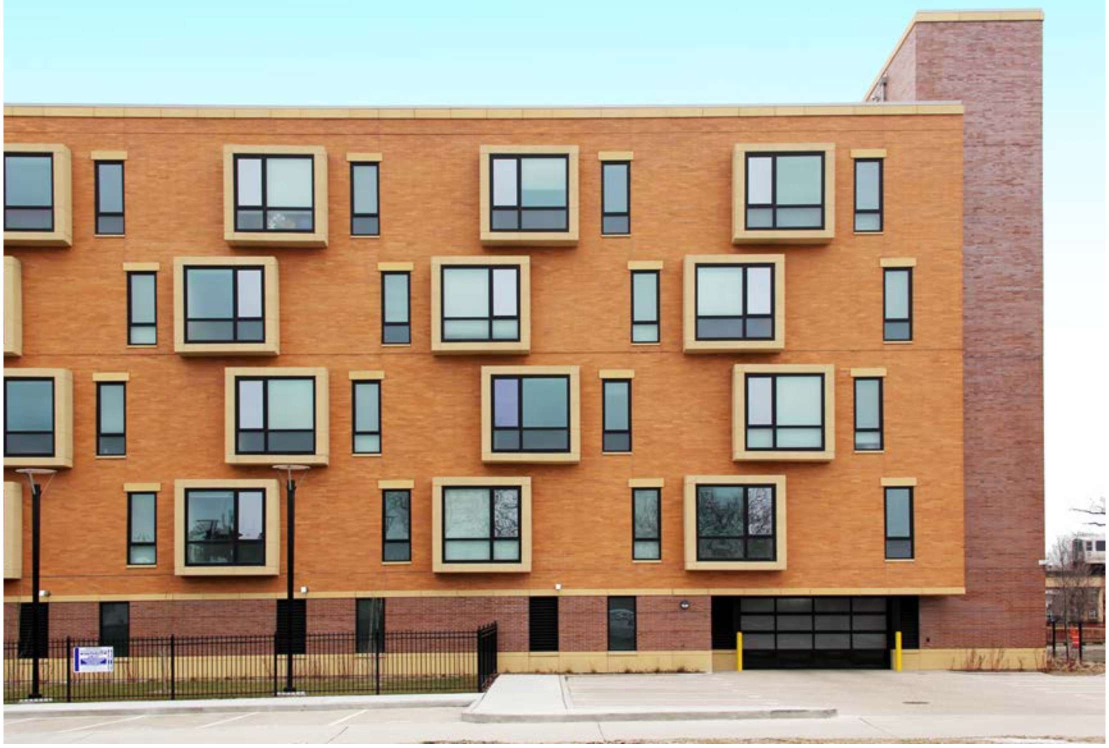


Affordable Requirements Ordinance

Proposed Enhancements
December 2014

CITY OF CHICAGO

ARO

Improving Chicago's Inclusionary Housing Tool

INTRODUCTION

The Affordable Requirements Ordinance (ARO) is one of the City's strongest, most efficient tools to create affordable housing. Established in 2003 and expanded in 2007, the ARO applies to new or rehabilitated housing developments with 10 or more units that involve a zoning increase or downtown Planned Development designation, City-owned land, or City financial assistance.

Residential projects that utilize a zoning increase or City land are required to set aside 10% of total units as affordable to low- to moderate-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 a fee-in-lieu of $100,000 per required unit into the Affordable Housing Opportunity Fund (AHOF).

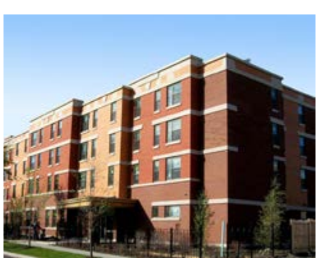
Chicago was one of the first large cities in the country to pass an inclusionary housing ordinance like the ARO. With its companion ordinance, the Downtown Density Bonus, the ARO has led to nearly 1,800 homes for very-low and moderate-income households, including 189 units within new, market rate housing developments and 1,600 units financed, in part, by in-lieu funds.

While the ARO has proved useful in setting a framework for creating and providing resources for affordable housing as a byproduct of market-rate activity, the resurgence of Chicago's housing market and the modest number of on-site units generated by the ARO led Mayor Rahm Emanuel to identify an update to the ARO as one of the top policy objectives of the City's "Five-Year Housing Plan." Adopted by City Council in February 2014, the housing plan is coordinating $1.3 billion in spending to create, improve, and preserve more than 41,000 units of housing citywide over the next five years.

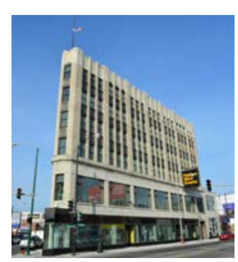
MAYORAL MANDATE

Within months of the City Council's approval of the Five-Year Housing Plan, Mayor Emanuel named 26 local leaders to the ARO Advisory Task Force. He charged the Task Force to make recommendations that would:

- **Add 1,000 new affordable housing units to the City's inventory over the next five years**
- **Generate additional revenue for the Affordable Housing Opportunity Fund (AHOF)**
- **And add affordable housing in high-growth neighborhoods where supply is minimal**







TASK FORCE PARTICIPANTS

Process Chair:

- Ald. Ray Suarez (31st), Vice Mayor, Chairman of the Committee on Housing & Real Estate

Co-Chairs

- Joy Aruguete, Executive Director, Bickerdike Redevelopment Corp.
- Jack Markowski, President, Community Investment Corp.
- Craig Huffman, Co-Founder and Principal, Ascendance Partners

