



## Overview & Analysis:

# Police Officers Home Buyer Assistance & Police Recruitment Program

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**May 26, 2022**

The City Council Office of Financial Analysis (COFA) provides an overview and financial analysis of Alderman Mathew O'Shea's proposed ordinance **O2022-1748** to establish a Police Officers Home Buyer Assistance and Police Recruitment Program to offer incentives to police officers through a Home Buyer Assistance Incentive or a Cash Bonus Incentive.<sup>i</sup> While ordinance O2022-1748 also proposes changes to the City's Municipal Code regarding installation requirements for police observation devices (PODs), this report will focus primarily on the incentives portion of the ordinance. COFA will provide a fiscal impact statement for this ordinance. This report also follows a COFA report addressing an aldermanic request from Alderman O'Shea on a similar topic.<sup>ii</sup>

### **Home Buyer Assistance Incentive – Ald. O'Shea**

To assist in recruiting and retaining Chicago Police Officers, Alderman O'Shea has proposed a Home Buyer Assistance Incentive program that provides \$10,000 in loan assistance for first-time homebuyers in the Chicago Police Department. Alderman O'Shea's proposed ordinance notes that an eligible participant must be an active, full-time sworn police officer who has graduated from the Chicago Police Academy and who has not left employment as a sworn police officer with the Chicago Police Department after the effective date of the ordinance.

Additionally, applicants for this incentive must not have previously owned or purchased any real property as their primary or principal dwelling of record, and the eligible property must be a residential building or a dwelling unit in a residential building that serves as the primary residence of record of the Eligible Participant located within the City of Chicago during the Term of the Loan.

Alderman O'Shea proposes appropriating \$3,000,000 for the Home Buyer Assistance Incentive program. The proposed funds for the program would come from the City's Affordable Housing Opportunity Fund (AHOF), which in the fiscal year 2022 was appropriated \$23,623,000. The AHOF is made up of revenues collected through the City's density bonus program and the Affordable Requirements Ordinance (ARO). Half of the funds are used for the construction, rehabilitation or preservation of affordable housing, or other housing programs. The other half is distributed to the Chicago Low Income



Housing Trust Fund, which meets the needs of low-income residents through annual rent subsidies.<sup>iii</sup>

Based on the alderman’s proposed appropriation of \$3,000,000 for the Home Buyer Assistance Incentive program, a \$10,000 amount for an eligible participant would indicate that the total appropriation would cover incentives for 300 persons.

	Eligible		
	Participants	Incentive	Total Cost
Home Buyer Assistance Loan	300	\$10,000	\$3,000,000
<b>Total Cost</b>			<b>\$3,000,000</b>

SOURCE: COFA Analysis

The alderman’s proposal outlines eligible costs that the incentive may pay for:

- Down payment
- Title insurance
- Credit reports
- Recording fees
- Appraisals
- Points
- Transfer stamps
- Water certification settlement fees
- Third party property inspection fees
- First year's pre-payment of mortgage insurance
- Pre-paid interest
- Such other costs as approved by the Chicago Department of Housing (DOH)

The alderman’s proposed ordinance also notes that the \$10,000 loan will have an interest rate of 0% per annum. After five years, the Note will terminate, and the eligible participant will not owe the City any money on the loan assistance. The eligible participant will not

	Year 0	Year 1	Year 2	Year 3	Year 4	Termination of Note Year 5
Home Buyer Assistance Loan	\$10,000	\$0	\$0	\$0	\$0	\$0
Interest - 0%	\$0	\$0	\$0	\$0	\$0	\$0
Amount Forgiven	\$0	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)
Owed by Eligible Participant	\$10,000	\$8,000	\$6,000	\$4,000	\$2,000	\$0

SOURCE: COFA Analysis  
 NOTES: Alderman O'Shea's proposed ordinance allows \$2,000 to be forgiven on each anniversary of the date of the Note, provided that the Eligible Property continues to serve as the primary or principal dwelling of record of at least one Eligible Participant and the Eligible Participant continues to be an Eligible Participant.

owe the City any money after five years because, on the anniversary of the date of the Note, the participant will be forgiven for \$2,000. Assuming the participant and participant's property retain their eligible status throughout the duration of the loan, the amount forgiven will total \$10,000 on the Note's fifth anniversary.

The proposed ordinance recommends that the incentive be funded using the Affordable Housing Opportunity Fund (0996). COFA recommends that there be consideration to funding this proposed ordinance from the following: vacant CPD positions salvage dollars, American Rescue Plan (ARP) funds, and/or swept aged funds for the fiscal year 2022. The funding could be incorporated into the annual budget for the fiscal year 2023.

