

Exhibit A: Executive Summary

The City of Chicago Department of Housing (DOH), in partnership with the Office of Mayor Brandon Johnson, is proud to submit **Pathways to Removing Obstacles—Chicago Housing Initiative 2.0 (PRO-CHI2)**, an application to the U.S. Department of Housing and Urban Development (HUD) 2024 Pathways to Removing Obstacles to Housing (PRO Housing) Notice of Funding Opportunity.

Chicago faces a critical and growing need for affordable housing, particularly new units that affirmatively further local and national fair housing goals. According to recent data, Chicago needs approximately 119,000 units of housing affordable to families earning up to 150% of the Area Median Income (AMI), and 82% of families earning 30-50% of AMI are cost-burdened or extremely cost-burdened.¹ The Chicago Coalition for the Homeless estimates that 24,000 Chicagoans spent nights on the street or in shelters in 2021, with an additional 44,000 temporarily staying with others.² Chicago is also the most segregated city in America: the high-amenity neighborhoods in the central and north regions of the city are predominantly white and affluent, while Black, Latine and other Chicagoans of color are much more likely to live in the city’s south and west sides in communities with considerably lower levels of investment, often with insufficient incomes to afford genuine housing choice.³

In December 2023, Mayor Johnson signed Executive Order 2023-21 Cut the Tape Initiative⁴, introducing a sweeping directive to City of Chicago departments to speed up development in the City, including homeless shelters, affordable, and market-rate housing. The subsequent report published in April 2024 includes 107 recommendations and Top 10 Recommendations, i.e. “Big Bets”, which were derived from monthslong engagement efforts with hundreds of stakeholders including architects, developers, contractors, fiscal agents, syndicators, attorneys, employees of City departments, and collaboration with six peer cities: New York City, Los Angeles, Boston, San Francisco, Austin, and Seattle. These recommendations and “Big Bets” inform what challenges are posed to each of the players within the ecosystem of affordable housing development, and how these barriers might be addressed.

To that end, the City of Chicago is seeking \$7 million in PRO Housing funds to carry out a multi-pronged approach to address supply-side barriers to expanding affordable housing development. These funds would enable Chicago to make critical improvements to a robust landscape of existing policies and programs that expand the City’s ability to process, approve, and create more affordable housing of all types, especially in high amenity areas. Specifically, these funds would be used to:

- (1) **Inclusionary Housing Strategic Re-design:** Implement strategic improvements to the City’s inclusionary housing program to streamline coordination between public and private actors

¹ DePaul Institute of Housing Studies, [2023 State of Rental Housing in the City of Chicago](#), 2023

² Chicago Coalition for the Homeless, [estimate of people experiencing homelessness in Chicago](#), 2023.

³ WBEZ, [While things have improved, Chicago remains the most segregated city in America](#), 2023

⁴ City of Chicago, [Cut the Tape](#), 2024

through the stages of negotiation, construction, lease-up, and long-term compliance. The Affordable Requirements Ordinance (ARO) is the City of Chicago's inclusionary housing program, which requires developers receiving zoning relief or financial assistance from the City of Chicago to provide a percentage of units as affordable housing. While this program has been effective in narrowing the shortage of affordable housing units, existing process and administrative challenges have posed an upfront barrier to entry for developers. Grant funds would be used to address these challenges and provide a more streamlined process that produces more units at a faster rate than at present.

- (2) **Implement a Mixed Income Public Development Vehicle:** Stand up a public development vehicle utilizing an innovative financing mechanism to develop mixed-income housing in predominantly high-opportunity areas without the need for limited federal subsidies. Financing is an obstacle for mixed-income developments and Chicago has insufficient existing subsidies like the Low-Income Housing Tax Credits (LIHTC) available to meet developer demand. For example, in 2023, DOH received 34 applications for 9% LIHTC, but only had sufficient credits to award a total of 13 projects, of which 8 are financed with 9% tax credits. DOH is working to establish a public developer and revolving loan fund, and already has authority to seed the fund with \$125 million of capital. The resulting loan fund will enable the development of sustainable mixed-income housing with approximately 30%-40% of units affordable to residents at 50-70% of Area Median Income (AMI). Grant funds would be used to support the initial operations and technical assistance the program needs before the fund can become self-sustaining.

The Department of Housing's mission is to expand housing access and choice for all Chicagoans. To achieve this goal, DOH pursues a multi-pronged, "both/and" approach to increase the amount of affordable housing in high-amenity areas while also making community-centered, mixed-use investments in disinvested neighborhoods. DOH has partnered with internal and external parties to take numerous actions in the last five years to pursue this goal, many of which are described in Exhibit C.

DOH will continue dismantling barriers to affordable housing development in Chicago. However, new systems, policies, and ways of doing business are necessary to pave the way, and there is limited staff capacity to contribute to these strategic efforts. In this application, DOH proposes a five-year, \$7M implementation plan (matched with \$125M local capital funds) that involves creating new staff positions, engaging temporary staff and other contractors, hiring strategic consultants, and making direct pre-development investments.

DOH expects these activities will lead to concrete, immediate results, including the ability to provide developers with more access to local incentives and as a result, trigger a streamlined and strengthened inclusionary housing program (ARO) to maximize and expedite affordable housing development, especially in high-opportunity, transit-served neighborhoods. These wins will enable DOH to significantly increase the production of affordable units over the next decade while institutionalizing equity in department processes, promoting desegregation, and deconcentrating affordable housing across the city.

Exhibit B: Threshold Requirements & Other Requirements

Threshold Eligibility Requirements (Section III.D of NOFO)

- **Resolution of Civil Rights Matters** – The City of Chicago does not have any outstanding or unresolved civil rights matters in relation to the charges, cause determinations, lawsuits, or letters of findings referenced in subparagraphs (1) through (5) outlined in Section III.D.1 of HUD's PRO Housing NOFO. DOH can provide a list of outstanding cases and suits upon request.
- **Eligible Applicant** – The City of Chicago is an eligible applicant under eligible category 02 (City or township governments) per Section III. A of the PRO Housing NOFO. DOH will partner with various City of Chicago departments and sister agencies and document their involvement with the appropriate documents (letters of commitment, letters of support, etc.).
- The City of Chicago Department of Housing will submit this application as its only proposal.

Other Submission Requirements (Section IV.G of NOFO)

Standard Application, Assurances, Certifications and Disclosures

- **Standard Form 424 (SF-424)** Application for Federal Assistance has been completed as part of the submission process via Grants.gov.
- **Assurances (HUD 424-B)** have been completed as part of the submission process via Grants.gov.
- **Applicant Disclosure Report Form 2880 – (HUD 2880)** has been completed per the instructions. The City of Chicago receives an annual formula allocation of grant funds from the U.S. Department of Housing and Urban Development (HUD). These four programs are: (1) Community Development Block Grant (CDBG); (2) HOME Investment Partnerships (HOME) & HOME Investment Partnership (HOME-CV); (3) Emergency Solutions Grant (ESG); (4) Housing Opportunities for People with AIDS (HOPWA)

Per the City of Chicago's 2024 Action Plan, DOH has detailed the total 2024 allocations and the lead entity in the table below:

Grant	Lead Agency	Funding
CDBG	Office of Budget & Management (OBM)	\$ 75,632,641
CDBG Program Income	Office of Budget & Management (OBM)	\$ 3,506,604
CDBG Unspent Balance	Office of Budget & Management (OBM)	\$ 5,771,982
HOME	Department of Housing (DOH)	\$ 17,320,734
HOME Program Income	Department of Housing (DOH)	\$ 6,748,000
ESG	Department of Family & Support Services (DFSS)	\$ 6,596,645
HOPWA	Chicago Department of Public Health (CDPH)	\$ 12,758,642
Total		\$ 128,335,248

- **Code of Conduct:** The City of Chicago maintains a Governmental Ethics Ordinance that covers the conduct of all City employees and officials, addressing conflicts of interest, outside jobs, gifts, business travel, employing relatives, engaging in political activity, etc. This ethics ordinance encompasses all requirements set by:

