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After Recording Return To:

NHS Redevelopment Corporation
ATT: Deputy Director
11001 South Michigan Avenue
Chicago, IL 60628



Doc#: 0816247006 Fee: \$56.00
Eugene "Gene" Moore RHSP Fee:\$10.00
Cook County Recorder of Deeds
Date: 08/10/2008 10:38 AM Pg: 1 of 11

SPACE ABOVE THIS LINE FOR RECORDING PURPOSES ONLY

**EXHIBIT 1B
TROUBLED BUILDINGS INITIATIVE II (TBI2)
COMPLIANCE MORTGAGE**

THIS MORTGAGE is given on September 22, 2007. The Mortgagor, NHS Redevelopment Corporation, an Illinois, not for profit having an office at 11001 South Michigan Avenue, Chicago, IL 60628, hereinafter referred to as "Borrower". This Security Instrument is given to Department of Housing, City of Chicago having its principal office at 33 North LaSalle Street, Chicago, IL 60602, hereinafter referred to as "Lender".

Borrower owes Lender the principal sum of One Hundred Sixty Thousand Nine Hundred Seventy Two and 00/100 Dollars (U.S. \$160,972.00). This debt is evidenced by Borrower's note dated the same date as this Security Instrument (Note). Borrower promises to pay the principal balance of the Note, together with any interest thereon and all other sums which may or shall become due under this Security Instrument or the Note, no later than September 22, 2008 (Maturity Date), if (1) not otherwise satisfied in accordance with the provisions of this Security Instrument, or (2) there is an Event of Default (defined hereafter). The Maturity Date may be extended in the event of casualty or condemnation, pursuant to Section 9 of the TBI2 Program Agreement.

This Security Instrument secures (a) the repayment of the debt evidenced by the Note; (b) the performance of Borrower's promises and agreements under the Troubled Building Initiative II Program Agreement, dated **September 29, 2004**, between Borrower and Lender (**TBI2 Program Agreement**), this Security Instrument, and the Note. For this purpose, Borrower hereby mortgages, warrants, grants, and conveys to Lender, with power of sale, the following property legally described as:

UNIT F IN THE KEDZIE TOWNHOMES, A CONDOMINIUM, AS DELINIATED ON A SURVEY OF THE FOLLOWING DESCRIBED TRACTS OF LAND:

PARCEL 1: LOTS 1 AND 2 IN SUBDIVISION OF THAT PART SOUTH OF THE RAILROAD RIGHT OF WAY OF LOTS 1 AND ALL OF LOTS 2, 3, 5, 6, 7, AND 8 OF BLOCK 13 OF E. SIMON'S SUBDIVISION OF THE SOUTHEAST ¼ OF SECTION 35,

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**TOWNSHIP 40 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN,
IN COOK COUNTY, ILLINOIS, AND**

PARCEL 2: "ALL THAT PORTION OF THE SOUTH 28.0 FEET OF THE NORTH 50.0 FEET OF THE SOUTH ½ OF THE SOUTHEAST ¼ OF SECTION 35, TOWNSHIP 40 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN WHICH IS NOT AT PRESENT DEDICATED AS A PUBLIC STREET" LYING BETWEEN THE NORTHERLY EXTENSIONS OF THE WEST AND EAST LINE OF LOT 1 IN BLOCK 143 IN E. SIMON'S SUBDIVISION OF THE SOUTHEAST ¼ OF SECTION 35, TOWNSHIP 40 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

which has the address of **1756 N. Kedzie, Unit F, Chicago, IL 60647**, hereinafter referred to as "**Property Address**";

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "**Property**."

BORROWER COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to mortgage, grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property. Borrower and Lender covenant agree as follows:

UNIFORM COVENANTS

1. **Payment of Principal and Interest.** Borrower shall pay, when due and payable, the principal sum, interest, and all other sums due on the Note and/or this Mortgage
2. **Payment of Taxes, Insurance, and Other Charges.** Borrower shall pay all (a) taxes and special assessments levied or to be levied against the Property; (b) leasehold payments or ground rents on the Property; (c) Community Association Dues, Fees, and Assessments, (c) governmental or municipal charges, fines, and impositions; (d) other items which can attain priority over this Security Instrument as a or on the Property. The phrase "Community Association Dues, Fees, and Assessments" means all dues, fees, assessments and other charges that are imposed on Borrower or the Property by a condominium association, homeowners association or similar organization. Borrower shall pay these obligations on time directly to the entity owed the payment. If failure to pay would adversely affect Lender's interest in the Property, upon Lender's request Borrower shall promptly furnish to Lender receipts evidencing these payments.

