Grow Chicago
Growing near transit benefits us all

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Executive summary

Key findings

Population has declined in many of Chicago’s most transit-accessible, sought-after communities in large part because of the lack of new construction.

Zoning is an obstacle to dense, mixed-use buildings in Chicago’s neighborhoods around transit.

The 2013 TOD ordinance affects little city land. Although it provided an important boost for new construction, it does not offer adequate provisions for affordability and maintains onerous review processes, increasing risk and cost for developers.

Affordable housing funding is unevenly distributed to communities with already-high rates of poverty and unemployment, increasing segregation even in areas near transit.

Investment in affordable housing is challenging in high-income areas near transit because of long waits to receive subsidies and high land purchasing and holding costs.

We recommend amending the city’s zoning ordinance in 2015 to remove obstacles to transit-friendly growth.

Today just eight percent of the region’s population lives within a quarter-mile of a rapid transit station. Even in places where growth is occurring near transit, it is often serving primarily upper-income families, leaving less wealthy people out of new construction and new construction out of less wealthy neighborhoods. To be a globally competitive city and region, growth in Chicago—including more housing opportunities near transit for households across the income spectrum—needs to be reoriented near transit through a shift in public policies and funding. It is time to update policies to achieve reduced cost of living and improved quality of life for this region’s residents.

Chicago Mayor Rahm Emanuel’s efforts during his first term—including transit-oriented zoning reform in 2013, an incentive to encourage affordable housing in strong markets through the Affordable Requirements Ordinance and a clear commitment to transit throughout his administration—indicate significant municipal support for encouraging more investment and growth near transit. This paper, the product of a year of research and interviews by the Metropolitan Planning Council (MPC) and Institute for Transportation and Development Policy (ITDP), offers recommendations designed to build momentum on the best ways to advance transit-oriented development in the city of Chicago. While in the past we have supported planning and implementation efforts to increase transit-oriented development (TOD) in the south and west suburbs of Cook County and plan to continue our regional policy efforts, this research and policy framework is targeted to the city of Chicago. We have reviewed regulatory, financial and capacity barriers, and advocate for specific policy and fiscal solutions that will aid the region in surmounting them.

We recommend amending the city’s zoning ordinance in 2015 to remove obstacles to transit-friendly growth, combined with a dedicated stream of funds to optimize opportunities near transit in neighborhoods across Chicago, by developing affordable housing in expensive real estate markets and amenities in under-resourced communities.

These changes will help the city become more competitive, sustainable and equitable. A Chicago oriented around transit will further fuel economic growth and strengthen access to jobs for everyone. This paper focuses on development challenges while not ignoring the equally essential goal of expanding our rapid transit system, an investment that both MPC and ITDP consider vital for sustainable growth.

Markets behave differently. Certain areas of Chicago are practically overwhelmed with interest from developers that want to build new market-rate apartments. Other areas...
suffer from weak market demand, a declining building stock and few neighborhood amenities, further driving population loss and underuse of existing transportation assets. This report addresses these dual challenges by offering solutions to encourage transit-oriented development in both types of neighborhoods.

Some of the recommendations can be implemented today; others will require more work through a partnership between the public, private and nonprofit sectors. We cannot afford to lose the opportunity presented by the current environment of rising transit use and growing demand for living in dense, mixed-use neighborhoods. Working together, we can create a more equitable, active and resilient city and region by encouraging more of our growth near transit.

Build capacity and political will

We recommend that community, financial, development, nonprofit and governmental organizations work together to develop a strong, sustained civic collaborative to advance transit-oriented development in the Chicago region. Similar to counterparts in the Bay Area and Denver, this effort would identify the appropriate financing mechanisms, including low-interest loans and grants, to fuel development and redevelopment near transit (explained in the next section). A concerted, coordinated civic effort also would advance regulatory reforms noted in this report.

To be sustainable, this effort would need staff. We recommend that the Mayor’s Office determine a point person—to be housed in the Mayor’s Office or a key City department—whose charge is to work with all City agencies and departments to coordinate spending on capital infrastructure, including water, transportation and development investments, to prioritize transit-oriented development. A dedicated City representative would publicly signal to the real estate, community development, and philanthropic organizations investing in Chicago’s growth that the City is committed to transit-oriented development. All proposed major City investments would be reviewed to ensure they align with City policies to increase transit-oriented development.

In partnership with civic nonprofits, community development organizations and financiers, we recommend that the City organize capacity-building sessions on transit-oriented development with affordable housing financing tools such as the Low-Income Housing Tax Credit (LIHTC), New Markets Tax Credit, Affordable Requirements Ordinance and Historic Preservation Tax Credit.

Given significant community and market interest in transit-oriented development, the City of Chicago should continue to demonstrate a strong commitment to orienting future growth near rapid transit through dedicated funding and regulatory incentives. Political will and vocal support for transit-oriented development at the mayoral level has been critical to stimulating development near transit in metropolitan areas such as Denver and the San Francisco Bay Area; we hope to learn from and build off these cities’ successes. Developers see political support as a sign that their projects will have a clear path through the zoning and approvals process. Similarly, while Community Development Finance Institutions (CDFIs) and other financing sources have made progress in certain suburban communities, there is more they can do to directly invest in transit-oriented development in Chicago. Continued clear support from the City of Chicago that it is a top priority will be transformative.

Key recommendations

**Build capacity and political will**

**Form a civic collaborative** with representation from community, financial, development, nonprofit and governmental organizations that are dedicated to advancing TOD in Chicago.

**Dedicate a City TOD manager** to direct capital infrastructure spending across all Chicago agencies and departments and serve as a point of contact for developers, organizations and others.

**Reform regulations**

**Expand the TOD ordinance** to provide density bonuses to all Business, Commercial and Downtown zones within at least 1,200 feet of rail and bus rapid transit stations, and allow as-of-right implementation by developers. Allow an additional density bonus for projects with 10 percent affordable housing on site.

**Eliminate minimum parking requirements** for all uses within 1,200 feet of stations, allowing investors to incorporate needed parking without creating an expensive oversupply.

**Identify financial incentives**

In the short term, **prioritize existing public funding streams toward TOD areas** and encourage financial institutions to work together to focus their loans on areas close to transit.

In the long term, **create new loan and grant financing products** designed specifically to support affordable housing in high-opportunity TOD areas and retail and other amenities in low-opportunity TOD areas.
Reform regulations

We share Mayor Emanuel’s vision for an economically vibrant Chicago and suggest regulatory strategies to advance equitable development toward that goal. By encouraging additional growth adjacent to our rapid transit system, Chicago would be taking highest advantage of its most valuable land. Denser growth near transit will expand the local economy without adding congestion and, in the process, make Chicagoland more globally competitive. It will also attract more jobs and amenities to places that are accessible to everyone.

We recommend that the City of Chicago pass an ordinance expanding the transit-oriented development incentives initially approved in 2013. The expanded ordinance, described in further detail in this paper, should expand the as-of-right ability to construct denser, less automobile-reliant housing and commercial projects to all zoning classifications within at least a quarter-mile of rapid transit stations, including those along bus rapid transit corridors with dedicated rights of way. The ordinance should include a specific provision that extends an additional density bonus for projects that include affordable housing units on site, expanding on already-approved changes to the Affordable Requirements Ordinance in early 2015.

Despite the significant interest in living in the region’s transit-accessible, dense neighborhoods, growth in those communities is often limited. Some of the region’s most transit-oriented, dense and thriving communities—such as Lincoln Park and Wicker Park—failed to increase in population between 2000 and 2010, not because of a lack of demand but because of barriers that limit new construction, specifically unsupportive zoning policies that limit density and rules that require developers to build more parking than may be needed. The City of Chicago took a big step forward in 2013 with new zoning incentives for denser development and less required parking near transit, but those incentives apply to few of the city’s parcels, even near transit, and therefore lessen its impact and miss the opportunity to fully capitalize on demand.

We recommend streamlining the City’s development review process to make best use of Chicago’s development and financial resources to build healthy, walkable communities. Currently, developers working under the new ordinance must go through a time-consuming, expensive review process to receive approval. The long approval process ultimately increases development costs, furthering exacerbating the lack of affordable housing units in opportunity areas. A transit-oriented development strategy must address these barriers and make it easier to build new, bigger buildings near transit and focus a greater share of the population and employment in transit zones.

Identify financial incentives

To jump-start development near transit, capital and financing resources are needed. Working with CDFIs, we recommend that the City of Chicago dedicate at least $10 million in funds (to leverage a minimum of $40 million in nonprofit and private investment) in a pool managed by a CDFI designed specifically to finance grants and below-market rate low-interest loans for affordable housing and other essential investments, like streetscape and storefront improvements, in areas near rapid transit. The City should encourage affordable housing investments in areas of medium- and high-incomes with limited access to affordable housing; other types of investment should be distributed across the city to areas near rapid transit with few amenities.

We recommend focusing public investment toward encouraging equitable, affordable housing near transit.

In combination with new financing resources, the city’s development would thrive by prioritizing the majority of existing City funding sources, including LIHTC, tax-increment financing (TIF), HOME and Community Development Block Grants (CDBG) to areas within a quarter-mile of rapid transit stations. For infrastructure, retail, business improvement and other amenities, the City should emphasize investments in low-income areas with limited access to amenities.

The city of Chicago, and increasingly the region, is known for its income-segregated communities, where places with high-income residents have strong access to quality amenities, schools and jobs, and places with predominantly low-income residents have significantly less access to quality amenities, schools and jobs—both near and far from our transit system. What’s more, developers are reluctant to build affordable housing in moderate and high-income areas because the high cost of land and high market rents leads to low return on investment. By directing the City’s resources for affordable housing and related investment to low-poverty communities near transit, Chicago would begin to create more income-integrated communities where residents of all incomes have equally strong access to jobs and amenities.
After decades of underinvestment in public transport, many governments are refocusing on improving transit to combat the negative social, economic and health impacts of America’s over-reliance on automobiles. This effort moves away from the car-centric vision of cities that dominated the second half of the 20th Century, leading to longer and wider roads separating buildings, blocks and neighborhoods; entire metropolitan areas where getting around by foot or transit is nearly impossible; and a vicious cycle in which car use begets car dependency begets car use.

We have learned that an integrated, high-quality transportation network that links diverse, multifunctional communities is central to a thriving city: It connects and integrates people, providing access to employment, public services and ultimately a better quality of life. This access then expands the efficiency of the economy, the quality of the urban environment and the achievement of social equity. A lack of quality transport reinforces social divides and restricts the economic prospects of lower-income groups. So does a lack of quality development near that transit.

Today, we have an opportunity to rethink development in the city of Chicago in a fashion that prioritizes people over cars and quality of life over congestion, air pollution and greenhouse gas emissions. Easy access to public transportation reduces cost of living, improves local business and expands job opportunities. While the Chicago region’s growth has moved away from transit over the past half century, now is the time to turn the trend around for the benefit of all of the region’s people—even those who never step onto a bus or train.

Over the past decade, several innovative U.S. cities, from Seattle to Los Angeles and Washington, have encouraged shifts away from private car use by coupling transit with land use change. Directing urban growth toward high-density, transit-adjacent locations has numerous advantages, such as reducing infrastructure costs, lessening traffic congestion, preserving land and creating the more urban, less car-oriented environments that many residents desire. Bus rapid transit (BRT), light rail and metro systems, if coupled with zoning changes and other public-sector incentives, can effectively concentrate dense, mixed-use new residential, employment and commercial growth in transit-adjacent locations. Yet mass transit in and of itself, with no consideration of the government’s role in fostering appropriate land use, is never an automatic lever for increased development and economic sustainability.

Focusing growth on areas near public transportation through transit-oriented development (TOD) yields a number of benefits for the metropolitan area as a whole. Research has shown that TOD reduces transportation costs for households and employees; reduces road congestion; requires less space allocated to parking; supports local businesses; lessens demand on public services; expands access to needs and amenities for people across the income spectrum; increases property values and associated tax revenues; and produces a cleaner environment. These benefits improve both the economic competitiveness and social equity of the regions that focus on TOD.

