



ISSUE BRIEF: INCLUSIONARY HOUSING POLICIES IN CHICAGO

The City of Chicago Department of Planning and Development is responsible for administering two different types of inclusionary housing programs each governed by separate enabling legislation. Today in mid-2014, these are mature programs with administrative policies, clear-cut procedures, and transparent reporting. Their existence, however, results from 30 years of distinct but allied advocacy campaigns – each with common themes seeking equitable development and balanced attention between downtown growth and neighborhood needs.

The CRN Advocacy Committee in 1999 began research on other set aside programs throughout the country with the belief that Chicago's real estate market was heating up. The effort was believed to be one important component of a comprehensive housing policy that would capture supporters of economic integration. It is important to note that it was not seen as a stand-alone solution to the lack of affordable rental housing. Of the CRN members who were development focused at that time, inclusionary housing policy would not benefit their efforts – but nonetheless – the interest was driven by mission and commitment.

In addition to our proposal – that all development over 10 units include 25% affordable housing – several other important coalitions developed similar proposals. Coinciding with this activity was the City's effort to rewrite the Chicago Zoning Code. This leveraged many strategic opportunities to raise the need for affordable housing and to communicate the costs and benefits of development. When finalized in 2003, the new Zoning Code created a density bonus in downtown districts which required affordable housing as the first developer contribution.

Ultimately, the legislative leadership determined the direction and timing of introduction into City Council after many months of measured legal and political analysis. Importantly, there was a sense of urgency to craft a solution which avoid legal challenge under “takings” lawsuits. The first passage of the Affordable Requirements Ordinance was in 2003 and amended in 2007 created the Affordable Housing Opportunity Fund to capture fees in lieu which was defined as \$100,000 per unit.

Results to date according to City documents:

	Units	In Lieu of Fees
ARO before 2007	857*	
ARO 2011-present	55	\$14.1 million
Density Bonus	5	\$32.2 million

*Reported in 2007 document aggregating expected development pipeline in City Council process.

The fees are to be used as follows:

- 60% for affordable housing development
- 20% to the Chicago Low Income Housing Trust Fund Corpus
- 20% to the Chicago Low Income Housing Trust Fund MAUI program

This Administration has increased transparency in its quarterly reporting to the City Council Committee on housing for these programs. While Density Bonus developments have been reported for many years, ARO developments have been listed since 2011. Last year the Department began listing the projects receiving funding from the Affordable Housing Opportunities Fund.

Certainly, Chicago is in dire need of affordable rental housing to provide a stabilizing force for families and communities. Considerations for program improvement should include:

Implementation of legislative requirement that \$100,000/unit in lieu of fee be pinned annually to inflation.

Is the per/unit in lieu of fee an appropriate level?

The resources raised by the policy should increase overall availability of funds not reduce the City's corporate commitment to housing.

More resources (above the 40%) should be allocated directly to the Chicago Low Income Housing Trust Fund to ensure benefit to the lowest income populations and maximize oversight and accountability.