



A Plan to Create Affordable Housing and Prevent Homelessness

For too long, Chicago city government has not made housing that is affordable or homelessness prevention the priorities they must be. The city's failure to take the lead in seriously addressing these issues has exacerbated segregation, forced low and moderate-income Chicagoans from their neighborhoods and the city, and shrunk the availability of housing that is affordable. In 2016, the demand in Chicago for housing that is affordable outstripped supply by nearly 120,000 units, and the gap is growing.¹ The city must prioritize the construction, preservation and renovation of housing that is affordable and homelessness prevention, and it must expand the tools available to address these issues.

Prioritizing the construction, preservation and renovation of housing that is affordable requires leadership and an administration willing to act as a real partner with the numerous organizations that stand ready to provide rental and home ownership opportunities for low and moderate-income Chicagoans. My administration will lead on this front and be a partner with those seeking to provide more housing that is affordable in Chicago so people can stay in their neighborhoods, schools and jobs.

In addition to prioritizing the construction, preservation and renovation of housing that is affordable for low and moderate-income Chicagoans, we will:

- **Limit aldermanic prerogative by passing the Affordable Home Equity Ordinance.**
- **Modify the Affordable Requirements Ordinance to create more housing that is affordable.**
- **Create a transparent, accountable Qualified Allocation Plan to effectively distribute Low Income Housing Tax Credits and promote the city’s housing priorities.**
- **Amend overly restrictive zoning and building codes to promote the use of innovative construction techniques, building materials and technologies.**
- **Replace the regressive real estate transfer tax with a progressive tax to provide a revenue source for housing and homelessness initiatives.**
- **Expand homeownership opportunities for low and moderate-income Chicagoans.**
- **Devote resources and services to prevent homelessness.**

1. Prioritize Building, Preserving and Renovating Housing That Is Affordable

The city needs a mayor with the vision and leadership required to build, preserve and renovate housing that is affordable. My administration will take three immediate steps to make this happen. First, we will begin by making it a priority to attract and empower employees in the appropriate city departments, like planning, zoning, and building, who understand the importance of creating housing that is affordable in every neighborhood. We will appoint leaders in city departments, including a newly formed Department of Housing Preservation and Development, who understand the city’s housing needs and will forge a culture in city government that values collaboration to create more housing so people can stay in their communities. In addition, we will seek out individuals who understand best practices and what other cities throughout the country are doing to address the housing crisis so we can continue to innovate in Chicago.

Second, we will remove inefficient and unnecessary regulatory barriers and streamline the process for building housing that is affordable. To do this, we will work in concert with housing advocacy groups, community-based and other developers, general contractors and tradesmen to identify inefficiencies in the current approval process and improve coordination and communication between city departments.

Third, the city will prioritize engagement in the approval process earlier in a deal’s life so that projects can move forward and not stall. Early engagement will allow parties to identify, address and resolve potential issues before they threaten to slow down or derail projects. In addition, the city will take the lead in facilitating the coordination and cooperation of public agencies, like the Illinois Housing Development Authority, Housing and Urban Development (“HUD”), and Chicago Housing Authority (“CHA”), to work well together and finish more projects.

2. Limit Aldermanic Prerogative by Passing the Affordable Housing Equity Ordinance

In Chicago, aldermen can unilaterally stop or limit real estate development in their wards. This power is referred to as “aldermanic prerogative.” Aldermanic prerogative is not set forth in an ordinance or city code. Instead, it is an unwritten rule that dates to the 1930s that was used to control where public housing was located in the city.² Some aldermen continue to use their prerogative to keep developers from building housing that is affordable for low- and moderate-income Chicagoans.³ The aldermanic prerogative has and continues to exacerbate Chicago’s unenviable status as one of the most segregated cities in the country.