Members

- Ald. Walter Burnett (27th), Chairman of the Committee on Pedestrian and Traffic Safety
- Ald. Will Burns (4th)
- Ald. James Cappleman (46th)
- Ald. Deborah Graham (29th)
- Ald. Michelle Harris (8th), Chairman of the Committee on Committees, Rules, and Ethics
- Ald. Natashia Holmes (7th)
- Ald. Deb Mell (33rd)
- Ald. Emma Mitts (37th) Chairman of the Committee on License and Consumer Protection
- Ald. Ameya Pawar (47th)
- Ald. Ariel Reboyras (30th), Chairman of the Committee on Human Relations
- Ald. JoAnn Thompson (16th)
- Curt Bailey, President, Related Midwest
- Brian Bernardoni, Director of Governmental Affairs, Chicago, Illinois Association of Realtors
- Alan Lev, President/CEO Belgravia Group, Past President of Homebuilders Association of Greater Chicago
- Adam Gross, Director of Affordable Housing, Business and Professional People in the Public Interest
- Calvin Holmes, President, Chicago Community Loan Fund
- Rafael Leon, Executive Director, Chicago Metropolitan Housing Development Corp.
- Mary Lynch-Dungy, Community Organizer – Housing, ONE Northside
- Eithne McMenamin, Associate Director of Policy, Chicago Coalition for the Homeless
- Shirley Newsome, Board Chair, Quad Communities Development Corp.
- Guacolda Reyes, Vice President of Real Estate Development, The Resurrection Project
- Rev. Dr. Richard Tolliver, St. Edmund's Episcopal Church

TASK FORCE PROCESS

2014 Meetings

August 14
September 4
October 1
November 25

Public Comment Period

July 22 through August 19

A comprehensive report summarizing public comments was prepared and presented to the Task Force for review and formed the basis of the Task Force's deliberations.

INCLUSIONARY HOUSING: A PRIMER

Since the 1970s, more than 500 local governments in 27 states and the District of Columbia have implemented inclusionary housing programs resulting in the production and preservation of hundreds of thousands of moderately priced homes.

Inclusionary housing programs require or provide incentives for the development of affordable homes for low-income and working-class households as part of the development of market-rate housing. In most cases, this takes the form of a local ordinance or policy that requires all developments of a certain size to include a minimum percentage of affordable housing.

Many programs allow developers to comply in alternative ways such as through the payment of an “in lieu” fee that can be used to create or preserve affordable housing in other programs. Because these affordable homes are produced within market-rate developments, many of them are built in very desirable locations near jobs, good schools and amenities. In addition, because inclusionary programs typically rely on zoning incentives, the creation of moderately priced homes often does not require any new sources of public funding.

Most programs apply to both ownership and rental developments, and mandate that 10 to 20 percent of the homes developed be moderately priced. Income eligibility varies widely, but most programs serve households with incomes ranging from 50 to 120 percent of area median income.

Most jurisdictions require the homes to remain affordable for the long term; 30 to 50 years is not uncommon. In some high-cost jurisdictions, the homes must be maintained as affordable in perpetuity.

In order for a jurisdiction to be successful with long-term affordability requirements, the jurisdiction must provide a robust administrative function and continuous education and support to the households that benefit from the program.

Affordable Requirements Ordinance (ARO)

The current ARO is triggered by new and rehabilitated housing developments with 10 or more units that involve a zoning increase or downtown Planned Development designation, City-owned land, or City financial assistance.

Residential projects that utilize a zoning increase or City land are required 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 a fee-in-lieu of $100,000 per required unit into the Affordable Housing Opportunity Fund (AHOF).

The ARO applies to both rental and for-sale unit types.

Rental Units:

- Affordable for households earning up to 60% of the Area Median Income (AMI), or $43,440 for a family of four. Rental units are required to remain affordable for a term of 30 years.

For-Sale Units:

- Affordable for households earning up to 100% of AMI, or $72,400 for a family of four. Most for-sale units are administered through the Chicago Community Land Trust, which maintains their affordability in perpetuity.

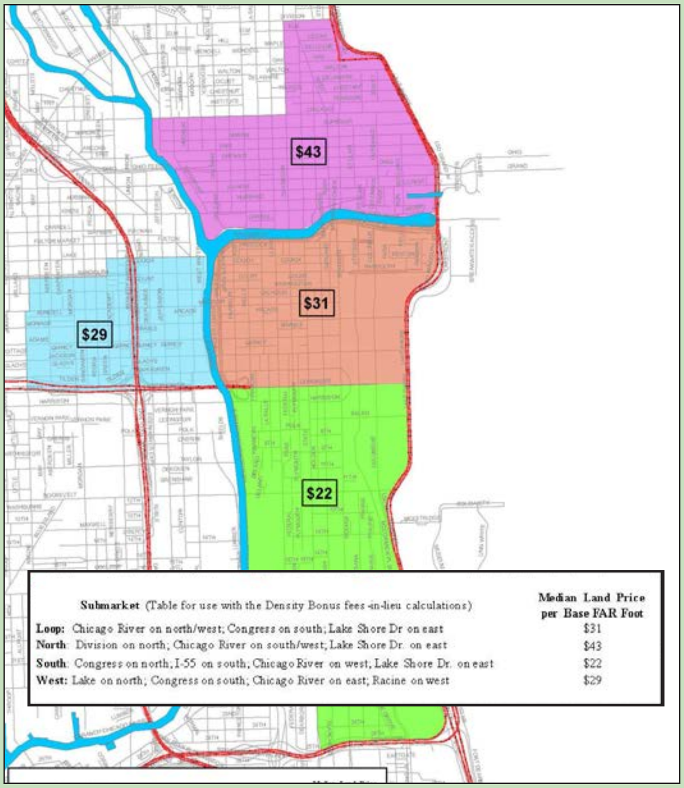
Downtown Density Bonus

The current affordable housing Density Bonus was passed by City Council in 2004.

The Density Bonus allows real estate projects in downtown zoning districts to receive additional density in exchange for on-site affordable units or a fee paid to the Affordable Housing Opportunity Fund (AHOF).

