

## 2015 ARO Enhancements: Summary

The Affordable Requirements Ordinance (ARO) is triggered when development projects receive a zoning change, City land, or financial assistance, or are a downtown PD, AND they build a residential project with ten or more units. 10% of units are required to be affordable; 20% if financial assistance is provided.

Under the 2007 ARO, developers could meet the ARO by providing on-site units or by paying an in-lieu fee of \$100,000/required unit. Requirements were the same citywide.

The following updates to the ARO, effective beginning October 13, 2015, are estimated to generate an anticipated 1,200 new units and \$90 million over the next five years, assuming positive market conditions:

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

The Zone map is available online at [www.cityofchicago.org/ARO](http://www.cityofchicago.org/ARO).

- **Adjust in-lieu fees:** In-lieu fees for units not provided on-site increase to \$175,000 downtown and \$125,000 in higher-income areas, and are reduced to \$50,000 in low-moderate income areas. In addition, the downtown density bonus loophole has been closed, so that developers would be required to pay the *higher of* their ARO or density bonus fees. Fees will be adjusted annually for inflation, beginning in January 2018.
- **Require on-site units:** 1/4 of the required 10% affordable units (20% if the City provides financial assistance) are required to be provided as on-site housing units, with two exceptions:
  - **Off-site option:** Developers in Higher Income areas and Downtown may meet the requirement to provide 1/4 of the required 10% affordable units (20% if the City provides financial assistance) by building, buying, or rehabbing units off-site:
    - Rental projects downtown and rental or for-sale projects in higher-income areas may build, buy, or rehab the required units with a comparable investment within two miles of the subject properties *and* within the same zone or downtown;
    - For-sale projects downtown may build, buy, or rehab the required units with a comparable investment anywhere in the city.
    - Developers pay a \$5,000/unit administrative fee to access this option.
  - **Buy-out for downtown for-Sale projects:** For-sale projects downtown may buy out of the on-site or off-site unit requirement by paying a \$225,000 in-lieu fee per required unit.
- **Provide a density bonus for affordable units near transit:** Projects in a Transit Served Location (the TOD ordinance) may provide 50% or 100% of required affordable units on-site in exchange for additional floor area.
- **Incentivize developers to work with the CHA:** The Chicago Housing Authority (CHA) or other authorized agencies may purchase or lease ARO units; in exchange, developers pay a reduced in-lieu fee for remaining unit obligations.
- **Increase the number of eligible affordable buyers** by increasing the maximum income for purchasers to 120% AMI (\$91,200 for a family of four in 2015).
- **Increase funding to the Trust Fund:** The Chicago Low Income Housing Trust Fund will receive 50% of fees-in-lieu collected via the Affordable Housing Opportunity Fund, up from 40%.

The new Ordinance is effective on October 13, 2015, with fees phased in by April 2016.

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The new ARO will provide the following options to developers who are subject to the ARO:

<b>Options to meet the ARO</b>	<b>Low-Moderate Income Areas: Rental and For-Sale</b>	<b>Higher Income Areas: Rental and For-Sale</b>	<b>Downtown: Rental</b>	<b>Downtown : For-Sale</b>
Construct required units on-site and pay no in-lieu fee	X	X	X	X
Place at least 1/4 of the required 10% affordable units (20% if the City provides financial assistance) on-site and pay a fee-in-lieu per any remaining units	X \$50,000 in-lieu fee	X \$125,000 in-lieu fee	X \$175,000* in-lieu fee	X \$175,000* in-lieu fee
ARO Transit-Served Location bonus	X	X	X	X
Lease or Sell Units to the CHA or other authorized agency and receive a \$25,000 In-Lieu Fee Reduction		X	X	X
Off-Site Option: within two miles and in a higher income area		X	X	
Off-Site Option: anywhere				X
No on-site units – with \$225,000 in-lieu premium				X**

\*downtown fees will be phased in over one year: through April 15, 2016, the fee-in-lieu for downtown projects will be \$140,000

\*\*through April 15, 2016, the in-lieu premium will be \$160,000