2015 ARO Enhancements: Summary

The Affordable Requirements Ordinance (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.

Under the 2007 ARO, developers could meet the ARO by providing on-site units or by paying an in-lieu fee of $100,000/required unit. Requirements were the same citywide.

The following updates to the ARO, effective beginning October 13, 2015, are estimated to generate an anticipated 1,200 new units and $90 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
  The Zone map is available online at [www.cityofchicago.org/ARO](http://www.cityofchicago.org/ARO).

- **Adjust in-lieu fees**: In-lieu fees for units not provided on-site increase to $175,000 downtown and $125,000 in higher-income areas, and are reduced to $50,000 in low-moderate income areas. In addition, the downtown density bonus loophole has been closed, so that developers would be required to pay the higher of their ARO or density bonus fees. Fees will be adjusted annually for inflation, beginning in January 2018.

- **Require on-site units**: 1/4 of the required 10% affordable units (20% if the City provides financial assistance) are required to be provided as on-site housing units, with two exceptions:
  - **Off-site option**: Developers in Higher Income areas and Downtown may 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 may 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 may build, buy, or rehab the required units with a comparable investment anywhere in the city.
    - Developers pay a $5,000/unit administrative fee to access this option.
  - **Buy-out for downtown for-Sale projects**: For-sale projects downtown may 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) may provide 50% or 100% of required affordable units on-site in exchange for additional floor area.

- **Incentivize developers to work with the CHA**: The Chicago Housing Authority (CHA) or other authorized agencies may purchase or lease ARO units; in exchange, developers 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 in 2015).

- **Increase funding to the Trust Fund**: The Chicago Low Income Housing Trust Fund will receive 50% of fees-in-lieu collected via the Affordable Housing Opportunity Fund, up from 40%.

The new Ordinance is effective on October 13, 2015, with fees phased in by April 2016.

[www.cityofchicago.org/ARO](http://www.cityofchicago.org/ARO)
The new ARO will provide the following options to developers who are subject to the ARO:

<table>
<thead>
<tr>
<th>Options to meet the ARO</th>
<th>Low-Moderate Income Areas: Rental and For-Sale</th>
<th>Higher Income Areas: Rental and For-Sale</th>
<th>Downtown: Rental</th>
<th>Downtown: For-Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct required units on-site and pay no in-lieu fee</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Place at least 1/4 of the required 10% affordable units (20% if the City provides financial assistance) on-site and pay a fee-in-lieu per any remaining units</td>
<td>X $50,000 in-lieu fee</td>
<td>X $125,000 in-lieu fee</td>
<td>X $175,000* in-lieu fee</td>
<td>X $175,000* in-lieu fee</td>
</tr>
<tr>
<td>ARO Transit-Served Location bonus</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Lease or Sell Units to the CHA or other authorized agency and receive a $25,000 In-Lieu Fee Reduction</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Off-Site Option: within two miles and in a higher income area</td>
<td>X</td>
<td>X</td>
<td></td>
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<tr>
<td>Off-Site Option: anywhere</td>
<td></td>
<td>X</td>
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<tr>
<td>No on-site units – with $225,000 in-lieu premium</td>
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</tbody>
</table>

* downtown fees will be phased in over one year: through April 15, 2016, the fee-in-lieu for downtown projects will be $140,000
** through April 15, 2016, the in-lieu premium will be $160,000