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If Borrower fails to make these payments, fails to perform any other covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, for condemnation, or to enforce laws or regulations), then Lender may do and pay whatever is necessary to protect the value of the Property and Lender's rights in the Property, including payment of taxes and hazard insurance.

Any amounts disbursed by Lender under this Paragraph 2 shall become an additional debt of Borrower and be secured by this Security Instrument. These amounts shall bear Interest from the date of disbursement at the Note rate and, at the option of Lender, shall be immediately due and payable.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless the lien has priority as provided in Paragraph 9 or Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lenders opinion operate to prevent the enforcement of the lien; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien that may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within 10 days of the giving of notice. Within 10 days of the date on which that notice is given, Borrower shall satisfy the lien or take one or more of the actions set forth above.

3. **Flood Insurance.** If any improvement is located within the special flood hazard area, Borrower shall obtain flood insurance covering all improvements on the property, whether now in existence or subsequently erected, in an amount equal to (a) the total of the outstanding principal balances of the Compliance Note and of any other Note executed by Borrower in favor of Lender and secured by the Property, or (b) the maximum limit of coverage made available under the National Flood Insurance Act of 1968, whichever is less. If any improvement on the Property is located within a special flood hazard area, Borrower shall insure all improvements on the Property, whether now in existence or subsequently erected, against loss by floods to the extent required by law. The insurance policies and any renewals, regardless of whether such policies and renewals are required by Lender, shall include loss payable clauses in favor of, and in a form acceptable to, Lender.

In the event of loss, Borrower shall give Lender immediate notice by mail. Lender may make proof of loss if not made promptly by Borrower. Each insurance company concerned is hereby authorized and directed to make payment for such loss directly to Lender, instead of to Borrower and to Lender jointly. After applying the insurance proceeds as required by any secured lender with a lien superior to Lender's Security Instrument, all or any part of the remaining insurance proceeds may be applied by Lender, at its option, either (a) to the reduction of the indebtedness under the Note and this Security Instrument, first to any delinquent amounts on any taxes, special assessments, leasehold payments, or ground rents, second to any interest due under the Note, and third to payment of principal, or (b) to the restoration or repair of the damaged Property. Any excess insurance proceeds over an amount required to pay all outstanding indebtedness under the Note and this Security Instrument shall be paid to the entity legally entitled thereto.

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In the event of foreclosure of this Security Instrument or other transfer of title to the Property that extinguishes the indebtedness, all right, title and interest of Borrower in and to insurance policies in force shall pass to the purchaser.

4. **Maintenance and Protection of Property.** Borrower shall not commit, or permit, any waste on, destruction to, or damage to the Property. Borrower shall not allow the Property to deteriorate, reasonable wear and tear excepted. Borrower shall, at all times, maintain the Property. Borrower shall comply with all applicable Federal, state, and local statutes, ordinances, codes, regulations, requirements, and restrictive covenants, if any, upon the use of the Property. Borrower shall, to the satisfaction of Lender, promptly repair or replace any of the Property damaged by fire or other casualty. Lender and its representatives shall have the right to inspect the Property from time to time at any reasonable hour.

5. **Rehabilitation and/or Construction Requirement.** Borrower shall cause improvements or "**Permitted Alterations**" to be performed in accordance with the terms of the TBI2 Program Agreement, and execute such performance with due diligence to completion no later than the Maturity Date, and comply with the covenants made by it in the TBI2 Program Agreement. If the rehabilitation or construction is not properly completed, not performed with due diligence, or is discontinued at any time except for strikes or lockouts, Lender is vested with full authority to take the necessary steps to protect the improvements and the land from harm, continue existing contracts, or enter into necessary contracts to complete the Permitted Alterations. All sums advanced for such protection shall be added to the principal balance of the Note, secured by the mortgage, and due and payable on demand with interest. The term "**Permitted Alterations**" means the construction of and/or rehabilitation to the improvements contemplated to be performed in accordance with the TBI2 Agreement.

