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.