



City of Chicago



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Office of the City Clerk

Document Tracking Sheet

Meeting Date:	11/14/2018
Sponsor(s):	Emanuel (Mayor)
Type:	Ordinance
Title:	Amendment of Municipal Code Chapter 2-45 establishing Affordable Requirements Ordinance for pilot and neighborhood improvement program of Pilsen and Little Village
Committee(s) Assignment:	Committee on Housing and Real Estate



OFFICE OF THE MAYOR
CITY OF CHICAGO

RAHM EMANUEL
MAYOR

November 14, 2018

TO THE HONORABLE, THE CITY COUNCIL
OF THE CITY OF CHICAGO

Ladies and Gentlemen:

At the request of the Commissioner of Planning and Development, I transmit herewith an ordinance establishing an Affordable Requirements Ordinance pilot and neighborhood improvement program for Pilsen and Little Village.

Your favorable consideration of this ordinance will be appreciated.

Very truly yours,

A handwritten signature in cursive script that reads "Rahm Emanuel".

Mayor

ORDINANCE

WHEREAS, the City of Chicago ("City") is a home rule unit of government by virtue of the provisions of the Constitution of the State of Illinois of 1970, and as such, may exercise any power and perform any function pertaining to its government and affairs; and

WHEREAS, the City Council of the City (the "City Council") finds that the availability of affordable housing in high opportunity areas is critical to the future of Chicago; and

WHEREAS, in the last decade more than fifty companies have moved their corporate headquarters from the suburbs to the city, bringing more high-wage jobs and a workforce attracted to walkable, transit-rich, mixed-use environments; and

WHEREAS, this trend has transformed, and continues to transform, neighborhoods close to the city center and along transportation lines leading to downtown; and

WHEREAS, with increasing demand for housing near downtown, the pace of development and the value of homes in urban core neighborhoods have escalated and existing low and moderate income residents have been priced out of their communities; and

WHEREAS, the City Council finds that this cycle of gentrification and displacement exacerbates historic patterns of racial and economic segregation, deepens the concentration of poverty and wealth, and widens disparities in access to good schools, jobs, healthcare and other amenities; and

WHEREAS, the City Council finds that the 2015 Affordable Requirements Ordinance, Section 2-45-115 of the Municipal Code, is insufficient to prevent displacement and broad demographic change in gentrifying neighborhoods, and that additional measures are necessary to increase production of affordable housing, protect vulnerable residents, and create neighborhoods where residents of all incomes can thrive; and

WHEREAS, the City Council finds that the neighborhoods of Pilsen and Little Village along the proposed El Paseo multi-use trail project ("El Paseo") are undergoing gentrification or are at risk of gentrification; and

WHEREAS, the City Council finds that it is in the public interest to establish a Pilsen-Little Village Pilot Area covering the neighborhoods of Pilsen and Little Village, which include areas along El Paseo, in order to test the effectiveness of modified affordable housing requirements; and

WHEREAS, the Department of Planning and Development ("DPD") has developed a Pilsen & Little Village Action Plan, June 2017 ("Action Plan") with participation by over 50 neighborhood organizations and nearly 600 residents; and

WHEREAS, a key recommendation of the Action Plan was to work toward an equitable neighborhood development policy for Pilsen-Little Village Pilot Area; and

WHEREAS, the Pilsen-Little Village Pilot Area is densely populated with predominately middle- to lower-income households living in older, low-rise, two- to four-unit buildings, with larger-than-average household sizes and little residential vacant land; and

WHEREAS, as part of an analysis of 2010-2015 data conducted in 2017, the Department of Planning and Development (“DPD”) classified the neighborhoods in the Pilsen-Little Village Pilot Area based on their stage of gentrification using a gentrification index developed by Lisa K. Bates, Portland State University, in a report commissioned by the City of Portland Bureau of Planning and Sustainability, titled “Gentrification and Displacement Study: Implementing an Equitable Inclusive Development Strategy in the Context of Gentrification” (the “Gentrification Index”); and

WHEREAS, the Gentrification Index measures an area’s stage of gentrification based on three factors: the vulnerability of the population, demographic change, and housing market change; and

WHEREAS, DPD’s gentrification analysis for the Pilsen-Little Village Pilot Area showed that the neighborhood of Pilsen, as depicted in the map attached hereto as Exhibit A, was characterized primarily by Early displacement (as further defined below), while the neighborhood of Little Village, as depicted in Exhibit A, was characterized as Susceptible to displacement (as further defined below); and

WHEREAS, this Pilsen-Little Village ARO Pilot Area Ordinance is intended to promote equitable neighborhood development, increase housing choice for residents of all income levels, minimize displacement of long-term residents from gentrifying areas in the Pilsen-Little Village Pilot Area, and address disparities in social and economic outcomes for the residents of Chicago; and

WHEREAS, the Department wishes to target and fund several resident support programs to preserve existing buildings and the opportunity for affordability over the course of the next five years within the Pilsen-Little Village ARO Pilot area, such as programs targeted to very-low and low-income residents; a Home Improvement Fund; expansion of the Chicago Community Land Trust; and an expansion of the Preservation of Existing Affordable Rental Housing (PEAR); **now, therefore**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:

SECTION 1. The foregoing recitals are hereby adopted as the findings of the City Council.