Today, we have an opportunity to rethink development in the city of Chicago in a fashion that prioritizes people over cars and quality of life over congestion, air pollution and greenhouse gas emissions.

With its large population, extensive transit network and deep-rooted commitment to planning for a more equitable and sustainable future, Chicago has an opportunity to commit to policies and funding solutions that prioritize people and quality of life. That will require an adjustment of existing regulatory incentives, as well as the creation of new funding sources, to help show commitment to smarter growth patterns. These are essential if the City wants to take maximum advantage of its transit system, and do so in an equitable way.

This paper is the product of a collaboration between the Metropolitan Planning Council (MPC) and Institute for Transportation and Development Policy (ITDP). It is based on a year’s worth of research on national best practices, interviews with Chicagoland stakeholders and analysis of market trends. The paper focuses on issues within the city of Chicago, by far the region’s largest municipality, but its conclusions are generally applicable to places throughout the metropolitan area, and, in many ways, throughout the U.S. The paper’s goal is to determine current regulatory and financial obstacles to more TOD in the city of Chicago, and to point the way forward toward a beneficial future for all Chicagoans. Understanding current conditions can help us develop a vision for how we want to achieve our region’s transit-oriented future.

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1 Institute for Transportation and Development Policy, More Development For Your Transit Dollar, 2013; Metropolitan Planning Council, Bus Rapid Transit: Chicago’s New Route to Opportunity, August 2011.

Population change in the Chicago region

According to the Chicago Metropolitan Agency for Planning (CMAP), the area’s federally designated Metropolitan Planning Organization (MPO), the region’s population is expected to grow from 8.6 million today to over 11 million by 2040. The city of Chicago itself is expected to absorb about 400,000 new inhabitants and 220,000 jobs over that time, of which a significant portion would be located in the central business district. If oriented to transit-adjacent areas, this growth could be accomplished with limited additional congestion, provide new residents access to amenities within walking distance and limit negative environmental effects of outward growth. Crucially, transit-oriented growth in the Chicago region would mean reduced household living costs.

But transit-oriented growth requires a significant paradigm shift; if the population growth occurs outside of transit areas, it will likely accelerate the area’s rising housing and transportation costs, straining household budgets and reducing quality of life for many residents. Typical American families earning between $20,000 and $50,000 annually spend 28 percent of their incomes on housing and 27 percent on transportation. Many are struggling to make ends meet because of the lack of access to efficient public transportation solutions or affordable housing opportunities.

Housing costs increasing for renters in Chicago

As the above chart illustrates, the share of households in the city of Chicago that are housing cost-burdened has risen dramatically in recent years. The share of the city’s rental households paying more than 30 percent of their incomes for housing has increased from 38 percent in 2000 to more than 50 percent in 2013, a dramatic increase. For owner households with mortgages, the story is similar: the share

Key findings from MPC’s study of vacant land near the city of Chicago’s rail transit stations

Most of the expected population growth in the city of Chicago could fit in TOD areas on vacant or underused land with no changes in zoning provisions for those areas. These areas could house 280,000 new inhabitants by 2040.

Vacant or underused land near transit could accommodate about 80 million square feet of retail, commercial and manufacturing space, with no changes in zoning provisions for those areas.

A small increase in allowed densities (FAR of +1 on all parcels) could accommodate 90 percent of the city’s expected population growth, or about 350,000 residents and 100 million square feet of retail, commercial and manufacturing space.

These growing costs have resulted in residents moving to less-expensive parts of the Chicago region, or to other parts of the country. In order to address this combination of population movement and loss, and to ensure that the region provides a high quality of life for as many of its inhabitants as possible, growth—and the amenities that lead to growth—must be concentrated in areas where affordable, convenient and fast access between jobs, housing and other amenities is possible. With several major transit investments opening in the next few years and the real estate market improving, Chicago has the opportunity to encourage dense and mixed-use development patterns. Further, by encouraging new projects in under-invested areas near transit, Chicago could improve community livability and provide more commuting options for many of its inhabitants.

A 2013 MPC study projects that underused4 or vacant land within 1,200 feet, or about a quarter mile, of rail transit stations within the city, but outside of the Loop, has the theoretical capacity to absorb about 280,000 more inhabitants and over 80 million square feet of new retail, commercial and manufacturing space, with no changes in existing land use or zoning regulations. The addition of new BRT routes would add additional parcels located within close distance of the rapid transit system. A small increase in allowed density would provide the capacity for 350,000 more residents and 100 million square feet of other space. As such, virtually all residential and employment growth expected within the city

3 Barbara J. Lipman, A Heavy Load: The Combined Housing and Transportation Burdens of Working Families, Center for Housing Policy, October 2006.

4 In the study, surface parking lots are defined as underused land. See Chicago TOD Site Availability Study (draft), Metropolitan Planning Council, October 2013.
by 2040 could, in theory, be absorbed within transit areas with little change to existing conditions and no demolition of existing buildings. This is an exciting finding that indicates that it is feasible to orient most growth towards transit.

Of course, the simple availability of land for new development does not ensure that most growth will occur in those areas. Many of Chicago’s neighborhoods, especially those on the South and West sides, have lost population over the past half-century despite strong access to transit; several suburban municipalities in southern and western Cook County are beginning to experience similar trends. These changes are a consequence of many factors, chief among them the loss of manufacturing jobs that sustained residents for decades. However, public policy decisions that prioritized highway construction and outward suburban growth have also contributed to this outmigration away from neighborhoods that were built around transit lines to areas that are auto-dependent.

In the city of Chicago, the share of residents living within a half mile of rapid transit has declined from 88 percent in 1950 to 48 percent in 2010. For comparison, in New York City, the share of residents living within a half mile of rail transit has declined from 82 percent to just 75 percent, a far smaller reduction than Chicago has experienced.

Jobs in the region have also decentralized; between 2002 and 2011, despite the construction boom that occurred in and around the transit-accessible Loop, the share of regional employment located within a half-mile of rail transit declined slightly to just 32 percent of jobs, indicating that new construction near transit accounts for a minority, and declining, share of investments. Among large regions, New York City, San Francisco, Washington and Philadelphia each have a larger share of employment located near their rapid transit systems than Chicagoland, and each of those regions saw an increase in the share of regional jobs near transit during that period. These facts are partly a reflection of a lack of growth in the Chicago region transit network and a decline in population in many of the city’s neighborhoods, but also highlight the ongoing need for strong policies that explicitly and effectively encourage TOD.

Even in some of the city of Chicago’s most popular, transit-accessible neighborhoods, population is declining. Lakeview, Lincoln Square, Logan Square, North Center and West Town each experienced rapidly rising rents and incomes between 2000 and 2010, indicating strong demand for living in those areas (for the city as a whole, the inflation-adjusted median income declined over that period). Yet each community area suffered from declining population during the same period, partly a consequence of fewer people living in each unit. Despite the fact that these areas are in demand, it is challenging to create sufficient supply to keep up with demand given Chicago’s current zoning policies.

A failure to allow new development has negative consequences. National research has demonstrated that limitations on new construction, which frequently comes in the form of zoning density restrictions, increases the cost of housing

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5 See Chicago Rehab Network, Affordable Housing Fact Book, 2013 [available online at http://www.chicagorehab.org/cm/factbook/].
6 For example, in Lincoln Square, the average number of inhabitants per housing unit declined from 2.4 in 2000 to 2.2 in 2010.
as increasingly affluent newcomers compete—and win—for limited supply. These increases in cost result in less affordable housing, thus making more areas too expensive for people of moderate incomes to afford.7

Addressing significant obstacles to land development in TOD areas is crucial before a significant increase in new construction can occur there. The current regulatory and financial environment does not provide adequate incentives for developers to choose transit-oriented locations. Rather than rely on weak market forces to encourage developers to choose parcels near transit, a proactive approach to land use planning and development will drive development and growth near transit. A proactive approach and set of policies will address another significant challenge—frequent community opposition to dense developments—to creation of a more compact, transit-oriented Chicago.

Transit-oriented development

TOD maximizes the benefits of public transit while firmly placing the emphasis back on the users—people. TOD requires high-quality, thoughtful planning of land use and built forms to support, facilitate and prioritize not only the use of transit, but also the most basic modes of transport: walking and cycling. While there are many developments that refer to themselves as TOD, few actually qualify as such because they fail to plan effectively for all of the factors that are detailed below.

In association with a committee of the world’s foremost land development experts, in 2014 ITDP created the TOD Standard, a tool to help shape and assess urban development. The TOD Standard outlines eight core principles of urban design and land use, each supported by specific performance objectives and easily measurable indicators. Together, they promote safe, balanced and vibrant neighborhoods around stations; short and well-connected pedestrian and cycling networks; densities that ensure a strong customer base for local services and public transport; and minimal car traffic and parking interference.

In the U.S., ITDP has identified several best-practice developments that score well on the TOD Standard. They include the Pearl District in Portland, OR; Uptown in Cleveland, OH; South Lake Union in Seattle, WA; and Fruitvale Station in Oakland, CA, among others. An evaluation of these station areas shows that there are several key features that are common in these projects. All of these development areas ensure that first and foremost, walking is prioritized, and subsequently, that most uses and needs are located close together for the most people possible. In addition to providing high-quality, unobstructed pedestrian footpaths (the “walk” scoring category in the Standard), having a highly connected network of paths and streets allows for short and direct routes and encourages non-motorized transit (“connect”). For example, in Portland’s Pearl District, the pedestrian

is prioritized with a lot of crosswalks and visually active store frontages that activate the street and engage pedestrians.

In a high-quality TOD, as in the U.S. best practices listed above, when there is a mix of activities and uses located close together (“compact”), most daily trips or errands can remain short and easily done by walking, biking or using mass transit. Furthermore, by allowing vertical growth (“density”) within that compact area, more people are able to live and work there, providing more bang for the infrastructure buck. Cleveland’s Uptown development took advantage of its location along the HealthLine BRT, as well as its proximity to both Case Western University and a large medical campus, and increased its residential density. This has not only helped create an active and vibrant neighborhood, but also has supported local economic development, as the higher density has delivered a customer base for the significant number of new restaurants, shops and museums that are coming into the area.

When a station area or neighborhood is walkable, connected, compact and dense, personal motor vehicles become much less necessary in day-to-day life. Valuable urban space can be reclaimed from roads and parking, and can be reallocated to more socially and economically productive uses (“shift”). In Uptown, parking accounts for less than 10 percent of the total land area. Similarly, in the South End neighborhood in Charlotte, NC, the total area allocated for motor vehicle travel and on-street parking accounts for less than 15 percent of the land area. This prioritization of space that favors people makes these areas lively, active and desirable places to live, work and visit and generates more tax revenue.

The Chicago region, too, has several examples of major new TOD projects that exemplify the kind of thoughtful planning required to encourage the use of active transportation by residents and workers near transit. The 1611 West Division project, completed in 2013, offers 88 apartment units in an 11-story building located across the street from an entrance to the Chicago Transit Authority (CTA) Division Blue Line station. At the ground floor, the building includes a bank and a coffee shop and is therefore mixed-use, providing residents with easy access to a portion of their daily needs. The building includes no on- or off-street provision of parking for residents and only 16 lot spaces (15 for bank customers and one for a car-sharing vehicle). The development company, 1601 West Division LLC, worked in close collaboration with the local alderman and a community group to make the building as transit-oriented as possible. A neighborhood master plan created in 2008 called out 1611 West Division as a critical site for the neighborhood and established the transit-oriented principles that eventually helped dictate the form of the building. This included minimal parking, as it was expected that residents would take advantage of the Blue Line, nearby buses and Divvy bike-sharing stations, and also supported increased density at that site and in the area as a whole. Ground floor retail was included to extend the street activity—from shops, restaurants, bars and other amenities—already along Division and to encourage walking, biking and taking transit. The building has proven popular, as its apartment units and retail spaces were leased almost as soon as the structure opened.

Yet significant regulatory and financial barriers prevent or delay many new projects of this sort from being completed in the region. When projects are built, they often cater to one income class, not producing mixed-income, mixed-use neighborhoods that are the foundation of a strong, more equitable and competitive region. The remainder of this paper describes these obstacles and offers proposals for addressing them.