- (1) “Conducting Business in Accordance with Ethical Standards” section of the Administrative, National, and Department Policy Requirements and Terms for HUD Financial Assistance Awards;
 - (2) Ethical standards related to conflicts of interest for procurements in 2 CFR 200.318(c) and 2 CFR 200.317; and
 - (3) HUD-specific conflict of interest standards.
- **Affirmatively Furthering Fair Housing (AFFH)** – This requirement per the NOFO, section V.A.1.b.iv under Criterion IV of Section D. under ‘Soundness of Approach’ in the narrative.
 - **Limited English Proficiency & Physical Accessibility** – The City of Chicago will continue to ensure accessibility for individuals with LEP and those with disabilities as outlined in 72 FR 2732, Americans with Disabilities Act (ADA), Rehabilitation Act, and appropriate federal guidelines.
 - **Environmental Review** – The City of Chicago will comply with applicable environmental regulations and environmental justice requirements defined by HUD.
 - **Federal Assistance Assurances** – The Federal Assistance Assurances will be submitted by the Department of Housing (DOH) for the City of Chicago.
 - **424-CBW Budget Form** – The SF-424 CBW will serve as the primary budget form for this project proposal. This proposal will be included in the project submission.
 - **Disclosure of Lobbying Activities & Certification Regarding Lobbying** – This form, SFLLL, and the Certification are included as attachments within the submission package

Exhibit C: Need

Criterion I: Existing Efforts to Identify, Address, and Mitigate Barriers

The Chicago Department of Housing (DOH) handles housing policy and affordable housing development programs on behalf of the City of Chicago. DOH's mission is to expand access and choice for residents and protect their right to quality homes that are affordable, safe, and healthy. DOH's [vision](#) is the equitable distribution of resources across all 77 communities so that every Chicagoan can choose and remain in quality housing that is affordable, safe, and healthy.

Over the last five years, DOH has dramatically increased its capacity to advance this mission, including creating and staffing new bureaus of "Policy, Research, and Legislative Affairs", "Community Engagement, Racial Equity, and Strategic Initiatives" (CERESI), and "Implementation & Evaluation." DOH's work to identify, address, and mitigate barriers to affordable housing production over the last five years and related work led by the Department of Planning and Development (DPD) and the Office of Mayor Johnson is described in detail in the following sections.

Improved laws, regulations, or land use local policies

DOH's recent policy efforts designed to preserve affordable housing and expand housing access and choice mark a substantial increase in engagement with the City's zoning and regulatory frameworks and have resulted in significant policy wins. Some major ordinances passed are described below:

- Chicago passed and implemented an updated inclusionary zoning ordinance, the [Affordable Requirements Ordinance](#) (ARO), in 2021 after an 18-month public engagement process. The ARO increased affordability requirements to 20% of units in most market-driven developments that receive additional zoning rights or are developed on city-owned land, increased accessibility requirements, and implemented income-averaging to reach more deeply affordable rent levels. In 2024 alone, the Chicago Plan Commission has approved more than 15 projects which will result in the creation of 1,267 new ARO units.
- Chicago passed the [Additional Dwelling Unit \(ADU\) Ordinance](#) in 2020 and implemented an ADU pilot in five pilot geographies in 2021 with the goal of creating more low- and moderate-cost rental housing, facilitating multigenerational living arrangements, and promoting gentle density. To date, more than 550 ADUs have been approved. In June 2024, an ordinance was introduced at City Council to expand the ADU pilot to be city-wide. DOH is in conversation with City Council members to refine the ordinance, and it is a priority of the Johnson administration to pass by Q1 2025.
- Chicago passed the [Single Room Occupancy \(SRO\) Preservation Initiative](#) in 2021 and implemented the SRO Preservation Fund in 2022 to preserve low-cost affordable housing options for at-risk residents. In April 2024, City Council approved up to \$30 million to create an investment and refinance pool to assist existing and potential owners of SRO buildings.
- Chicago passed a [Demolition Surcharge Ordinance in 2021](#), imposing a surcharge on permits to demolish residential buildings in two rapidly gentrifying areas. In 2022, the ordinance was extended for an additional two years to 2024. The pilot is designed to reduce the displacement

of low to moderate-income residents. To date, demolitions have declined by 81% in the target areas. An expansion of this ordinance, was authorized by Council September 2024 extending until December 31, 2029.

- Chicago launched a three-year Right to Counsel pilot in 2022 to provide free legal assistance to low-income tenants at risk of or subject to eviction or lockout in Chicago. Through September 2024, over 2,000 households have been served through this initiative. In September 2023, Mayor Johnson introduced an ordinance to expand this pilot into a true Right to Counsel program by 2027. The Department of Housing has budgeted the continuation of this program in its Community Development Block Grants and plans to work with Cook County on further integration with their Early Resolution Program.
- Chicago passed the Connected Communities Ordinance in 2022, a sweeping equitable transit-oriented development zoning reform ordinance that cut parking minimums as low as zero on nearly every commercial corridor in the city, as well as in high-density residential districts; created additional density bonuses and incentives for affordable and accessible housing.
- Chicago Department of Buildings (DOB) launched the Express Permit Program in November 2023, a fully web-enabled customer platform designed to streamline and speed up the process for obtaining certain types of building permits for smaller-scale construction projects. This program allows contractors, architects, and owners of naturally occurring affordable housing to get permits for eligible projects without the need for a full plan review, which can be time-consuming. In some cases, permits that previously took weeks or months to acquire can now be issued within two days.
- Chicago passed the Northwest Side Housing Preservation Ordinance in September 2024, with the goal of protecting housing in a rapidly gentrifying area of the city by disincentivizing deconversions of two-, three- and four-flat apartments into large single-family homes. The ordinance increases the fee to demolish a multifamily building: to discourage the deconversion of naturally occurring affordable housing; any revenue generated will be used to preserve affordable housing; creates a tenant opportunity to purchase their building when it's for sale, including for 4 or fewer units; and establishes a "2-flat by right" zoning

Other recent actions taken to overcome barriers to housing production & preservation

Beyond changes to laws, regulations, and land use policies, DOH has also been hard at work in recent years overcoming barriers to housing production and preservation. Major recent wins include the following:

- **New, more equitable capital source for housing:** Chicago approved a historic \$1.25 billion housing and economic development bond in April 2024, which allocates \$625 million for housing development and preservation of all types, from SRO preservation and down payment assistance to development of affordable homes as small as single family and as large as high-rises. A portion of this bond is allocated to a revolving loan fund dedicated to publicly developed mixed-income housing. The bond is a historic move from the City of Chicago to establish a long-term source of flexible, equitable funds that allows the City to definitively move away from its over-reliance on the Tax-Increment Financing (TIF) program, which is far

more rigid and geographically restricted. As a result of this bond, the City is projected to create and preserve more than 5,400 homes.

- **Revamping the Qualified Allocation Plan (QAP):** DOH’s largest single housing investment program is in closing financial gaps on affordable multifamily rental developments using Low-Income Housing Tax Credits (LIHTC), Community Development Block Grant (CDBG) and HOME loans, Tax Increment Financing (TIF), and other forms of City subsidy via its biannual Qualified Allocation Plan (QAP). DOH performed the first ever Racial Equity Impact Assessment (REIA) of a QAP in the country in 2019, then modified its 2021 Qualified Allocation Plan (QAP) to include new priority “tracts” used to balance selected developments across “opportunity” (high amenity), “redevelopment” (disinvested), and “transitioning” (gentrifying) geographies while also prioritizing the preservation and recapitalization of existing affordable housing. The 2023 QAP advanced these successes by creating a new permanent supportive housing tract and requiring all developments to set aside at least 5% of units for residents who have experienced homelessness.
- **Clearing and developing on City-owned land:** The City of Chicago owns nearly 10,000 vacant lots, mostly in disinvested neighborhoods on the City’s South and West Sides. Many of these lots were acquired in bulk during the 1980s and 1990s due to abandonment, unpaid taxes, and code violations. These lots represent a substantial barrier to reinvestment in neighborhoods with high vacancy levels and an opportunity to develop affordable homes. Over the last three years, the City has performed environmental screenings of the entire inventory, identifying over 4,000 ready-to-sell parcels; developed a new land sales platform, ChiBlockBuilder.com, to notice available lots; as of October 2023, DPD has received applications for approximately 2,000 parcels, 400 slated for affordable housing.
- **Increasing access for BIPOC developers and contractors:** The City of Chicago is taking measures to increase opportunities for small and emerging developers of color applying for public funds to build and rehabilitate affordable housing in Chicago. DOH has taken steps to reduce barriers to participation in City programs such as LIHTC-funded housing development for both the developer and professional services front, including:
 - In June 2023, DOH joined HUD and Regional Administrator Diane M. Shelley in hosting a Cook County Neighborhood Developer Summit that included the U.S. Small Business Administration, Illinois Housing Development Authority (IHDA), and the Cook County Land Bank Authority (CCLBA).
 - DOH has led a series of listening sessions to engage investors, emerging BIPOC developers, established developers, and BIPOC-led service firms to assess how to lower barriers to generating wealth through the LIHTC Program.
 - The 2023 Qualified Allocation Plan and Architectural and Technical Standards Manual included updates designed to improve BIPOC participation, including preference policies and changes to the developer fee structure.
- **Purchasing critical parcels for affordable development:** The neighborhood of Pilsen is a predominantly Latine community currently experiencing significantly rising housing costs, which are exerting displacement pressures on existing residents. Between 2000 and 2015, median home values increased by nearly 12% on an inflation-adjusted basis, while median rents increased by over 22%. In 2019, 40% of households experienced housing cost burden. In