SECTION 2. Chapter 2-45 of the Municipal Code of Chicago is hereby amended by adding a new Section 2-45-121, as follows:

2-45-121 Pilsen-Little Village affordable housing pilot area.

(A) **Title.** This section shall be known and cited as the “Pilsen-Little Village ARO Pilot Area Ordinance.”

(B) **Purpose.** The purpose of this section is to establish modified affordable housing requirements for designated areas along El Paseo in the Pilsen-Little Village Pilot Area that are experiencing gentrification. The goals of these modified requirements are to mitigate the displacement impacts associated with gentrification, better protect the interests of the area’s economically vulnerable residents from demographic and housing market change, and preserve the economic diversity critical to a healthy economy.

(C) **Relationship to 2015 ARO.** The requirements in this section supplement or modify the affordable housing requirements in Sec. 2-45-115. In the event of a conflict between these requirements and the requirements in Sec. 2-45-115, the requirements in this section will control; provided, however, when a *residential housing project* receives *financial assistance* from *TIF Funds*, the requirements set forth in Sec. 2-45-115 will continue to apply and will control in the event of a conflict.

(D) **Definitions.** Except as provided below, defined terms shall have the meanings given in Sec. 2-45-115.

“Accelerating” is a term used to describe a census tract that (i) had low to moderate home values in 2015 (i.e., a median home value in the bottom three quintiles of all census tracts in the city), but (ii) experienced a high appreciation rate between 2010 and 2015 (i.e., appreciation rate in the top two quintiles of all census tracts in the city).

“Additional units” means the extra units required to be *affordable* under this section in excess of the units required to be *affordable* under Sec. 2-45-115.

“Affordable unit” means a housing unit required by this section to be affordable, whether located on-site or off-site and whether a rental unit or an owner-occupied unit.

“Adjacent” is a term used to describe a census tract that (i) had low to moderate home values in 2015 (i.e., a median home value in the bottom three quintiles of all census tracts in the city), (ii) experienced a low to moderate appreciation rate between 2010 and 2015 (i.e., appreciation rate in the bottom three quintiles of all census tracts in the city), but (iii) touches the boundary of at least one census tract that had high home values in 2015 (i.e., a median home value in the top two quintiles of all census tracts in the city) or a high appreciation rate between 2010 and 2015 (i.e., appreciation rate in the top two quintiles of all census tracts in the city).

“Appreciated” is a term used to describe a census tract that (i) had low to moderate home values in 2000 (i.e., a median home value in the bottom three quintiles of all census tracts in the city), and (ii) high home values in 2015 (i.e., a median home value in the top two quintiles of all census tracts in the city), and (iii) experienced a high appreciation rate between 2000 and 2015 (i.e., appreciation rate in the top two quintiles of all census tracts in the city).

“Demographic change” means a shift in the demographic conditions of an area in which at least three of the following four population changes have occurred from 2010 to 2015, relative to the citywide median: percentage of homeowners has increased; percentage of minorities (as defined in Sec. 2-92-670) has decreased; percentage of residents with a bachelor’s degree or higher has increased; and median household income has increased.

“Early displacement” is a term used to classify census tracts that are showing early signs of gentrification. These census tracts (i) have a *vulnerable population* at risk of displacement from rising housing costs, (ii) have undergone *demographic change* indicative of gentrification, and (iii) have *adjacent, accelerated or appreciated* market conditions, as determined by the commissioner based upon published data regarding Chicago or area median income, the cost of housing, or other data indicative of gentrification or loss of affordable housing.

“First units” means the units required to be *affordable* under Sec. 2-45-115.

“Pilsen” means the neighborhood within the Pilsen-Little Village Pilot Area that consists mainly of census tracts that were characterized as *Early displacement*.

“Little Village” means the neighborhood within the Pilsen-Little Village Pilot Area that consists mainly of census tracts that were characterized as Susceptible to Displacement.

“Susceptible to displacement” is a term used to classify census tracts that are at-risk of gentrification. These census tracts (i) have a *vulnerable population* at risk of displacement from rising housing costs, (ii) have not undergone *demographic change* indicative of gentrification, but (iii) have *accelerating or adjacent* market conditions, as determined by the commissioner based upon published data regarding Chicago or area median income, the cost of housing or other data indicative of gentrification or loss of affordable housing.