TOD incentives could realign Chicago’s population to areas near transit

![Graph showing potential with TOD incentives vs current trend](source: Metropolitan Planning Council)

### Zoning classifications in Chicago

- **B** (Business): Retail and apartments.
- **C** (Commercial): Retail, warehousing, auto-related uses and, in some cases, apartments.
- **D** (Downtown): Mix of uses at high densities.
- **M** (Manufacturing): Manufacturing, warehousing and waste disposal.
- **PMD** (Planned Manufacturing District): Industrial uses independently approved by City Council.
- **PD** (Planned Development): Campuses and special buildings independently approved by City Council.
- **POS** (Parks and Open Space)
- **R** (Residential): Houses and apartments only.
- **T** (Transportation)

More information at [secondcityzoning.org/zones](http://secondcityzoning.org/zones)
Current conditions

The regulatory environment for transit-oriented development

The City of Chicago has already worked to promote TOD through the implementation of several regulatory mechanisms, such as the 2013 “TOD ordinance” (detailed below). While those reforms represent a significant step towards a more transit-oriented city, the city and its residents will benefit from further strengthening these mechanisms and implementing new measures. The promise of the Chicago transit network to produce a more livable, vibrant city will be encouraged if the City’s mayor continues to make TOD a strong focus of his administration.

Controls on land use in Chicago began during the mid-19th Century in response to concerns over public health and safety. The city adopted the nation’s first comprehensive building code after the Fire of 1871 and then established its own citywide zoning ordinance in 1923. When the 1923 ordinance proved insufficient to handle the growing complexity of the city and was criticized for allowing nonconforming uses to be built on adjacent lots, the city underwent its first major review of the code. The revised code, implemented in 1957, reflected the desire to segregate uses and specifically detailed allowed height, density and lot area. Like many zoning code revisions in the post-WWII era, it emphasized a car-oriented urban form. The code was not amended again until 2004, when then-Mayor Richard M. Daley appointed a Zoning Reform Commission to rewrite the ordinance; MPC provided recommendations for the Commission and recommended allowed density increases in several areas near transit. In 2004, the City Council approved the ordinance, which included new regulations designed to control the form of neighborhoods and to encourage the development of mixed-use and pedestrian-oriented environments. The code encourages mixed-use developments by requiring ground-floor commercial uses in several zone districts (some classifications of Business (B), Commercial (C) and Downtown (D) zones); these district classifications are typically applied along major corridors in the city and have helped to activate streets and create more lively urban areas.

TOD zones based on Chicago’s 2013 TOD ordinance

Areas of the city within 600 feet of CTA El or Metra rail stations, or within 1,200 feet when located along a pedestrian street.

Source: Metropolitan Planning Council, City of Chicago
The code revision, however, did not include many reforms aimed at enhancing the city’s century-old transit system and encouraging a transit-oriented city. Much of the code still requires ample parking; 98 percent of the city’s residential parcel land, an MPC analysis shows, require at least one parking space per unit and two-thirds require two. It also restricts building height and density, limiting the ability of the city to develop around its rapid transit network. To rectify this, in 2013 the City Council approved a revision to the city’s zoning ordinance designed to spur new construction in the areas of the city close to CTA and Metra rail stations. This revision encourages higher-density land development in areas near transit stations across the city; in this paper, the revision will be referred to as the “TOD ordinance,” though the City does not refer to it as such officially. We applaud the City’s tremendous work on the TOD ordinance as it laid the groundwork for a future that involves stronger, more accessible neighborhoods. It has had some success already and offers the potential to leverage much more with certain improvements.

**Existing zoning around transit in Chicago**

One of the features of transit-oriented development is that it is located within easy access of a transit stop. The definition of “easy access,” however, is contested, with many advocates and urban planners arguing that a half-mile radius (800 meters, or about a 10-minute walk) from a transit stop is a reasonable approximation of the appropriate distance to encourage transit use. Others point to a larger mile-wide radius or smaller quarter-mile radius. A compromise approach is to note that people are, on average, more likely to use transit the closer they live or work to a transit station, but that people are willing to travel a large variety of distances to get to and from a transit station. Recent national evidence from University of California Urban Planning professor Robert Cervero and colleagues finds the following relationship between household and employment distance to a transit station and use of the transit system, showing that people living or working within a quarter-mile of a transit station, for example, are twice as likely to ride transit as people living or working a mile away. The ITDP TOD Standard, of which Cervero is a member of the Technical Committee, defines TOD as an area or development that is within 1,600 feet (500 meters) of a high-capacity transit station.

These facts are held up by evidence from the Chicago region. In 2010, 58 percent of workers who lived within a quarter-mile of rail transit stations in Chicago walked, biked or took transit to their jobs, versus only 36 percent of those living more than a half-mile away from stations.

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9 See “Chicago’s TOD Ordinance,” Metropolitan Planning Council, 2013 [Available online at metroplanning.org/tod-ordinance].
10 Erick Guerra, Robert Cervero and Daniel Tischler, “The Half-Mile Circle: Does It Best Represent Transit Station Catchments?” University of California Transportation Center, August 2011.

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The 2013 Chicago TOD ordinance establishes a specific zone of transit accessibility where its provisions are applicable. This area, which this paper refers to as the “TOD zone,” applies to parcels located within 600 feet (about an eighth of a mile) of existing CTA or Metra rail station entrances on all streets, and within 1,200 feet (about a quarter-mile) of CTA or Metra rail station entrances along pedestrian-designated streets (streets where new construction must meet certain requirements, such as windows facing the sidewalk). The specific provisions of the ordinance apply differently depending on the zoning of the parcels, as described later in this paper. This TOD zone, which is illustrated in red on the following map, is used as the basis in this study’s discussion of zoning characteristics of land “close” to rail stations. For comparison, the TOD Standard recommends that developments have a maximum walk distance of less than 3,280 feet (one kilometer) to a high-capacity transit station or 1,640 feet (500 meters) to a direct service line. This discrepancy suggests that the City’s defined “TOD zone” is more constrained than market demand necessitates.

Other cities around the US, such as San Diego, CA; New York City, NY; Seattle, WA; and Charlotte, NC have also begun implementing TOD ordinances, or overlay zones, around their transit systems. All share goals of improving the pedestrian experience, activating streets, and encouraging more density around transit. While they differ in their specific regulations, which are tailored for the intricacies of each market, the zones all extend to at least a quarter mile from transit stations or transit corridors. In San Diego, the TOD zone extends 2,000 feet from existing or planned transit corridors. Developments within this zone are eligible for a 0.5 floor area ratio (FAR) bonus (see below) as well as parking reductions and a one-story height bonus. In New York, the city has set a zone in which all new development is within a half mile of rapid transit stations. Seattle’s TOD zone extends to a quarter mile from station areas, with developments eligible for density and height bonuses as well as parking reductions. Charlotte also has established a TOD zone within a half mile from the city’s light rail corridor. Within the TOD zone, developments are subject to a minimum density of 15 to 20 units per acre, a 0.75 FAR and a base height of 120 feet.
Other cities, including Eugene, Boston, Cleveland and Las Vegas have created broader zoning districts beyond a specific transit station or corridor. For example, in Cleveland, the MidTown Mixed-Use District covers several blocks along the Euclid Avenue HealthLine BRT corridor in the MidTown neighborhood. The district’s regulations promote active street-fronts and encourage commercial uses. It also restricts parking to the anterior of buildings. In Portland’s Hollywood neighborhood, zoning concentrates residential and commercial development around transit and restricts auto-oriented uses along the main boulevard. In Eugene, the TOD overlay covers the entire downtown area of the city, establishes a minimum density, a maximum setback and requires active ground floors in most buildings.

**Virtually the only areas near rail stations where it is legal to build large buildings are downtown.**

These wider TOD zones help to capture more new development and extend benefits to more developers, and supporting a greater swath of the population to take advantage of the increased access to jobs. In addition to establishing TOD zones with supportive regulatory environments, several of these cities further prioritized specific sites in order to increase development. For example, New York City selected several areas in which it wanted to see more development—the High Line, Brooklyn Waterfront and Hudson Yards, among others—and worked with city agencies to improve public infrastructure there (parks, transit and more) as well as to devise financial incentives to lessen the development cost burden.

The 2013 Chicago TOD ordinance could benefit the city and its residents more greatly if modeled and expanded to resemble similar legislation in other cities. A total of 179 million square feet of developable land, equal to about 6.4 square miles, is located in Chicago’s TOD zone. This figure excludes parcels that are defined as waterways, parkland or highways (assuming that building on top of roads, even where there are parcels still in existence, is unlikely to move ahead in all but the rarest of circumstances). These 6.4 square miles are equivalent to 3.7 percent of the city of Chicago’s total land area in parcels (in other words, excluding roadways). This area represents a very small portion of the city as a whole.

Of the 6.4 square miles of developable land in areas adjacent to Chicago rail stations, zoning is mixed among the following classifications as of 2014:

- 27 percent of land is devoted to purely residential uses (RM, RS and RT), with a total of 15 percent of land dedicated to single-family homes exclusively (RS);
- 20 percent of land is dedicated to downtown uses (D);
- 20 percent of land is dedicated to planned development (PD) zones, which are defined independently based on their respective projects;
- 20 percent of land is dedicated to either business (B) or commercial (C) zones, which allow a mix of uses, including retail and residential; and
- 13 percent of land is singled out for manufacturing uses (M or PMD).

These zoning use limitations indicate that a large share of the land that is close to the transit system in Chicago effectively does not allow a mix of uses. The total of 40 percent of transit-adjacent land dedicated to exclusively residential or manufacturing uses do not allow commercial spaces, limiting the creation of amenities within walking distance for the people using the transit system.

The built environment and thus zoning are critical to maximizing the economic benefits of transit. Currently a large majority of land near transit in Chicago is zoned in ways

**Minimum lot area (MLA)**

Like many cities, Chicago uses the MLA metric to regulate density of buildings that have a residential component. In essence, MLA requires that there be a minimum lot area (at ground level) for each residential unit.

For example, buildings in areas zoned B2-2 have an MLA of 1,000 square feet per regular dwelling unit. As a result, on a 5,000 square feet lot, a building in a B2-2 zone could include a maximum of 5 dwelling units (ignoring other elements of the code, including building heights and FAR). If the building were in a B2-5 zone, which has an MLA of 200 square feet per unit, up to 25 dwelling units could be built there.

**Floor-area ratio (FAR)**

FAR is one metric used in the Chicago zoning code to regulate density. It is calculated by dividing the amount of floor space in a building by the size of the lot.

For example, if a lot is 1,000 sq. ft. (assuming no setbacks and no additional rules) and is zoned to an FAR of 1.0, a building could be built up to the size of any of the following ways, among others:

- A one-story building that fills the entire lot.
- A two-story building that fills half the lot (500 sq. ft. on both floors).
- A four-story building that fills a quarter of the lot (250 sq. ft. on all floor).
- A four-story building with 400 sq. ft. on the first floor, 300 sq. ft. on the second, 200 sq. ft. on the third and 100 sq. ft. on the fourth.
The vast majority of land in Chicago, even near transit, requires at least one parking space per unit.
at least one parking space per unit, no matter the demands of local residents or access to transit. These requirements increase development costs and raise cost of living as each parking space costs at least $20,000 to build.

As shown in the above map of the Lakeview, Roscoe Village and Wrigleyville neighborhoods, even in areas very close to transit stations, most land is zoned to prevent the construction of dense buildings. The large majority of land is zoned to prevent the creation of buildings with FARs of 3 or more. Similar constraints on density can be found throughout the city.

Increasing densities allow neighborhoods to expand in population, bringing additional tax revenues, more spending power to support local stores and more eyes on the street to encourage safety. When that increased density is located adjacent to an efficient public transportation network such as Chicago’s—in other words, when it comes in the form of TOD—growth in population and jobs can be accomplished by no increase, and sometimes even a decline, in automobile traffic. Over the past few decades, cities from Cambridge, MA to Arlington, VA have demonstrated that they can accommodate thousands of new jobs and inhabitants in areas near transit with no corresponding increase in traffic congestion. In Chicago, too, this trend has occurred in the central area; over the past fifteen years, the population and number of jobs in the Loop and surrounding communities have reached record highs, yet traffic on highways entering the area has plateaued. The transit system has absorbed the increase in activity downtown.