For these reasons, I pledge to limit aldermanic prerogative by supporting and signing into law The Affordable Housing Equity Ordinance. This ordinance provides that if a development with affordable units is proposed in a ward where less than 10% of the rental housing stock is affordable, then the proposed development would automatically go through a streamlined process for approval. In this process, the alderman can help shape the development and request changes, but he or she no longer has veto power over the development or the unilateral ability to reduce the number of units that are affordable. Enacting a streamlined process would also ensure that projects do not languish waiting for aldermanic approval simply by dragging them out over long periods of time, forcing community organizations or developers to abandon their plans without ever actually going through the approval process.

This ordinance will not solve all of the problems associated with the aldermanic prerogative, but it is a necessary first step aimed at limiting an alderman’s ability to stop the construction of housing that is affordable.

3. Modify the Affordable Requirements Ordinance to Create More Housing that is Affordable

At least one-third of people *in every* neighborhood in Chicago are “housing cost burdened,” meaning they spend 30% or more of their income on housing.⁴ This burden has significant social and economic consequences. Rising housing costs drive people from their neighborhoods and the city, remove children from their schools, increase commutes and exacerbate Chicago’s segregation problem. Rising housing costs also leave people with less money to spend on essential items like healthy food, education, health care and transportation, and at neighborhood businesses.

The housing cost burden will increase unless the city uses the tools available to ensure every neighborhood has housing that is affordable. The Affordable Requirements Ordinance (“ARO”) is one such tool, but the ARO must be amended to become more effective. Under the current ARO, developers that receive a rezoning, city land, or city financing are required to make 10% of units affordable, but they are required to build only 25% of those affordable units in the new development or within two miles of the development. (In a 100-unit development, 10 units must be affordable, and 2.5 units must be built.) Developers can pay an “in-lieu” fee for the remaining 75% of affordable units, with money going into a fund controlled by the city to build affordable units and provide rental assistance.

Developers almost always choose to build the minimum number of required units (mostly away from the new, market rate development) and pay the in-lieu fees for the remaining units. As a result, the city is not meeting its goals for building housing that is affordable. In 2015, the city

said the ARO would generate 1,200 new housing units and \$90 million in “in-lieu” payments by 2020, but through the first quarter of 2018 the ARO was on pace to create only 431 units by 2020, or 36% of the projected total.⁵

Moreover, the units that are built are not distributed throughout the city. According to the city’s inspector general, of the units created under the ARO from 2000 through 2015, none were built in nearly two dozen community areas on Chicago’s North, Northwest, and Southwest sides.⁶ (This is reflected on the map attached at the end of this document, which highlights in red the Community Areas where no affordable units were built between 2000 and 2015.) And during this period when large parts of Chicago saw no new affordable housing units built under the ARO, Chicago’s population declined by nearly 176,000 residents.⁷

As mayor, I will seek to amend the ARO in four significant ways. First, the amended ordinance will increase the number of affordable units required to be built from 25% to 50%. Using the example above, under the amended ordinance the developer of a 100-unit building would be required to build 5 affordable units, instead of 2.5. Second, one-half of the affordable units built will have to be located in the new, market rate development. Third, affordable units that are not located in the new, market rate development must be built within one mile of the development, instead of two miles. Finally, the affordable units that are built must include units large enough to accommodate families.

These important changes will lower the housing cost burden for thousands of Chicagoans in every part of the city, keep people in their neighborhoods and jobs, kids in their schools, reduce segregation, and increase the geographic distribution of housing for low-and moderate-income Chicagoans.

4. Create a Transparent, Accountable Qualified Allocation Plan to Effectively Distribute Low Income Housing Tax Credits and Promote City’s Housing Priorities

Qualified Allocation Plans (“QAPs”) are an important metric for the allocation of Low Income Housing Tax Credits (“LIHTC”), the largest funding source for developing affordable rental properties.⁸ The LIHTC program is commonly handled at a state level, but Chicago and New York City are unique in that they each receive an allocation of tax credits that can be distributed to support the development of affordable rental units. This means the city has broad discretion in how it distributes tax credits.