In the last 10 years, the Density Bonus has resulted in the construction of five on-site units and the collection of $34 million in in-lieu fees.

The current ordinance provides downtown developers with the option to pay the lower of the in-lieu fees calculated under the ARO or the Density Bonus. The option provides a financial loophole that has diminished potential AHOF collections by more than $20 million since 2007.



Existing fee structure for projects that receive a Downtown Density Bonus.

Key outcomes

Based on input from the Task Force and members of the public, the following series of recommendations would generate an estimated 1,200 affordable units over the next five years, exceeding Mayor Emanuel's goal by nearly 20%.

The recommendations would create more units in more neighborhoods, including 600 affordable homes within or near market rate developments and more than $95 million in in-lieu fees by 2020.

The recommendations include ideas that originated directly from Task Force members, including provisions that will encourage affordable development near transit stations and harness the housing market to jumpstart investment in neighborhoods where recovery from the recession has stalled.

The ordinance would also continue to balance the increase in affordable housing with the financial needs of the development community while continuing to generate funds to build and subsidize housing for very-low-income families and individuals.

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% 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 forego the 25% unit requirement by paying a $225,000 in-lieu fee per required unit.

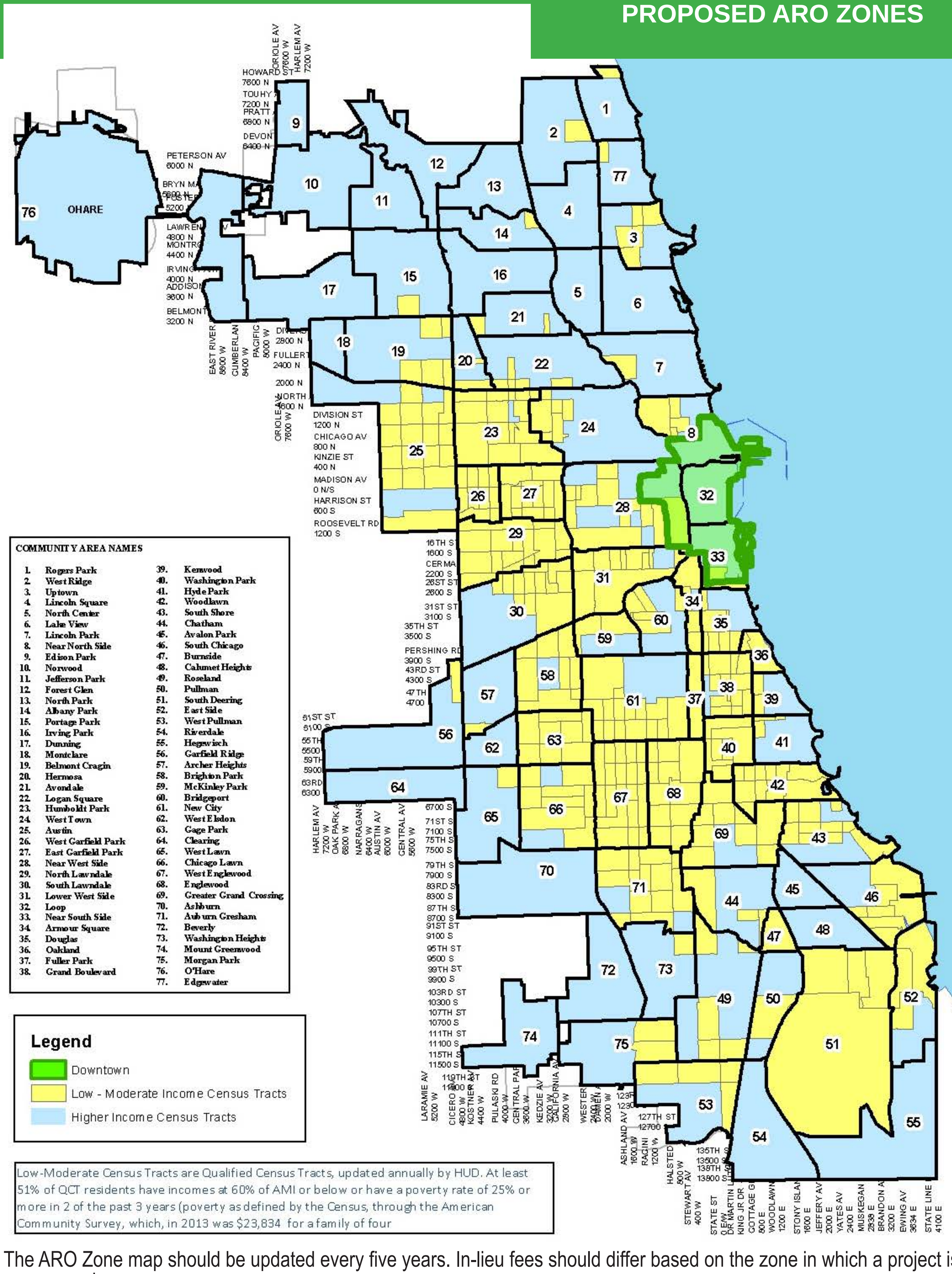
- Reduce the in-lieu fee for a project's remaining affordability obligation to $50,000 in low-moderate census tracts; increase the in-lieu fee to $125,000 per unit in higher-income census tracts; and increase the base in-lieu fee to $175,000 downtown.

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

- Provide additional density incentives to developers that place more than 50% of a project's affordable unit requirement on-site in Transit-Served Locations (TSL).

- And increase income targets for for-sale affordable units from 100% area median income (AMI) to 120% 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.



The ARO Zone map should be updated every five years. In-lieu fees should differ based on the zone in which a project is constructed.