response to this need, when a 6.3-acre vacant site in the heart of Pilsen became available in early 2022, DOH spent \$12M to purchase the lot, which has been earmarked for affordable housing. Since its acquisition, DOH has led a rigorous [public engagement effort](#) to collaboratively develop a vision for the land, which will be developed in phases over the coming decade. DPD plans to spotlight the lot as a featured listing on the ChiBlockBuilder site in Q4 2024 and fund the first phase of redevelopment via the 2025 QAP.

- **“Cut The Tape”:** Longstanding City policies and processes can often hinder the speed and increase the cost of development related to affordable housing and community development projects. In December 2023, Mayor Johnson signed Executive Order 2023-21, which implemented a sweeping directive to “Cut the Tape” to fourteen (14) City departments, asking them to identify key barriers and implement solutions to accelerate affordable housing and development of all kinds. The Cut the Tape⁵ report, issued in April 2024, includes 107 total recommendations and highlights 10 “Big Bet” priorities. As of September 2024, 29% of the initiatives are completed and 49% are in process. Highlights of the completed and in-process initiatives include:
 - Hired a Director of Process Improvement in the Mayor’s Office
 - Created a cross-departmental roundtable to review and monitor development projects in the City’s pipeline – from application through project closing
 - Designing an expedited review process for affordable housing developments
 - Socializing legislation on transformational zoning changes, including eliminating minimum parking requirements and universal affordability preferences that would allow buildings to add more housing by-right but only if the additional units are affordable.
 - Reduced the number of design review bodies and meetings
- **Investing in shared ownership models:** Chicago launched a \$15 million Community Wealth Building pilot program in 2022 that provided technical assistance, pre-development grants, and development grants to permanently affordable, shared ownership models such as limited-equity housing cooperatives and community land trusts. In Q4 2024, the department of Housing plans to release a \$3.5 million program to fund acquisition and purchase price assistance for shared ownership models that are often used as sustainable wealth-building and anti-displacement tools in gentrifying neighborhoods.
- **Commercial to Residential Conversions:** In April 2024, Chicago announced the innovative use of \$150 million of its downtown TIF to catalyze the conversion of four underutilized office buildings in the Loop’s historic financial district to residential buildings, creating 1,000+ new apartments of which 300 will be affordable. This represents a X% increase in affordable units downtown. Construction begins in 2025.

⁵ City of Chicago, [Cut the Tape](#), 2024

Criterion II: Acute Demand for Affordable Housing & Remaining Needs

The PRO-CHI2 proposal will serve residents and neighborhoods located in Cook County, which is a priority geography⁶. The qualification was determined based on HUD’s methodology and measure of insufficient affordable housing (Housing Affordability Factor) and widespread housing cost burden or substandard housing (Housing Problems Factor).

Local data also reinforces the acute demand for affordable housing in Chicago. Despite significant efforts, the production of subsidized affordable housing has been insufficient to address Chicago’s total housing demand due in part to an overall loss of Naturally Occurring Affordable Housing, rising rents, and other factors. The need for affordable housing is particularly acute for households earning 30% of AMI.

Within the City of Chicago, there is a mismatch between what people can afford to spend on housing and the “affordable” rents that the City’s affordable housing production tools define. The DePaul Institute for Housing Studies releases an annual report on the state of rental housing in the City of Chicago. Their most recent report indicates that 44.8% of all Chicago renters have very low (30-50% AMI), with nearly 67% of those renter households below 30% AMI (<33K for a family of four)⁷. DOH’s most extensive affordable housing production tool, the federal Low Income Housing Tax Credit, sets “affordable” rents at twice that income level, or \$66,180 for a family of four. Rents are rising across the city, with previously affordable units becoming unattainable to low-income renters. Subsequently, Chicago’s affordability gap has reached a 10 year high of 119,435 units, primarily driven by declines in the city’s supply of affordable units. Although the share of lower-income Chicago renters has declined over the past decade, the percentage of very low-income renters increased during the pandemic. Thus, cost burdens have increased for most renter households. In Chicago, 70% of low-income renters spend more than one-third of their income on housing, with nearly 40% of renter households considered severely cost burdened and spending more than half of their income on housing. Between DOH and the Chicago Housing Authority, the City’s efforts address only about a third of the housing needed for extremely low-income households.

Recent 2024 data generated by the [Point in Time \(PIT\) Count](#) demonstrated a drastic increase in the number of people experiencing homelessness. This increase from the 2023 PIT Count of 6,139 to the 2024 PIT Count of 18,836 is primarily driven by the fact that Chicago continues to receive an influx of asylum seekers from the southwest border of the United States. In response to this developing situation, Chicago has set up temporary congregate shelters and is currently providing shelter to more than eleven thousand people, with thousands more on waiting lists.⁸ An estimated 68,440 people are experiencing homelessness by living in doubled-up situations and temporarily staying with others due to loss of their place, economic hardship, or similar reasons.⁹ Additionally,

⁶ U.S. Department of Housing & Urban Development, Office of Policy Development & Research, [PRO Housing Priority Geography](#), 2024

⁷ DePaul Institute of Housing Studies, [2023 State of Rental Housing in the City of Chicago](#), 2023

⁸ As of writing, Chicago is providing live-updating data on the [New Arrivals Dashboard](#).

⁹ Chicago Coalition for the Homeless, [Estimate of people experiencing homelessness in Chicago](#), 2023.

Chicago Public Schools (CPS) reported that during the 2023-24 school year, more than 17,700 CPS students experienced literal or doubled-up homelessness.

Finally, data indicates that Chicago remains the most segregated city in America¹⁰, creating a housing context in which low-income residents—especially Chicagoans of Color—have limited access to high-amenity, high-opportunity areas and where neighborhood change can trigger rapid changes in real estate valuation, speculation, and displacement.

These local observations further emphasize Chicago’s affordable housing needs and reinforce the importance of affirmatively furthering housing access in high-amenity areas and increasing wealth and homeownership opportunities for low- and moderate-income families all over the city.

Criterion III: Existing Key Barriers to Affordable & Accessible Housing

Despite the accomplishments listed above, many key barriers still exist that limit the City’s ability to produce and preserve more affordable housing, including the lack of resources to fund capital costs associated with new multifamily development in dense urban landscapes remain scarce, political will to strengthen zoning policies related to gentle density and transit-oriented development remains limited, significant gaps in wealth and income between white and BIPOC communities manifest in unequal housing choice and job access, and Chicago remains the most segregated city in America.⁴

While the list of barriers is long, this application will focus on two specific obstacles as “key barriers” to affordable housing, especially in transitioning and opportunity neighborhoods.

- First, inefficiencies in the implementation of the Affordable Requirements Ordinance (ARO), Chicago’s inclusionary housing tool, are limiting the amount of affordable and market-rate housing that is being created by developers without City subsidy, not allowing the program to reach its potential.
- Second, creating City-subsidized, affordable rental housing in high-opportunity areas is too difficult and costly, substantially curtailing the public sector’s ability to deconcentrate affordable housing, facilitate genuine housing choice, and desegregate Chicago.