Most states develop QAPs that set forth the minimum criteria and eligibility for tax credits.⁹ QAPs typically include a numerical scoring system for projects that establishes which housing proposals receive tax credits.

Chicago, unlike the state of Illinois, does not use QAPs. This is problematic for several reasons. First, there is a lack of transparency over how housing proposals are selected. This means affordable housing developers who submit proposals to the city do not know how their proposals compare with the competition or why their proposals were not funded and competing ones were. Second, the failure to use an objective numerical scoring system opens the selection process to political influence. Third, not using QAPs prevents the city from awarding points to development activity in ways that advance the city’s housing priorities, such as projects that provide supportive housing, housing for people with special needs and/or disabilities, or which preserve single room occupancy buildings.

My administration will develop an annual QAP that will guide the allocation of funds for housing projects that are eligible to receive tax credits, thereby creating a transparent, even playing field that is free from improper political influence and which furthers the city's housing priorities.

5. Amend Zoning Laws to Allow for Use of Innovative Housing and Construction Materials and Methods

People look at innovative housing initiatives in places like Orange County, California and New York City and ask why we are not building these types of projects in Chicago.¹⁰ The answer is that Chicago has some of the most restrictive zoning and building laws in the country, and restrictions governing density, construction materials, and construction methods make it very difficult for developers to build innovative housing that is affordable.¹¹

If Chicago is serious about addressing its housing crisis, then it cannot continue to lag behind large and small metropolitan areas that have adapted zoning laws and building codes to allow innovative types of housing, construction materials and construction methods to build housing that is affordable. Therefore, as mayor I will direct the Building Department to encourage the creation of additional innovative housing units that are affordable by modifying Chicago's zoning and building codes.

6. Implement Graduated Real Estate Transfer Tax

As mayor, I will work to implement a graduated city real estate transfer tax to generate additional revenue for affordable housing in a progressive manner. Currently, the city imposes a regressive, flat real estate transfer tax ("RETT") of \$5.25 per \$500 of property sale value, or 1.05%, with approximately 71% going to the city and 29% going to the Chicago Transit Authority. In 2017, the RETT generated approximately \$170 million for the city's corporate fund.¹²

Under the graduated rate structure set forth below, approximately 95% of property transactions citywide would receive a tax cut on the sale of properties.

Taxable value	City's Share of Proposed Graduated Rate Structure
<\$500,000	0.35%
\$500,000–\$1m	1%
\$1m–\$5m	2.0%
>\$5m	3.0%

The first \$500,000 in value would be taxed at the 0.35% rate and the incremental value beyond would be taxed according to the rate structures noted above. Under this structure, a transaction for a \$250,000 home would result in \$1,000 savings.

It is estimated that the graduated RETT would generate between \$80 million to \$150 million in additional revenues, proceeds of which would be used to pay for services such as addressing homelessness, supporting affordable rental and homeownership opportunities for low and moderate-income Chicagoans and rehabilitation of naturally occurring affordable housing. As a home rule municipality, the city will need referendum approval to create a graduated RETT.

7. Support Creation of Limited Equity Housing Cooperatives as a Pathway to Homeownership

The city must expand homeownership opportunities for residents who are being priced out of their neighborhoods. One of the ways to do this is to promote and support the creation of Limited Equity Housing Cooperatives (“LEHCs”), a form of affordable housing. LEHCs have been around for nearly 100 years and exist in large numbers in other major metropolitan areas like New York City, but they have not been widely used in Chicago.¹³ According to one recent news article, there are approximately 30 LEHCs in Chicago, but they are receiving more attention as homeownership becomes less affordable.