1 Create more affordable units in neighborhoods with strong housing markets.

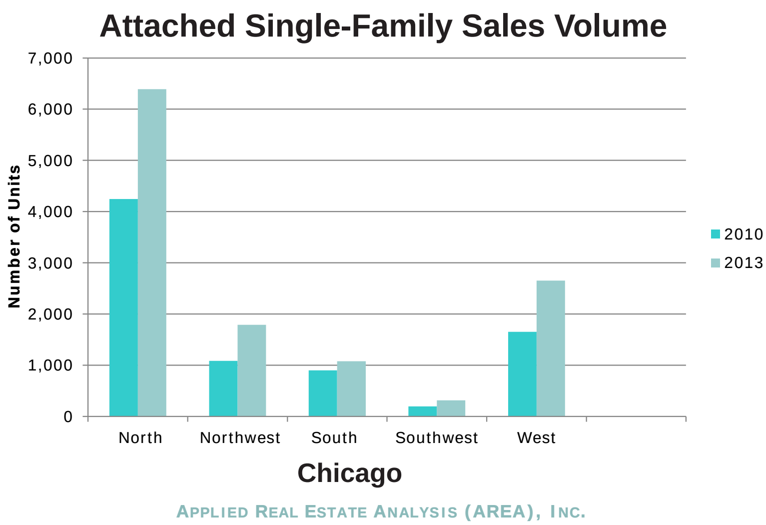
Under the current ARO, developers of market-rate residential projects can choose to meet applicable inclusionary housing requirements by paying a fee or by building the affordable homes on-site. This has largely led developers in strong-market neighborhoods to pay the in-lieu fee rather than including units on-site.

The Task Force heard concerns from developers that it is significantly more expensive to build and sell an affordable home within a market-oriented development than it is to pay the fee-in-lieu.

The Task Force also looked at the important benefits of including affordable units in market-rate developments, specifically the public amenities that neighborhoods with strong real estate markets typically possess, including quality schools, access to public transit, and other assets that are beneficial to families of all income levels.[1] For example, the research included the "Housing Policy is School Policy"[2] study, which examines the different academic outcomes experienced by children residing in two different public housing settings: Children in low poverty, mixed-income settings performed substantially better in reading and math standardized testing over the six to seven years that they were tracked.

Recommendations:

- The updated ARO should require that 25% of required affordable units be provided on-site, up from 0%.
- Developers of units downtown and higher-income census tracts should have several options to meet the on-site requirement, as described in Recommendation 2.
- As before, for projects that are subject to the ARO, 10% of all units in a development receiving a zoning increase or City land would be required to be affordable, or 20% for developments with City financial assistance.
- Affordable for-sale units should be targeted for families earning 120% of the AMI ($88,300 for a family of four), up from 100%.
- As before, affordable rental units should be targeted to households earning 60% of the AMI ($43,440 for a family of four).



1 Opportunity Mapping Issue Brief Place Matters: Using Mapping to Plan for Opportunity, Equity, and Sustainability
Prepared by: Jason Reece, David Norris, Jillian Olinger, Kip Holley, Matt Martin; The Kirwan Institute

2 Housing Policy Is School Policy: Economically Integrative Housing Promotes Academic Success in Montgomery County, Maryland, the Century Foundation, 2010

2 Encourage investment in neighborhoods where housing markets have been slow to rebound and secure long-term affordability for low-income populations.

The updated ARO should address a need that was not as pressing when the ARO was last updated in 2007: the need to jumpstart the housing market in neighborhoods where private investment essentially halted during the recent recession and has been slow to rebound.

Several Task Force aldermen suggested that the ARO be harnessed to help address the lingering effects of the market slowdown in their wards. This suggestion, paired with developers' proposals to allow ARO compliance through the construction of off-site units, led to the recommendation that for-sale development projects in downtown zoning districts can elect to meet their required 25% on-site unit requirement by developing or buying affordable units in low-moderate census tracts.

Recommendations:

- To further encourage private development in low-moderate income census tracts, the updated ARO should reduce the fee-in-lieu in low-moderate income census tracts from $100,000 to $50,000.

- Developers of units downtown and in higher-income census tracts should be provided an option to meet their on-site requirement by providing for-sale affordable options off-site. Downtown rental projects, and all developments in higher-income census tracts, could buy or build off-site units in higher-income census tracts within a one-mile radius of the subject properties. Downtown for-sale projects could buy or build off-site units anywhere in the city. At minimum, the off-site development budget must equal the amount of the required in-lieu fees. Additionally, a $10,000 fee per off-site unit should be implemented to cover administrative and monitoring costs. By allowing private developers to build, buy or rehab units in lower-cost neighborhoods, this could result in more off-site units being created than the developer's original on-site affordable obligation would require.

- Off-site units should be of good quality construction and require project-specific approval from the Department of Planning and Development (DPD). The off-site affordable units should be constructed and completed concurrently with the ARO-subject units.

- The CHA or other authorized agencies--including the Chicago Low-Income Housing Trust Fund-should be eligible to negotiate with with developers to purchase or lease ARO units for a 30-year affordability term. Authorized agencies could include other non-profit agencies administering subsidies under HUD's McKinney-Vento homeless assistance grants program, Veterans Administration Supportive Housing programs, or other housing assistance programs approved by the City.

- When developers agree to sell or lease their required affordable units to the CHA or other authorized agency, they should receive a per-unit reduction of $25,000 of remaining in-lieu fees.

3 Continue to generate funds to build and subsidize housing facilities for very-low-income families and individuals.

As federal and state resources decline for affordable housing development, the City of Chicago will increasingly rely on the AHOF to fund new construction and rental assistance. DPD's allocation of federal HOME dollars, for instance, has been halved from $32 million to $16 million in the last five years.

The Affordable Housing Opportunity Fund (AHOF) should continue to be used to fund affordable housing projects and to subsidize the Chicago Low Income Housing Trust Fund (CLIHTF). The CLIHTF, an innovative not-for-profit corporation, provides rental subsidies or development capital that creates affordable rental housing for households at or below 30% of the AMI.