Barriers to optimizing the Affordable Requirements Ordinance

Originally passed in 2007 and revised most recently in 2021, the Affordable Requirements Ordinance (ARO) is the City’s inclusionary housing program that requires private-market residential developments with 10 or more units that receive City Council approval for an entitlement, a city land purchase or financial assistance to provide a portion of the units as affordable housing. In applicable new buildings, developers must set aside up to 20% of units as affordable, often income-restricted to Chicagoans at or below 60% AMI. These requirements are

¹⁰ WBEZ, [While things have improved, Chicago remains the most segregated city in America](#), 2023

intended to create more affordable housing, contribute to housing choice, decentralize affordable housing, and build mixed-income communities without City subsidy, typically in exchange for providing zoning relief.

While the ARO has successfully created 1,975 affordable units since 2007, inefficiencies in the implementation of the ordinance have limited the number of affordable units that are available and accessible to eligible renters. These pain points occur during various points across the ARO process, including the stages of negotiation, construction, lease-up, and long-term compliance. Pain points include:

- Developers undertake a lengthy intake process which often requires a higher degree of specificity than they can provide at that stage of development. There is a need to rebalance between required volume of documentation and what is absolutely required for due diligence.
- The process of negotiation between the City and developers to create the Inclusionary Housing Agreements (IHA), which determine the number of affordable units and levels of affordability, frequently become protracted for various reasons including a requirement that ARO staff serve as intermediaries between developers and City attorneys. These burdensome and inefficient processes ultimately delay the production of buildings and the affordable units they would provide through the ARO.
- DOH is not currently able to ensure that all ARO units stay leased to eligible tenants over the thirty-year period of required affordability. Once the construction process is completed, all designated affordable units should be consistently leased to eligible tenants, providing much-needed affordable housing to low- and moderate-income households and mitigating the displacement of residents in transitioning areas. However, there is an additional need for funding to support an enforcement agent to ensure units are being leased appropriately.
- All developers subject to the ARO are required to pursue an Affirmative Fair Housing Marketing and Tenant Screening Plan designed to reduce segregation and encourage integration in housing. Part of the Tenant Screening Plan includes preference policies to ensure that available units can be leased to those who need them most, including people with disabilities and veterans. Unfortunately, DOH currently has insufficient technology to adequately support implementation of these preference policies. The lack of annual checks on tenant eligibility also hinders DOH's ability to ensure that ARO units are leased out to those who need them most.
- There is no centralized location for eligible tenants to find and apply for ARO units. This creates a barrier to access for tenants in need and disproportionately burdens those who are the most vulnerable, like disabled or elderly community members, or those with low technology availability or proficiency. This lack of centralization also means DOH does not have insight into unit availability across all ARO developments, restricting the City's ability to ensure that all available units are leased out.
- The long-term monitoring and compliance of existing ARO developments also highlights areas where inefficiencies in the fulfillment of the ordinance are restricting DOH's ability to maximize the potential of the program. Outdated forms, collected as PDFs, limit the data analysis capabilities of DOH staff, leaving valuable insights and opportunities for program improvement undiscovered and unrealized. Developers and property owners are not

consistently submitting their ARO plans. DOH does not have an enforcement system for property owners that fail to submit these Annual Owner Certifications due to a lack of legal support and limited DOH staff capacity.

Barriers to creating permanent affordable housing in high-opportunity areas

The share of affordable rental units available in high-amenity areas in Chicago is rapidly declining. In one representative example, Chicago's Logan Square neighborhood lost more than 15% of its affordable units since 2012. This drastic decrease, driven by rent increases and conversions to condos and single-family homes, is mirrored across other high amenity areas within the city.¹¹

Despite the need to counter these trends with investments in legally restricted affordable housing, it is difficult for the City and its affordable housing development partners to develop in these neighborhoods. Multiple interrelated factors can make this work expensive and politically challenging, including:

- the high costs of land,
- competitive local real estate markets,
- NIMBYism,
- lack of local political support.
- Limited LIHTC subsidies: In Chicago, the level of affordable housing production is limited by the availability of federal, state, and local subsidies such as LIHTC. Unfortunately, these crucial resources are oversubscribed and cannot fully address the affordable housing need in the city. For example, in 2023 DOH received 34 applications for 9% LIHTC credits, but only had enough credits to award to a total of 13 projects, 8 of which are funded with 9% tax credits.
- Lastly, while the vast majority of affordable housing in Chicago is funded through LIHTC, this funding source requires that associated units remain affordable for 30 years. After that time period there is a possibility of units being converted to market-rate rentals, which could result in a loss of affordable housing in the long-term.

New tools to harness the efficiencies of market rate developers, are designed specifically to operate in high amenity communities, and provide perpetually sustainable affordable units in mixed-income environments without further overburdening limited existing subsidy sources is critical to achieve the City's goal of increasing housing choice and affirmatively furthering fair housing.

¹¹ Leon Walker, Crains Chicago Business [Opinion: Why Black and Brown developers rarely lead major real estate projects — and why that needs to change](#) 2023

Exhibit D: Soundness of Approach

Criterion I: Project Vision

In PRO-CHI2, the Chicago Department of Housing puts forth a two-initiative proposal to address the two key barriers described in Exhibit C by making critical structural improvements to DOH's capacity to develop and manage affordable housing units, especially in high-amenity areas of opportunity. Most questions for Criterion I are answered by each individual project initiative:

1. The first initiative i.e., **Inclusionary Housing Strategic Re-design**, is a four-year effort to enhance the City's Inclusionary Housing program to improve throughput, decrease burden on developers, and improve leasing and oversight of affordable units once built.
2. The second initiative, i.e., **Mixed Income Public Development Vehicle**, is a three-year effort to jumpstart Chicago's new Green Social Housing (GSH) revolving fund, which has already been awarded seed capital for its first projects but is need of immediate staffing and consulting support for effective implementation.

Project Initiative 1: Inclusionary Housing Strategic Re-design

Proposed Activities

The Affordable Requirements Ordinance (ARO) is the City of Chicago's inclusionary housing program that requires developers that receive zoning relief or financial assistance from City government to provide a portion of their units as affordable housing. Because this program follows market-rate development, it primarily produces units in communities that are already rich in amenities or are experiencing displacement of existing residents. DOH proposes to use PRO Housing funds to systematically address pain points across the ARO process, including intake, inclusionary housing agreements, lease-up, and long-term compliance, that stymie the number of affordable units produced and prevent low-income residents from accessing units. PRO Housing assistance will allow the City of Chicago to carry out the following activities to reduce structural barriers in the ARO approval and monitoring pipelines, resulting in permanent reductions in speed, difficulty, and uncertainty of ARO participation:

1. **Establish a program manager role to develop and implement a proposal to streamline or eliminate requirements that unduly delay the project intake process for residential housing projects that are subject to the ARO.** The prospective timeframe for the development and implementation of a proposal is 36 months for one full-time employee.
2. **Contract with a third-party legal firm to manage all aspects of collecting due diligence documentation and carrying out IHA development.** By removing the ARO team as the intermediary and outsourcing the legal review process to a firm with immediate capacity, the City aims to reduce the current median 45-day preparation timeline by half. This added legal capacity will not only accelerate the negotiation and execution of IHAs but also allow the City staff to focus on creating and implementing strategies to streamline the overall IHA development process beyond the life of the PRO Housing grant. IHA outsourcing does not just provide short-term staffing relief but enables key City staff to spend time improving processes so that, at the expiration of PRO Housing assistance, the work can return in-house to a higher-capacity team. The prospective timeframe for IHA management support from a part-time third-party law firm is 48 months.

3. To improve the City of Chicago’s ARO housing strategy to meet its objective to address issues of displacement in neighborhoods seeing rapid development, **DOH will contract with a third-party planning firm to develop a rigorous methodology for regularly updating its “ARO communities” map.** This map, which is based on market conditions, determines ARO compliance levels by geography (The current ARO communities map is provided in the Appendix).
4. To facilitate consistent and fair access to affordable units generated by the ARO, and to minimize the number of ARO units left vacant, **DOH will acquire software and accompanying technical assistance to develop a centralized leasing and marketing system through which low- and moderate-income persons can identify all available ARO units and apply for those that fit their needs.** The prospective timeframe to build out and launch a centralized system is 48 months with the support of a part-time technical assistance provider.
4. To further develop, evaluate, and implement the City of Chicago’s inclusionary housing policy plan and to better facilitate affordable housing production and preservation that results in an increase in long-term affordable units, the City will contract **obtain support from a third-party law firm to rebuild long-term compliance tools, including developing a suite of legal templates used to enforce ARO scofflaws and ensure compliance with IHAs.** The prospective timeframe to develop and roll out a suite of templates is 24 months with the support of a part-time third-party law firm.