LEHCs allow members of a co-op to purchase shares of a building with a right to occupy a unit within the building. Members then pay monthly dues that cover operating expenses, including mortgage payments, insurance, maintenance and reserves. Affordability is sustained through a cap on the resale value of each share that members agree to in the co-op bylaws. Members build equity through their shares, but to guarantee long-term affordability equity growth is limited. LEHCs can receive exemptions on the property’s value, which also helps ensure affordability.¹⁴

LEHCs can and do work in Chicago. In 2001, a group of individuals in Logan Square created a co-op in an eight-flat building that they spent \$580,000 to purchase and rehabilitate.¹⁵ The building contains studio and one to three-bedroom units.¹⁶ Nearly two decades later, shares sell for between \$75,000 for a studio and \$115,000 for a three-bedroom unit (in a neighborhood where the average three-bedroom home sells for \$387,000).¹⁷ More recently a group of individuals formed the Pilsen Housing Cooperative to create long-term affordable housing in that quickly gentrifying neighborhood.¹⁸

To further expand LEHCs, my administration will work with non-profit housing organizations, housing developers and land trusts to create LEHCs throughout Chicago. The city will provide subsidies, no-interest or low-interest loans, and grants, which can be used to leverage other resources, to ensure co-op shares are available to families at or below 80% of area median income. The city will initially prioritize LEHCs in neighborhoods with historically low rates of home ownership and which are susceptible to gentrification so that residents can buy into and remain in their neighborhoods.

8. Audit CHA Housing Choice Voucher Program and Push CHA to Work with Partners to Provide More Housing Opportunities

As mayor, I will order an audit of CHA's voucher waiting list and work to bring greater transparency to the process for allocating and awarding all available Housing Choice vouchers. The Housing Choice voucher waiting list was last opened in 2014, when approximately 260,000 households applied.¹⁹ The number of households applying was up considerably from 2010, when 203,000 households applied for vouchers.²⁰ The dramatic increase in applications came during a period when Chicago's population declined, which underscores the need for more housing that is affordable. The average household stays on the Housing Choice waiting list for 4.3 years, although some people remain on the waiting list considerably longer.²¹

9. Preventing Homelessness

In 2016, 80,384 people in Chicago were reported homeless.²² HUD's Continuum of Care program provides homeless assistance funding to communities across the country. In most communities, the Continuum closely adheres to HUD's criteria, thus the agency's priorities have shaped communities across the country. HUD prioritizes funding for those who are defined as the most vulnerable -- individuals who have been homeless the longest, have the most unmet needs and who have the highest risk of death. This heightened threshold ensures the most extreme cases of chronic homelessness are addressed, but limits assistance, and leaves out a significant number who are also homeless or are living with housing instability. As a city, we must increase our efforts to reduce the number of people experiencing homelessness and/or housing insecurity.

My administration will allocate new funding created by a graduated RETT to assist those who are at-risk of homelessness and people who are homeless but fall shy of HUD's definition of chronic homelessness. The new funding will complement existing funding, allowing providers to meet the needs of individuals and families earlier. Flexible funding allows money to be spent on housing needs, and wraparound services like mental health services, family counseling and other resources to help address the root causes of issues that can lead to homelessness. These and other services are vital to reducing homelessness. Access to short term rental subsidies, assistance with transportation costs, education or training are also tools that we must use to can prevent displacement.