We need to strengthen Chicago's present zoning to make such densification in other neighborhoods possible, supporting our economy's growth in the process.

Recent regulatory support for transit-oriented development: The 2013 TOD ordinance

In 2013, the Chicago City Council passed the TOD ordinance, the city's first regulatory measure specifically designed to support a more transit-oriented urban form throughout the municipality. The ordinance, which could emerge as a national model for older cities in re-orienting zoning to transit, acts as a unique zoning overlay that provides specific incentives for more growth around transit, particularly along urban arterials. It allows for a density and building height increase around transit stations as well as parking minimum reductions. All developers that wish to take advantage of the elements of the 2013 TOD ordinance for a new or rehabbed building must submit their projects through the Chicago Department of Planning and Development. Certain elements of the ordi-
nance require additional procedures, including aldermanic review; provisions in the ordinance that provide a density boost are subject to approval by the City Plan Commission and the City Council, whereas parking minimum reductions need only a review by the Dept. of Planning and Development.

These policies are a step in the right direction. To encourage TOD at a citywide scale, the ordinance can be strengthened in a number of ways, as recommended in the next section of this paper.

The 2013 TOD ordinance allows for a significant reduction in the parking required to accompany development projects. In B, C, D and M districts, the number of minimum required parking spaces may be reduced by up to 100 percent for non-residential uses and up to 50 percent for residential uses (B, C and D districts allow residential uses, usually on upper floors). Each parking space that is replaced through this process must be compensated with a new bicycle space. Parking minimum reductions do not apply to areas zoned R, PD or PMD.

Required zoning review procedures for elements of the TOD ordinance

<table>
<thead>
<tr>
<th>Element</th>
<th>Review Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parking minimum reductions</td>
<td>Allowed for “TOD zone” areas as-of-right, except for reductions in excess of 50 percent, which required Administrative Adjustment through the Dept. of Planning and Development, as well as notice to the alderman.</td>
</tr>
<tr>
<td>Density boosts in the form of MLA reductions</td>
<td>Subject to Type I Zoning Map Amendment procedures, which include public review, approval by City Plan Commission and approval by City Council.</td>
</tr>
<tr>
<td>Density boosts in the form of FAR increases</td>
<td>Subject to Planned Development procedures, which include public review, approval and City Plan Commission and approval by City Council.</td>
</tr>
</tbody>
</table>

Parking-reduction provisions are an important step forward in encouraging people living near transit to drive less. Research demonstrates that parking adjacent to homes and businesses is “more likely to generate auto commutes” than parking located elsewhere. Reducing parking requirements also has the benefit of reducing overall construction costs—meaning more affordable housing for people who choose to live without a car—and requiring those who want a space to park their vehicles to pay the fair market price to do so.13 Chicago’s parking minimum reductions, however, are weaker than those in other cities. In Fort Collins, CO, for example, the city enforces no parking requirements for multi-family and mixed use developments adjacent to that city’s bus rapid transit line. Arlington, VA has no parking requirements for developments within 1,000 feet of a Metro station; after 40 years of development there, traffic has remained stable despite a significant increase in population and jobs.14

The 2013 TOD ordinance also provides a boost in allowed density for parcels in B3, C3 and D3 districts (each of which, under normal circumstances, allow a maximum FAR of 3) for projects located within the TOD zone and that have provided at least 50 percent fewer parking spaces than required under normal zoning. These density increases provide the following:

- An increase in allowed maximum FAR from 3 to 3.5; and
- A reduction in the required minimum lot area (MLA) per unit by between 65 and 100 square feet, depending on the type of unit.

Together, the density bonuses allow for buildings that are between 8 and 33 percent larger than in non-TOD areas, depending on the building’s specific attributes. The ordinance also allows for increases in building height in B-3 and C-3 districts, but only when parking has been reduced by 50 percent or more. Depending on the lot size and the presence of ground-floor commercial space, developments under the TOD ordinance can see height increases of between 8 to 20 percent (5 to 10 feet) over the original height allowance.

Empirical research demonstrates the fact that higher densities and mixed uses are correlated with lower automobile use and higher levels of commuting by walking, biking and transit. People who live and work in denser environments are more

2013 TOD ordinance provides zoning benefits for very little of the city’s land


likely to be able to get to stores and other needs quickly and easily by foot. When combined with adjacency to transit through TOD, density allows as many people as possible to take the train or bus to further-off destinations.\\footnote{15}{See, for example, Lawrence D. Frank and Gary Pivo, “Impacts of Mixed Use and Density on Utilization of Three Modes of Travel: Single-Occupant Vehicle, Transit, and Walking,” Transportation Research Record, 1466, pg. 44-52, 1994; John Holtzclaw, Robert Clear, Hank Dittmar, David Goldstein and Peter Haas, “Location Efficiency: Neighborhood and Socio-Economic Characteristics Determine Auto Ownership and Use—Studies in Chicago, Los Angeles and San Francisco,” Transportation Planning and Technology, v. 25, issue 1, 2002, pg. 1-27.}

While the 2013 TOD ordinance is an important first step in the creation of a more sustainable city, it was designed to apply to a very specific type of land in areas very close to rail stations, and as a result, it has a limited application. While 6.4 square miles of land around Chicago’s transit could theoretically qualify for the TOD ordinance, many parcels do not because of the only plausible orientation of a building’s entrance on that parcel; for example, parcels where the land is 600 feet from a transit station (and not on a pedestrian-designated street) but the only possible orientation of the building’s entrance is farther than 600 feet from a transit station do not qualify.

Of the 6.4 square miles that could qualify for the TOD ordinance as a result of their distance from rail station entrances, only 3.1 square miles qualify for reduced parking minimums (1.8 percent of the city’s parcel area) and 0.47 square miles qualify for density increases (0.2 percent of the city’s parcel area). That is, about half of the land within the TOD zone, or 3 square miles, does not qualify for TOD incentives because of the underlying zoning designation (principally because R and PD zones do not qualify for the density boost or parking minimum reduction).

In addition to having limited applicability, the ordinance should be strengthened to lessen the growing spatial gap between higher- and lower-income Chicagoans. Studies have shown that public transit can increase the property values of adjacent land.\\footnote{16}{National Association of Realtors, Transportation and Real Estate: Making the Connections, 2011,} This “transit premium” can often price out affordable housing developers, who do not have the financing to acquire costly land or to hold it during the (often lengthy) time that affordable housing financing can take. Affordable housing projects are then limited to those areas of the city where land costs are lower. This spatial division creates pockets of poverty, where little other private investment such as retail and employment is attracted.
Neighborhood case studies

A look at several communities in Chicago provides an indication of how these citywide characteristics play out on the ground. The following three case studies illustrate current zoning regulations around stations in three Chicago neighborhoods: East Garfield Park (Kedzie Metra and CTA Green and Blue Lines), Lakeview/Lincoln Park (Armitage, Fullerton, Diversey, Wellington and Belmont on the CTA Purple and Brown Lines, Belmont and Fullerton on the CTA Red Line) and Bronzeville/Washington Park (Garfield, 51st St, 47th St and 43rd St on the CTA Green Line). These neighborhoods are representative of the general conditions in the city’s broader West Side, North Side and South Side communities, respectively. Each case study provides information about the existing zoning code’s provisions for allowed land use, FAR and impact (if any) of the TOD ordinance on the areas designated as TOD zones by city law.

In both Lakeview/Lincoln Park and Bronzeville/Washington Park, more than two-thirds of land within TOD zones does not qualify for any of the ordinance’s incentives, and in neither community does any land qualify for density bonuses. In the TOD zones around stations in East Garfield Park, a majority of land qualifies for the TOD ordinance’s parking minimum reductions and about a third of the land qualifies for density bonuses.

In two of these neighborhoods, more than two-thirds of land within TOD zones does not qualify for any of the ordinance’s incentives.

The largest share of TOD-zoned land in all three communities allows a maximum FAR of between 2 and 3. A very significant amount of land in Lakeview/Lincoln Park (33 percent) is zoned to allow a maximum FAR of less than 2. Only about a third of land in all three neighborhoods allows a mix of residential and commercial uses (zones B and C), and the Bronzeville/ Washington Park land in particular is heavily weighted (70 percent) towards residential-only land (zone R). To summarize, this means that the city’s regulations prevent the creation of dense, mixed-use projects near transit, limiting access to the opportunity to live and work in walkable, amenity-filled TOD areas, thereby encouraging growth elsewhere.

Locations of case study neighborhoods in Chicago

The next three pages examine zoning around transit stops in these neighborhoods.
### 1—East Garfield Park TOD zones

<table>
<thead>
<tr>
<th>Zoning</th>
<th>FAR</th>
<th>TOD Ordinance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>R</strong> (residential)</td>
<td>19%</td>
<td><strong>Less than 1</strong></td>
</tr>
<tr>
<td><strong>B</strong> (business)</td>
<td>18%</td>
<td><strong>1 to less than 2</strong></td>
</tr>
<tr>
<td><strong>C</strong> (commercial)</td>
<td>14%</td>
<td><strong>2 to 3</strong></td>
</tr>
<tr>
<td><strong>M</strong> (industrial)</td>
<td>32%</td>
<td><strong>4 to 7</strong></td>
</tr>
<tr>
<td><strong>D</strong> (downtown)</td>
<td>0%</td>
<td><strong>10 or more</strong></td>
</tr>
<tr>
<td><strong>PD</strong></td>
<td>14%</td>
<td><strong>Does not qualify</strong></td>
</tr>
</tbody>
</table>

**FAR**
- 2% (Less than 1)
- 17% (1 to less than 2)
- 66% (2 to 3)
- 0% (4 to 7)
- 0% (10 or more)
- 14% (PD)

**TOD Ordinance**
- 36% (Does not qualify)
- 32% (Qualifies for reduced parking minimums)
- 32% (Qualifies for reduced parking minimums and density bonuses)

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GROW CHICAGO: THE CASE FOR TRANSIT-ORIENTED DEVELOPMENT

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2—Lakeview and Lincoln Park TOD zones

<table>
<thead>
<tr>
<th>Zoning</th>
<th>FAR</th>
<th>TOD Ordinance</th>
</tr>
</thead>
<tbody>
<tr>
<td>R (residential)</td>
<td>41% Less than 1</td>
<td>Belmont CTA Brown, Purple, Red Lines</td>
</tr>
<tr>
<td>B (business)</td>
<td>32% 1 to less than 2</td>
<td>Wellington CTA Brown, Purple Lines</td>
</tr>
<tr>
<td>C (commercial)</td>
<td>1% 2 to 3</td>
<td>Diversey CTA Brown, Purple Lines</td>
</tr>
<tr>
<td>M (industrial)</td>
<td>0% 4 to 7</td>
<td>Fullerton CTA Brown, Purple Red Lines</td>
</tr>
<tr>
<td>D (downtown)</td>
<td>0% 10 or more</td>
<td>CTA Armitage Brown, Purple Lines</td>
</tr>
<tr>
<td>PD</td>
<td>25% PD</td>
<td></td>
</tr>
</tbody>
</table>

FAR:
- **R (residential):** Less than 1
- **B (business):** 1 to less than 2
- **C (commercial):** 2 to 3
- **M (industrial):** 4 to 7
- **D (downtown):** 10 or more
- **PD:** PD

TOD Ordinance:
- **R (residential):** Does not qualify
- **B (business):** Qualifies for reduced parking minimums
- **C (commercial):** Qualifies for reduced parking minimums and density bonuses
- **M (industrial):** PD
- **D (downtown):** PD
- **PD:** PD
3—Bronzeville and Washington Park TOD zones

### Zoning

<table>
<thead>
<tr>
<th>Zoning</th>
<th>FAR</th>
<th>TOD Ordinance</th>
</tr>
</thead>
<tbody>
<tr>
<td>R (residential)</td>
<td>70%</td>
<td>Does not qualify</td>
</tr>
<tr>
<td>B (business)</td>
<td>29%</td>
<td>Qualifies for reduced parking minimums</td>
</tr>
<tr>
<td>C (commercial)</td>
<td>1%</td>
<td>Qualifies for reduced parking minimums and density bonuses</td>
</tr>
<tr>
<td>M (industrial)</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>D (downtown)</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>PD</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>
Use of Chicago’s 2013 TOD ordinance and access to affordable housing

As the economy of the Chicago region has slowly improved over the past year, developers have responded with plans for dozens of new buildings throughout the city. At least five of those development plans have been approved by the city specifically under the provisions of the 2013 TOD ordinance, and there are several other projects that are within the TOD zone, but that are not in a zoning classification able to take advantage of the ordinance. This is occurring with buildings planned in R zones, where the parking minimum reduction does not apply; in B1, C1, B5 and C5 zones, where the density bonuses do not apply; and in circumstances in which developers are proposing buildings that are larger than the TOD ordinance would allow. In some cases, it should be noted that developers have asked the City Plan Commission for initial zoning changes (for example, from B-1 to B-3) to allow them to also apply for the TOD ordinance incentives, which essentially provide an additional 0.5 FAR boost and a parking minimum reduction.

