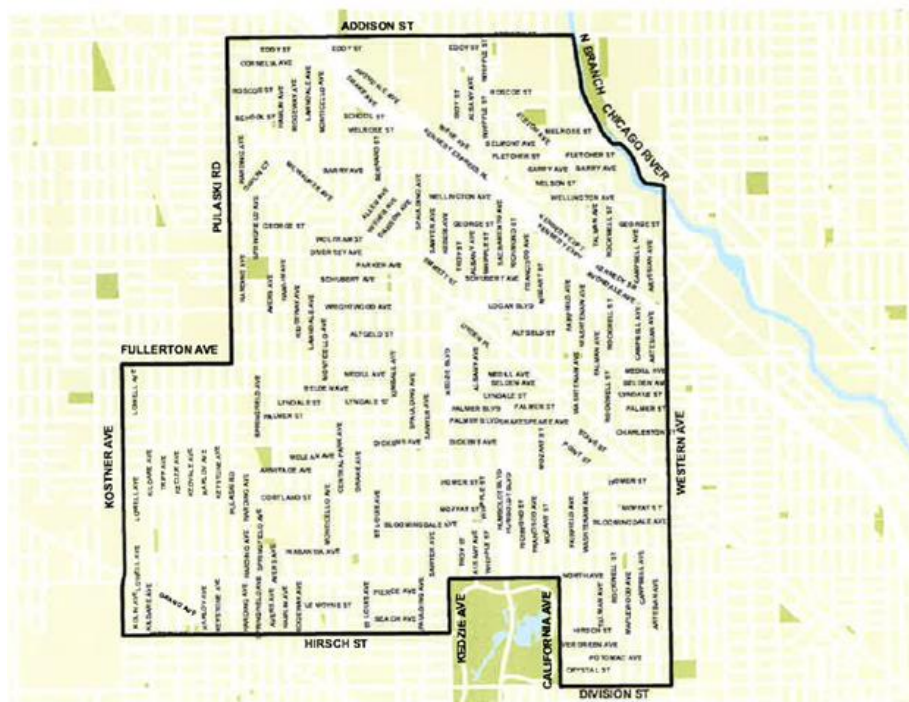




To: All Illinois Policy Issuing Agents of WFG National Title Insurance Company
From: WFG Underwriting Department
Date: December 12, 2024
Bulletin No.: IL 2024-02
Subject: Delayed Enforcement of City of Chicago Northwest Side Preservation Ordinance

On October 9, 2024, the City of Chicago enacted the Northwest Side Housing Preservation Ordinance. The ordinance consists of two specific policies limited to a six-square-mile zone in the Logan Square, Avondale, and West Town neighborhoods (shown below).



First, the ordinance grants a right of first refusal (“ROFR”) to tenants in multi-family buildings to purchase their building prior to it entering the market for sale, and second, it imposes a demolition fee assessed against developers leveling existing multi-family structures.

The ordinance grants the tenants of a building a 60-day option to purchase a property in the affected zone before the owner can market the property for sale. Even after the 60-day period expires, if tenants need to form a tenant association to acquire the property, the tenants are granted an extra 30 days to do so. After the exercise of the right (which cannot be conditioned on the financial capacity of the

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tenants), the tenants have 120 days to complete the purchase. The right of tenants to purchase under the ordinance is assignable to tenant associations or to independent third parties, provided that any purchaser under the ROFR covenants that the building be used for affordable housing for a period of 30 years. Any current or prospective owner of rental property in the zone should be aware that the ROFR creates a significant lag in the process of selling a property and further understand the potential consequences of holding a property for an extended period of time might run afoul of mortgage covenants or loan maturities.

The City of Chicago has imposed an additional demolition fee for razing a multi-family apartment building within the subject zone, with the fee equaling the greater of (i) \$60,000 or (ii) \$20,000 per unit. For example, a six-unit building would be assessed \$120,000 to demolish. It remains to be seen whether the requirement would stand up to judicial scrutiny, particularly following the U.S. Supreme Court's recent ruling under [Sheetz v. County of El Dorado, California \(601 U.S. 267, 2024\)](#), which restricts the abilities of local governments to impose broad fee structures as a permit condition. However, unless and until the ordinance is challenged, any developer that intends to demolish a property within the affected zone needs to be aware of the financial impact that the ordinance will have on any development. On December 2, 2024, Chicago Alderpersons and the Chicago Association of REALTORS® announced an agreement on changes to the Northwest Side Housing Preservation Ordinance passed by City Council in September. This includes the following amendments:

- Sunset provision and study requirement: The Tenant Opportunity to Purchase (TOP) pilot will be sunset on December 31, 2029, alongside the demolition surcharge.
- Clear guidance for tenants and sellers on financial viability: The updated language clearly states that tenants must provide a pre-approval from a lender for buildings with four or fewer units or a letter of intent from a lender or community organization for five or more units to exercise their right of first refusal.
- Clear guidance for tenants and sellers on the right of first refusal waiver and renewal of rights: The updated language makes it clear that the seller or their agent may ask tenants if they plan to waive their right of first refusal after the notice of intent to sell period. The ordinance amendment also specifies that the tenants' right of first refusal will only be renewed when there is a new buyer and a drop in price of 10% or more.

The amended ordinance sets March 1, 2025, as the new effective date for TOP, allowing time for the City Council to act on these amendments and for the REALTORS® and sponsors to inform all impacted parties of the changes. Enforcement of the TOP provisions of the ordinance will be delayed until the new effective date. All other sections of the ordinance, including the changes to the demolition surcharge, went into effect on October 9, 2024, and will remain in effect.

A link to the Northwest Side Preservation Ordinance is below:

<https://www.chicago.gov/city/en/depts/doh/provdrs/developers/svcs/NWSPreservation.html>

We will continue to update you as we get closer to the effective date of the Tenant Opportunity to Purchase (TOP) as this will have an impact as to additional requirements that will need to be satisfied for properties being sold in the impacted area.

If you have any questions, please reach out to your Central Region underwriting counsel.
[Click here for the Central Region Contact Sheet.](#)

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