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LAW BULLETIN MEDIA

Understanding the benefits of city's Neighborhood Opportunity Fund

Created in 2016, Chicago's Neighborhood Opportunity Fund (NOF) seeks to promote equitable neighborhood development in city's West, Southwest and South Side commercial corridors. The program generates funds through the Neighborhood Opportunity Bonus, whereby downtown developers make voluntary payments into the fund in exchange for an increase in floor area for downtown projects.

Proceeds received through the bonus payments are then used to support commercial investment and address neighborhood needs in qualified investment areas.

The NOF provides an exciting opportunity for private and public developers to obtain grants to assist with funding new construction or rehabilitation projects. If approved, applicants may receive funds to assist with site preparation, design, employee training programs and other qualified expenses. NOF grants may not be used to reimburse costs associated with residential dwelling units, minor repairs, operating expenses, or repairs or improvements required to bring a building in compliance with the city's building code. For approved costs, however, NOF grants can provide a substantial benefit to businesses and property owners as the grants do not have to be repaid.

Eligibility

The NOF offers grants for both small and large-scale projects to help finance commercial and cultural projects in neighborhoods that lack private investment. Small projects must be located in an eligible commercial corridor and may

receive assistance up to \$250,000. Large projects do not have to be located in an eligible commercial corridor, but must be physically located within the qualified investment area. Large projects are eligible to receive grants ranging from \$250,000 to \$2.5 million; however, these grants are subject to City Council approval.

Under the NOF program, small new construction projects are eligible to receive grants up to 50% of the total project cost, and large new construction projects may receive grants up to 30% of the project cost. Alternatively, rehabilitation projects are eligible to receive grants up to 50% of the total project cost for both small and large projects.

Developers may also be eligible for additional funding through the Build Community Wealth Bonus. In line with the program's goal of developing sustainable neighborhood growth, developers who meet either local residency or local hiring requirements may be able to obtain bonus funding. The local residency bonus provides up to 25% of total eligible project costs for an awardee who maintains his or her primary residence in a NOF-eligible area. Further, if the awardee hires at least two new full-time employees, they may be eligible to receive a local hiring bonus. This bonus provides up to 25% of total eligible project costs as a reimbursement for wage expenses or training costs. The local hiring bonus funds are reimbursed after the project is completed, and the full-time employee requirement (or full-time equivalent) may be completed by hiring multiple employees working at least 20 hours per week.



REaL DEAL

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Application and approved projects

The Department of Planning and Development hosts multiple application rounds each year in the first and third quarter respectively. Applications are prioritized based upon four key factors: (1) catalytic impact, which build stronger communities and commercial corridors; (2) project readiness, with a particular focus on having obtained or being in the process of obtaining site control; (3) financial feasibility, with an emphasis on the use of grants funds and plans for obtaining funding

required of awardees; and (4) construction implementation by establishing a clear path to execution of the desired project.

About \$10 million dollars in grants have been awarded to 27 Chicago business in 2021 thus far. Awards range from \$48,000 to \$1.7 million. More than 75% of the finalists are Black, Indigenous, or people of color-owned businesses, the majority of which are located in commercial districts targeted by Mayor Lori Lightfoot's INVEST South/West initiative. In May, NOF awarded a \$1.67 million grant to a design company in New City. The grant will be used to rehabilitate nearly 50,000 square feet for additional offices and fabrication space.

Additional grants have been awarded for the renovation and expansion of restaurant and community event space, the development of a neighborhood grocery store, the creation of a cross-cultural business incubator, and to open a youth-focused bookstore. To date NOF has committed \$55 million in financing to approximately 180 projects and of the projects selected in 2018, more than half have been completed or are under construction.

Interested applicants should first confirm that their new construction or rehabilitation project is for an eligible use and, depending on the size and scope of the project, is located in an eligible commercial corridor or qualified investment area. Once these criteria are confirmed, applicants should review the NOF grant eligibility requirements and program rules before applying through the NOF program administrator.

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