The 2013 TOD ordinance made possible a development that likely would have been impossible without the reduction in required parking spaces and an increase in density.

The ordinance’s provisions allow developments that qualify to receive reductions in parking minimums essentially as-of-right, allowing developers to move forward quickly with projects and allowing them to avoid risky time delays. Density boosts, however, require review by the Plan Commission and the City Council, which in practice means that every project must be accepted by the relevant alderman before it advances. This produces very significant time delays and increased costs in planning developments and reduces the willingness of developers to move forward with denser projects near transit. While the TOD ordinance has encouraged city staff to approve density boosts for projects near transit, the process is little different than that for zoning changes in general.

The limited application of the ordinance has not stopped developers from building TOD projects—the developer of the 1611 West Division project is planning a similar project near the California Blue Line station, where several other TOD projects are occurring, even though they have to go through a zoning revision process, which takes up valuable city staff and developer time and money. The following example demonstrates this desire, including the interest in further reducing the required parking spaces as well as allowing higher as-of-right FAR and taller building heights.

**Roscoe Street and Lincoln Avenue project, Centrum Partners**

The residential and retail project proposed by Centrum Partners at the intersection of Roscoe Street and Lincoln Avenue demonstrates how the reduction in parking minimums provided by the 2013 TOD Ordinance has produced a dense development that is harmonious with the existing neighborhood fabric. The following site plan shows the ground floor of the proposed development, demonstrating how the project incorporates a significant retail presence along the street front.

The project will include 31 housing units in four stories above the ground-floor retail space. The TOD ordinance allows the project to provide no off-street parking spaces for the retail space and 18 parking spaces for the residential component, and the developer took advantage of this allowance. Were

Projects that have filed for zoning changes under 2013 TOD ordinance provisions, as of June 2015

<table>
<thead>
<tr>
<th>Project address</th>
<th>Units</th>
<th>Approval status</th>
<th>Closest rapid transit</th>
<th>FAR boost</th>
<th>Parking reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1515-1517 W. Haddon</td>
<td>41</td>
<td>Approved</td>
<td>Division-Blue</td>
<td>Yes</td>
<td>50 %</td>
</tr>
<tr>
<td>822 N. Milwaukee</td>
<td>15</td>
<td>Under review</td>
<td>Chicago-Blue</td>
<td>Yes</td>
<td>50 %</td>
</tr>
<tr>
<td>1643 N. Milwaukee</td>
<td>36</td>
<td>Under review</td>
<td>Damen-Blue</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>3400-3408 N. Lincoln</td>
<td>36</td>
<td>Approved</td>
<td>Paulina-Brown</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>2211 N. Milwaukee</td>
<td>115</td>
<td>Approved</td>
<td>California-Blue</td>
<td>Yes</td>
<td>50 %</td>
</tr>
<tr>
<td>1660 W. Division</td>
<td>77</td>
<td>Not filed</td>
<td>Division-Blue</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>215 W. Hubbard</td>
<td>167</td>
<td>Not filed</td>
<td>Merchandise Mart-Brown</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>720 N. LaSalle</td>
<td>298</td>
<td>Approved</td>
<td>Chicago-Brown</td>
<td>No</td>
<td>50 %</td>
</tr>
<tr>
<td>1643-1657 N. Milwaukee</td>
<td>36</td>
<td>Approved</td>
<td>Damen-Blue</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

Source: City of Chicago
the developer required to provide the number of parking stalls required without the TOD ordinance (one for each of the 31 units allowed without the ordinance, or 31 spaces), several changes to the plan would have to be made. The parking would have to be arrayed on several levels, as the required 28 spaces could not fit on one floor. This would require the construction of a parking ramp, which, in turn, would reduce the amount of street-facing retail space. The construction of all these parking spaces on multiple levels would also significantly increase the building’s cost, raising the rent that apartment dwellers would have to pay and potentially making the project financially infeasible altogether. The addition of parking onto another level would, in turn, reduce the amount of space allowed for housing, since building heights without the ordinance are limited to just 50 feet, or four stories, meaning that the number of residential units would likely be limited to just 16. In other words, the TOD ordinance made possible a project that would likely have been technically infeasible without a reduction in required parking spaces and increase in density.

Centrum applied for a variance to further reduce the quantity of parking spaces it had to provide; the project now is designed with just eight parking spaces, since it expects most residents not to own personal automobiles. Centrum initially proposed a larger project with seven stories and 48 units, but this proposal would have required an additional zoning change (it is larger than what is allowed under the TOD ordinance) and was rejected in a close vote by a community group that was hostile to a project of this scale on this site, despite its adjacency to transit. The alderman, who was not constrained by the group’s opinion but nonetheless considered it important to engage this group, indicated to the developer that a five-story project on the site would be preferred.

MPC’s TOD Calculator model illustrates the benefits of the building under the TOD ordinance, showing that it would result in about twice as many inhabitants, transit rides and double the 10-year municipal tax revenue. That said, the larger development that Centrum initially proposed and that was later rejected would have added about $600,000 via 10 years’ worth of estimated tax revenue and almost 10,000 more annual transit rides.

**Accessibility to affordable housing, retail and community amenities**

While a strong regulatory environment is a critical piece of the puzzle required to encourage TOD, having a financing environment with tools that help developers mitigate risk in weaker land markets or enable them to take on riskier projects is also essential to creating an enabling environment for TOD. In addition to offering financial incentive programs, cities can invest in other municipal infrastructure to encourage TOD. Enhancing public spaces, reconstructing water mains and sewers and burying power lines, among investments, can act as a signal to developers that the city is committed to the redevelopment of the area. When implemented in tandem, a

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**Effect of 2013 TOD ordinance on Centrum Partners development at Roscoe Street and Lincoln Avenue**

<table>
<thead>
<tr>
<th></th>
<th>Project with non-TOD B3-3 zoning</th>
<th>Project as proposed under TOD B3-3 zoning, and additional zoning change for parking</th>
<th>Proposed alternative project with B3-5 zoning and reduced parking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowed dwelling units</td>
<td>28 (but height limits would limit this to 16)</td>
<td>31</td>
<td>48</td>
</tr>
<tr>
<td>Height</td>
<td>50 feet</td>
<td>58 feet</td>
<td>80 feet</td>
</tr>
<tr>
<td>Floor area ratio</td>
<td>3</td>
<td>3.5</td>
<td>5</td>
</tr>
<tr>
<td>Parking spaces</td>
<td>28 (residential) + 6 (commercial)</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Retail space</td>
<td>3,000 sq. ft.</td>
<td>6,000 sq. ft.</td>
<td>6,000 sq. ft.</td>
</tr>
<tr>
<td>Estimated inhabitants</td>
<td>26</td>
<td>49</td>
<td>77</td>
</tr>
<tr>
<td>Estimated 10-year tax revenue</td>
<td>$0.8 million</td>
<td>$1.4 million</td>
<td>$2.0 million</td>
</tr>
<tr>
<td>Estimated annual new transit rides</td>
<td>10,400</td>
<td>20,200</td>
<td>29,400</td>
</tr>
</tbody>
</table>

*Source: Centrum Partners, Metropolitan Planning Council*
well-crafted intervention of government investment, low-interest loans and tax incentives, coupled with a progressive regulatory environment, has a greater likelihood of achieving an effective TOD outcome.

National, state or county governments, although less directly involved in local development than municipal governments, often provide grants and provisional funds for planning and land acquisition for development purposes. There are a few programs at the state level that are identified for TOD specifically. Financing is available, for example, via the Illinois Housing Development Authority (IHDA) and the Dept. of Commerce and Economic Opportunity (DCEO) to help encourage TOD.

At the municipal level, there are no incentive programs that specifically focus on TOD projects. The City of Chicago’s Dept. of Planning and Development’s Economic Development Unit offers incentive programs that can reduce property taxes or operating costs for projects, offer bond financing and provide small grants for facade revitalization, but none specifically for TOD. Chicago’s tax-increment financing (TIF) program, which is reviewed by the Economic Development Unit, is similarly used to encourage development, but not specifically TOD. Outside of municipal programs, there are no funds from either nonprofit or private sources that specifically encourage TOD in the city proper. Two TOD funds have been created in the Chicago region, but they are focused on areas outside the city limits, in suburban Cook County. Despite these facts, market-rate developers interviewed for this report indicated that there is currently little difficulty assembling the necessary financing for market-rate TOD projects where there is demand for units—at market prices for new construction.

Assembling financing for transit-oriented affordable housing, however, is not easy. Because transit is a valuable resource, land values in areas near stations are higher than equivalent areas in the surrounding communities (the “transit premium” as described in the previous section of this paper). As a result, land near stations is generally more expensive than elsewhere, and the ability of nonprofit entities to acquire that land and then build affordable units in those areas is limited. In addition, competition for the land from for-profit developers makes holding on to land during the development process difficult. Acquiring and holding land for affordable housing developers is also difficult given the lengthy processing periods for federal tax credits, which most affordable housing developers rely on for their projects. Property taxes, derived from the assessed value of buildings—typically a reflection of the surrounding neighborhood—further reduce the ability to secure long-term financing because of the limited rents likely to be generated by affordable units compared to those generated by market-rate projects. This problem is magnified in the stronger-market areas of the region, where land already is expensive and transit station areas even more so. Affordable housing projects are therefore relegated to areas of the city with lower access to transit and fewer amenities, such as food, retail and employment. The consequence is an increasingly segregated community where equitable access to opportunity is not attained.

The City of Chicago has made a concerted effort to concentrate some of the subsidized housing in areas within easy reach of the rapid transit network. In 2014, more than a third of the rental housing units subsidized by the City of Chicago were located within a quarter-mile of a Metra or CTA rail station; almost 70 percent were located within a half-mile of such a station. Those figures are both substantially larger than the shares of the population as a whole that are close to the rapid transit system: 18.9 percent within a quarter-mile and 49.6 percent within a half-mile. Low-income households living near transit in subsidized units benefit not only from lower housing costs but also lower transportation costs, reducing cost of living and improving quality of life.

**Neighborhoods that are highly segregated, both economically and ethnically, suffer from lower-wage jobs, worsen health outcomes, higher rates of violence and lower-quality schools.**

Yet, as described below, the large majority of City subsidized units are concentrated in high-poverty, low-income neighborhoods. This has a number of negative effects for families and children growing up in these environments. For example, neighborhoods that are highly segregated, both economically and ethnically, suffer from poorer-quality jobs, worsened health outcomes, higher rates of violence and lower-quality schools.18 Any equity-minded TOD strategy must reflect these issues.

Only a few subsidized units are offered in communities with significant amenities, such as grocery stores, retail and food establishments. The communities where subsidized housing is located, even where rapid transit is available, are disproportionately underserved by these establishments, as they are viewed as less viable business opportunities. Moreover, not only are there financial impediments that prevent the creation of subsidized housing in wealthier communities, but...
there are also financial impediments to the creation of retail and restaurants in poorer ones.

