



City of Chicago



SO2018-9030

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 pilot and neighborhood improvement program for Pilsen and Little Village

Committee(s) Assignment: Committee on Housing and Real Estate

SUBSTITUTE 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 2-44-080 (formerly 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 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, including areas along the Paseo trail route, in order to test the effectiveness of modified affordable housing requirements; and

WHEREAS, the Department of Planning and Development ("DPD") has developed a Pilsen and 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 is to work toward an equitable neighborhood development policy; and

WHEREAS, the Pilsen-Little Village Pilot Area is densely populated with predominantly 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, 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, is characterized primarily by early displacement (as further defined below), while the neighborhood of Little Village, as depicted in Exhibit A, is characterized primarily 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, DPD 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 2-44 of the Municipal Code of Chicago is hereby amended by adding a new Section 2-44-105, as follows:

2-44-105 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 neighborhoods along the proposed El Paseo multi-use trail project 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. 2-44-080. In the event of a conflict between these requirements and the requirements in Sec. 2-44-080, 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. 2-44-080 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. 2-44-080.

“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. 2-44-080.

“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).

“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.

“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. 2-44-080.

“Little Village” means the neighborhood within the Pilsen-Little Village Pilot Area that consists mainly of census tracts that are *susceptible to displacement*.

“Pilsen” means the neighborhood within the Pilsen-Little Village Pilot Area that consists mainly of census tracts that are experiencing *early 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. 12-12-18, 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 is characterized primarily by *early displacement*. Little Village is characterized primarily as *susceptible to displacement*.

(G) **Modified ARO Requirements.** The requirements of Section 2-44-080 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) \$178,469 per affordable unit in Pilsen; and

- (ii) \$101,388 per affordable unit in Little Village.

Each in lieu fee shall be subject to the annual adjustment set forth in the definition of "in lieu fee" in Section 2-44-080(B) and collected pursuant to Section 2-44-080(G). Notwithstanding Section 2-44-080(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 percent to 20 percent

(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 two 1-bedroom units.

(4) **Location requirements.** In the Pilsen-Little Village Pilot Area, *first units* must be provided on-site. *Additional units* may either be provided on-site or the developer may pay a fee in lieu of the establishment of one or more such *additional units*. 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. 2-44-080, unless: (1) an ordinance authorizing a city land sale or *financial assistance*, as described in Sec. 2-44-080(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. 2-44-080(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.** The commissioner is authorized to adopt such rules 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.

(J) **Expiration.** This section shall expire and be repealed of its own accord, without further action by the City Council, on December 31, 2023. Sections 2-44-090 and 2-44-100 shall

expire and be repealed of their own accord, without further action by the City Council, on December 31, 2020.

