

Developer's Guide to the 2007 ARO (Affordable Requirements Ordinance)

www.cityofchicago.org/ARO. Contact: Kara Breems, 312.744.6746, Kara.Breems@cityofchicago.org

Generally, Projects are subject to the 2007 ARO if they include ten or more residential units AND:

- Received a zoning change that:
 - permits a higher floor area ratio (FAR);
 - changes from a non-residential to a residential use;
 - permits residential uses on ground floor, where that use was not allowed;
- Included land purchased from the City (even if purchase was at the appraised value);
- Received financial assistance from the City; **OR**
- Are part of a Planned Development (PD) in a downtown zoning district.

Generally, Projects are exempted from the ordinance if

- Land was purchased between May 13, 2005 and May 13, 2007; **OR**
- Zoning Changes or PDs filed with the Zoning Administrator before August 21, 2007.

Projects subject to the ARO are generally required to price **10%** of residential units as **Affordable** (as defined below). If projects receive financial assistance from the City, **20%** of units must be Affordable. All forms referenced are available on the Department of Planning and Development website.

ARO projects submitted to the City after October 13, 2015 are subject to the 2015 ARO.

Pre-Construction

1. Executed Affordable Housing Profile Form/For Sale or Rental. This form allows City staff to calculate the number and pricing of the Affordable units required in your development, or the amount owed if you choose to make a payment in lieu of units.

Note that, under the 2007 ARO, the City will always round up when determining the number of Affordable units required. For example, if you are **building 20** total units, **two (2) Affordable** units would be **required**, but if you are **building 21-29** total units, **three (3) Affordable** units would be required.

In addition, **the mix of Affordable units must match the mix of market-rate units.** For example, if your project includes 10 studios and 10 one-bedrooms, the City would require one (1) Affordable studio unit and one (1) one-bedroom unit.

If your project is a PD, the City will typically require a PD statement that references your ARO obligation. The Affordable Housing Profile will also be required as an Attachment to the PD.

2. Execute and Record the City's For Sale or Rental Affordable Housing Covenant and Lien and provide a certified, recorded copy to the City. If you **choose to provide units**, you will be required to work with ARO Staff to prepare – and once the ARO Staff have approved the final covenant – record a copy of the City's "Affordable Housing Covenant and Lien" (available by contacting the Department of Planning and Development (DPD)). Once we receive a recorded copy of this document, we will release the hold on your building permit(s). This document is released after the Affordable units are sold to City-qualified Affordable buyers. For rental units, the document remains in place for the 30 year Affordability period.

Make a Payment-In-Lieu of units – If you choose not to provide the Affordable units, you must make an In-Lieu of payment to meet the Affordability requirement. The payment must be made prior to the release of the hold on your building permit. The fee is **\$100,000 per Affordable unit**.

The Covenant must be recorded or the in-lieu fee received before the ARO Building permit hold (including holds on foundation permits) will be released.

During and After Construction

3. Let us help market the units. Six months before construction is scheduled for completion – or when you commence marketing for the development (whichever comes first), contact DPD to schedule a meeting to review the City’s requirements and expectations for selling (or renting) the Affordable units. While we can’t guarantee that your units will sell or rent this way, the City can also list your Affordable units on our website.

4. Qualify your Buyers or

Renters. Your Affordable buyers must: 1) receive a mortgage pre-approval letter; 2) be income-qualified by DPD; and 3) receive the required homebuyer counseling at one of the City’s pre-approved HUD-certified housing counseling

2015 Maximum Household Income to lease or purchase affordable units				
Number of household members	50% of Median (Rental – TIF)	60% of Median (Rental)	80% of Median (For Sale - TIF)	100% of Median (For Sale)
1	\$26,600	\$31,920	\$42,600	\$53,200
2	\$30,400	\$36,480	\$48,650	\$60,800
3	\$34,200	\$41,040	\$54,750	\$68,400
4	\$38,000	\$45,600	\$60,800	\$76,000
5	\$41,050	\$49,260	\$65,700	\$82,100

agencies. Before signing a contract with a buyer, submit a completed Home Buyer Application to DPD Staff, who will determine whether that buyer is qualified to purchase your Affordable unit. After receiving all necessary documentation, Staff will issue an Approval letter for each approved buyer. Prior to closing, the City’s Law department will prepare the recapture agreement (or incorporate CCLT documents), which protects the unit’s long-term affordability.

Rental developers must enter into a written agreement with the City, and must qualify tenants during the 30-year Affordability period. Your Affordable renters must submit a Tenant Income Certification (TIC) application. Contact DPD for TIC form.

For for-sale units, “Affordable” generally means that **household** earnings must not exceed **100%** of the current Area Median Income (AMI). For rental units, household earnings must not exceed **60%** of the AMI.

5. Schedule your closings. A minimum of 15 days before you are ready to close, submit the **Closing Request Form** to DPD. Your attorney must work with the City to prepare – and record – the documentation necessary for your buyers to keep Affordable units affordable in perpetuity. Within 24 hours after the unit’s closing, you are required to forward a copy of the Executed Mortgage Recapture Agreement and the RESPA to DPD. For CCLT units, all executed documents should be returned to Teresa Lambarry.

The Chicago Community Land Trust

City Contact: Teresa Lambarry, 312.744.5086, Teresa.Lambarry@cityofchicago.org

Your for-sale units will most likely be placed in the **Chicago Community Land Trust (CCLT)**. You will be informed whether your units have been accepted into the CCLT when you submit an Affordable Housing Profile form. Resale procedures and resale formula for CCLT units are governed by a deed covenant or long-term ground lease that ensures the units’ long-term affordability. As a result, CCLT owners generally have reduced property taxes.