

RETHINKING HOUSING AFFORDABILITY IN CHICAGO

Lessons From The Affordable Requirements Ordinance, And Alternatives For Expanding Access To Housing

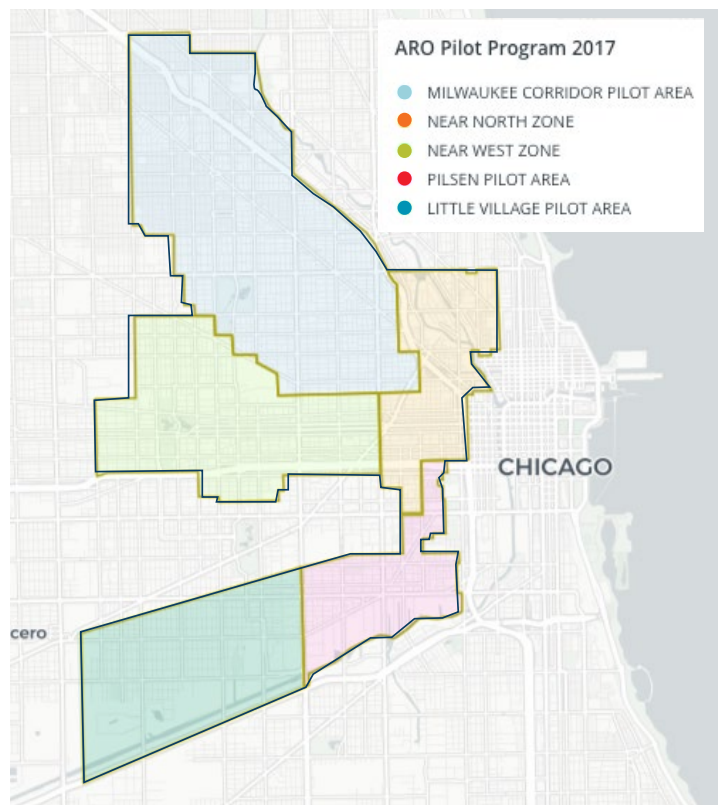
Since 2010, there have been over 133,000 new jobs added to downtown Chicago - leading to both economic growth and displacement pressure on neighborhoods

Chicago has led the nation in incoming corporate relocations for five consecutive years, strengthening the city's taxbase and attracting new residents to a range of neighborhoods. Between 2005 and 2015, 18,840 net new downtown workers chose to live in the neighborhoods of Wicker Park, Logan Square, West Loop, Pilsen, Humboldt Park, among others. Attracted by easy access to transit, iconic neighborhood institutions, and a unique regional identity, this growing talent base began putting upward pressure on the existing residents of those neighborhoods. Many of the existing community members in these neighborhood are economically disadvantaged and/or belong to minorities. In Logan Square alone, a traditionally Hispanic neighborhood, the neighborhood saw a 35% net loss of its Hispanic residents.

Displacement pressures pushed the city of Chicago to increase affordable housing requirements for new market-rate developments, culminating in the 2017 ARO pilot

Beginning officially in 2007, Chicago has instituted an Affordable Requirements Ordinance (ARO) to require new market rate developments to contribute towards the production of affordable housing. This inclusionary housing policy - where developers could build units on-site or off-site affordable units, or pay a fee toward an affordable housing fund - saw iterations in both 2015 and 2017. In both of these update ordinances, requirements were increased and more stringent.