This section offers a detailed description of the concentration of subsidized housing in neighborhoods with poor access to amenities, and explains why there is comparatively little retail and other amenities in low-income communities throughout the region.

Creating opportunity through affordable housing and retail

The large majority of City-subsidized affordable housing units are located in neighborhoods with poor access to amenities such as high-quality schools, employment, retail, parks and other needs (in this paper, these are referred to as “low-opportunity neighborhoods”). MPC’s opportunity assessment—used to identify areas of the region for investment through the Regional Housing Initiative \(^\text{19}\) and as part of U.S. Housing and Urban Development’s fair housing and equity assessment metric—evaluates community conditions based on poverty rates, housing stability, access to jobs, unemployment, school performance and access to transit. This assessment divides the region into sub-zones based on residents’ access to opportunity, scoring areas on a scale of 1 to 10 points, where 8 to 10 points indicate high access to opportunity, 5 to 7 medium access and 1 to 4 low access. These areas are illustrated in the following map, with high opportunity areas in dark red, medium opportunity areas in orange and low opportunity areas in yellow.

In Chicago, 71 percent of the population lives in areas of low opportunity; 17 percent in areas of medium opportunity; and 12 percent in areas of high opportunity. In the Chicago region as a whole, 45 percent lives in areas of low opportunity; 26 percent in areas of medium opportunity; and 28 percent in areas of high opportunity.

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\(^{19}\) For more information, see Metropolitan Planning Council, “Regional Housing Initiative,” 2015 [available online at http://www.metroplanning.org/rhi].

Level of opportunity by Census tract, Chicago and surrounding area
The concentration of City-subsidized affordable housing in Chicago is largely in areas of low opportunity, as shown in the following chart. Those areas have limited access to the type of mixed-use, market-driven needs, such as retail and groceries, which lead to more livable, vibrant communities. This housing has largely been constructed in neighborhoods on the South and West Sides of the city, where rates of poverty and unemployment are high and few jobs are available.

Less than two percent of subsidized units are located in high-opportunity areas; another roughly 17 percent are located in areas of medium opportunity. Over 80 percent of subsidized units (versus 71 percent of the population) are located in areas with low access to opportunity. In other words, subsidized units are disproportionately located in low-opportunity neighborhoods, with very few of them located in high-opportunity areas. While ensuring access to affordable housing is essential, we can create a more equitable region by locating subsidized housing in a range of community types and not reinforce a long history of racial and economic segregation.

The lack of subsidized units in high-opportunity areas has had negative effects on the ability of households—to afford the homes where they live. In many of Chicago’s high-opportunity, transit-accessible neighborhoods, such as Lakeview, Lincoln Park, Logan Square, Near North Side and Near South Side, the share of renters and owners paying more than 30 percent of their income to rent dramatically increased between 2000 and 2010. For example, in the Near South Side, the share of renters paying too much for housing increased from 42 percent to 53 percent in just ten years. As these communities become more expensive, the ability of working- and middle-class households to afford living in areas where they have access to effective public transportation options, quality schools and safe streets declines. A commonplace consequence of this affordability problem is suburbanization of the population, where households choose cheaper housing further from jobs and, in the process, become car-reliant.

The City of Chicago’s Five-Year Housing Plan, Bouncing Back (released in 2014), recommends expanding funding sources for affordable housing, but there remains a significant gap in funding for new subsidized units in the city. The plan notes that the demand for affordable rental housing exceeds supply for housing in Chicago by more than 100,000 units, a figure that existing programs will only address at the margins. Addressing the demand at least in part through TOD will reduce cost of living for as many households as possible.

### The gap in the availability of retail and other uses in low-income neighborhoods

While the above section focused on the existing resources providing support for affordable housing, issues of increasing equity and affordability are not limited to housing. Co-locating housing around transit, employment and other services increases overall affordability and equity. Low-opportunity neighborhoods suffer from high levels of poverty, limited access to jobs and other difficulties that reduce quality of life for their residents. They further suffer from a lack of access to retail, restaurants and other offerings that are important in making neighborhoods livable. An analysis of data recorded by the City of Chicago demonstrates that low-opportunity neighborhoods are considerably under-resourced in proportion to their population.

Compared to their population (71 percent of the city), low-opportunity neighborhoods have a significantly lower share of the city’s registered food establishments (52 percent)
Access to retail and food establishments in areas adjacent to rapid transit stations in three neighborhoods

<table>
<thead>
<tr>
<th>Area</th>
<th>Stations</th>
<th>Area within a ¼ mile of stations</th>
<th>Retail food establishments</th>
<th>Limited business licenses</th>
<th>Food and business licenses per square mile</th>
<th>Population within a ¼ mile</th>
<th>Food and business licenses per 1,000 people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bronzeville/Washington Park</td>
<td>4</td>
<td>0.78 sq. mi.</td>
<td>44</td>
<td>67</td>
<td>142</td>
<td>8,281</td>
<td>17</td>
</tr>
<tr>
<td>(low opportunity)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lakeview/ Lincoln Park</td>
<td>5</td>
<td>0.82 sq. mi.</td>
<td>217</td>
<td>276</td>
<td>601</td>
<td>23,049</td>
<td>26</td>
</tr>
<tr>
<td>(high opportunity)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Garfield Park</td>
<td>3</td>
<td>0.52 sq. mi.</td>
<td>22</td>
<td>29</td>
<td>98</td>
<td>6,778</td>
<td>14</td>
</tr>
<tr>
<td>(low opportunity)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: City of Chicago, Metropolitan Planning Council

and registered retail businesses (45 percent), as of 2014. On the other hand, compared to their populations (12 percent of the city), high-opportunity neighborhoods have a significantly higher share of the city’s food establishments (27 percent) and retail businesses (33 percent).

The limited access to neighborhood retail and food options has negative effects on neighborhood livability. This is particularly true for areas adjacent to rapid transit stations, where the movement of people to and from the transportation system offers the potential for significant lifestyle improvements by saving people time—allowing them to integrate errands and other needs into their daily commutes. Yet in many of the city’s low-opportunity neighborhoods, even around transit stations, there are few places to shop or eat.

As the above table demonstrates, a comparison between the three Chicago case study neighborhoods discussed in the regulatory chapter—Bronzeville/Washington Park, Lakeview/Lincoln Park and East Garfield Park—demonstrates the significant difference in access to retail and food offerings in high-opportunity neighborhoods (such as Lakeview/ Lincoln Park) and low-opportunity neighborhoods (such as Bronzeville/Washington Park and East Garfield Park). Per square mile, the areas around rapid transit stations in Lincoln Park feature 4.2 times as many food and business licenses as the equivalent areas in Bronzeville/Washington Park and 6.1 times as many as those in East Garfield Park. On a per-capita basis, Lakeview/Lincoln Park features 53 percent more food and business options than Bronzeville/Washington Park and 86 percent more than East Garfield Park.

Much of the difference between retail and food options available in low-opportunity versus high-opportunity neighborhoods is a result of the lower purchasing power of people in those neighborhoods. But the lack of investments in these types of establishments is also a product of investor unwillingness to take risks in these types of neighborhoods. The result is that people in large sections of the city are significantly under-retailed, even compared to their own buying power. Areas around many of the city’s transit stations in these areas lack the neighborhood stores and restaurants that are needed to create the sort of mixed-use environment that takes most advantage of TOD. People in much of the city’s South and West Sides have to travel long distances to buy the goods they need.

Access to amenities in other neighborhoods through the transit system is of course an essential element of this discussion. Having the ability to take a bus or train to another neighborhood to buy food or clothes is better than being completely cut off from them, so the high-quality retail environment in many of Chicago’s high-opportunity neighborhoods is a benefit even to those who live in low-opportunity communities. Nonetheless, even this form of access is insufficient; research has demonstrated, for example, that people in neighborhoods with limited food options are more likely to suffer from obesity and other negative health outcomes. People in neighborhoods without adequate options spend more time traveling to shop than those in more amenity-rich communities, reducing quality of life.\(^{20}\)

As such, any TOD efforts should focus on assisting either the community or developers to bring amenities to neighborhoods where they are absent as well as integrating transit-oriented affordable housing in already-thriving, mixed-use neighborhoods.

Existing financing for affordable housing

To stimulate development in any type of land market, a variety of financial interventions can help promote development on parcels of land adjacent to transit stations. Reducing a developer’s financial risk via low-interest loans, forgivable loans, tax abatements or government assistance for land assembly can be instrumental in encouraging development.

interventions can also cover a portion of the costs of development, such as permitting fees, environmental review fees and other pre-development costs.

Well-crafted financial assistance coupled with the assertive use of other government powers (like the regulatory changes described in this paper’s recommendations), has a greater likelihood of helping achieve urban growth goals. Portland, OR, for example, has used tax abatements and assistance with land assembly to direct more development to areas around the city’s transit corridors. In South Holland, in the suburbs south of Chicago, the municipal government has been active in acquiring sites adjacent to a planned new commuter rail station so as to ensure there is adequate space for TOD. A government’s role may also involve marketing sites to potential developers and addressing developer concerns about government bureaucracy, which is often unnecessarily complicated in urban areas.

In Cleveland, the city’s Economic Development Department not only marketed the properties along the HealthLine BRT, but it assisted developers through the permitting and approvals process. This collaboration, along with numerous financial incentives, brought new developers into Cleveland’s urban market (approximately $5.8 billion in new investment) and along its transit corridor.

**Subsidized housing is disproportionately located in low-opportunity neighborhoods, while retail and other amenities are disproportionately located in high-opportunity areas.**

While municipal governments are the primary actors in local development, national, state and county governments have also historically been a significant source of grants and funds for planning and land acquisition for development purposes. For urban land development, the U.S. Dept. of Housing and Urban Development (HUD) is the agency responsible for most federal programs (although funds can come from other agencies), but all are administered by the state. Many federal grants are either project specific or based on formula. Community Development Block Grants (CDBG), distributed by HUD, can be used for activities like revitalization and the construction of affordable housing, construction of community facilities or planning activities, among others. In 2014, the City of Chicago received approximately $72 million in CDBG funds.

Interviews conducted for this paper indicate that the relative lack of subsidized units in high-opportunity Chicago neighborhoods is, in part, the result of a lack of adequate financing to support the development process (pre-development, acquisition, construction or permanent financing) in those communities. Nonprofit affordable housing investors noted that they were unable to fund subsidized projects without very cheap (or free) land and the commitment from local and state entities for future Low-Income Housing Tax Credits (LIHTC), HOME funds, TIF dollars or other sources of subsidy. They emphasized that once land is secured for a new development, it often takes months or years to secure subsidies, during which time taxes must be paid on vacant land.

Existing loan products offered by community development financial institutions (CDFIs) such as Enterprise Community Partners, IFF and Local Initiatives Support Corporation (LISC) provide low-interest loans for pre-development services (such as permits, site control, architecture and critical repairs), land acquisition, mini-permanent needs (acquisition of buildings and additional pre-development costs) and construction and bridge loans. These loans are typically available for both housing and community facility purposes. In some cases, permanent loans are also available. Affordable housing developers noted that these products, while useful, were typically insufficient to support projects in high-opportunity neighborhoods because of the high cost of land in those areas and because of competition from market-rate developers for land, which increases the cost of holding land while waiting for subsidies from local or state sources. A review of the existing funding sources is detailed below.

**City of Chicago affordable housing funds**

The City of Chicago’s Affordable Requirements Ordinance (ARO) is designed to encourage an affordable housing component in market-rate buildings. The ARO is triggered for developments of 10 or more units when developers request a zoning change that increases density or changes the classification to allow residential uses; use city land; or take advantage of city subsidies. It also applies to projects that are classified as planned developments within the downtown area. Developments affected by the ARO must provide 10 percent of their units at affordable prices; if they receive financial assistance from the city, they must provide 20 percent of their units at affordable prices.