Alignment with National Objectives, Eligible activities

This initiative primarily addresses CBDG national objective 1: **Benefiting low- and moderate-income persons.** The explicit intent of the ARO is to produce high quality affordable housing units accessible to low- and moderate-income families in buildings and neighborhoods where they would not otherwise exist. The ARO program has produced more than 1,400 affordable units to date, and 88.2% of units serve households at 51 – 60% AMI. Strengthening the ARO program through process improvements will accelerate the number of units being built and guarantee every unit built is successfully leased to low- and moderate-income households.

This initiative is an eligible activity under the PRO Housing NOFO, falling under one or both of the following:

- **III.F.2.c.i.A:** Developing or updating housing plans, community development strategies, and zoning and land use policies such as overlays to encourage multifamily and mixed-use development or access to affordable housing, floating zones (such as redevelopment, workforce housing, or live/work zones in high opportunity areas), incentive zoning, transit-oriented development zones, floodplain management or climate resilience plans, or ordinances to encourage housing development or preservation.
- **III. F.2.c.i.I:** Developing proposals to streamline or eliminate requirements that unduly delay the permitting process or establish unreasonable thresholds for approvals, such as duplicative and burdensome hearings and documentation for variances, rezonings, or similar planning approvals

Addressing Key Barriers to Affordable Housing Production

ARO Intake Process

When a developer applies for an amendment to the Chicago Zoning Ordinance for a residential project that will receive an entitlement, city land, or other financial assistance from the City of Chicago, the project is subject to the ARO. DOH places a hold in the Department of Buildings' permitting system on the property and communicates next steps required to meet the ARO before the permit can be released. Developers are required to submit an ARO intake form with supporting documentation, including a worksheet with affordable unit details, square footage and dimensioned floor plans with affordable units highlighted. DOH often provides technical assistance to developers completing the intake form.

Developers cite that one of the most challenging barriers at this stage of the approval process is the requirement to provide a high level of detail about the affordable units they plan to build as part of their residential project, stating that at this stage they are unlikely to have finalized unit details, floor plans, and other information for future units. This barrier is often an unforeseen challenge for small or first-time developers, and requires additional time, expertise, and funding to produce the plans for affordable units at this stage in the planning process. As a result, it typically takes DOH 5 – 10 business days to approve a developer's ARO intake form upon its submission, but very often extends beyond that timeframe due to necessary changes to the intake form.

The proposed approach to address and improve upon this barrier is to hire an Assistant Commissioner of Inclusionary Housing that will streamline the ARO intake process, including implementing a phased submission approach that allows developers to provide preliminary information early in the process, with the understanding that final details will be submitted later. Additionally, the Assistant Commissioner will fill a critical vacancy to manage the full ARO program, allowing existing program staff to offer more personalized guidance to help developers navigate the requirements more efficiently, reducing the overall timeframe of the intake process.

Inclusionary Housing Agreement Development

It is inefficient for ARO staff to act as the intermediary between DOL and developers, while negotiating Inclusionary Housing Agreements (IHAs). These agreements, which serve as covenants to ensure long-term affordability requirements, are attached to the land and are critical to the success of the ARO. However, the added layer of ARO staff mediating between legal and development teams slows down negotiations, creates communication bottlenecks, and hinders the timely execution of these essential agreements.

The proposed approach to improve the IHA process involves hiring a third-party law firm to manage all aspects of collecting due diligence documentation and carrying out IHA development. By removing the ARO team as the "middlemen" and outsourcing the legal review process to a firm with immediate capacity, the City aims to reduce the current 45-day preparation timeline by half. This added legal capacity will not only accelerate the negotiation and execution of IHAs, but also allow DOL staff to focus exclusively on creating and implementing strategies to streamline the overall IHA development process beyond the life of the PRO Housing grant.

Centralized Leasing System for Affordable Housing

[The current system](#) for finding and applying for an ARO unit is limited to a simple PDF list of all ARO buildings available on the City’s website. The list is updated quarterly and provides contact information for each property owner or management company, but it does not indicate which buildings have available units. As a result, residents must individually contact each property to inquire about availability, making the process time-consuming and inefficient. It can take six months or more for individuals to navigate and secure an available ARO unit.

The key barriers to an accessible and efficient system to lease ARO units include:

1. Integrating real-time data from dozens of different property owners and management companies, each of which may use different systems and formats for managing their own application processes to secure tenants.
2. Ensuring that a City portal is compatible with various third-party systems used by property owners and management companies requires custom development work, as these systems may not have APIs or other methods for seamless data exchange.
3. Creating a user-friendly interface to manage workflow by reflecting accurate, up-to-date information from multiple sources for external stakeholders, including residents.

The proposed approach is to build out a centralized leasing portal as part of an existing City software application that does the following:

1. Simplifies the search process for tenants by providing a single platform where all available affordable housing units are listed, making it easier to find and apply for suitable options.
2. Improves efficiency by standardizing application forms and processes, reducing administrative burdens for both tenants and property managers, and speeding up the leasing process.
3. Ensures that affordable housing units are occupied by eligible tenants, as the system can automatically verify eligibility and manage waitlists in accordance with local regulations.

By building out and implementing a centralized leasing portal, the City aims to reduce the time it takes to secure an available ARO unit to 30 – 45 days.

Enforcement and Compliance

Due to insufficient legal staff at DOL, ARO staff has limited capacity to actively enforce compliance with ARO requirements, resulting in inadequate oversight of buildings that may be noncompliant, resulting in potential loss of affordable units on the market. Additionally, enforcing requirements becomes especially difficult when buildings change ownership. This has likely led to an unknown number of buildings and units that are “missing” from the affordable housing inventory, potentially being rented to individuals who are not income eligible.

The proposed approach to address this barrier involves contracting support from a third-party law firm to develop a suite of legal templates for enforcing ARO compliance. This will empower non-legal ARO staff by giving them the tools they need to initiate compliance measures more effectively. With these standardized templates in hand, staff can quickly address violations and

enforce long-term compliance with IHAs without waiting for legal intervention. This proactive approach will enable the ARO team to act swiftly when issues arise, ensuring that affordable housing obligations are consistently met and maintained.

Peer Models & Lessons Learned

There have been many similar efforts to improve the processes across local jurisdictions' inclusionary housing programs, and the City of Chicago has conducted a national scan of inclusionary housing program management practices to inform this proposal.

San Mateo, CA: One key lesson learned comes from San Mateo, California, which undertook a similar process improvement effort to implement a centralized leasing system for prospective tenants seeking affordable units. San Mateo found that property managers turn over so quickly that many were not handling tenant selection and income qualification properly. The City shifted to managing a centralized waitlist for all inclusionary rental units. When a vacancy occurs in an inclusionary rental property, the City provides the property manager the names of the first five people on the waitlist. The City reports that this process has been a major improvement that better connects prospective renters to open inclusionary units as soon as the opportunity arises. Given that its efforts to create a centralized waitlist were successful at more quickly connecting prospective renters to open units and reducing the time staff spent training property managers how to screen applicants for eligibility, the City of Chicago should consider emulating this model as a “low-tech” way to centralize its currently inefficient leasing processes.

Complements to Existing Planning Initiatives

ARO Process Improvement advances the City of Chicago's Cut the Tape Initiative

In December 2023, Chicago Mayor Johnson signed an executive order requiring 14 City departments to evaluate existing development processes and propose solutions that will remove bottlenecks and accelerate review and approval timelines. Departments listened to feedback collected from community leaders and development stakeholders, evaluated ideas for impact and equity, and ultimately compiled more than 100 recommendations to increase housing and commercial development. One of ten key directives under the Cut the Tape initiative is to design a process to initiate expedited reviews of affordable housing development projects, including projects that are subject to Chicago's ARO.

