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DEPARTMENT OF PLANNING AND DEVELOPMENT AND MEMBERS OF THE AFFORDABLE HOUSING TASK FORCE RECOMMEND REFORMS TO EXPAND AFFORDABLE HOUSING OPTIONS IN GROWING NEIGHBORHOODS

Mayor Supports Proposal to Add 1,200 Affordable Housing Units and Generate Nearly \$100 Million in Housing Funds over 5 Years, a Five-fold Increase over Units and Funds Created since 2007

The Department of Planning and Development (DPD), based upon input provided by the Affordable Housing Task Force appointed by Mayor Emanuel to recommend reforms to the Affordable Requirements Ordinance (ARO), issued a report today recommending improvements that would create an estimated 1,200 affordable housing units and generate nearly \$100 million in housing funds over the next five years, a five-fold increase over the number of units and funds created since 2007. An ordinance that will implement the recommendations made in the report will be introduced to the City Council on Wednesday, December 10, 2014. The full report is available [HERE](#).

"I am committed to ensuring that working families can afford to live in the City of Chicago and this recommendation will accelerate the development of additional housing options, especially in growing neighborhoods," said Mayor Emanuel, "This proposal will build upon our success at raising the minimum wage, establishing a full school day for our children, and modernizing our city colleges."

Since becoming law in 2007, ARO has conditioned the granting of various City benefits to the creation of new affordable housing units or payment of funds to support housing. The ARO applies to new or rehabilitated housing developments with 10 or more units that involve a zoning increase, downtown Planned Development designation, City-owned land, or City financial assistance.

The current ARO requires residential projects that utilize a zoning increase or City land to set aside 10% of total units as affordable to middle-income families. Residential projects that receive City financial assistance, such as Tax Increment Financing, are required to set aside 20% of total units as affordable. The ARO also offers real estate developers the option to pay an in-lieu fee of \$100,000 per required unit into the Affordable Housing Opportunity Fund (AHOF).

Developers receive considerable benefits through the ARO in exchange for supporting affordable housing. According to a review of 22 projects by DPD, representing 60 percent of the ARO projects approved since 2007, developers have received a 400 percent increase in density in exchange for \$4.2 million in fees and 79 units of affordable housing.

“We are pleased to be working with Mayor Emanuel and his administration to advance their affordable housing efforts. Related has long been committed to the development and preservation of affordable housing and shares the administration’s passion of a diverse and thriving City of Chicago,” said Curt Bailey, President of Related Midwest.

To ensure that the ARO produces an amount of affordable housing units and funding in line with the value that developers receive from the City, Mayor Emanuel convened the 26-member advisory task force this summer as one of the recommendations of the City of Chicago’s Five-Year Housing Plan. Chaired by Ald. Ray Suarez (31st), and Co-chaired by Bickerdike Redevelopment Corp. Executive Director Joy Aruguete, Ascendance Partners Co-Founder and Principal Craig Huffman, and Community Investment Corp. President Jack Markowski, and consisting of real estate professionals, housing advocates, elected officials, and other community stakeholders, the group addressed the mayor’s mandate to update the ARO as a reflection of housing market characteristics and affordability needs. The ARO was last updated in 2007.

“The ARO has been a critical tool for creating affordable housing options for Chicago residents since 2007, and these recommendations are more ways that we can build on what is already in place and find new ways to ensure that residents who need access to housing have it, and that development is not stifled in the process,” said Alderman Suarez. “This is an important next step in our efforts to grow the number of affordable housing units in the City of Chicago.”

“These recommendations are a first step that will hopefully encourage further investment in undervalued communities of Chicago,” said Craig Huffman, Co-founder and Principal at Ascendance Partners. “Based on my experience at Ascendance Partners, a firm that invests in undervalued communities, I know that there is much untapped potential for profitable development in these neighborhoods.”

“It is important, given the priority this Administration has put on preservation of units, to expand the number of affordable housing options in growing neighborhoods. I support these

efforts to create more than 1,200 new units of affordable housing in a way that encourages, rather than stifles, market-rate development,” said Community Investment Corp. President Jack Markowski.

Since 2007, the ARO has created 247 units of affordable housing and generated \$19 million in in-lieu fees for the AHOF. The reform proposal will increase this by a factor of five, adding 1,200 new units of affordable housing and generating nearly \$100 million in funds by 2020.

In addition to creating affordable housing units within or near market rate developments, the proposed amendment includes provisions to jumpstart investment in neighborhoods where recovery from the recession has stalled; encourage affordable housing development near transit stations; and balance the financial needs of the development community.

“These reforms to the ARO are about getting more affordable housing to the people of Chicago and making the Ordinance better. It’s important that housing is affordable to our residents,” said Alderman Walter Burnett (27th).

“One of the most important things that these recommendations do, is to help change the perception that density in development is a bad thing, when in fact, it can help to increase affordability throughout our neighborhoods,” said Alderman Ameya Pawar (47th). “These recommendations are not one-size-fits-all and that is a good thing, because what we want to do is to encourage more development and increase the amount of affordable housing that is available.”

Specifically, the proposals would:

- Create three zones in the city to reflect different housing markets and priorities: downtown; higher-income census tracts; and low-moderate income census tracts.
- Require at least 25 percent of a project’s affordability requirement to be provided as on-site housing units. It would also provide the option for rental projects downtown and rental or for-sale projects in higher-income census tracts to build, buy, or rehab the required units with a comparable investment within one mile of the subject properties; and offer for-sale projects downtown the additional option to build, buy, or rehab the required units with a comparable investment anywhere in the city, or for for-sale projects downtown, forego the 25 percent unit requirement by paying a \$225,000 in-lieu fee per required unit.
- Reduce the in-lieu fee for a project’s remaining affordability obligation to \$50,000 in low-moderate census tracts; increase the in-lieu fee to \$125,000 per unit in higher-income census tracts; and increase the base in-lieu fee to \$175,000 downtown.

- Enable the Chicago Housing Authority (CHA) or other authorized agencies to purchase or lease ARO units; in exchange, allow developers to pay a reduced in-lieu fee for remaining unit obligations.
- Provide additional density incentives to developers that place more than 50 percent of a project's affordable unit requirement on-site in Transit-Served Locations (TSL).
- And increase income target ceilings for for-sale affordable units from up to 100 percent area median income (AMI) to up to 120 percent AMI (\$72,400 to \$88,300 for a family of four).

An effective date for the changes would be included in the amendment, after which pending development projects would be subject to the new affordability provisions.

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