Affordable Requirements Ordinance (ARO) Updates

12.8.14

ARO – how it works now

- Residential developments with 10 + units that:
  - obtain a zoning change to increase allowable floor area; or
  - include City land (even at market price); or
  - are a downtown PD

  must include 10% affordable units.

- Projects that receive financial assistance from the City must include 20% of the units as affordable

- Developers subject to these requirements can choose to pay an in-lieu fee of $100,000 per required affordable unit

ARO – how it works now

- Rental units must be affordable for households earning up to 60 percent of AMI
  - $43,440 for a family of four
- Rental units remain affordable for a term of 30 years.

- For-sale units must be affordable for households earning up to 100 percent of Area Median Income (AMI)
  - $72,400 for a family of four
- Most for-sale units are administered through the Chicago Community Land Trust, which maintains affordability in perpetuity.

Program Outcomes

	ARO (since 2007 expansion)	Density Bonus	Total
Units Committed	184	5	189
In-Lieu Fees collected	$19,017,384.6	$34,464,978.94	$53,482,363.54

5YP Goals: 490 units

Updating the ARO: Mayoral Mandate

- 2014 5YP identified an ARO Update as a Priority
- Mayor named 26-member Advisory Task Force
- Charged Task Force to:
  - Add 1,000 new affordable housing units to the City's inventory over the next 5 years
  - Generate additional revenue for the Affordable Housing Opportunity Fund (AHOF)
  - Add affordable housing in high-growth neighborhoods where supply is minimal

- Following Recommendations would generate an estimated 1,200 units, including 600 affordable units within or near market-rate developments and over $95 million in in-lieu fees by 2020, assuming positive market conditions.