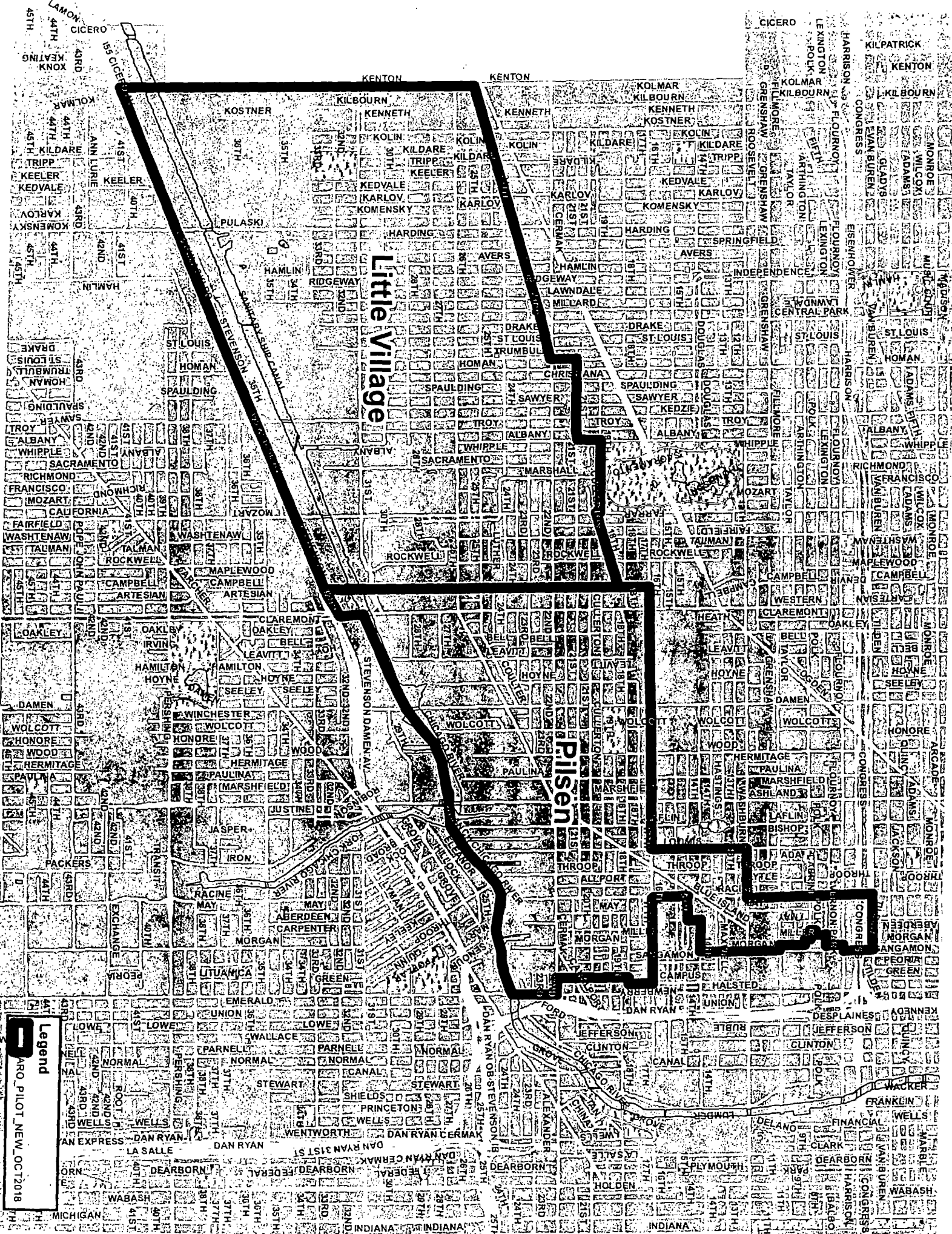
SECTION 3. To the extent that any ordinance, resolution, rule, order or provision of the Municipal Code of Chicago, or any portion thereof, is in conflict with any provision of this ordinance, the provisions of this ordinance shall control. The provisions of this ordinance are declared to be separate 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 until December 31, 2023. 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)



Little Village

Pilsen

Legend
AERO PILOT NEW OCT2018



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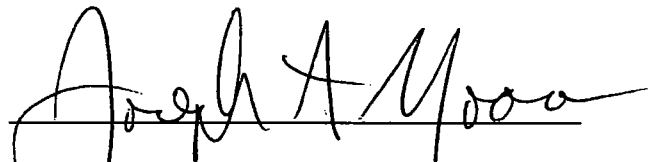
December 12, 2018

To the President and Members of the City Council:

Your Committee on Housing and Real Estate, for which a meeting was held on November 29, 2018, having had under consideration the substitute ordinance introduced by Mayor Rahm Emanuel on December 6, 2018, this being amendment of Municipal Code Chapter 2045 establishing the Affordable Requirements Ordinance pilot neighborhood improvement program for Pilsen and Little Village, begs leave to recommend that Your Honorable Body Approve said ordinance transmitted herewith.

This recommendation was concurred in by a voice vote of all committee members present with no dissenting votes.

Respectfully submitted,



Joseph A. Moore, Chairman
Committee on Housing and Real Estate