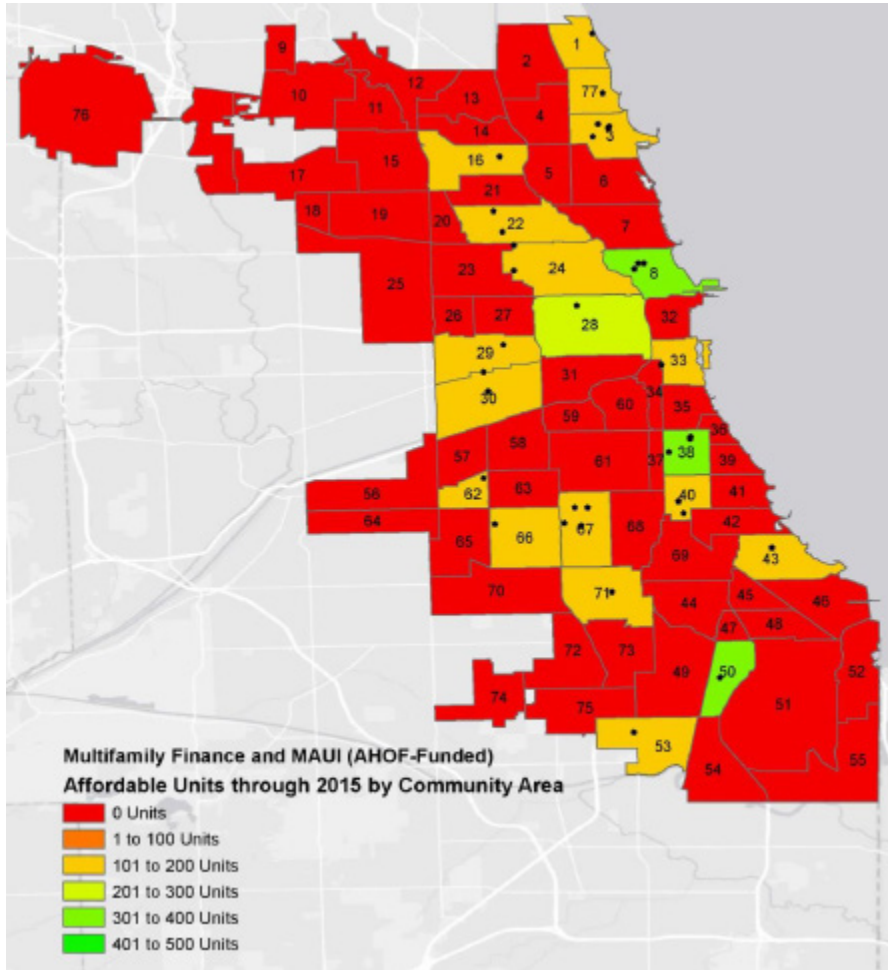
My administration will work with All Chicago, Chicago Coalition for the Homeless, Chicago's Continuum of Care, the Chicago Low Income Housing Trust Fund and the network of providers to identify gaps in current funding. Collaboration will promote organizational partnerships and maximize the impact of new funding through analysis of data on factors that exacerbate and lead to homelessness. This funding will bring Chicago closer to ending homelessness by ensuring responses to needs as they arise, rather than waiting for people to reach an extreme level of need before intervening.

A final note: I hope that this initial plan to build, preserve and renovate housing that is affordable, expand homeownership opportunities for low and moderate-income Chicagoans and prevent homelessness can be an important part of moving our city in the right direction. I also hope it can spark an ongoing conversation on housing and homelessness. Please send your thoughts and ideas to info@lightfootforchicago.com and we will build on this plan together.