“Vulnerable population” means a population with at least three of the following four characteristics based on 2015 data: percentage of renters is higher than the citywide median; percentage of minorities (as defined in Sec. 2-92-670) is higher than

the citywide median; percentage of residents without a bachelor's degree is higher than the citywide median; and median household income is lower than the citywide median.

(E) **Boundaries.** A map of the Pilsen-Little Village Pilot Area is published in Coun. J. ___-___-18, p. ____, and on file in the office of the city clerk and made a part hereof. The boundary lines of the Pilsen-Little Village Pilot Area follow streets, and such boundary lines are to be construed as the center lines of said streets.

(F) **Stage of displacement.** Pilsen was characterized primarily by Early *displacement*. Little Village was characterized primarily as Susceptible to *displacement*.

(G) **Modified ARO requirements.** The requirements of Section 2-45-115 shall apply in the Pilsen-Little Village Pilot Area, except as modified below:

(1) **Increased in lieu fees.** The in lieu fees for affordable units in the Pilsen-Little Village Pilot Area shall be as follows:

- (i) The in lieu fee for affordable units in Pilsen shall be \$178,469 per unit; and
- (ii) The in lieu fee for affordable units in Little Village shall be \$101,388 per unit.

Each in lieu fee shall be subject to the annual adjustment set forth in the definition of "in lieu fee" in Section 2-45-115(B) and collected pursuant to Section 2-45-115(G). Notwithstanding Subsections 2-45-115(F)(2)–(4), in lieu fees collected within the Pilsen-Little Village Pilot Area shall not be reduced because of any sale or lease of required affordable units in the residential housing project to an authorized agency.

(2) **Required percentage of affordable units.** Except as provided in subsection (3) below, the percentage of units required to be *affordable* in a *residential housing project* in the Pilsen-Little Village Pilot Area, whether rental or for-sale, is increased from 10% to 20%.

(3) **Incentive for larger units.** Notwithstanding subsection (2) above, in the Pilsen-Little Village Pilot Area, the Commissioner, after consultation with the alderman of the ward in which the *residential housing project* is located, may reduce the required number of *affordable units* in exchange for units with more bedrooms, as follows:

- (i) one 2-bedroom unit is equivalent to 1.25 studio or 1-bedroom units; and
- (ii) one 3-bedroom unit is equivalent to 2.5 studio units or 2 1-bedroom units.

(4) **Location requirements.** For *residential housing projects* located in the Pilsen-Little Village Pilot Area, *first units* must be provided on-site; *additional units* in such *residential housing projects* may be located on-site or the in lieu fee may be paid.

Notwithstanding the foregoing, when a *residential housing project* receives *financial assistance* from *TIF Funds*, all *affordable units* must be provided *on-site*.

(H) **Pending Applications.** This section shall apply to all *residential housing projects* subject to the affordable housing requirements in Sec. 2-45-115, unless: (1) an ordinance authorizing a city land sale or *financial assistance*, as described in Sec. 2-45-115(C), has been introduced to city council prior to January 1, 2019; or (2) an ordinance authorizing a *rezoning of property*, as described in Sec. 2-45-115(C), has been introduced to city council and (i) in the case of projects that are subject to *planned development review*, the Chicago Plan Commission has adopted a resolution recommending approval of the *planned development* prior to January 1, 2019, or (ii) in the case of any other *rezoning of property*, the Committee on Zoning, Landmarks and Buildings Standards has voted to approve the rezoning prior to January 1, 2019.

(I) **Rules and Regulations.** The commissioner is authorized to adopt such rules and regulations as the commissioner may deem necessary for the proper implementation, administration and enforcement of this section. The commissioner shall provide an annual report to the City Council Committee on Housing and Real Estate detailing the outcomes of the pilot program.

SECTION 3. To the extent that any ordinance, resolution, rule, order or provision of the Municipal Code of Chicago, or any portion thereof, is in conflict with any provision of this ordinance, the provisions of this ordinance shall control. The provisions of this ordinance are declared to be separate and severable. The invalidity of any provision of this ordinance, or the invalidity of the application thereof to any person or circumstance, shall not affect the validity of the remainder of this ordinance, or the validity of its application to other persons or circumstances.

SECTION 4. This ordinance shall take effect immediately upon its passage and approval, and shall remain in effect for a period of five years or until December 31, 2023, whichever is later, at the conclusion of which it shall be repealed of its own accord. During the effective period of this ordinance, the City Council may evaluate the efficacy of the modified affordable housing requirements.

Attachments: Exhibit A – Depiction of Pilsen-Little Village Pilot Area

EXHIBIT A
DEPICTION OF PILSEN-LITTLE VILLAGE PILOT AREA

(ATTACHED)