COFA would like to note that the proposed ordinance does not mention or outline any Area Median Income (AMI) guidelines. Since the proposed ordinance plans to fund the incentive with funds from the AHOF, COFA recommends the ordinance include AMI guidelines for officers considering applying for the \$10,000 of home buyer assistance. In 2017, SO2017-3906 established a Public Safety Officers Home Buyer Assistance Program that offers forgivable, no-interest loans to qualifying City police officers, firefighters, and paramedics, to assist in their purchase of primary, owner-occupied residences that are located within specific police districts and census tracts within the City of Chicago.<sup>iv</sup> Similar to this proposed ordinance, SO2017-3906 also appropriated \$3,000,000 from the AHOF to serve as the source. However, SO2017-3906 outlined that the household income may not exceed 150% of the median household income for the Chicago Primary Metropolitan Statistical Area. COFA recommends that the ordinance consider including an AMI cap, such as the HUD income limit chart.<sup>v</sup>

### **Cash Bonus Incentive – Ald. O’Shea**

To further support in recruiting and retaining Chicago Police Officers, Alderman O’Shea has proposed a Cash Bonus Incentive. Alderman O’Shea is proposing a two-tier sign-on bonus structure.

Below are the two types of cash bonus incentives under this proposed program:

- **\$5,000 Bonus:** Eligible Participants who do not have previous full-time experience as a peace officer.
- **\$10,000 Bonus:** Eligible Participants with previous full-time experience as a peace officer who become sworn members of the Chicago Police Department after the effective date of the proposed ordinance.

The proposed ordinance notes that if an eligible participant becomes ineligible anytime within the five-years after receiving the cash bonus, the bonus shall be fully repaid to the City. To clarify, this differs from the Home Buyer Assistance Incentive in that Home Buyer Assistance Incentive forgives \$2,000 on the initial loan principal amount of \$10,000 on each anniversary of the Note until the termination date of the Note. This cash bonus

Options	Potential Distributions		Total \$5K Bonuses	Total \$10K Bonuses	Total Bonuses (\$)	No. of \$5K Bonuses	No. of \$10K Bonuses	No. of Bonuses
	\$5K Bonus	\$10K Bonus						
Option 1	0%	100%	\$0	\$7,500,000	\$7,500,000	0	750	750
Option 2	10%	90%	\$750,000	\$6,750,000	\$7,500,000	150	675	825
Option 3	20%	80%	\$1,500,000	\$6,000,000	\$7,500,000	300	600	900
Option 4	30%	70%	\$2,250,000	\$5,250,000	\$7,500,000	450	525	975
Option 5	40%	60%	\$3,000,000	\$4,500,000	\$7,500,000	600	450	1,050
Option 6	50%	50%	\$3,750,000	\$3,750,000	\$7,500,000	750	375	1,125
Option 7	60%	40%	\$4,500,000	\$3,000,000	\$7,500,000	900	300	1,200
Option 8	70%	30%	\$5,250,000	\$2,250,000	\$7,500,000	1,050	225	1,275
Option 9	80%	20%	\$6,000,000	\$1,500,000	\$7,500,000	1,200	150	1,350
Option 10	90%	10%	\$6,750,000	\$750,000	\$7,500,000	1,350	75	1,425
Option 11	100%	0%	\$7,500,000	\$0	\$7,500,000	1,500	0	1,500

SOURCE: COFA Analysis

incentive must be repaid in the full amount if the participant does not remain eligible before the fifth anniversary.

COFA has created a table to present some of the different ways in which the cash bonuses may be distributed based on the \$5,000 and \$10,000 bonus options. With a total cash bonus pot of \$7,500,000, the number of bonuses that could be provided ranges anywhere from 750 to 1,500.

The ordinance does not appear to clearly outline where the \$7,500,000 of funding would be sourced from in the City’s budget for this cash bonus incentive. However, if the \$7,500,000 requested to fund this program would come from the Affordable Housing Opportunity Fund, COFA recommends that the \$7,500,000 should have a dedicated fund for police benefits like sign on bonuses that are not tied to Affordable Housing.

Similar to the Home Buyer Assistance Incentive program, COFA also recommends that there be consideration to fund this proposed ordinance from the following: vacant CPD positions salvage dollars, American Rescue Plan (ARP) funds, and/or swept aged funds for fiscal year 2022. For fiscal year 2023, the funding could be incorporated into the annual budget.

Since the incentives proposed by the ordinance may attract a slew of CPD applicants and transfers, COFA recommends that the City require prospective officer transfers consent to the release of information relating to their disciplinary records, if applicable, by their current and any other prior police departments to the City of Chicago. This is to ensure that CPD does not accept a transfer with a questionable disciplinary background, which may contribute to City payments relating to misconduct settlements.

