ARO Enhancements: Summary
3.18.15

Current ARO
- ARO is triggered when development projects receive a zoning change, City land, or financial assistance, or are a downtown PD, AND they build a residential project with ten or more units.
- 10% of units are required to be affordable; 20% if financial assistance is provided.
- Developers can meet the ARO by providing on-site units or by paying an in-lieu fee of $100,000/required unit.
- Requirements are the same citywide.

The following updates to the ARO would generate an anticipated 1,200 new units and $95 million over the next five years, assuming positive market conditions:
- **Create three zones** in the city to reflect different housing markets and priorities:
  - downtown;
  - higher-income areas; and
  - low-moderate income areas
  This map would be finalized, after a public comment period, in the Rules and Regulations.
- **Adjust in-lieu fees**: In-lieu fees for units not provided on-site would increase to $175,000 downtown and $125,000 in higher-income areas, and would be reduced to $50,000 in low-moderate income areas. In addition, the downtown density bonus loophole would be closed, so that developers would be required to pay the higher of their ARO or density bonus fees. Fees would be adjusted annually for inflation, beginning in January 2018.
- **Require on-site units**: Require 1/4 of the required 10% affordable units (20% if the City provides financial assistance) to be provided as on-site housing units, with two exceptions:
  - **Off-site option**: Developers in Higher Income areas and Downtown could meet the requirement to provide 1/4 of the required 10% affordable units (20% if the City provides financial assistance) by building, buying, or rehabbing units off-site:
    - Rental projects downtown and rental or for-sale projects in higher-income areas could build, buy, or rehab the required units with a comparable investment within two miles of the subject properties and within the same zone or downtown;
    - For-sale projects downtown could build, buy, or rehab the required units with a comparable investment anywhere in the city.
    - Developers would pay a $5,000/unit administrative fee to access this option.
  - **Buy-out for downtown for-Sale projects**: For-sale projects downtown could buy out of the on-site or off-site unit requirement by paying a $225,000 in-lieu fee per required unit.
- **Provide a density bonus for affordable units near transit**: Projects in a Transit Served Location (the TOD ordinance) could provide 50% of required affordable units on-site in exchange for additional density and height, and reduced parking requirements.
- **Incentivize developers to work with the CHA**: The Chicago Housing Authority (CHA) or other authorized agencies could purchase or lease ARO units; in exchange, developers would pay a reduced in-lieu fee for remaining unit obligations.
- **Increase the number of eligible affordable buyers** by increasing the maximum income for purchasers to 120% AMI ($91,200 for a family of four).
- **Increase funding to the Trust Fund**: The Chicago Low Income Housing Trust Fund would receive 50% of fees-in-lieu collected via the Affordable Housing Opportunity Fund, up from 40%.

The new Ordinance would be effective 180 days after Publication, with fees phased in over one year.