The Cut the Tape Initiative is a strategy to build more affordable housing and more vibrant commercial corridors across the city. The initiative recognizes that market-driven, inclusionary housing development serves an important role in Chicago's housing ecosystem, especially in neighborhoods where market forces are increasing housing costs and displacing or threatening to displace longtime low-income residents. The City's ARO is a primary strategy to increase affordable housing in higher-cost neighborhoods.

ARO Process Improvement directly advances this directive and aligns with several specific Cut the Tape recommendations:

- Optimize staff capacity to more quickly process ARO Inclusionary Housing Agreements and speed up permitting of projects subject to the City's ARO program.

- Implement new internal software to manage application and document collection processes for affordable housing.
- Determine how to improve internal coordination on ARO processes from project intake through lease-up of affordable units.

Roadblocks & Obstacles to Implementation

Implementing the ARO Process Improvement effort faces several roadblocks, including resistance from both staff and developers. There will be an adjustment period with DOH staff while integrating new processes like a centralized leasing portal and disruption to established workflows. However, the most significant obstacle is likely resistance from developers who are reluctant to learn and incorporate new procedures, even if these changes ultimately benefit them by shortening the permitting timeline.

To address these challenges, the proposal includes appointing a higher-level manager, the Assistant Commissioner of Inclusionary Housing, to lead the initiative. This role will be crucial in developing strong relationships with both staff and developers, ensuring their concerns are heard, and obtaining the necessary buy-in to advance these changes. By fostering trust and collaboration, the Assistant Commissioner will play a key role in overcoming resistance and successfully implementing the process improvements.

Project Initiative 2: Mixed Income Public Development Vehicle

Proposed Activities

The Department of Housing is in the process of launching a new vehicle to build Mixed-Income Public Development known locally as “Green Social Housing” (Referred to throughout this application as either “GSH” or the “GSH Public Development model”). This vehicle will use innovative financing mechanisms and public ownership to build mixed-income, permanent affordable residential buildings in predominately high opportunity areas without consuming limited existing local and federal subsidies. In April 2024, City Council authorized a large bond transaction that includes raising seed funding for a \$115M-\$135M GSH revolving construction loan fund. But this funding is intended to be used for capital expenses for initial projects, leaving DOH with limited resources to obtain necessary technical expertise to launch the program.

The GSH public development vehicle is modeled upon the success of Montgomery County, Maryland’s Housing Opportunity Commission. In this model, DOH establishes and capitalizes a nonprofit developer (the Residential Investment Corporation, or RIC) to provide low-cost construction debt to merchant builders constructing large-scale market-rate developments. In exchange for inexpensive capital, the RIC obtains a majority stake in the development and a commitment to rent at least 30% of units at an affordable level. Long-term ownership allows the RIC to maximize level affordability rather than profit. After stabilization, the RIC is able to provide preferential permanent financing that allows the construction debt to be repaid with interest, sustaining the work of the RIC and revolving capital into additional projects.

DOH has spent over a year preparing to launch this model and has obtained city council authorization for seed capital. Here, DOH seeks PRO Housing support to fund initial staff and

technical assistance to launch the RIC and underwrite initial deals. At the conclusion of the PRO Housing period of performance, the initial tranche of deals is scheduled to revolve, creating an income stream that will replace federal funds and allow the RIC to function sustainably in perpetuity.

DOH proposes the following PRO-Housing-supported activities:

1. **Hire an Executive Director to ensure the successful launch, sustainable operation, and effective implementation of the RIC.** This role requires expertise in real estate development, finance, urban planning, community engagement strategies, long-term property management, and tenant support services. The executive director will be instrumental in creating equitable and sustainable green social housing. The prospective timeframe for the hiring an ED is 6-9 months, for the duration of the grant period.
2. **Hire underwriters (contracted part-time basis) to do the financial analysis, feasibility review, market analysis, and cash flow projections.** Underwriters may also risk identification and mitigation strategies, and compliance oversight to ensure that the GSH developments are financially sound and aligned with community needs. The prospective timeframe for underwriter support is for the duration of the grant period.
3. **Hire subject matter consultants (contracted part-time basis) to assist DOH in the design and implementation** of the GSH Public Development Model by supporting financial structure design and evaluation of capital stack arrangements, mezzanine/subordinated debt options, project-level financial modeling including proformas and term sheets, and assisting with project pipeline developments including RFPs, RFWs, and RFIs, and capacity development for staff expansions. The prospective timeframe for subject matter consultant support is immediate and will last for the duration of the grant period.
4. **Hire legal counsel (contracted part-time basis) to support GSH development deals to structure joint ventures** through governance framework, entity formation, negotiating agreements, risk allocation, liability limitations, legal and regulatory compliance, permit and licensing, dispute resolution and other advisory services. The prospective timeframe for legal counsel support is immediate and will last for the duration of the grant period.

Alignment with National Objectives, Eligible activities

This initiative primarily addresses CBDG national objective 1: **Benefiting low- and moderate-income persons.** The mixed-income public development model is designed to produce new mixed-income developments, predominantly in high-opportunity areas, that would not have otherwise been built with limited available subsidy. This will result in more, high quality housing units available to LMI families, located in areas of high demand. This initiative also indirectly addresses national objective 2, preventing or eliminating slums or blight, because the development of a new affordable housing tool optimized for high-opportunity areas frees up existing subsidies like LIHTC for use in disinvested communities.

This initiative is an eligible activity under the PRO Housing NOFO, falling under one or both of the following:

- **III.F.2.c.ii.A:** Financing the construction or rehabilitation of affordable housing

- **III.F.2.c.ii.D:** Establishing or assisting a community development financial institution (CDFI) to carry out financing strategies
 - *While not technically a CDFI, DOH proposes to create a public development legal entity positioned to offer financing products that increase affordable housing development.*

Addressing Key Barriers to Affordable Housing

The GSH public development model is designed to address the second key barrier identified in Exhibit C, Criterion III: the myriad challenges with developing new affordable housing units in high opportunity areas. This model addresses this barrier by solving multiple interrelated problems:

- **Scarcity of existing subsidy sources:** Chicago has insufficient financing tools to subsidize affordable developments. Federal sources like LIHTC, HOME, and CDBG are oversubscribed, and local sources like Tax Increment Financing revenue is only available to qualifying projects in TIF geographies. GSH creates an independent, sustainable revolving loan fund that at its current funding level DOH estimates will be able to sustain over \$100M of development per year in perpetuity with no additional investment.
- **Lost value:** In a traditional market-rate housing development project (with or without affordable units mandated via inclusionary zoning) the project’s owners choose to advance it because of a presumption of profitability. Owners build equity over time, which can be extracted for profit and reinvested elsewhere. Even if the public is substantially involved in such a project—such as via negotiating and enforcing inclusionary zoning affordability mandates—the City has no opportunity to build equity or share in profits. The GSH public development model allows the RIC to participate in project financing in a manner that allows the City to benefit from its real estate investments.
- **Lack of control:** For similar reasons as above, a lack of participation in the project ownership structure of market rate deals denies the City the opportunity to control the future of its affordable portfolio. The GSH public development model gives the City the opportunity to own a controlling stake of the buildings it funds, allowing it to maximize affordability rather than profit. For example, the extractable equity described above can be reinvested in the form of additional affordable units, deeper rent subsidies, or the cross-subsidization of affordable units elsewhere.
- **Affordability in perpetuity:** LIHTC-based affordable development typically comes with 20–30-year affordability commitments, and common affordable housing underwriting practices provide insufficient revenues to building owners to recapitalize and maintain buildings in perpetuity. This causes affordable developments to return to the public sector for follow-on financing every 10-25 years and/or a loss of affordable units. The GSH public development model’s public ownership, combined with mixed-income tenancy and a flexible underwriting approach, allows for sustaining affordable units in perpetuity.

Peer Models & Lessons Learned

Since this is a new development model for Chicago, DOH has looked to other jurisdictions for best practices to emulate, including Montgomery County, Maryland and Atlanta, Georgia.