lightfootforchicago.com

- ¹ Institute for Housing Studies at DePaul University, *2018 State of Rental Housing in Cook County*, (April 5, 2018) available at: <https://www.housingstudies.org/research-publications/state-of-housing/2018-state-rental-housing-cook-county/>.
- ² Chicago Area Fair Housing Alliance, *A City Fragmented, How Race Power, and Aldermanic Prerogative Shape Chicago's Neighborhoods*, at pg. 13 (July 2018) available at: https://docs.wixstatic.com/ugd/e6d287_85d9e894add54e7cb83738f7d5b2c7da.pdf.
- ³ See Aldermanic privilege run amok (July 13, 2018) available at: <http://www.chicagotribune.com/news/opinion/editorials/ct-edit-aldermanic-prerogative-privilege-affordable-housing-chicago-20180711-story.html>.
- ⁴ See, e.g., <http://www.chicagorehab.org/crn/factbook/index.aspx>.
- ⁵ Jeff Coen and Gregory Pratt, Key component of Emanuel affordable housing plan falls short (June 22, 2018) available at: <http://www.chicagotribune.com/news/ct-met-affordable-housing-20180518-story.html>.
- ⁶ Office of Inspector General City of Chicago, *Department of Planning and Development Affordable Requirements Ordinance Administration Audit*, at pg. 24 (March 2017) available at: <https://igchicago.org/wp-content/uploads/2017/03/DPD-Affordable-Requirements-Ordinance-Administration-Audit.pdf>.
- ⁷ U.S. Census Bureau, *Chicago, Illinois* (October 2018) available at: <https://www.census.gov/quickfacts/fact/table/chicagocityillinois>.
- ⁸ Raymond Leung, *A Primer on Qualified Allocation Plans, Linking Public Health & Affordable Housing* (2015) available at: https://www.changelabsolutions.org/sites/default/files/QAP-Primer_Public-Health_Affordable-Housing_FINAL_20150305.pdf.
- ⁹ *Id.*
- ¹⁰ See, e.g., Theresa Walker, How these shipping containers converted to housing have affected homeless veterans (April 4, 2017) available at: <https://www.oregister.com/2017/04/04/how-these-shipping-containers-converted-to-housing-have-affected-homeless-veterans/>; and Sam Lubell, New York's modular building revolution is here (September 13, 2018) available at: <https://nypost.com/2018/09/13/new-yorks-modular-building-revolution-is-here/>.
- ¹¹ Nausheen Husain and Phil Gelb, Tiny homes: An option for Chicago's homeless (August 17, 2016) available at: <http://www.chicagotribune.com/news/data/ct-graphics-tiny-homes-for-homelessness-htmistory.html>.
- ¹² City of Chicago 2017 Annual Financial Analysis, available at: <https://chicago.github.io/afa-2017/Revenue-History/Corporate/#local-tax-revenue>.
- ¹³ Chicago Mutual Housing Network and University of Illinois at Chicago, Natalie P. Voorhees Center for Neighborhood and Community Improvement, *Affordable Housing Cooperatives: Their Conditions and Prospects in Chicago*, at p. 12 (April 2004) available at: <http://www.uwcc.wisc.edu/info/worker/cmht.pdf>.
- ¹⁴ Bridget Newsham, The fight to stay (July 12, 2018) available at: <https://southsideweekly.com/the-fight-to-stay-pilsen-housing-cooperative/>.
- ¹⁵ Harold Henderson, Home, home in your range (January 30, 2003) available at: <https://www.chicagoreader.com/chicago/home-home-in-your-range/Content?oid=911042>.
- ¹⁶ See <https://www.ic.org/directory/logan-square-cooperative/>.
- ¹⁷ Newsham, The fight to stay, available at: <https://southsideweekly.com/the-fight-to-stay-pilsen-housing-cooperative/>.
- ¹⁸ *Id.*
- ¹⁹ Tim Novak, Chris Fusco, Mick Dumke and Brett Chase, The CHA's waiting game: A Sun-Times/BGA special Watchdogs report (January 18, 2017) available at: <https://chicago.suntimes.com/news/the-chas-waiting-game-a-sun-timesbga-special-watchdogs-report/>.
- ²⁰ See <https://affordablehousingonline.com/housing-authority/Illinois/Chicago-Housing-Authority/IL002>.
- ²¹ Novak, Fusco, Dumke and Chase, The CHA's waiting game: A Sun-Times/BGA special Watchdogs report, available at: <https://chicago.suntimes.com/news/the-chas-waiting-game-a-sun-timesbga-special-watchdogs-report/>.
- ²² Chicago Coalition for the Homeless, *2016 Estimate of Homeless People in Chicago* (2018) available at: http://s6624.pcdn.co/wp-content/uploads/2018/07/2016-Estimate-of-Homeless-People-in-Chicago_Page-View.pdf.

Map showing affordable housing units built by Community Area under ARO between 2000 and 2015. Areas in red identify Community Areas where no affordable units were built.



Source: Office of Inspector General City of Chicago, *Department of Planning and Development Affordable Requirements Ordinance Administration Audit* (March 2017).