	Unit Obligation (for multifamily above 10 units)	Eligibility Requirements for Affordable Renters	In-lieu Fee (per unit)
2015 ARO	10% units required to be affordable, with 1/4 required as on-site or off-site units within two miles of site and within two miles of site and downtown boundaries	60% of Area Median Income	\$52,214 to \$130,534
EXISTING DOWNTOWN ARO	10% units required to be affordable, with 1/4 required as on-site or off-site units within two miles of site and in downtown boundaries	60% of Area Median Income	\$182,748
MILWAUKEE AVE CORRIDOR PILOT	15% required for on-site units OR 20% for off-site units within Pilot Area OR 20% on-site if the project receives TIF funding	Price rental units for 60% AMI, allow tenants up to 80% AMI to lease	No in-lieu fee available
NEAR NORTH ZONE	20% required: - First 10% on-site or < 2 miles in Zone - Additional 10% may be built anywhere in Zone	-On-site units for 60% AMI -Off-site within Pilot for 100% AMI	No in-lieu fee available
NEAR WEST ZONE	15% required: - First 10% on-site or < 2 miles in Zone - Additional 5% may be built anywhere in Zone	-On-site units for 60% AMI -Off-site within Pilot for 100% AMI	No in-lieu fee available
PILSEN PILOT	20% required: - First 10% on-site - Units with multiple bedrooms will partially meet ARO baseline - Additional 10% on-site, off-site, or fees paid	Price rental units for 60% AMI, allow tenants up to 80% AMI to lease	\$178,469
LITTLE VILLAGE PILOT	20% required: - First 10% on-site - Units with multiple bedrooms will partially meet ARO baseline - Additional 10% on-site, off-site, or fees paid	Price rental units for 60% AMI, allow tenants up to 80% AMI to lease	\$101,388



The ARO has resulted in a limited number of new affordable units, in-lieu fees that take years to be allocated and reduced market rate development.

Within the 2017 Pilot Zones, inclusionary requirements have increased to levels (up to 20 percent, with higher expectations for on-site units) that make pro formas for new developments difficult to pencil under current market expectations. Despite increased approvals for multifamily developments, construction permits have fallen for the past two years. Lack of large-scale multifamily developments will only push new talent arriving in Chicago to seek options from the city's existing housing stock, cannibalizing much of the existing workforce housing. Already, over 1,500 1-4 flats have been torn down and replaced with primarily smaller single family homes and condominiums between 2009 and 2018. Unsurprisingly, these teardowns have been concentrated primarily in the ARO Pilot Zone area.

	2007	2015	2017 Pilot
Units Goal	1,000 units/yr	240 units/yr	333 units/yr
In-Lieu Fee Goal	-	\$18M/yr	None
On-site units created	430	303	(72)
Units from in-lieu fees	1,600+	1,218	**
Avg In-Lieu Fees Collected	-	\$16.6M/yr	**

ALTERNATIVES:

- **A strong and productive inclusionary platform is dependent upon a strong tide of market rate development.** Adjust requirements to a reasonable range that prevents dead deals that produce no inclusionary units or affordable funds. Instead utilize pro forma data to determine an optimal range to maximize inclusionary units produced.
- **Off-site solutions are held back by challenges to site location and construction regulations.** Developers often spend months searching for, acquiring and formulating an offsite option. If the City can allocate and expedite use of the thousands of vacant city-owned parcels for market rate developers needing off-site options, investment could dramatically increase for historically de-invested areas. Additional waivers of fees and expedited permitting could further incentivize developers to utilize this option.
- **If inclusionary requirements remain at 20 percent levels, tax abatements should be utilized so that developments end up going through.** Without a tax abatement or subsidy for the lifetime of the affordable units, which many other cities have in place, developments with that high of a requirement will be limited.
- **Utilize a comprehensive plan that includes the above and other policies to provide a full spectrum solution for all Chicago neighborhoods.** In addition to the above, a number of policies could promote housing across incomes and communities. Conduct a citywide reevaluation of the zoning code and permitting process, strategically upzoning portions of the city that are transit-oriented and can support higher density. Legalizing and expediting permitting for ADUs, also known as coach houses, to further grow the housing stock.

A solution toward strengthening housing for Chicago's workforce class should involve a comprehensive plan that continues the city's economic growth and optimizes how market rate development can help solve the issue

ARO PILOT AREAS: TIME FROM APPROVAL TO PERMIT