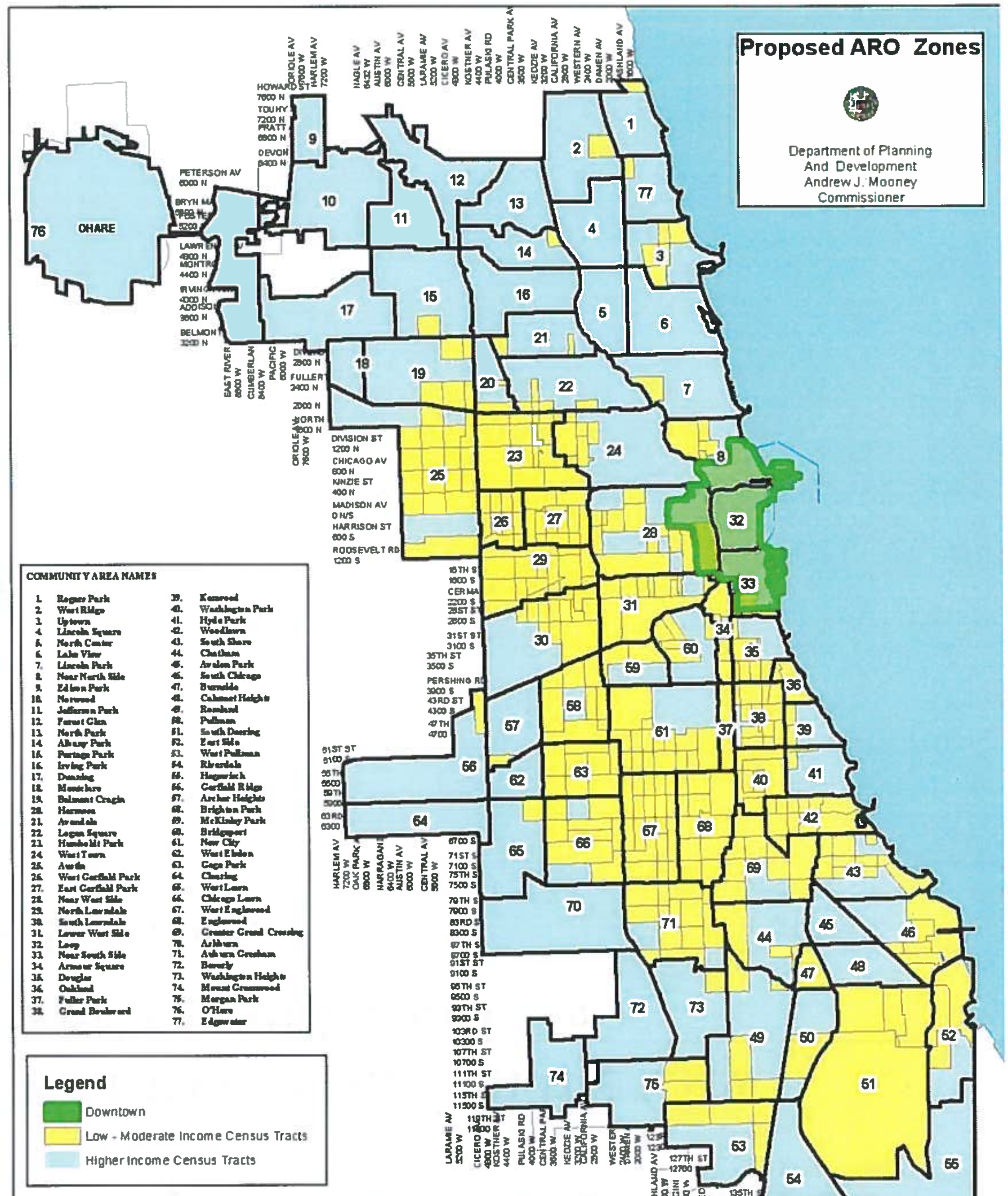
Updating the ARO: Recommendations

1. Create more affordable units in neighborhoods with strong housing markets
2. Encourage investment in neighborhoods where housing markets have been slower to rebound - and secure long-term affordability for low-income populations
3. Continue to generate funds to build and subsidize housing for very-low-income families and individuals
4. Encourage the development of greater density around transit without changing the character of residential neighborhoods
5. Ensure that the value of the private benefit reflects the public cost – without slowing the pace of development
6. Continue to require affordable units only for those developments that receive something of value from the City
7. Provide a range of options for developers to meet the affordability requirement

Updating the ARO: Proposed ARO Zones

- The updated ARO would create three “zones” in the City, reflecting different housing markets and priorities
- Map would be updated every five years

Proposed ARO Zones



Low-Moderate Census Tracts are Qualified Census Tracts, updated annually by HUD. At least 51% of QCT residents have incomes at 60% of AMI or below or have a poverty rate of 25% or more in 2 of the past 3 years (poverty as defined by the Census, through the American Community Survey, which, in 2013 was $23,834 for a family of four

Updating the ARO: Recommendations

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

- 25% of requirement must be built on-site, or – for rental developments downtown or rental or for-sale developments in higher-income census tracts – built or bought in a higher-income census tract within a mile of the subject project.
  - At minimum, the off-site development budget would equal the amount that would have been owed to the City in in-lieu fees, potentially resulting in more off-site units being created than the on-site requirement.
  - Off-site units would be bought or developed concurrently as ARO-subject project.
  - Each off-site project would require approval from DPD.
  - Developer would pay admin fee of $10,000 per off-site unit.
- Same percentage requirements (10/20%) as before
- Rental units would be affordable at 60% AMI
- For-Sale price increased up to to 120% AMI ($88,300 for a family of four).

Updating the ARO: Recommendations

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

- In-lieu fee in low-moderate income census tracts would be halved, to $50,000 ($5,000 per required affordable unit).
- Downtown for-sale developers could meet their 25% affordable unit requirement by buying or developing for-sale housing off-site, in any location.
  - At minimum, the off-site development budget would equal the amount that would have been owed to the City in in-lieu fees, potentially resulting in more off-site units being created than the on-site requirement.
  - Off-site units would be developed or bought concurrently as ARO-triggering project.
  - Each off-site project would require approval from DPD.
  - Developer would pay admin fee of $10,000 per off-site unit.
- Developers who sold or leased required on-site units to the CHA or another authorized agency* would receive a $25,000-per-unit reduction in remaining in-lieu fees

*authorized agencies would include the Chicago Low Income Housing Trust Fund & other non-profits with long-term housing assistance vouchers.

Updating the ARO: Recommendations

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

- Maintain the in-lieu fee option for residential real estate projects at 75% of total obligation

- AHOF funds would be split evenly between Affordable housing Projects and the Trust Fund, and the Trust Fund will get additional flexibility to spend dollars (*requirement to allocate half of funding to corpus would be eliminated*)

Updating the ARO: Recommendations

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

- Transit Served Location (TSL) bonus applies to projects 600 feet from a transit station or 1,200 feet on a Pedestrian street
- Developers who are eligible for the TSL and that:
  - provide at least 50% of the required affordable units on-site; and
  - take the TSL Bonus

could receive a combined:

- Maximum .75 additional FAR;
- Up to 10' in height; and
- Parking reductions down to 25%

Updating the ARO: Recommendations

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

Based on a sample of nearly 60% of the ARO projects approved since 2007, our analysis showed that projects that could have built an average 15 units could now build 56, an increase of 45 units, representing a 409% increase.

In exchange, these projects provided the City with an average 6 on-site units or $466,000 in in-lieu fees.

developer benefit				affordability commitment	
average number of units allowed under former zoning	average number of units proposed under new zoning	average unit increase as a result of rezoning	percent increase as a result of rezoning	average Affordable Units provided on-site	average In-Lieu Payment Collected
11	56	45	409%	6	$466,666

