

Chicago Rehab Network

25% Housing Set-Aside

Concept Paper

Our Vision

25% of the units in all new residential developments, substantial rehabilitations and condo conversions will be **set aside** for individuals as affordable. This will ensure that market rate development in all parts of the city includes a fair share of affordable housing. In addition, we will develop new strategies and resources for creating rental housing.

Our Proposal

1. General Requirements

In all new construction, substantial rehabilitation or condo conversions developments of 4 or more units, affordable housing must be supported through the following actions:

- **4 to 10 units** - 25% of the units must be set aside as affordable or the developer may make an in-lieu-of payment to a Neighborhood Housing Trust Fund (see below).
- **11 units or more** - 25% of the units must be set aside as affordable.
- **Special Exceptions** – While there is a clear preference for on-site set asides, in certain cases, in-lieu-of payments can be made to the Neighborhood Housing Trust Fund (see below).

2. Definition of Affordability - Rental

As a minimum, set aside rental units must be affordable to individuals at or below 50% of the median income (currently \$35,250 for the Chicago PMSA) with rent at 30% of monthly income. In recognition of the need to serve individuals with very low incomes, fewer units will be required if they are set-aside at lower income levels.

3. Definition of Affordability – For Sale

All set aside for sale units will be priced at a pre-determined affordable square foot construction cost for the housing type (attached, detached, multifamily), not including land costs.

4. Right of First Refusal – Create Rental Opportunities

Non-profit developers and public agencies will have a right of first refusal to purchase half of all set aside for sale units at the affordable sales price to operate as affordable rental units.

5. Construction and Floor Area Standards

Set aside units may have a smaller floor area and more modest finishes than market units, but should have a similar number of bedrooms. Construction standards will be established to ensure durable housing with mid-grade finishes.

6. Term of Affordability

Set aside rental units must be kept affordable for 30 years. In for-sale developments, resale prices will be limited to the increase in the Chicago Consumer Price Index by for 20 years with a deed restriction. New buyers must also be income eligible.

7. Neighborhood Housing Trust Fund

Developers may be permitted to pay into a Neighborhood Housing Trust Fund in lieu of creating affordable units. This Trust Fund money will create a new resource for affordable housing and not replace any existing public funds. Trust Funds will be created for all of Chicago's 77 community areas. Funds will be earmarked for use in the community area that the original development is located in. Use of the Trust Fund will be limited to rental housing development (including the purchase of set-aside for sale units), limited equity co-op development and rental subsidy. All trust fund money will be targeted to tenants earning under 30% of the median income (currently \$21,150 for a family of four). The Trust funds will be administered by an accountable body such as the Chicago Low Income Housing Trust Fund.