The City of Chicago is looking for ways to increase recruitment. CPD has already adjusted hiring standards for new recruits by dropping the college credit requirement for some candidates.<sup>vi</sup> The concept of a sign-on bonus for recruitment is a good one and is being used nationwide to recruit law enforcement. COFA noted in a previous report<sup>vii</sup> how the police department in Chandler, Arizona is offering up to \$5,000 to attract and hire new officers and dispatchers.<sup>viii ix</sup> In Florida, Governor Ron DeSantis announced a \$1,000 bonus for law enforcement and first responders for the second year in a row as a way of addressing retention and recruiting.<sup>x</sup> Idaho issued \$1,000 in hazard pay bonuses—paid through the 2020 CARES Act—to 360 officers and communications staff who work for the state police.<sup>xi</sup> Virginia also approved \$5,000 bonuses for state police officers.<sup>xii</sup> The Spokane Police Department in Washington is also advertising in Denver, Seattle, Portland, and Oregon for lateral hiring bonuses up to \$15,000 for police officers.<sup>xiii</sup>

In closing, this proposed ordinance appears to be addressing the massive exodus of police officers. The city of Chicago has lost more than 1,600 officers in the last two years and hired less than 600.<sup>xiv</sup> According to data from the Policemen’s Annuity and Benefit Fund of Chicago, 660 officers retired and collected pensions in 2021.<sup>xv</sup> Reasons for police departures have been numerous, from higher scrutiny, misconduct cases, and vaccine mandates.<sup>xvi</sup> This problem of recruitment and retention is nationwide, as departments have not been able to keep recruitment up with retirements.<sup>xvii</sup> It is critical to focus on public safety retention and recruitment with concerns around crime across the City of Chicago. With the current starting salary of a Chicago police officer of \$54,672 rising to \$82,458 after 18 months, the incentives of home buyer assistance or a cash bonus can help attract applicants with competing offers and help bridge the gap between the compensation package and what can be offered.

## Endnotes:

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<sup>i</sup> Amendment of Municipal Code Chapter 2-96 by adding new Section 2-96-050 regarding installation requirements for police observation devices. [chicago.legistar.com](http://chicago.legistar.com)

<sup>ii</sup> Council Office of Financial Analysis (COFA). (2022, May 24). *Aldermanic Request: Attracting & Retaining Chicago Police Officers*. [www.chicago.gov](http://www.chicago.gov)

<sup>iii</sup> City of Chicago. (2021). *2022 Budget Forecast*. [www.chicago.gov](http://www.chicago.gov)

<sup>iv</sup> Amendment of Municipal Code Section 2-45-115 by modifying affordable requirements pertaining to Public Safety Officers Home Buyer Assistance Program. [chicago.legistar.com](http://chicago.legistar.com)

<sup>v</sup> *Table of Income Limits*. (2022, April 18). City of Chicago. Retrieved May 25, 2022, from [www.chicago.gov](http://www.chicago.gov)

<sup>vi</sup> Cherone, H. (2022, March 11). *Police to Drop College Credit Requirement for Some Recruits Amid Attrition Spike: Top Cop*. WTTW News. [news.wttw.com](http://news.wttw.com)

<sup>vii</sup> Council Office of Financial Analysis (COFA). (2022, May 24). *Aldermanic Request: Attracting & Retaining Chicago Police Officers*. [www.chicago.gov](http://www.chicago.gov)

<sup>viii</sup> D’Angelo, A. (2021, May 25). Chandler begins hiring incentives for open police positions. *Community Impact Newspaper*. [communityimpact.com](http://communityimpact.com)

<sup>ix</sup> City of Chandler. (2022, April 28). *Chandler announces \$10k package for lateral police officers offering a hiring incentive plus relocation assistance* [Press release]. [www.chandleraz.gov](http://www.chandleraz.gov)

<sup>x</sup> Office of Governor Ron DeSantis. (2022, March 31). *Governor Ron DeSantis Announces First Responders Will Receive \$1,000 Bonuses for Second Year in a Row* [Press release]. [www.flgov.com](http://www.flgov.com)

<sup>xi</sup> Corbin, C. (2021, July 15). Idaho State Police troopers receive \$1,000 hazard duty bonuses. *Idaho Capital Sun*. [idahocapitalsun.com](http://idahocapitalsun.com)

<sup>xii</sup> Web Staff, W. (2022, March 15). *Virginia State Police offers \$5,000 as hiring bonus for new hires*. WTKR. [www.wtkr.com](http://www.wtkr.com)

<sup>xiii</sup> Tiernan, C. (2021, April 24). Applicants scarce for open law enforcement positions. *The Spokesman-Review*. [www.spokesman.com](http://www.spokesman.com)

<sup>xiv</sup> Spielman, F. (2022, May 25). Signing bonus, help with down payment on first house: proposal hopes to keep cops in Chicago. *Chicago Sun-Times*. [chicago.suntimes.com](http://chicago.suntimes.com)

<sup>xv</sup> Gabriel, Roeder, Smith & Company. (2021, April). *Policemen's Annuity and Benefit Fund of Chicago: Actuarial Valuation Report for the Year Ending December 31, 2020*. [chipabf.org](http://chipabf.org)

<sup>xvi</sup> Fry, P. (2022, March 28). Chicago police 'brain drain'? Retirements have stabilized, but 660 cops retired in 2021, almost twice as many as in 2018. *Chicago Tribune*. [www.chicagotribune.com](http://www.chicagotribune.com)

<sup>xvii</sup> MacFarquhar, N. (2021, November 8). Departures of Police Officers Accelerated During a Year of Protests. *The New York Times*. [www.nytimes.com](http://www.nytimes.com)