FOR IMMEDIATE RELEASE
March 18, 2015

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MAYOR EMANUEL, ALDERMAN SUAREZ AND OTHERS PASS REFORMS TO AFFORDABLE REQUIREMENTS ORDINANCE

Improvements Will Create 1,200 Affordable Units And Generate More Than $90 Million In Housing Funds Over Next Five Years

Mayor Rahm Emanuel announced that the City Council approved an ordinance that will reform the City of Chicago’s Affordable Requirements Ordinance (ARO) to create more than 1,200 affordable housing units over the next five years. The reform ordinance will also leverage Chicago’s fast-growing downtown to provide more than $90 million in new funds for affordable housing over the same time period to invest in creating more housing opportunities in neighborhoods across the city.

“This is an important reform that will help more working families in Chicago keep a roof over their heads. It will also tap into the strength of our fast-growing downtown to generate new housing funds for neighborhoods in every part of Chicago,” said Mayor Rahm Emanuel. “Working with our communities, we have made a lot of progress but there is more work to do so we will continue making the essential investments to ensure there is affordable housing in our fastest growing neighborhoods all throughout Chicago.”

Developed over the last 10 months with input from the ARO Advisory Task Force and other community stakeholders, the improvements amend one of the City’s most effective tools to create affordable 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 ARO will help us to create more affordable housing options for Chicago residents and increase the investment in affordable housing in all of our communities,” said Alderman Ray Suarez. “This is a strong statement that we are making that Chicago is a place that provides affordable housing options throughout the city.”

Last amended in 2007, the previous ARO required residential projects that utilize a zoning increase or City land to set aside 10 percent of total units as affordable to middle-income
families. Residential projects that received City financial assistance, such as Tax Increment Financing, were required to set aside 20 percent of total units as affordable. The ARO also offered real estate developers the option to pay an in-lieu fee of $100,000 per required unit into the Affordable Housing Opportunity Fund (AHOF).

The new ordinance:

- Creates three zones in the city to reflect different housing markets and priorities: downtown; higher-income areas; and low-moderate income areas.

- Reduces the in-lieu fee to $50,000 in low-moderate census tracts, and increase the in-lieu fee to $125,000 per unit in higher-income census tracts and $175,000 downtown. Downtown in-lieu fees will be phased in over one year.

- Requires at least 25 percent of the required affordable units to be created on-site or, in some cases, off-site.

- Provides the option for downtown projects to pay an in-lieu fee of $225,000 per required affordable unit, with the higher fee phased in over one year.

- Provides the option for downtown and projects in higher-income areas to build, buy, or rehab units off-site, within two miles of the subject property and within the same area, with a comparable investment.

- Enables the Chicago Housing Authority (CHA) or comparable agencies to purchase or lease ARO units; in exchange, allow developers to pay a reduced in-lieu fee for remaining unit obligations.

- Provides additional incentives to developers that place additional affordable units on-site in Transit-Served Locations (TSL).

- And increases income targets for buyers of affordable units from 100% area median income (AMI) to 120 percent AMI ($72,400 to $88,300 for a family of four).

The amendment was partly created through the input of a 26-member advisory task force that was convened last summer as one of the recommendations of the City of Chicago's Five-Year Housing Plan. Chaired by Ald. Ray Suarez, and Co-chaired by Joy Aruguete, Craig Huffman and Jack Markowski, and consisting of real estate professionals, housing advocates, elected officials, and other community stakeholders, the task force addressed the mayor’s mandate to update the ARO as a reflection of housing market characteristics and affordability needs.

The amended ordinance was approved by a joint committee of City Council in January. Since then, the ordinance was amended to establish a one-year phase-in process for in-lieu fees paid by downtown projects.
With its companion ordinance, the Downtown Density Bonus, the ARO has created 189 units within new, market rate housing developments and generated $53 million in in-lieu fees for the AHOF since 2003.

The proposed ordinance is estimated to generate an estimated 1,200 units, including 600 affordable units within or near market-rate developments; and more than $90 million in in-lieu fees by 2020. The amendment will also create 2,500 new jobs; and nearly $200 million in local income.

The amendment includes additional 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.

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