6. **Sale of Property.** Borrower shall either a) convey the Property to an Eligible Buyer no later than 540 calendar days from the date of this Security Instrument or, b) repay principal balance of Note. Borrower shall not resell the Property for a Resale Price of more than the lesser of the Fair Market Value of the property at the time of resale or 110% of the Eligible Expenses as defined in the TBI2 Program Agreement. The Resale Price for this purpose is defined as the total compensation paid by the resale buyer to Purchaser (including the amount of any financing provided by Purchaser, whether repayable or not) but not including the amount of the Mortgage, Security, Recapture Agreement or Homebuyer Enforcement Note, if any. Borrower must obtain Certificate of Completion, a copy of which should be forwarded to Lender, no later than 5 business days of its receipt, as defined in Section 6, Certificate of Completion, in the TBI2 Program Agreement. The term "Eligible Buyer" means one of the following persons who agrees to: (1) occupy the Property for a period of three (3) years time: (2) a person who's household has an income at or below 80% of the local area median income, adjusted by family size.

7. **Prepayment; Release of Security Instrument.** Borrower shall not have the right to prepay this Note, in whole or part, except as provided herein or with Lender's prior written approval. The Note shall be considered satisfied and this Security Instrument shall be released only upon satisfaction of the conditions in Paragraph 6 for sale of the Property and this Paragraph 7 for release of the Security Instrument. Simultaneously with the conveyance of the Property to a Resale Buyer, Borrower shall be entitled to a release of the Property from the lien of this Security Instrument if no uncured Event of Default shall have occurred, and upon

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- a) Borrower's certification to Lender that the requirements of paragraph 6 have been met;
- b) If the total development cost is greater than the after-rehab appraised value of the property, the TBI subsidy may be converted to forgivable mortgage for the borrower, in an amount up to \$40,000 for single family homes and up to \$50,000 for 2-4 unit properties.
- c) If the total development cost is less than or equal to the after-rehab appraised value of the property, the TBI funding must be repaid to NHSRC at closing with the homebuyer;

Borrower shall do whatever shall be necessary to obtain a release of the Property from any other secured financing, including, without limitation, paying a release fee there under. Borrower shall pay the recording and other fees for recording the release of the Property;

8. **Compliance with TBI2 Program Agreement.** The terms of the TBI2 Program Agreement with respect to the Property are incorporated herein by reference as though set forth herein.

9. **Priorities.** Notwithstanding any other provision to the contrary, this Security Instrument is superior to all liens on the property, other than encumbrances of record as of the date hereof and a mortgage dated September 28, 2006, and given by Borrower to NHS Redevelopment Corporation to secure a note in the principal amount of **One Hundred Sixty Thousand Nine Hundred Seventy Two and 00/100 Dollars (U.S. \$160,972.00).**

10. **Fees.** Lender may collect fees and charges authorized by this Security Instrument or the Note.

11. **Default.** The term "Event of Default" shall mean the occurrence of any one or more of the following:

- (a) Failure by Borrower to complete the Permitted Alterations on or before the Maturity Date;
- (b) Failure by Borrower to resell the Property to a Resale Buyer in accordance with Paragraph 6;
- (c) A transfer, or agreement to transfer, by Borrower of all or part of the Property, or a beneficial interest in a trust owning all or part of the Property, except as provided in Paragraphs 6 or 7;
- (d) A false certification by Borrower to Lender;
- (e) A failure by Borrower to provide any certification required by Lender;
- (f) Any materially false or inaccurate information on any form or report submitted to Lender;

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- (g) A failure to provide any material information on any form or report submitted to Lender;
- (h) A default under any security instrument (other than this Security Instrument) that encumbers the Property;
- (i) Accepting or using any Federal Low Income Tax Credits related to the improvements on the Property without the prior written consent of Lender;
- (j) A failure to perform any other obligations in this Security Instrument;
- (k) A failure to perform any obligations under the Note; or
- (l) A failure to perform any obligations under the TBI2 Program Agreement with respect to the Property.