Recommendations:

- Maintain the fee-in-lieu option for residential real estate projects at 75% of the total obligation.
- Increase funding dedicated to the CLIHTF from 40% to 50% of AHOF collections and provide greater flexibility to the CLIHTF Board of Directors to allocate funds.

$2.3 million in AHOF assistance helped Veterans New Beginnings create 54 housing units and on-site services for veterans at risk of homelessness in Auburn Gresham

$4.3 million in AHOF collections secured the affordability of 58 studio units in Uptown and Edgewater in partnership with FLATS LLC.

4 Encourage the development of greater density around transit facilities without changing the character of residential neighborhoods.

A Floor Area Ratio (FAR) bonus was made available through the City's 2013 Transit Served Location (TSL) ordinance for development projects that are located within 600 feet from a transit station, or on a Pedestrian street and located 1,200 feet from a transit station.

Recommendation:

- TSL projects that provide at least 50% of the required affordable units on-site should be eligible for a combined FAR bonus of .75, a 25% parking reduction, and up to 10 feet in building height.

5 Ensure that the value of the private benefit reflects the public cost without slowing the pace of development.

The Task Force concluded that the $100,000 in-lieu fee does not adequately value the increased density, land, nor financial assistance provided by the City of Chicago to real estate development projects, especially the 8,600 new residential units projected to be completed downtown in the next two years. The Task Force also recognized how the Density Bonus loophole impairs collections for the AHOF.

To help consider potential changes to the in-lieu fee structure and loophole provisions, DPD looked at a sample of 22 of the 38 (60%) ARO projects that had been approved since 2007. DPD analysis showed that projects that could have built an average 15 units could now build 56, an increase of 45 units (409%). In exchange, these projects provided the city with an average six on-site units or $466,000 in in-lieu fees (See Appendix D).

Task Force members meanwhile expressed concern that a substantial increase in the in-lieu fee may slow or halt the pace of development, thereby slowing job growth and reducing new housing opportunities. Task Force staff conducted a modeling exercise to determine a revised fee structure that would have a manageable impact on the viability of future development projects. The modeling found that retaining the current fee in most neighborhoods, and reducing it in others, would not have an overly negative impact on the City's AHOF collections. (See Appendix A)

Recommendations:

- Increase the in-lieu fee from $100,000 to $175,000 in the downtown zoning districts only. Developers of for-sale projects in downtown zoning districts could elect to pay an in-lieu premium of $50,000 per required unit – for a total per-unit fee of $225,000 – if fewer than 25% of the required affordable units are created.
- Fees in-lieu in higher-income census tracts would increase to $125,000; and be reduced to $50,000 in low-to-moderate income census tracts.
- Close the Density Bonus loophole by requiring downtown projects that use both Density Bonus and ARO to pay the higher amount that's calculated through either formula.

Proposed In-Lieu Fees

	Current ARO	Proposed	In-Lieu Premium (minimum 25% of required on-site affordable units are not provided)	CHA Option Minimum 25% of units are sold or leased to the CHA or authorized agency
Low-moderate income census tracts	$100,000	$50,000	n/a	n/a
Higher income census tracts	$100,000	$125,000	n/a	$100,000
Downtown	$100,000	$175,000	$225,000 For for-sale projects only	$150,000

6 Continue to require affordable units only for those developments that receive something of value from the City.

While many cities have mandatory inclusionary housing programs for all residential developments that exceed a certain unit threshold, Chicago's program is voluntary. Affordable units are only required when a developer seeks a public benefit that will increase a property's private value.

Recommendations:

- As before, as-of-right developments should continue to be exempt from the ARO.
- As before, the ARO should be triggered only when a developer proposes to build 10 or more units; seeks a rezoning to build a larger developments than the current zoning allows; is in a downtown Planned Development; or receives land or financial assistance from the City.

7 Provide a range of options for developers to meet affordability requirements.

The updated ARO should include an expanded menu of options that enable developers to meet the affordability obligations of new projects.

Recommendation:

Options to meet the ARO	Low-Moderate Income Census Tracts: Rental and For-Sale	Higher Income Census Tracts: Rental and For-Sale	Downtown: Rental	Downtown: For-Sale
Place all required affordable units on-site and pay no in-lieu fee	X	X	X	X
Place at least 25% of required affordable units on-site and pay a fee-in-lieu per any remaining units (Recommendation 1)	X $50,000 in-lieu fee	X $125,000 in-lieu fee	X $175,000 in-lieu fee	X $175,000 in-lieu fee
Additional Transit-Served Location bonus (Recommendation 4)	X	X	X	X
CHA Fee Reduction (Recommendation 2)		X	X	X
Off-Site Option (Recommendation 2)		X	X	X
No on-site units – with in-lieu premium (Recommendation 5)				X

ARO AMENDMENT PHASE-IN

The amended ARO should be effective 90 days after City Council approval and publication. Projects submitted prior to the effective date would have nine months following the effective date (roughly one year after City Council publication of the ARO updates) to receive City Council approval.

Any project that has not received Council approval within nine months of the ARO effective date would be subject to the requirements of the new provisions in the amended ARO.

For zoning changes/PDs, “submitted” would be understood to mean applications that were introduced to City Council. For land sales or financial assistance, “submitted” would be understood to mean that complete applications were submitted to DPD.

OTHER IMPROVEMENTS

A rules document intended to make the ARO easier to understand and implement should be available on the Department of Planning and Development’s web site at www.cityofchicago.org/DPD.