Montgomery County, MD: The Housing Opportunities Commission (HOC), a public housing authority and housing finance agency has been developing mixed-income housing since 1989. In 2021-22 the County Council authorized a total of \$100 million bond fund, enabling the HOC to deliver 6,000 units (1,800 affordable) over the 20-year life of the bonds, generating \$2.2 billion in multifamily housing investment. After the bonds are repaid, the fund will continue to operate without cost to the county. HOC uses its revolving fund, FHA/HFA Risk Share Loans, and tax exemption to bring affordability into their deals. For projects funded with the Revolving Loan Fund, the baseline affordability requirement is 20% at 50% AMI and 10% at 70% AMI. Because HOC retains majority ownership and control, they can push for investment in quality, including sustainability, universal design, community-serving retail, family-sized units, pedestrian infrastructure, and enhanced tenant protections.

Atlanta, GA: In 2023, the City of Atlanta authorized a \$100 million Housing Opportunity Bond through the Urban Residential Finance Authority of the City of Atlanta (URFA), secured against an annual appropriation from the City budget. \$38 million of this funding has been committed to a Revolving Loan Fund, based on Montgomery County’s model. The City of Atlanta wanted to catalyze development on underutilized public land so, they established a new public entity: the Atlanta Urban Development Corporation (AUD). The AUD is a specialized nonprofit tasked with turning public land assets into marketable, mixed-income housing developments that offer quality, affordable, stable homes for all Atlantans. It is incorporated through Atlanta Housing (Housing Authority) as a wholly owned subsidiary, with Atlanta Housing approving organizational powers, bylaws, and board appointments. The City of Atlanta provides land for development and the initial operating budget and staffing. The Housing Production Fund is administered by URFA, including intake, underwriting, project approval, and closing. The AUD has an investment committee of real estate professionals which makes project recommendations to URFA for funding. AUD’s affordability targets are 20% of units affordable at 50% AMI and 10% affordable at 80% AMI.

Complements to Existing Planning Initiatives

GSH will complement existing planning initiatives including Chicago’s Equitable Transit Oriented Development (ETOD) Policy Goals² and the 2022 Chicago Climate Action Plan¹² (which is detailed in the next section) by doing the following:

- 1) ETOD is development that enables all people regardless of income, race, ethnicity, age, gender, immigration status or disability to experience the benefits of dense, mixed-use, pedestrian-oriented development near transit hubs. GSH prioritizes mixed-income public development investments that close the socioeconomic gaps between neighborhoods that are predominately people of color and those that are majority white.
- 2) GSH projects elevate community and tenants voice in decision making processes and in realizing community-focused benefits such as affordable housing, public health, strong local businesses, and environmental sustainability.

¹² <https://www.chicago.gov/content/dam/city/sites/climate-action-plan/documents/Chicago-CAP-071822.pdf>

- 3) GSH will center racial inclusion and community wealth building to be a driver of positive transformation for more vibrant, prosperous, and resilient neighborhoods connected to opportunities throughout the city and region.
- 4) GSH seeks to create new affordable and mixed-income housing opportunities in areas that allow current and future residents to access public transportation, jobs and other amenities. DOH plans to explore potential development projects that will increase density near transit hubs or drive density to allow for regional transit partners to infill new stations where transit opportunities lag.

Roadblocks & Obstacles to Implementation

Chicago has already addressed the single largest obstacle to implementation of the GSH Public Development Model: identifying a source of capital financing to seed the revolving loan fund. The \$125M allocated in early 2024 from Mayor Johnson’s Housing and Economic Development Bond provides this seed funding.

The biggest immediate obstacle is identifying sufficient resources, staff capacity, and technical expertise to select, underwrite, and build initial projects. If HUD awards Chicago this PRO Housing Grant, this obstacle will be fully addressed.

Other obstacles are more minor:

- The RIC must design a financing offering that is competitive and interesting to market rate merchant developers; if it does not, developers will not voluntarily engage with us to access our capital and in turn produce affordable units.
- Because each initial project will require City Council approval, the opinions of the local alderman and the Council about the value of the development and the GSH Public Development Model will dictate DOH and RIC’s ability to advance projects.
- DOH also anticipates a learning curve to set up the public developer, establish tenant governance structures, maximize available financial incentives made possible through the Inflation Reduction Act and IL Clean Energy Jobs Act, and establishing the infrastructure necessary to manage the GSH buildings once they are developed and stabilized.

Environmental Risks & Community Resilience

In Chicago, extreme heat is expected to bring more days of extreme temperatures and longer seasons of heat. More days of these heat conditions may worsen air quality and put residents with existing health conditions such as asthma or heart disease at greater risk; require extended use of cooling appliances and increase utility costs over the season. Worsening winter weather conditions of heavy snow and ice accumulation. Chicago has also experienced increased frequent and severity of inland flooding due to overwhelmed stormwater drainage systems.

Given the outsized role in affecting climate that dense urban cities play, Chicago stands as a ready partner in several regional hazard mitigation and adaptation planning spaces. As member of the 2019 Steering Committee for the update of the Cook County Multi-Jurisdictional Hazard Mitigation Plan, the City—along with more than 115 municipalities across Cook County, federal agencies, and other partners—worked to identify risks and make appropriate response plans for natural hazards like flooding, extreme winter weather, and tornadoes in the county.

All Chicagoans rely on buildings as a base for their homes, and places to gather. The COVID-19 pandemic highlighted how important efficient, healthy homes are for people's emotional, physical, and economic health. In Chicago, most buildings run on electricity and natural gas. DOH will not be able to achieve the described climate goals without an aggressive approach that reduces overall building energy use and carbon emissions. In 2017, energy use in Chicago's buildings accounted for 70% of the city's carbon footprint.

- The 2023 Architectural Technical Standards Manual (ATSM)³ includes new baseline requirements for all new construction funded by DOH. These requirements are intended to increase energy efficiency, reduce utility bills and operating costs for tenants and building owners, reduce the city's overall carbon emissions, reduce pollution, increase air quality, and support the decarbonization of Chicago's residential building stock.
- Developers who provide affordable units as part of the City's ARO must adhere to the Standards for Affordable Units outlined in the ATSM. ARO Process Improvement will seek to provide enhanced technical assistance to developers during the Intake process, when plans for affordable units must be submitted, to ensure each unit meets ATSM standards.
- Climate resilient and energy efficient buildings use less energy, save money on utility bills, reduce negative health outcomes, and protect us during extreme weather events.
- GSH advances Chicago's CAP.⁴ From lighting and appliance updates to weatherization, increasing energy efficiency helps to reduce this footprint. Electrifying building systems and powering them with renewable electricity will further reduce building greenhouse gas (GHG) emissions. Aggressively accelerating energy efficiency and renewable electricity in new buildings like GSH is needed to achieve the ambitious goals set in the 2022 CAP.
- GSH seeks to facilitate long-term cost savings for building owner and tenants by reducing utility costs resulting from energy efficiency improvements. Utility costs are among the largest operating expenses for 5+ unit multifamily buildings in Chicago, and this portion of Chicago's housing stock accounted for 12.9% of the city's total carbon footprint in 2017.

Criterion II: Geographic Scope

Both the Affordable Requirements Ordinance and the GSH Public Development Model (once launched) function City-wide, and both are functions of the Department of Housing which is tasked with addressing housing insecurity and developing new units of affordable housing in every corner of the City. However, these two programs are both (1) designed to have the greatest impact in high-opportunity areas; and (2) because both in their own way are contingent on market-rate development, will also tend to be applied most frequently in the high-opportunity neighborhoods where rents are highest and affordable housing is most needed. Because of this, DOH views the two initiatives proposed in PRO-CHI2 to directly affirmatively further fair housing by generating new affordability in high-opportunity areas from which low-income, vulnerable Chicagoans are frequently excluded.

Inclusionary Housing Strategic Re-Design

For the purposes of ARO implementation, DOH divides the city into four areas based on census data and internally commissioned studies of legally restricted and naturally occurring affordable housing:

1. **Inclusionary housing areas:** These geographies exhibit high-cost and/or low-affordability currently, and experience displacement of existing LMI residents and/or pose entrance barriers to LMI residents.
2. **Downtown areas:** Chicago's downtown district is considered an inclusionary housing area.
3. **Community preservation areas:** These geographies may or may not be high-cost or low-affordability currently but are experiencing or are at high risk of experiencing displacement of existing low-income residents.
4. **Low-moderate income areas:** These geographies do not meet the definition of either a community preservation area or inclusionary housing area.