12. **Grounds for Acceleration of Debt.** Upon the occurrence of any Event of Default, Lender may declare, without notice, immediately due and payable the principal balance of the Note, together with any interest thereon and all other sums which may or shall become due under this Security Instrument or the Note.

13. **Full Recourse.** The obligations arising under this Mortgage and the Note represent full recourse obligations of Borrower.

14. **Time of the Essence.** Time is of the essence as to all dates set forth herein.

15. **Waivers.** Borrower and all endorsers, sureties and guarantors jointly and severally waive presentation for payment, demand for payment, notice of nonpayment, notice of protest, notice of dishonor, protest, notice of protest, and any and all lack of diligence or delays in collection or enforcement of this Security Instrument

16. **Successors and Assigns Bound.** The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower. The covenants and agreements of Borrower under this Note are not assignable without the prior written consent of Lender.

17. **Modifications.** This Security Instrument shall not be modified, amended, changed, discharged, or terminated orally. This Security Instrument may only be modified, amended, changed, discharged, or terminated by an agreement in writing signed by the party against whom enforcement of such modification, amendment, change, discharge, or termination is sought.

18. **Notices.** All notices which are required or permitted to be given under this Security Instrument shall be in writing and shall be sent (except as otherwise expressly provided herein or as required by applicable law) by hand delivery, overnight courier, registered or certified mail, return receipt requested, postage prepaid or telecopier (with the original sent within twenty-four (24) hours of such facsimile by hand-delivery, overnight courier or by registered or certified mail, return receipt requested, postage prepaid):

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If to Lender, to: Edward B. Ellis - Primary
Deputy Commissioner Housing/Finance
City of Chicago – Department of Housing
33 North LaSalle, 2nd Floor
Chicago, IL 60602

with copies to: Angie Marks
Assistant Commissioner
City of Chicago – Department of Housing
33 North La Salle, 2nd Floor
Chicago, IL 60602
FAX: (312) 742 - 0469

If to Borrower, to:
Floyd A. Gardner III
Deputy Director
NHS Redevelopment Corporation
11001 South Michigan Avenue
Chicago, IL 60628

with copies to:
Irv Salzberg
Finance Department
Neighborhood Housing Services of Chicago
1279 N. Milwaukee – 5th Floor

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Chicago, IL 60628

FAX: (773) 320-4120

19. **Governing Law; Severability.** This Security Instrument shall be governed by Federal law. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable.

20. **Copy of Mortgage.** Borrower acknowledges that it has received a true copy of this Security Instrument, read this Security Instrument, and executed this Security Instrument as of the date at the top of the first page.

21. **Hazardous Substances.** Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property.

Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substances affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law.

As used in this Paragraph 21, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this Paragraph 21, "Environmental Law" means Federal law and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

22. **Authority to Execute.** The representative of Borrower executing this Note represents that he/she has full power, authority and legal right to execute and deliver this Note and that the debt hereunder constitutes a valid and binding obligation of Borrower

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

23. **Foreclosure.** Subject to the rights of the Senior Lender, when the Appraisal Gap hereby secured, or any part thereof, shall become due, whether by acceleration or otherwise, Mortgagee shall have the right to foreclose the lien hereof for such indebtedness or part thereof. The Mortgage and the right of foreclosure hereunder shall not be impaired or exhausted by any foreclosure of the Senior Mortgage, and may be foreclosed successively and in parts, until all of

