



# City of Chicago



O2010-6971

Office of the City Clerk

## Tracking Sheet

**Meeting Date:** 12/8/2010

**Status:** Introduced

**Sponsor(s):** Burnett, Walter  
Dowell, Pat  
Munoz, Ricardo

**Type:** Ordinance

**Title:** Amendment of Chapter 2-45 of Municipal Code by adding new Section 115 to allow for allocation of tax increment revenue for affordable housing

**Committee(s) Assignment:** Committee on Finance  
Committee on Housing and Real Estate  
Joint Committee

HSG/FA per  
AL Burnett

**An Ordinance concerning Tax Increment Financing Districts**

**WHEREAS**, The City of Chicago (the "City") is a home rule municipality as described in Section 6(a), Article VII of the 1970 Constitution of the State of Illinois and, as such, may exercise any power and function pertaining to its government and affairs; and

**WHEREAS**, Pursuant to the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1, et seq., the City may use incremental tax revenues to the benefit of taxing district in redevelopment project areas; and

**WHEREAS**, The City of Chicago has recognized the benefits of using incremental tax revenues to provide quality affordable housing to its residents in an ordinance adopted July 31, 2002, and published at pages 90839 through 90859 in the Journal of Proceedings of the City Council of such date; and

**WHEREAS**, It is a public purpose of the City to promote fair housing by achieving a diverse and balanced community with quality housing available for households of all income levels as a matter of basic fairness; and

**WHEREAS**, The foreclosure crisis has increased the need for quality affordable housing in the City; and

**WHEREAS**, Revenue is needed to lessen the impact of the foreclosure crisis by converting foreclosed buildings to quality affordable housing; and

**WHEREAS**, Economic diversity fosters social and environmental conditions that protect and enhance the social fabric of the City, improve the City's climate for economic development, and are beneficial to the health, safety and welfare of its residents; and

**WHEREAS**, The National Association of Homebuilders estimates that 1,030 full-time jobs are created for every 1,000 units of multi-family housing built; and

**WHEREAS**, Housing is a human right; and

**WHEREAS**, There is a shortage of quality affordable housing in the City for low-income households; and

**WHEREAS**, An increasing proportion of the city's households live in overcrowded or substandard housing; and

**WHEREAS**, A significant proportion of the City's households devote an excessive percentage of their income to pay for housing; and

**WHEREAS**, Increasing numbers of Chicago's children are experiencing housing instability and homelessness negatively impacts children educationally, emotionally and physically and imposes increasing burdens on the Chicago Public Schools; and

**WHEREAS**, The inadequate supply of quality affordable housing for City residents and local employees will have a negative impact upon the ability of local employers to maintain an adequate local work force and will otherwise be detrimental to the public health, safety, and welfare of the City and its residents; therefore

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO, AS FOLLOWS:**

**SECTION ONE: RECITALS.** The foregoing recitals are incorporated herein as the findings of the City Council.

**SECTION TWO:** Section 2-45 of the Municipal Code of the City of Chicago is hereby amended by inserting a new Section 2-45-115 as follows:

(a) For the purposes of this Section:

“Affordable Housing” means housing units that are affordable to households at or below 50 percent of the Chicago Primary Metropolitan Statistical Area median income adjusted for household size for rental housing or at or below 80 percent of the Chicago Primary Metropolitan Statistical Area median income adjusted for household size for ownership housing.

“The Chicago Community Land Trust” or “CLT” means the Illinois not-for-profit corporation established by ordinance adopted on January 11, 2006, and published at pages 67997 through 68004 in the Journal of Proceedings of the City Council of such date, and having as its primary mission the reservation of long-term affordability of housing units.

“Commissioner” means the Commissioner of Community Development.

“Developer” means any person who develops housing units, but does not include a lender or any governmental entity.

“Development” means construction, or rehabilitation of housing units, including vacant properties or properties in foreclosure.

“Obligate” means pass a City Council ordinance authorizing a **R**edevlopment Agreement for the provision of TIF funds or City-owned land, or grant a fee waiver.

“Preservation” means rehabilitation of housing units for the purpose of maintaining those units as affordable housing.

“Housing unit” means a room or suite of rooms designed, occupied or intended for occupancy as a separate living quarter with cooking, sleeping and sanitary facilities provided within the unit for the exclusive use of the occupants of the unit; provided that

a "housing unit" does not include dormitories or hotels as that term is defined in Section 13-4-010 of the Code.

- (b) In every fiscal year, the City shall obligate for the development and preservation of quality affordable housing an amount equal to at least 10 percent of the aggregate tax increment revenue collected in the previous fiscal year. In every fiscal year, the City shall have as a goal to obligate for the development and preservation of quality affordable housing an additional 10 percent of the aggregate tax increment revenue collected in the previous fiscal year. However, in any fiscal year in which the City demonstrates in writing that it was unable to meet the 10 percent requirement or 10 percent goal because (1) it did not receive enough affordable housing proposals that satisfied the Department of Community Development's review and underwriting criteria, or (2) it did not receive enough affordable housing proposals for which sufficient non-TIF resources could be secured to make the project financially feasible, or (3) there are not enough unobligated TIF resources expected to be generated over the life of all TIFs, it shall only be required to obligate for the development and preservation of quality affordable housing as much as satisfactory proposals and available resources permit.