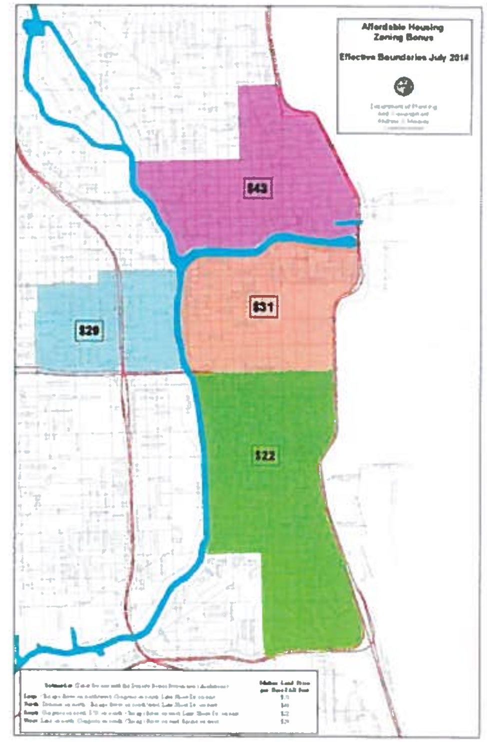
Updating the ARO: Recommendations

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

- In-Lieu Fee Recommendations:
  - $50,000 in-lieu fee in low-moderate income census tracts (reduction)
  - $125,000 in-lieu fee for higher-income census tracts
    ($12,500 per required affordable unit)
  - $175,000 base in-lieu fee downtown, with on-site buy-out premium of $50,000 for for-sale projects only (increase)
    ($17,500-$22,500 per required affordable unit)
  - $25,000 in-lieu fee reduction downtown and in higher-income census tracts if required on-site units are leased or sold to the CHA or another authorized agency
  - In-lieu fee would be adjusted annually for inflation
- downtown density bonus loophole will be eliminated

Density Bonus Primer

- Projects that trigger both ARO and the Density Bonus can meet their ARO obligation through the Density Bonus
- Since the ARO's expansion in 2007, this has resulted in a reduction of over $20 million in fees collected



example #	Type	total units	required payment under the density bonus	units required under the ARO	in-lieu fee under ARO	difference between DB fee and ARO
1	payment	351	$1,675,132.80	36	$3,600,000	$1,924,867.20
2	payment	367	220,607	37	$3,700,000	$3,479,393.00
3	payment	186	$1,191,822.00	19	$1,900,000	$708,178.00
4	payment	223	$540,630.00	23	$2,300,000	$1,759,370.00
5	payment	514	$2,587,291.80	52	$5,200,000	$2,612,708.20

Updating the ARO:
Summary of Proposed In-Lieu fees

Proposed In-Lieu Fees				
	Current ARO	Proposed Assumes 25% of required units are provided on-site	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-sale only)	$150,000

Updating the ARO: Recommendations

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

- As before, as-of-right developments should continue to be exempt from the ARO
- As before, ARO applies to residential developments with 10 + units that:
  - obtain a zoning change to increase allowable floor area; or
  - include City land (even at market price);
  - are a downtown PD; or
  - Receive financial assistance from the City.

Updating the ARO: Recommendations

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

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 or other authorized agency $25,000 Fee Reduction *Recommendation 2*		X	X	X
Off-Site Option: within one mile and in a higher income census tract *Recommendation 1*		X	X	
Off-Site Option: anywhere *Recommendation 2*				X
No on-site units – with $225,000 in-lieu premium *Recommendation 5*				X

Updating the ARO: 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.

Affordable Requirement:
90 x 10% = 9 units
On Site Requirement:
9 x 25% = 2 units

For a 90 unit residential development requesting an upzoning...

Where are you developing?

Downtown?				Higher-Income Census Tract?				Low/Mod-Income Census Tract?			
For Sale?		For Rent?		For Sale?		For Rent?		For Sale?		For Rent?	
Build	Pay/ **Benefit**	Build	Pay/ **Benefit**	Build	Pay/ **Benefit**	Build	Pay/ **Benefit**	Build	Pay/ **Benefit**	Build	Pay/ **Benefit**
0	$225K x 9										
2	$175K x 7	2	$175K x 7	2	$125K x 7	2	$125K x 7	2	$50K x 7	2	$50K x 7
2 CHA	$150K x 7	2 CHA	$150K x 7	2 CHA	$100K x 7	2 CHA	$100K x 7				
9	$0	9	$0	9	$0	9	$0	9	$0	9	$0
5 TSL	$175K x 4 **+ .75 FAR**	5 TSL	$175K x 4 **+ .75 FAR**	5 TSL	$125K x 4 **+ .75 FAR**	5 TSL	$125K x 4 **+ .75 FAR**	5 TSL	$50K x 4 **+ .75 FAR**	5 TSL	$50K x 4 **+ .75 FAR**
2 offsite anywhere	$175K x 7 + **proceeds**	2 offsite 1 mile HI	$175K x 7 + **proceeds**	2 offsite 1 mile HI	$125K x 7 + **proceeds**	2 offsite 1 mile HI	$125K x 7 + **proceeds**				
9 offsite anywhere	$0 + **proceeds**	9 offsite 1 mile HI	$0 + **proceeds**	9 offsite 1 mile HI	$0 + **proceeds**	9 offsite 1 mile HI	$0 + **proceeds**				