

To: City of Chicago Department of Housing
From: The Metropolitan Planning Council
Subject: MPC Comments and Recommendations on the Inclusionary Housing Task Force Staff Report

Overview

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 racial equity lens into their recommendations for improvement of the ARO, as the ARO is an important tool for reducing segregation by increasing the supply of affordable housing throughout the city. But Chicago's segregation challenges are too large for the ARO alone to solve. Our comments focus on five areas for reform:

1. Improving the ARO to include lower Area Median Income (AMI) targets to capture families historically excluded from ARO produced units.
2. Exploring other funding sources to support housing programs that the ARO's in lieu fees currently support. This will free up the in lieu fee revenues to focus on reducing segregation in Chicago.
3. Balancing the geography of affordable housing throughout the city to better meet the demands for larger units and reduce market mismatch.
4. Aligning the ARO with recommendations for the TOD ordinance to create permanent overlay zones that require higher density and affordability in transit-oriented communities.
5. Incentivizing green housing standards such as those set forth by the WELL Building Standard.

Why are these issues so important? MPC conducted the groundbreaking Cost of Segregation study which quantified billions of dollars in lost income annually, lost lives and lost potential in Chicago. One reason is our ongoing 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 greatest impact. Practices that allow more flexibility in Area Median Income (AMI) levels, trade-offs between the number of units and appropriate bedroom sizes, and 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.

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Our Comments and Recommendations:

1. **MPC urges an improved ARO to include lower AMI targets to capture families historically excluded from ARO-produced units.** Currently, the rental units produced by the ARO are capped for renters who earn anywhere between 60% - 100% of AMI, 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. We recognize that the lack of affordable housing in Chicago also illustrates a broader issue related to income inequity that also needs to be addressed alongside increasing affordability.
2. **The City should explore additional funding sources to support Department of Housing programs, such as the application of impact fees for new development and rehabs, and a range of incentives that can supplement city resources by leveraging state and federal funding.** The ARO was designed with the intention and in the spirit of being used to making higher income communities more affordable and less segregated. However, 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 (some of which are run by other city departments) as well as unit production. Although the 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 programs that are not aligned with its mission.

Housing is a human right, a public health issue, an economic development issue, an education issue, a public safety issue and more – even in tough budget times, the City needs to direct more general operating revenue to the Department of Housing, as well as pursue other dedicated revenue options to support affordable housing efforts.

3. **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 discourage developers 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.
4. **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. Low income households need not only affordable housing but also access to affordable transportation. Incentives should be provided for ARO-generated units to be located within ¼ to ½ mile of a high-frequency bus or accessible rail station.** Access to accessible affordable housing that is convenient to accessible transit is even more important for people with disabilities, many of whom are physically unable to drive or cannot afford to own a car. The need for accessible affordable housing near accessible transportation was documented in MPC's recent Toward Universal Mobility Report, which includes two relevant strategies. First, the

report documents the need to enact housing policies that encourage accessible housing near fixed route transit. Second the report highlights the need for all new development to have pedestrian-friendly design, which will support residents walking

or rolling to their destinations or to transit. We encourage the provisions to include requirements or incentives to encourage these outcomes.

5. **MPC encourages the City to incentivize green housing standards such as those set forth by the WELL Building Standard.** COVID-19 has really brought to light the importance of housing in relation to health. Home structure, design, and materials all can influence health outcomes. Additionally, the current ARO rule states that “developers are encouraged to include the same amenities and finishes in affordable units as in market units but affordable units may have different in-unit amenities and finishes than market-rate units in the housing.” As equity is foundational to MPC’s work, we believe the City should require that all units (on-site market and designated affordable units, as well as off-site affordable units) should be held to the same development standards, for the dignity and health of their occupants.

In the Minimum Standards for ARO Off-Site Residential Units, the Environmental category requires that the “property is free from hazardous and non-hazardous environmental conditions.” However, it does not mention the environmental conditions of adjoining or surrounding properties. As the Natural Resources Defense Council’s work on cumulative impacts and the Chicago Department of Public Health’s Air Quality Report show, proximity to areas of environmental concern impose increased risk of chronic health diseases such as chronic obstructive pulmonary disease (COPD) and coronary heart disease. From an equity lens, MPC finds it critical that the requirements for ARO Off-Site residential units include language that ensures that these units are not developed within proximity to areas of environmental concern. MPC proposes that this requirement adhere to current environmental justice guidelines and recommendations and that this documentation is updated as more data arises on cumulative impacts.

MPC supports recommendations to increase access to available 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.

Thank you for considering our comments and recommendations. If you have any questions about the contents in this memo please contact Ahmadou Dramé, Housing and Community Development Policy Manager at adrame@metroplanning.org or (312) 863-6044.