

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 neighborhoods 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

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 units 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	**

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