A developer whose project is affected by the ARO can choose to, alternatively, pay a fee per affordable unit required to avoid including those units on site, which based on neighborhood, will range from $50,000 to $125,000 in areas outside of downtown and $175,000 downtown, based on changes made to the ARO legislation in 2015. It is up to the developer to pay the fee or build the units, though the 2015 ARO

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22 The recently founded Cook County Land Bank may provide a useful tool to address this problem. The Land Bank offers the potential to hold land tax-free while awaiting development, but its full potential has yet to be realized as its operations plan is currently being established.
requires one-quarter of the affordable units to be provided on-site. Over the past 7 years, only 184 affordable units have been built or approved by the City within mixed-income buildings as a result of the ARO. The city has attempted to ensure that a diversity of units is created (from studio apartments to four-bedroom apartments) but this is only recommended in the review process, not required in the ordinance itself. Since studios are cheaper to construct than four-bedroom units, there are a relatively large number of affordable studios and few affordable units for families.

One explanation for the limited ability of the ARO to produce affordable housing within mixed-income buildings is the fact that it costs considerably more than the in-lieu fees to develop a new housing unit of any sort. Even developers with an eye towards creating a socially mixed environment are, in effect, punished if they choose to build an affordable unit on site rather than pay the fee (“payout”). As a result, the majority of new projects covered by the ARO are market-rate only with payouts; as of 2014, there have been about $19 million in total payouts, which are directed into the city’s affordable housing trust fund and then used to fund units elsewhere.

The 2015 modification of the ARO includes a provision designed to encourage the creation of on-site affordable units in areas near transit. Projects located within the current TOD Ordinance area that provide at least half of their required affordable housing units on site qualify for an additional density boost of 0.25 FAR on top of the 0.5 FAR density boost the TOD Ordinance provides them.

Together, the difficulty for affordable housing developers to complete projects in high-opportunity neighborhoods and the limited incentive for market-rate developers to include affordable units as a part of their projects have produced an environment where subsidized units in Chicago are almost entirely completed in low-opportunity areas. For the most part, city subsidies distributed using funds paid in-lieu of the ARO on-site units have been concentrated on affordable units located in low-opportunity areas of the city; City policies do not require that those funds be concentrated in areas of high opportunity or on parcels located near rapid transit stations.

**Tax-increment financing (TIF)**

While TIF is not exclusively an affordable housing financing mechanism used in Chicago to encourage development (transit-oriented and otherwise) through funds to fill financing gaps for projects, TIF funds have been used in Chicago for affordable housing, but until recently, there was no formal requirement to do so. The City’s most recent Five-Year Housing Plan dedicates $7 million of TIF funds annually for multi-unit rental housing redevelopment in designated TIF districts. To apply for these funds, developers must rent 30 to 50 percent of units to households that earn no more than half of Area Median Income (AMI).

First implemented in the 1980s to revitalize the North Loop, TIF districts have multiplied throughout Chicago, and now total more than 160 districts accumulating approximately $5.5 billion in revenue over the last 26 years. Per Illinois state law, TIF is restricted for use in areas designated as “blighted,” though that definition is broad enough to be open to interpretation. When a TIF district is created, the amount of money that the county, municipalities and other tax-generating entities (such as the Chicago Park District) collect through property taxes in the district is capped, based on a previously assessed property value, for up to 23 years. The additional property taxes collected above that capped amount—due to rising property values or new development, for example—is diverted to a TIF fund overseen by the city that has separate accounts for each TIF district.

This additional tax increment enables municipalities to pay for improvements, or help developers with funding for new construction or rehabilitation, without relying on other government funding or issuing other, less attractive debt instruments. TIF can help with the following needs, among others:

- Land acquisition;
- Rehabilitation or renovation of existing public or private buildings;
- Construction of public works or improvements;
- Financing costs, including interest assistance;
- Studies, surveys and planning activities;
- Marketing sites within the TIF;
- Professional services, such as architectural, engineering, legal and financial planning; and
- Demolition and site preparation.

**Benefits and costs of using TIF**

In addition to lowering development costs by providing funds for the above uses, developing in a TIF district is also attractive to developers because TIF funds must be spent within the TIF district (or the adjacent district), assuring the developer that the area will be maintained and will not fall into disrepair. In this way, TIF has a dual purpose: reducing developer financial risk during the construction process and providing a sense of financial security to developers for long-term investment and maintenance.

While TIF can be of invaluable use as a way to direct development to certain areas and promote increased economic development, if used too widely it may fail in its strategic use. Furthermore, its use in very weak markets, where property values are stagnant or declining, can take away much-needed revenue for public services. However, it could provide a valuable tool to help affordable housing

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23 See, for example, Ben Joravsky, “Why your tax money keeps going down the TIF portal hole,” Chicago Reader, July 23, 2013.
24 Illinois’ Tax Increment Allocation Redevelopment Act (65 ILCS 5/1174.4-1 through 1174.411)

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developers acquire and hold land in higher market areas around transit (while assembling the remaining financing), and even for design and construction uses.

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**Nonprofit lenders providing financing for affordable housing**

There are several nonprofit organizations in the Chicago region that offer lower-interest financing options for developers. While these financing tools are administered by nonprofits or other entities and underwritten by bank funds, some of the funding that is used is ultimately derived from federal monies, which have certain restrictions on their use. For example, federal rules require funds to be used towards the improvement of the livelihoods of families living below specific income limits. While this rightly focuses funding on those that need it the most, the requirements often jeopardize the financial feasibility of the project from a developer’s perspective. They also can restrict loan term and use by altering the deeds on a property for up to 50 years on the affordable units, meaning that the developer must keep the units designated as affordable for 50 years. Though federal money comes at a considerably lower interest rate than that from a commercial bank or lending source, the negative impacts of federal restrictions can often outweigh the benefits of lower borrowing costs. In addition, as the examples below demonstrate, there is no financing source that is dedicated for transit-oriented affordable housing in Chicago (though some apply to transit-oriented affordable housing in Chicago-area suburbs).

**West Cook Transit-Oriented Development Loan Fund**

IFF, a Chicago-based nonprofit lender and real estate consultant, manages the West Cook Transit-Oriented Development Loan Fund, which supports the creation of affordable housing around transit in the western suburbs of Chicago. It was created in 2012 by six communities in Chicago’s western suburbs that were severely affected by the foreclosure crisis. The fund was seeded by $2.9 million from the HUD Sustainable Communities Planning challenge grant and matched by IFF. Some of the money went towards updating each community’s comprehensive plan, though the majority of the funds went to creating the TOD loan fund.

There are three loan types available from the fund:

- **Project Initiation Loan (PIL):** This loan is for early pre-development costs. This is used mostly for due diligence by the developer and preparation for LIHTC applications. The PIL is a 0 percent interest loan with a maximum amount of $50,000 and term of 12 to 24 months. It can be forgivable.

- **Acquisition Loan:** This loan is designed for acquisition costs up to $1,500,000 for 12 to 24 months. Acquisition loans are secured by a mortgage. The interest rate is 200 basis points above the current 5-year U.S. Treasury rate.

While all the products offered are well below market rate, there are certain restrictions on the use of the money that has hampered developer interest and overall use of the fund. (As of this writing, the fund has never been used to support a project though it has been active for about three years.) First, the money can only be used for short-term loans (two to three years). Second, the money cannot be used for construction. Third, a minimum of 20 percent of the units in the building must be dedicated for affordable housing (at rates of between 50 and 80 percent of AMI). In addition, the deed is restricted for 50 years on the affordable units, meaning they cannot be converted to market rate units for at least 50 years.

**Community Investment Corporation (CIC)**

CIC works in the Chicago region on multifamily rehabilitation, primarily for 4- to 59-unit market-rate affordable rental buildings. Their funds are sourced from large banks, such as Bank of America and J.P. Morgan Chase, to then lend to this category of borrowers. In contrast to the West Cook Fund,

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25 However, LIHTC (regulated by the Internal Revenue Service) restricts deeds for only for 30 years, so there is a mismatch in IRS and HUD policy.
CIC's products are offered at market rates, as their money is from market lenders. This also means that their loan products have fewer restrictions on their use.

**Local Initiatives Support Corporation (LISC)**

Although it is a national organization, LISC maintains local offices in all of the areas where it works, giving autonomy to leaders in the local communities. The Chicago LISC office was established in 1982 and focuses on health, housing and economic development efforts in 21 neighborhoods around the city.

LISC Chicago has several projects that help to finance increased land development (or rehabilitation) around Chicago. While none of their lending is specifically focused on promoting transit-oriented affordable housing, projects take advantage of the anchors or assets available in the community. Most of the organization's lending is short-term and is used to provide a bridge between the different stages of financing. Bridge financing is sometimes needed when a pledge has been made (such as when a capital campaign is conducted) but the funds will not come in for several years, or when TIF dollars are committed but will not come through immediately. Bridge financing can also be needed in between different stages of financing, construction to permanent. To commit to financing a project, LISC-Chicago selects organizations that have records of responsible borrowing and stable leadership; that have secured additional funding commitments; and that have political support. While LISC-Chicago has target areas, the organization will lend anywhere in the metro region, as long as the above criteria are met.

**Enterprise Community Partners**

Enterprise Community Partners provides equity support for affordable housing projects and reduced-cost loan products for housing, schools and other community services. Thus far, the organization has raised or invested almost $100 million and leveraged more than $600 million, all of which has helped lead to the production or preservation of 10,000 affordable units throughout the region.

**Chicago Community Loan Fund (CCLF)**

CCLF provides financing for community development projects designed for low- and moderate-income neighborhoods and families in the Chicago region. The organization offers a variety of loan products, including pre-development, construction, housing cooperative, mini-permanent and equipment loans.

**Existing financing sources must be focused on achieving equitable TOD in Chicago**

Though the financing sources listed above have helped make possible the creation and maintenance of thousands of affordable housing units in Chicago and its suburbs, there is a dearth of options for achieving the kind of equitable TOD needed for our region. No major financing source specifically targets TOD in Chicago, and none is driven towards increasing affordable housing in high-opportunity areas and amenities in low-opportunity ones.

Investors in market-rate projects in medium and high opportunity areas noted in interviews that they were typically unwilling to provide affordable units in their buildings unless required by the local alderman in exchange for the approval of a zoning variance or some other requirement. Market-rate developers noted that there is no financial incentive to include affordable housing in a project, since doing so delays project completion (awaiting subsidies) and subsidies provided are lower than the price that market-rate renters or buyers are willing to pay. In addition, several market-rate developers noted their limited familiarity with affordable housing programs available, citing the complication of attempting to use government funding.

Research for this paper demonstrated that there is a significant need for additional sources of low-interest affordable housing financing near rapid transit in the city of Chicago's—and region's—high-opportunity areas. TOD funds in the south and west suburbs of the city have taken the first step in offering new types of product focused on TOD, but they are not usable in the city nor do they address the differences between the suburban and urban communities. Moreover, existing public subsidies and private loan products are not specifically designed to encourage affordability in high-opportunity areas. In order to ensure the creation of equitable TOD, a new financing option for affordable housing in those communities is essential.
Recommendations

Reorienting the Chicago region’s growth toward our transit system, in the form of TOD, will require hard work. It also requires acting on three fronts simultaneously: through strengthened public, private and nonprofit coalitions; new rules that make TOD easier; and new funding designed to pay for the types of TOD we desire. The following section lays out this paper’s recommendations on each of these issues, including establishing a civic collaborative for TOD, reforming regulations in favor of denser, mixed-use development and developing new financing sources to ensure equitable access to housing and amenities near transit.

Launching a civic collaboration

A city’s ability to grow through TOD depends on much more than just the municipality itself; the involvement and support of other existing public and private institutions is critical. It is critical that TOD continue to be prioritized by the City at the mayoral level. Regional planning agencies, like CMAP, help set long-term development goals for the region; City transportation and planning departments make decisions about land-use regulations and project design; community development corporations and community development financial institutions (CDFIs) can help attract developers, assemble land, assist with community relations and work to assemble financing. Local foundations can provide grants, convene relevant stakeholders and often give gap financing for projects. Nonprofits can be important advocates for projects or agendas by working as an intermediary between the municipality and the community. When these various actors work in unison towards a common goal, the TOD agenda is more likely to succeed. It truly requires a collaborative effort.