At least 40 percent of the units developed from funds obligated by the City each year shall be rental housing affordable to households at or below 30 percent of the Chicago Primary Metropolitan Statistical Area median income adjusted for household size, and shall include provisions for special needs where appropriate. However, in any fiscal year in which the City demonstrates in writing that it was unable to meet this requirement because not enough other rental subsidy or development subsidy that reduces the debt or operating costs of the project, including but not limited to subsidies from the Low-Income Housing Trust Fund, is available, the City shall only be required to obligate for rental housing affordable to households at or below 30 percent of the Chicago Primary Metropolitan Statistical Area median income adjusted for household size as much as those available subsidies permit.

When TIF funds are obligated to develop or preserve units of affordable housing in developments that also include non-affordable housing units, the City shall calculate the funds "obligated" for purposes of this Section as follows: total TIF funds dedicated to the development multiplied by the number of affordable housing units in the development, divided by the total number of housing units in the development.

- (c) The City shall require that developers verify that all households have a gross annual income that is less than the maximum allowed for the unit necessary to comply with the redevelopment agreement at the time of sale of an ownership unit, at the time of initial rental of a rental unit, and every subsequent year that a household remains in a rental unit. The City shall require that developers determine gross annual income by examining source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement) for the household, obtain from the household a certified, written statement of the amount of the household's annual income and household size, and maintain source documents that can be made available upon the

City's request. The City will conduct annual audits of developer records under this sub-section.

- (d) Except as otherwise permitted by law, the TIF revenues generated in a TIF district will be used only in that TIF district from which the funds were generated.
- (e) In order to promote the creation and preservation of quality affordable housing opportunities throughout the City, the City's policy directing the limitation of TIF assistance generally not to exceed 25% of project costs shall be waived where available and appropriate in support of any affordable housing project within a TIF district.
- (f) All new construction of affordable housing developed under this Section must obtain Chicago Green Homes Program Certification.
- (g) All affordable housing ownership housing units developed pursuant to this Section may be placed in the CLT.

All affordable housing units developed pursuant to this Section shall continue to be affordable for a period of 30 years, or for a term that is coterminous with the requirements of another funding source of the project, whichever time period is longer, after the time of the issuance of the certificate of occupancy (or after the first day of the initial lease if no such certificate is issued) in the case of rental housing or after the closing of the initial sale in the case of owner-occupied units.

- (h) The Department of Community Development will file quarterly reports on its activity under this Section. The Department of Community Development will report to the City Council on such quarterly reports. Such quarterly reports will include: (1) a description of every development obligated under this Section including, the name of the developer, the name of the development, the address of the development, the number of units in development, the TIF district(s) from which the tax increment financing was generated, the ward where the development is located, the income level for which the housing units in the developments were created, whether the funds are being used for construction, preservation, and/or rehabilitation, and the date of closing if closing has occurred (2) an accounting of the income levels for all housing units for which tax increment revenue was obligated in the last quarter and fiscal year-to-date (3) the total number and dollar value of affordable housing development and preservation projects submitted through the Request for Proposal ("RFP") process during the previous quarter and during the previous fiscal year-to-date (4) the total number and dollar value of affordable housing development and preservation projects approved through the Request for Proposal ("RFP") process during the previous quarter and the fiscal year-to-date (5) the funds obligated under this Section during the fiscal year-to-date (6) the city-wide TIF revenue generated in the previous fiscal year. In addition, within one month following the end of any fiscal year in which, pursuant to sub-section (b), the City obligates for the development and preservation of affordable housing an amount equal to less than 20 percent of the aggregate tax increment revenue collected in the previous fiscal year, or less than 40 percent of the units developed from funds obligated by the City each year are

rental housing affordable to households at or below 30 percent of the Chicago Primary Metropolitan Statistical Area median income adjusted for household size, the Department of Community Development will submit an additional report to the City Council which will include detailed information about why the City was unable to meet these requirements and goal. This report shall provide sufficient detail to allow the City Council to determine whether the Department of Community Development made a good faith effort to satisfy the requirements and goal of this Section.

- (i) The Department of Community Development will use its current funding application process to solicit, review and underwrite development proposals. It may additionally issue TIF district specific requests for proposals, notices of funding availability, or other forms of solicitations of funding availability as appropriate.
- (j) Nothing in this section shall require the City to nullify or alter its existing formal contracts or redevelopment agreements for the use of tax increment revenue funds that have completed the formal approval process and received final city council approval at the time of passage of this ordinance.
- (k) Nothing in this Section shall be construed in any way to diminish the power of aldermen or the city council to approve or disapprove of developments that receive TIF funds.
- (l) The Commissioner is authorized to adopt such rules and regulations as the Commissioner may deem necessary for the proper administration and enforcement of this Section.

**SECTION THREE:** This ordinance shall be in full force and effect 30 days after its passage.

*Pat Dowell, 3<sup>rd</sup>*

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*Walter...* 27<sup>th</sup>