

Metropolitan Planning Council

September 23, 2020

City of Chicago
Committee on Housing & Real Estate
121 N. LaSalle Street
Chicago, IL 60602

Dear Housing and Real Estate Committee members:

My name is Justin Williams and I am speaking on behalf of the Metropolitan Planning Council. The Metropolitan Planning Council (MPC) was honored to play an inaugural role in the formation of the Inclusionary Housing Task Force, with Juan Sebastian Arias, then MPC's Housing Manager serving as a co-chair to support investigation into and discussion around the Affordable Requirements Ordinance (ARO). We applaud the Department of Housing and the Inclusionary Housing Task Force for striving to integrate a lens of racial equity into their recommendations for improvement of the ARO, as the ARO is an important tool for reducing segregation by increasing the supply of affordable throughout the city. But those challenges are too large for the ARO alone—we must all recognize that. To get the most out of what the ARO can do to contribute to those massive undertakings, we believe there are three primary needs for reform:

- Ensuring that the affordability limits are actually attainable by the people that need them most, and account for racial disparities in incomes.
- Providing greater flexibility in the size and location of units built through the ARO, to meet the needs of larger households and every neighborhood.
- Relieve the burden on the ARO to be a primary source of funding for the Dept. of Housing and its various programs.

Why are these challenges so important? MPC conducted the groundbreaking Cost of Segregation study which quantified billions of dollars in lost income annually, lost lives and lost potential. One way that plays out is our societal struggle to ensure affordable, stable, quality housing for all. Over 120,000 Chicagoans are currently cost-burdened, paying more than 30% of their income on rent or mortgage. The ARO is not the sole solution to our affordable housing crisis but one of many tools that should be leveraged where it can make the most impact. Practices that allow more flexibility in AMI levels, in trade-offs between number of units and appropriate bedroom sizes and in data-informed varied submarkets that support generation of ARO units in all neighborhoods—each of these should be built into the ordinance update.

However, this cannot be a one size fits all approach, but one of adopting targeted strategies to move populations in most need toward the common goal of stable and affordable housing for all. Some areas where the ARO can be strengthened for long-term impact are as follows:

Affordability disparity: Currently, the rental units produced by the ARO are capped for renters who earn anywhere between 60% - 100% of the Area Median Income, amounting to \$54,600 - \$91,000 for a family of four. While these income limits are set to be affordable, MPC's analysis of the American Community Survey data found that Chicago Black and Latinx families are often excluded from these affordability standards, as their household median incomes amount to \$27,713 and \$40,700 respectively, which fall vastly short of the range. While some of these lower-income families can find housing support through programs funded by ARO in-lieu fees, MPC urges an improved ARO to include lower AMI targets to capture families historically excluded from ARO-produced

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units. This also illustrates a broader issue on income inequity that also needs to be addressed alongside increasing affordability.

Funding issue: There is an inherent tension in the reliance on in-lieu fees generated by the ARO. The fees serve as a funding source for critically-needed housing programs as well as unit production. While in-lieu fees provide funding for substantial affordable housing solutions throughout the city, the fees are inadequate to support the production of units especially in hot market areas. The ARO can never produce large amounts of units so long as it is paying for so many other things. Housing is a human right, a public health issue, an economic development issue, an education issue, a public safety issues and more – even in tough budget times, the City needs to direct more general operating revenue to the Department, as well as pursue other dedicated revenue options to support housing efforts. The city must explore additional avenues of funding such as the application of impact fees for new development and rehabs and a range of incentives that leverage state and federal funding. The ARO should also align with recommendations for the TOD ordinance to create permanent overlay zones that require higher density and affordability in transit-oriented communities.

Size and location of ARO generated units: MPC encourages balancing the geography of affordable housing throughout the city to better meet the demands for larger units and reduce market mismatch. In developments that are primarily studio and one-bedroom luxury apartments, the infeasibility of including a dozen family-sized units could disincentivize the developer from completing their project. The ARO should expand the incentive for family sized units citywide as well as create thoughtful, expanded development radii for off-site units. We have joined with other advocates in recommending reasonable change to the past practice of aldermanic prerogative so that each ward realizes a goal of a minimum 10 percent affordable housing.

Finally, MPC supports recommendations to increase accessibility of ARO units, adopting a strong process for annual reporting and evaluation and the creation of a centralized leasing and marketing system to fill unit vacancies.

We look forward to providing more detailed input as part of the public comment period.