Please refer to [Appendix A: ARO Geographies by Chicago Community Area](#)

ARO requirements differ based on local market conditions and the City's typical housing priorities in neighborhoods exhibiting those market conditions. For example, in an ARO-triggering development in a low-moderate income area, developers must set aside 10% of dwelling units as affordable, while developments in all other areas must set aside 20%. Additionally, while developers may build off-site units or pay in-lieu fees instead of setting aside affordable units on-site, in community preservation, inclusionary, and downtown areas developers must provide at least 25% of units onsite and at least 25% of units either onsite or offsite in a similar geographic area. (On-site units, off-site units, or in-lieu fees are acceptable for the remaining obligation.)

Mixed Income Public Development Vehicle

The GSH Public Development model will be a tool available City-wide. However, this approach to development financing is most likely to underwrite sustainable deals in areas where market rate units can adequately cross-subsidize the units set aside for affordable tenancy. As a result, DOH expects the majority of GSH to be initially developed primarily in high-opportunity areas where demand for new units is high.

The City expects to generally use two primary approaches to advance GSH projects via this model:

- The first approach is creating a financial offering that market rate developers with entitled deals, but insufficient financing can apply to. In this approach the City may not directly select the parcel to be developed but expects developments to be located in areas where demand to build is already high.
- The second approach is to establish site control over targeted parcels (e.g. use of City-owned land, acquisition of land on the private market) and then issue requests for

proposals for those parcels. In this approach, DOH will have more control over geography, contingent upon available land. DOH is already building a list of potential parcels to RFP in this manner; they are located in mid-to-high-price, high-amenity areas of opportunity on the north, west, and south sides.

While it will be critical for initial GSH projects to be located in certain geographies to ensure their long-term financial sustainability, one benefit of the GSH Public Development model is that the RIC is expected to build equity in projects over time as debt is paid down and land values rise. As discussed in Exhibit D Criterion I, such equity can be utilized to provide even greater affordability in each respective project or could theoretically be extracted via refinancing to inject into other projects, which could occur in any part of the city.

Criterion III: Key Stakeholders & Engagement

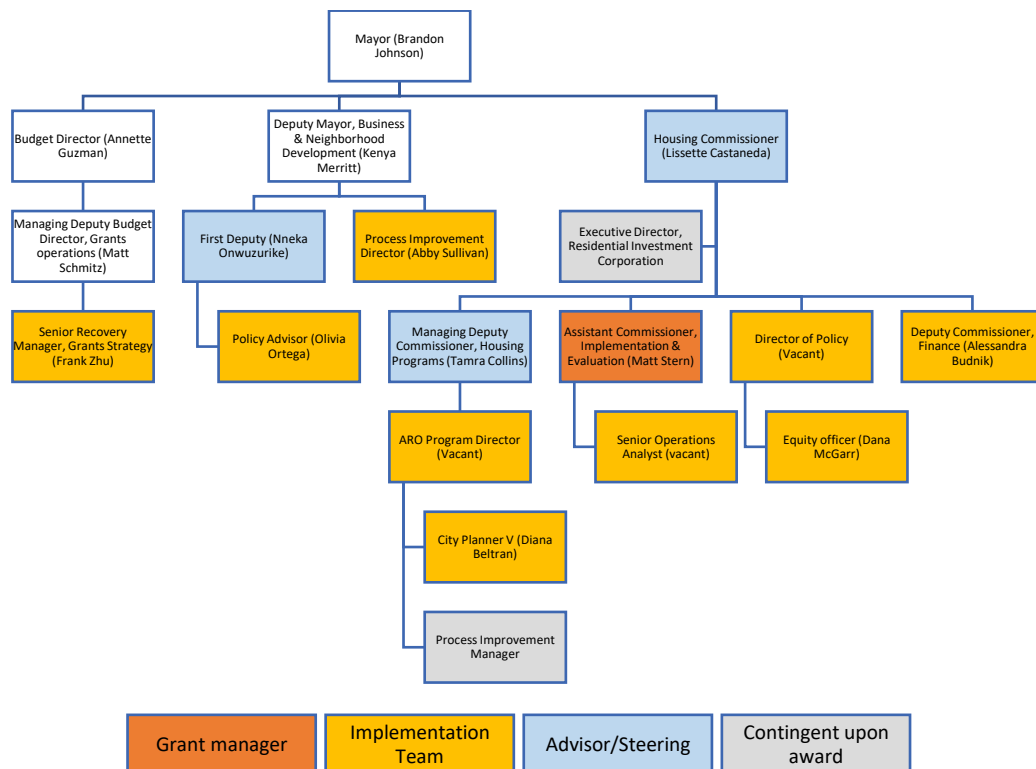
Criterion IV: How does your proposal align with requirements to affirmatively further fair housing?

Criterion V: Budget & Timeline Proposals?

To be drafted.

Exhibit E: Capacity

DOH will manage this grant, including leading the implementation of the proposed activities in coordination with the Mayor’s Office, the Office of Budget and Management, and other departments. With an annual personnel budget of \$16.1M and 118 full time staff positions, DOH is well positioned to take on additional PRO Housing work. DOH spends tens of millions of dollars of federal funds annually, including CDBG and HOME, and is experienced in federal grant management and reporting. The following organizational chart describes the key staff who will manage the proposed PRO Housing activities:



DOH recently created a new bureau of implementation and evaluation, led by an Assistant Commissioner reporting directly to the Commissioner, to lead process improvement and special projects. This Assistant Commissioner [orange box] and his team will lead PRO-CHI2 efforts if awarded, in partnership with a cross-silo implementation team [yellow boxes] spanning the Office of Budget and Management, the Mayor’s Office, and the Department of Housing. PRO-CHI2 work will be implemented in close consultation with senior “advisors” [blue boxes]. This proposal also incorporates the addition of critical staff capacity, contingent upon award, to advance this work [gray boxes].

New staff positions to advance PRO-CHI2 will be hired via standard staff hiring processes. Temporary staff may be hired via existing temp staffing contracts held by the City. Consultants will be hired via a Master Consulting Agreement (MCA). Because MCAs can take a long time to

implement (up to 1 year), DOH proposes to bundle all PRO-CHI2 consulting needs into a single, multi-year MCA that can be tapped for multiple consulting services.

The City of Chicago has extensive experience with civil rights and fair housing issues, ensuring both that DOH programs comply with federal guidelines, local plans to affirmatively further fair housing, and efforts to advance racial and economic equity. With 14 staff positions dedicated to policy, planning, research, racial equity, and community engagement, DOH is committed to ensuring that all current and future programming provides tangible reductions in racial disparities, while continually addressing the historic disinvestment institutionalized in governmental policies.

Exhibit F: Leverage

Financial Contributions

The City of Chicago has committed \$125 million of funding as the City's cost-share towards this project, specifically for the Mixed-Income Public Development Model – GSH – to create a \$125 million revolving loan fund. The underlying funding source is the City's pre-existing legal authority to sell tax-exempt municipal bonds, and these funds are not tied to any fiscal year and may be obligated at any point during the PRO Housing period of performance. The funding is authorized through the Second Substitute Ordinance (SO2024-0007838). The ordinance text is enclosed as an attachment within the application.

This capital-restricted source will enable a new funding apparatus to overcome the obstacle of access to funding for mixed-income development. This will be considered the 1786% leveraging of costs towards the project, as documented within the Mayor of Chicago's letter of commitment. However, these funds can only be used on capital expenses such as development work, and may not be used for process improvement activities, consulting, and/or staff salaries.

Non-financial Contributions

The project, if funded, will also include various forms of in-kind contributions, primarily in three separate categories: (1) commitments of existing staff time by DOH that are not factored into the proposed budget, and (2) in-kind consultant support for the Mayor's overall process improvement initiative already committed from the Civic Consulting Alliance, estimated at over 5,000 hours for 2024 and 2025. The value of these non-financial contributions will vary. Commitments of existing staff and consultant efforts are highly variable depending on the final scope of work.

Exhibit G: Long-term Effect

To be developed.

Appendices:

Appendix A: ARO Geographies by Chicago Community Area

ARO Geographies by Chicago Community Area