Appendix A: Modeling and Assumptions

To estimate the impact of proposed ARO changes, DPD developed a two-part model that used the existing ARO project pipeline as a base and then projected the impact of various change scenarios. Variables included the amount of the in-lieu fee applied citywide and on a zone-by-zone basis; a CHA in-lieu fee reduction; the percentage of affordable units required; allocation of AHOF funds; the implications of a transit-served location bonus; and the elimination of the density bonus loophole. The first part of the model estimated the number of affordable units that would be created and the dollars that would be collected compared to current law. The second part of the model estimated the impact of the policy changes on a standard project pro forma.

Comparing the Existing ARO to the Proposed ARO: Project Examples

Project Details	1	2	3	4	5	6
Units	100	100	100	100	100	100
Rental?	Yes	Yes	Yes	No	No	No
Location:						
Downtown?	Yes			Yes		
High income census tract?		Yes			Yes	
Low/mod income census tract?			Yes			Yes
Public Assistance: Upzoning	Yes	Yes	Yes	Yes	Yes	Yes
ARO Policy Effects						
Affordable units required under the **current** ARO	10	10	10	10	10	10
Affordable units required under the **proposed** ARO	10	10	10	10	10	10
Affordable units that must be built on site under **current** ARO	0	0	0	0	0	0
Affordable units that must be built on site under **proposed** ARO	3	3	3	0	3	3
Maximum per-unit in lieu fee under **current** ARO	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000
Maximum per-unit in lieu fee under **proposed** ARO	$175,000	$100,000	$50,000	$225,000	$125,000	$50,000
Total in lieu fee paid if developer builds minimum required units under **current** ARO	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Total in lieu fee paid if developer builds minimum required units under **proposed** ARO	$1,225,000	$700,000	$350,000	$2,250,000	$875,000	$350,000
Total value provided to affordable housing (if an on-site unit is worth $300K) under **current** ARO	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Total value provided to affordable housing (if an on-site unit is worth $300K) under **proposed** ARO	$2,125,000	$1,600,000	$1,250,000	$2,250,000	$1,600,000	$1,250,000

Appendix B: Research Summaries

Study/Article	Authors	Date	Findings
Inclusionary Housing Survey: Measures of Effectiveness	Innovative Housing Institute, Patrick Maier, David Rusk	November 2010	Study reviewed 52 of the 400 Inclusionary Housing policies that existed at that time The Inclusionary Housing programs studied had produced 59,620 affordable housing units with another 16,278 planned and had collected $210.1 million in lieu fees with another $99.8 million due
Equitable Neighborhood Change in Transit-Rich Neighborhoods	U.S. Dept. of Housing and Urban Development	February 2011	Tax policies can discourage affordable housing development in neighborhoods with access to transit facilities, but using tax increment financing can reduce the cost of providing affordable housing in transit-rich neighborhoods. Restrictive zoning requirements can increase costs in transit-rich neighborhoods, but reducing parking requirements, unbundling parking practices, and implementing inclusionary zoning policies can reduce the cost of providing affordable housing in these high opportunity areas.
Inclusionary Zoning: A Guide to Ordinances and the Law	C.Tyler Mulligan and James L. Joyce, The University of North Carolina School of Government	2010	Examples of ordinance language from inclusionary zoning programs around the country are provided to help with developing or modifying an inclusionary zoning ordinance by translating policy decisions into a working ordinance.
Inclusionary Upzoning	Robert Hickey/ National Housing Conference	July 2014	Tying affordability to upzoning can be an effective means for cities and urban suburbs to harness the renewed energy of the housing market to help address growing affordability challenges the often voluntary nature of these policies may be a way to introduce inclusionary housing policies in places where political, legal, and/or market barriers have historically impeded the policy's broader adoption

Appendix B: Research Summaries Cont.

Opportunity Mapping Issue Brief Place Matters: Using Mapping to Plan for Opportunity, Equity, and Sustainability	Jason Reece, David Norris, Jillian Olinger, Kip Holley, Matt Martin; The Kirwan Institute		The study identifies tools local jurisdictions use to identify high opportunity areas.
Housing Policy Is School Policy: Economically Integrative Housing Promotes Academic Success in Montgomery County, Maryland	Heather Schwartz, The Century Foundation	2010	Inclusionary zoning integrated children from highly disadvantaged families into low-poverty neighborhoods and low-poverty schools over the long term. Children in public housing benefit academically from living in low-poverty neighborhoods, but less than from attending low-poverty schools. Residential stability improved students' academic outcomes
Achieving Lasting Affordability through Inclusionary Housing	Robert Hickey, Lisa Sturtevant, Emily Thaden/ National Housing Conference, National Community Land Trust, The Lincoln Institute for Land Policy	July 2014	507 inclusionary housing programs in 482 local jurisdictions. Often one policy applies jurisdiction-wide and a second that applies to a specific neighborhood or district, such as a neighborhood or corridor in which intensive redevelopment is occurring Programs were found in 27 states and the District of Columbia.
"Inclusionary Zoning: Pros and Cons," in Inclusionary Zoning: A Viable Solution to the Affordable Housing Crisis?	Dr. Robert W. Burchell and Catherine C. Galley/ Washington, D.C.: The Center for Housing Policy, p.7	2000	Describes Inclusionary Housing policy in jurisdictions across the country and identifies shortcomings in programs attempting to serve very low income households.
"Renewing the Land of Opportunity" Journal of Affordable Housing & Community Development Law	Nicholas J. Brunick and Patrick O'B. Maier	Winter 2010	Report examines the roots of Inclusionary Housing policy adoption in Montgomery County, MD. Reviews national inclsuionary practices. Identifies the importance of Inclusionary Housing as a means to use land use practicesfor affordable housing needs.

Appendix B: Research Summaries Cont.