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the Mortgaged Property has been foreclosed against. In any such foreclosure, or upon the enforcement of any other remedy of Mortgagee under this Mortgage, there shall be allowed and included as additional indebtedness, all expenditures and expenses which may be paid or incurred by or on behalf of Mortgagee for reasonable attorneys' fees, appraisers' fees, outlays for documentary and expert evidence, stenographers' charges, publication costs, and costs involved in title insurance and title examinations. All expenditures and expenses of the nature in this Section 23 mentioned, and such expenses and fees as may be incurred in the protection of the Mortgaged Property and the maintenance of the lien of the Mortgage, including the reasonable fees of any attorney employed by Mortgagee in any litigation or proceeding affecting this Mortgage or the Mortgaged Property, including probate and bankruptcy proceedings, or in preparation for the commencement or defense of any proceeding or threatened suit or proceeding, shall be immediately due and payable by Mortgagor, with interest thereon at the lesser of the highest rate permitted by law or fifteen percent (15%) per annum, and shall be secured by this Mortgage. The proceeds of any foreclosure sale of the Mortgaged Property shall be distributed and applied in the following order of priority: (i) on account of all costs and expenses incidental to the foreclosure proceedings, including all such items as are mentioned in this section; (ii) all other items which under the terms hereof constitute secured indebtedness additional to that evidenced by this Mortgage; (iii) all principal and interest remaining to be paid pursuant to the recapture provisions described in this Mortgage; and (iv) any remaining amounts due to Mortgagor, its successors or assigns, as their rights may appear.

Mortgagor shall not and will not apply for or avail itself of any appraisalment, valuation, stay, extension or exemption laws, or any so-called "Moratorium Laws", now existing or hereafter enacted, in order to prevent or hinder the enforcement or foreclosure of this Mortgage, but hereby waives the benefit of such laws. Mortgagor, for itself and all who may claim through or under it, waives any and all right to have the property and estates comprising the Mortgaged Property marshaled upon any foreclosure of the lien hereof, and agrees that any court having jurisdiction to foreclose such lien may order the Mortgaged Property sold as an entirety. Mortgagor hereby waives any and all rights of redemption from sale under any order or decree of foreclosure of the Mortgage on its behalf and on behalf of each and every person, except decree or judgment creditors of Mortgagor, acquiring any interest in or title to the Mortgaged Property subsequent to the date of the Mortgage.

Upon any other entering upon or taking of possession of the Mortgaged Property after the occurrence of an Event of Default and the expiration of the applicable cure period and other than by means of a foreclosure, Mortgagee, subject to the rights of the Senior Lender, may hold, use, manage and control the Mortgaged Property and, from time to time (i) make all necessary and proper maintenance, repairs, renewals, replacements, additions, betterments and improvements thereto and thereon and purchase or otherwise acquire additional fixtures, personally and other property required in connection therewith; (ii) insure or keep the Mortgaged Property insured; (iii) manage the Mortgaged Property and exercise all the rights and powers of Mortgagor to the same extent as Mortgagor could in its own name or otherwise with respect to the same; and (iv) enter into any and all agreements with respect to the exercise by others of any of the powers herein granted to Mortgagee, all as Mortgagee from time to time may reasonably determine to be to its best advantage. Mortgagee may collect and receive all the rents, issues, profits and revenues of the same, including those past due as well as those accruing thereafter, and, after

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deducting to the extent reasonable: (aa) expenses of taking, holding and managing the Mortgaged Property (including compensation for the services of all persons employed for such purposes); (bb) the cost of all such maintenance, repairs, renewals, replacements, additions, betterments, improvements and purchases and acquisitions; (cc) the cost of such insurance; (dd) such taxes, assessments and other similar charges as Mortgagee may determine to pay; (ee) other proper charges upon the Mortgaged Property or any part thereof; and (ff) the reasonable compensation, expenses and disbursements of the attorneys and agents of Mortgagee, shall apply the remainder of the monies and proceeds so received by Mortgagee first to payment of accrued interest; and second to the payment of principal. The balance of such funds, if any, after payment in full, of all of the aforesaid amounts shall be paid to Mortgagor.

24. **Riders to this Security Instrument.** The following Riders are to be executed by Borrower [check box as applicable] and the covenants of each such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Security Instrument:

- Other [specify]:
- _____

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BY SIGNING BELOW, Borrower accepts and agrees to the terms contained in this Security Instrument and in any rider(s) executed by Borrower and recorded with it.

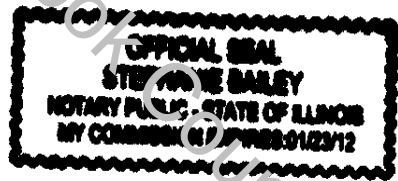
Witnesses:

[Signature] (SEAL)
Borrower

____ (SEAL)
Borrower

Subscribed to and sworn before me this 9th day of June, 2008

[Signature]
Notary Public



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