"Case Studies in Inclusionary Housing: The City of Chicago," ***Zoning Practice*****. Chicago, IL: American Planning Association**	Nicholas Brunick	March 2007	
"Easing the Affordability Crunch: The Inclusionary Housing Option" ***Facts and Findings*****. Volume 8, Issue 1. Fannie Mae Foundation**	Nicholas Brunick	2006	
"The Inclusionary Housing Debate: The Effectiveness of Mandatory Programs Over Voluntary Programs." ***Zoning Practice*****. Issue #9 American Planning Association**	Nicholas Brunick	September 2004	
"Inclusionary Housing: Proven Success in Large Cities." ***Zoning Practice*****. Issue Number 10**	Nicholas Brunick	October 2004	
Inclusionary Housing: A Policy that Works for the City That Works	Business and Professional People for the Public Interest	December 2003	Adding affordable units will enhance and expand the city's property tax base and contribute to the long-term social and fiscal health of the city. An inclusionary housing program will produce affordable housing without the need for a public subsidy inclusionary housing helps a city attract new business. Affordable housing frees up the disposable income of moderate income families, providing stimulus to business.
Overview of the Chicago housing Market: Background Data for Chicago's 2014-2018 housing Plan	Institute for Housing Studies, DePaul University	Summer 2013	Chicago 5-Year housing Plan Data Report
Bouncing Back: Five-Year Housing Plan, 2014-2018	Department of Planning & Development	February 2014	Outlines City investment of $1.3 billion toward the construction, rehab and preservation of more than 41,000 units of housing.

Appendix C: Inclusionary Housing Policies Across the Country

City	Threshold	Set-Aside %	Income Target	Affordability Period	On-site requirement	In-lieu fee	Density Bonus
New York , NY (Proposed Housing New York: A Five-Borough Ten-Year Plan)	All rezoning requests that substantially increase potential housing capacity in strong markets	Currently undefined, however ideal mix is 30% at 20% AMI, 20% at 50% AMI and 50% at Market Rate or 165% AMI	Mix of units at or below 50%, 80%, and 165% AMI	In perpetuity	Currently undefined	Currently undefined	Currently undefined, however Plan calls for tailoring to individual Boroughs and neighborhoods
San Francisco	10 + units	12%	Onsite For Sale: 90% AMI Onsite Rental: 55% AMI Off-site For Sale : 70% AMI Off-site Rental: 50%	50 years	No - but percentage owed increases to 20% if they provide off-site units or pay in-lieu fee	Based on "affordability gap" between the cost of developing unit and the affordable purchase price ($171,558-$372,956)	none
Boston	10+ units and zoning change	15%	For Sale: 80-100% Rental: 70%	50 years	no	$200,000	none
Montgomery County	20+ units	12.5-15%	For Sale: 70% AMI Rental: 65% AMI	30 years	yes	No	22%
Santa Fe NM	10+ units and zoning change	For Sale: 20% Rental: 15%	For Sale: 50-80% Rental: 0-80%	20 years	no	Payments vary by city quadrant: $160-$240,000	none
Seattle, WA	All Rezoning Requests	15.6% of Bonus Floor Area	80% for Rental and 100% for home ownership	50 years	Can be on or off-site	$15.15 per gross square foot of bonus floor area (will be increasing to $21.68 per square foot in 2015)	Varies by zone. In addition to Density Bonus, an additional incentive is available in the form of a Property tax exemption for multifamily if 20% of development is affordable to 85% or rental and 120% for homeownership. Exemption applies for 20% of property only and lasts for 12 years.
Washington, D.C.	New developments of 10 or more units or substantial rehabilitation that expands development by 10 or more	8% - 10% of gross floor area devoted to residential use	50% - 80% depending on area of city and type of construction (steel/concrete versus stick built)	30 years for rental. Resale restriction was reduced from 15 years to 5 years on 10/28/2014 in an effort to promote homeownership	On-site construction required, but exemption can be granted in cases of high condo fees or if develper can prove economic infeasbility.	None	20% FAR Bonus
Philadelphia, PA	20 units or more, financed or undertaken by the City, developed on property owned by the City, entitled to a real estate tax abatement, or require an ordinance of Council and/or action by the	10%	80% - 150%	10 years	Off-site is allowed but only if approved by City Council. The number of off-site units must be increased by 0.15	Allowable if approved by City Council. Fee changes annually and is calculated by the Office of Housing and Community Development and is based on development project budget.	None
Chicago: current	10+ units and zoning change, City land, or $	10%	For Sale: 100% AMI Rental: 60% AMI If TIF is provided, For-Sale: 80-100% AMI; Rental: 50-60% AMI	For Sale: perpetuity (in CCLT) Rental: 30 years	no	$100,000	downtown density bonus: developer may meet *lower of* density bonus or ARO obligation
Chicago: proposed	same as above, except for sale: 120% AMI				Minimum 25% required onsite for Rental units	$175,000/$225,000 downtown*; $100,000 in high-income census tracts; $50,000 in low-mod census tracts *fee would be reduced to $150k downtown and $75 in higher income census tracts, when onsite-units were leased to or purchased by the CHA.	Downtown density bonus remains - but obligation is *higher of* ARO or DB Developers in a Transit-Served Location receive a 0.25 Floor Area bonus if at least 50% of required affordable units are provided onsite

Appendix D: Value of Upzoning

For purposes of this analysis, DPD looked at a sample of 22 of the 38 (60%) ARO projects that had been approved since 2007. DPD analysis showed that projects that could have built an average 15 units could now build 56, an increase of 45 units (409%). In exchange, these projects provided the city with an average six on-site units or $466,000 in in-lieu fees.

					developer benefit			affordability commitment	
Project #	**Date of City Council Approval**	**former zoning**	**new zoning**	**units allowed under former zoning**	**units proposed under new zoning**	**unit increase as a result of rezoning**	**percent increase as a result of rezoning**	**actual Affordable Units provided**	**Actual In-Lieu Payments Collected**
1	10/3/2012	M2-3	B2-5	0	25	25	n/a	3	n/a
2	10/3/2012	C1-2	B2-3	11	16	5	45.45%	2	n/a
3	10/3/2012	RS-3	B2-2	7	15	8	114.29%	2	n/a
4	10/31/2012	M1-2	RS-3	0	15	15	n/a	n/a	$200,000
5	10/31/2012	B1-1	B2-3	50	150	100	200.00%	15	n/a
6	1/17/2013	B3-2	B3-3	20	33	13	65.00%	n/a	$400,000.00
7	1/17/2013	DS-3	DR-3	0	50	50	n/a	n/a	$500,000
8	1/17/2013	RS-3	B2-5	14	160	146	1042.86%	16	n/a
9	1/17/2013	DS-3	DX-5	0	40	40	n/a	n/a	$400,000
10	1/17/2013	RS-1	B2-2	5	30	25	500.00%	3	n/a
11	3/13/2013	B3-2	B3-3	12	21	9	75.00%	2	n/a
12	4/10/2013	M1-2	B3-3	0	16	16	n/a	2	n/a
13	6/5/2013	B1-2	B3-5	48	267	219	456.25%	27	n/a
14	6/5/2013	B3-1	B3-1.5	7	10	3	42.86%	1	n/a
15	6/26/2013	RS-3	RT-4	9	24	15	166.67%	n/a	$300,000
16	7/24/2013	B3-1	B2-2	13	30	17	130.77%	3	n/a
17	12/11/2013	M1-1	B2-2	0	30	30	n/a	n/a	$300,000
18	12/11/2013				14	14	n/a	2	n/a
19	1/15/2014	RT-4	RM-5	26	10	-16	-61.54%	1	n/a
20	2/5/2014	BPD 1181	RPD 1181	0	167	167	n/a	n/a	$1,700,000
21	2/5/2014	B1-1	B3-3	3	15	12	400.00%	n/a	$200,000
22	5/28/2014	B1-1	B3-3	3	14	11	366.67%	n/a	$200,000.00
			sample averages	**11**	**56**	**45**	**409.09%**	**79**	**$4,200,000.00**

Appendix E: Public Comments

The following people and organizations submitted comments during the public comment period, from July 22 through August 19, 2014.

Name	Organization
Adam Ballard Kenneth Walden Colleen Nicholson	Access Living
Diane Limas	Albany Park Neighborhood Council
Nonie Brennan	All Chicago
Joe LaMantia	Bethesda Holdings
Joy Aruguete	Bickerdike Redevelopment Corporation
Richard Sciortino	Brinshore
Jacky Grimshaw	Center for Neighborhood Technology
Michael Mini	Chicago Apartment Association
Brian Bernardoni	Chicago Association of Realtors
Kevin Jackson	Chicago Rehab Network
Terri Hamilton Brown	Community Builders Inc
Patrick FitzGerald	FitzGerald Associates Architects
Paul Colgan	Home Builders Association of Greater Chicago
Ronald Grais	Jenner & Block
Sara Barnes	Law Offices of Samuel Banks
John McDermott	Logan Square Neighborhood Association
MarySue Barrett	Metropolitan Planning Council
Scott Borstein	Neal & Leroy
Mary Lynch-Dungy	ONE Northside
Stacie Young	The Preservation Compact
Danita Childers	
David Baumgartner	
William Barry	
Li Wright	

Appendix F: Innovative Housing Institute

The Innovative Housing Institute (IHI) was created in 1996 by housing professionals with extensive, successful experience in developing, financing and managing affordable housing in a mixed income setting, to foster Inclusionary Housing and to promote good affordable housing practices nationally.

The IHI Board of Directors, associates and staff have deep experience in inclusionary housing and affordable housing policy and programs. The organization's roots as a "working" Board has matured into a flexible organizational model that takes advantage of the best available strengths among the board, staff and associates.

The following IHI principals assisted the City of Chicago ARO Advisory Task Force:

Patrick Maier
Patrick Maier, as the Executive Director of IHI, provides consulting assistance to communities and governments considering inclusionary policies, prepares housing need studies, and guides the development of housing strategies. During his tenure at IHI, he has provided relocation program management to Baltimore City for several court-ordered programs and also oversees contractual relocation and homeownership services. Mr. Maier previously served the Housing Opportunities Commission for Montgomery County, Maryland, as the Director of the Real Estate Development Division and as the Director of the Mortgage Finance Division. During his tenure with H.O.C., Mr. Maier helped guide the Commission in its transformation from a conventional Public Housing Authority to one of the leading diversified housing agencies in the country.

Nicholas J. Brunick
Nick is an attorney with Chicago's Applegate & Thorne-Thomsen. Prior to joining the firm, he spent five years, including three as Director of Affordable Housing, at Business and Professional People for the Public Interest (BPI), one of the nation's premier public-interest organizations. While at BPI, Nick was involved in legal, policy and advocacy efforts to create and preserve affordable housing (especially near jobs and opportunity), to revitalize low-income communities and to help the working households secure better wages and incomes. He helped to pass the first statewide rental subsidy program in Illinois (the largest in the country at the time), to develop new local inclusionary and affordable housing programs in the Chicago region and to pass statewide legislation to encourage local municipalities to plan for and create more affordable housing.

PROJECT STAFF:

Andrew J. Mooney, Commissioner, Department of Planning & Development (DPD)
Lawrence Grisham, Managing Deputy Commissioner, DPD Housing Bureau
Brad McConnell, Deputy Commissioner, DPD
Patti Scudiero, Zoning Administrator, DPD
Mike Simmons, Deputy Commissioner, DPD
Peter Strazzabosco, Deputy Commissioner, DPD
Lisa Misher, Senior Counsel, Department of Law
Kara Breems, Project Manager, DPD
Heather Gleason, Assistant Commissioner, DPD

Affordable Requirements Ordinance
Proposed Enhancements
December 2014