Given the commitment from the CDFIs, nonprofits and the City in expanding TOD, a concerted effort by all parties to move the policy agenda forward is an immediate next step. Together, we can produce positive changes that make TOD the standard for new construction in Chicago and creates desirable places to live, work, learn and play for all Chicagoans.

The more there is a coordinated agenda among governmental and non-governmental actors, the greater the degree of confidence they will instill in the developer community to make TOD their own priority. This report thus serves as a call to action to the larger Chicago community to join together to help Chicago become a transit-oriented city where there is increased access to affordable housing, increased transportation ridership and lower transportation and household costs. This partnership must coordinate the various housing, transportation and land-use agendas in Chicago so that neighborhoods become more prosperous, allow people to live closer to jobs, save households time and money and reduce pollution.

If Chicago’s growth is to be focused in transit areas, public, private and nonprofit groups must work together to ensure that government policies and financing programs for TOD are adapted to the city and region’s demands and appropriately respond to the need. In regions from San Francisco to Denver,26 permanent, staffed civic partnerships with a singular mission to advance TOD are promoting and advocating for the issue on multiple fronts. These partnerships play an essential role in bringing the issue of TOD to the fore in the public discourse, and we recommend the creation of a similar table in Chicagoland. A civic collaboration armed with the goals advocated by this paper can promote its recommendations and take the next steps necessary to make equitable TOD the new planning paradigm for the Chicago region.

Solidifying the City’s commitment to TOD

We recommend that TOD continue to be prioritized by the Dept. of Planning and Development (DPD) and at the mayoral level to show political support and to ensure coordination between the various agencies. Establishing TOD as a mayoral priority, with a point person to be housed in the Mayor’s Office or a key City department, will help to set a coherent vision for what TOD will look like in Chicago, and that vision will trickle down to the relevant departments and agencies. This official should be tasked with oversight and be encouraged to recommend design changes to maximize the links between development and the transit system. We recommend that this official lead a working group of other city agencies, such as the Chicago Transit Authority and Chicago Dept. of Transportation, to guarantee effective transportation-based development throughout the city.

The more the government and affiliated development organizations show that they have a coherent and coordinated plan and are following through with it, the greater the degree of confidence they will instill in the developer community to make TOD their own priority. Inter-agency collaboration can help guide the city’s transportation and land-use agenda and deliver better outcomes for communities. Sharing expertise and information, as well as coordinating investments, across these organizations and agencies can result in better-informed decisions, encourage more efficient use of resources and ultimately, help to make Chicago a truly sustainable, world-class city.

For example, in 2011, then-Mayor of Los Angeles Antonio Villaraigosa convened a “TOD Cabinet” tasked with developing and implementing a citywide strategy. The cabinet was comprised of staff across various departments—from the Mayor’s Offices of Transportation and Economic and Business Policy to the Departments of City Planning, Housing and Transportation, the Housing Authority of the City of Los Angeles and the Bureau of Engineering. The cabinet was tasked with developing an implementable strategy for TOD in...
Los Angeles, and is currently under review by the new mayor, Eric Garcetti. One of the cabinet’s primary outcomes has been the implementation of a Transit Neighborhood Plans program through the City’s Dept. of City Planning. This initiative is examining station areas along the Exposition and Crenshaw light rail lines, both of which are currently under construction, to establish “new development regulations that better support transit ridership such as allowing some increased development intensity near stations where appropriate.”

Through this process, Los Angeles is working to ensure that the creation of new transit lines is directly connected to transit-appropriate development.

Continuing to enforce TOD as a mayoral priority is particularly important in Chicago, where there are several different levels of city leadership, and several city, county and state agencies involved in the development process. At the city level, DPD oversees the zoning, permitting and approvals process. The Chicago Dept. of Transportation (CDOT) determines investments in the public right-of-way, which are often necessary to coordinate with real estate project investments. Aldermen often engage directly with the selection of projects and require developers to abide by ward-specific, ward-only demands in order to receive a requested zoning change. The intersection of agency and political decision making and overlapping jurisdictions is difficult for many developers to navigate.

The establishment of TOD as a mayoral priority with dedicated staff could not only help coordinate TOD activity across all departments, but serve as a point of contact for developers, organizations and others. Many developers interviewed commented on the need for a streamlined administrative process, specifically when issues arise or projects are inexplicably stalled. Because of the high land costs and often-difficult construction environment experienced by building adjacent to transit, this is a major problem for many TOD projects. These administrative issues have been a particular concern recently, as the permitting process was recently moved from a paper system to an electronic one. In the new system, project managers at DPD are expected to follow the permits for a project through all the relevant departments and ensure that the process does not either take too much time or get lost. While the move to an electronic system has had its benefits, how the process does not either take too much time or get lost. While the move to an electronic system has had its benefits, however, developers report continued issues such as lost permits that also existed under the old paper system. Having dedicated staff to address these issues and shepherd TOD projects through the administrative system quickly will not only ease the burden on existing department staff, but it will also show developers that these types of projects are a priority for the city.

**Strengthening regulatory incentives**

As the economy improves, Chicago’s development activity is finally ramping up again. This is a critical time to strengthen regulatory incentives such that developers are not only drawn to our region, but also so their developments establish Chicago as a world-class, sustainable and resilient city. Our existing transportation infrastructure has already set Chicago apart as a transit-rich city; now is the time to solidify its reputation as a transit and pedestrian-oriented city.

**Revising the 2013 TOD ordinance**

Although the 2013 TOD ordinance has been successful in attracting dense, mixed-use development plans to several sites, its applicability has been limited by the tight constraints of the TOD zone and the nominal incentives provided by the ordinance. It also doesn’t address issues of equity in the city. While the authors of this report support the development of TOD projects, these can also result in competitive and often very high land and housing costs. It is important to ensure that the increase in transit-oriented neighborhoods does not price out lower-income tenants. Our analysis of the challenges of constructing in TOD areas, combined with research conducted through interviews and other sources, suggests that there are several opportunities to broaden the applicability of the ordinance and improve the opportunity to construct in areas near transit stations.

1. Application of the TOD zone to existing and planned rail transit stations, as well as bus rapid transit stations.

   The regulation as it currently exists is overly restrictive as it does not apply to rail stations under construction or to future bus rapid transit (BRT) stations, of which the city has several corridors in planning. For example, the City of Chicago recently added an infill station on the Green Line at Cermak Road; it would have been advantageous to allow new developments within an appropriate distance of that station to apply under the TOD ordinance before the station’s completion. In addition, the city is planning the construction of

<table>
<thead>
<tr>
<th>Effects of broadening the TOD zone to at least 1,200 ft. from stations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2013 ordinance TOD zone definition</strong></td>
</tr>
<tr>
<td>Qualifies for parking reductions only under current rules</td>
</tr>
<tr>
<td>Qualifies for density boosts and parking reductions under current rules</td>
</tr>
</tbody>
</table>

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27 See “About this project.” Los Angeles Transit Neighborhood Plans. 2015 [Available online at http://www.latnp.org/].
of a fully dedicated, median-aligned BRT corridor on Ashland Avenue; this will offer an important addition to the city's rapid transit network, with service similar to rail. Once a BRT project is approved by the city council, areas adjacent to future BRT stations should qualify for TOD ordinance coverage. This change would allow development of surrounding sites to occur in parallel with a station's planning and construction, rather than occur only after.

2. Broaden the TOD zone to at least 1,200 feet

The TOD zone is currently defined in the zoning regulations as being applicable to proposed projects with entrances that are located within 600 feet (or 1,200 feet on pedestrian streets) of rail station entrances. The City's focus on areas very close to stations for TOD investments is an important policy that emphasizes the goal of focusing as much investment as possible to these parcels. However, given the limitation in the current TOD buffer size, we recommend that the TOD zone be broadened to at least 1,200 feet, or about a quarter mile (regardless of pedestrian street designation). Best practice from cities around the world shows that TOD zones are within a 10 minute walk, or between 1,200 and 1,600 feet, of rapid transit stations.

Broadening the TOD zone to 1,200 feet from the existing definition would effectively triple the area of parcels that qualify for parking reductions and density boosts under the current rules.

3. Eliminate parking minimums for residential uses and experiment with the establishment of parking maximums

The current TOD ordinance provides for reduced parking minimums for commercial and residential parcels that are zoned B, C, D or M. We recommend that this provision be revised to eliminate all parking requirements for any uses within 1,200 feet of transit stations. Furthermore, parking minimums should be eliminated in R districts within the TOD incentive area as well. This will not only reduce construction costs on the developer side, but it will also encourage residents and workers to use transit. Developers throughout the city of Chicago have clearly demonstrated their interest in reducing the parking provided with each unit, in direct response to the changing demand of people living and working near transit, who are less and less likely to be driving cars. We recommend that the City allow developers to respond to this demand.

It is worth emphasizing that removing parking minimums does not mean no parking. Rather, it means allowing developers to build parking at the level they predict their users will need. This will allow them to automatically adjust the parking provided with the market.

In addition to eliminating parking minimums, we recommend that the City establish parking maximums in certain experimental transit-adjacent areas in neighborhoods, expanding beyond the maximums that already exist in the central core of the city. Parking maximums limit the number of off-street
parking spaces that can be created in a development or in an area. It is recommended that the parking maximum be established at 50 percent of the parking required for non-TOD zones. This will not only entice developers to build around transit by lowering development costs, but it will encourage transit ridership and transit-oriented living.

The U.S. experience with parking maximums shows that they are useful mechanisms for encouraging increasing use of sustainable modes of travel, from walking to transit. Boston, New York City and San Francisco have each mandated parking maximums in their central business districts, and the result has been years of increasing transit, walking and biking. The creation of parking maximums has not impeded market demand for these areas.

### Effects of broadening allowed density boost to additional zones

<table>
<thead>
<tr>
<th>2013 ordinance TOD zone definition</th>
<th>Extension to 1,200 feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifies for density boosts and parking reductions under current rules</td>
<td>13 million sq. ft. (0.3% of the city’s parcel land)</td>
</tr>
<tr>
<td>Density boost is allowed in all B, C and D districts</td>
<td>118 million sq. ft. (3.2%)</td>
</tr>
<tr>
<td>Density boost is allowed in all B, C, D and M districts</td>
<td>202 million sq. ft. (5.5%)</td>
</tr>
</tbody>
</table>
4. **Allow density increases in all B, C, D and M zoning classifications**

Revising the current TOD ordinance to apply to parcels besides those zoned at FARs other than 3 could greatly expand the ordinance’s success in transforming communities. As it stands currently the ordinance’s density boosts do not apply to over 70 percent of the land close to transit stations in the city of Chicago. We recommend that the TOD ordinance be revised to provide an as-of-right FAR boost of +1 for all B, C and D zoning classifications; this will double the current zoning boost and extend it to all current FAR classes. An additional examination should be made for providing a similar boost for M zones. Corresponding reductions in required MLA and increases in allowed heights should be provided. This will ensure that the advantages of constructing dense projects near transit are distributed to all relevant parcels within the TOD zone.

This density boost should be considered an “overlay” on top of existing zoning. In other words, it builds a minor density boost on top of what the community has already determined is the appropriate form and use for sites. Rather than the current policy of requiring Plan Commission and City Council review of any project that requests additional density, we recommend that density increases of +1 FAR or less that occur within the TOD zone be considered as-of-right and addressed within DPD, without the need to engage in additional review. The additional layers of review drive up the development cost and thus the rents that Chicagoans must pay in the future to live in these new TOD developments.

5. **Create a transit-oriented affordable housing density bonus**

In addition to encouraging market-rate TOD around stations, it is critical to ensure that affordable housing is prioritized around transit. The provision of affordable housing along public transportation corridors can help regions grow in more equitable ways. We recommend that an affordable housing density bonus be created in addition to the changes to the Chicago ARO described above. Developments that dedicate all required affordable housing units on site as permanently affordable may receive an additional FAR boost of +1 (in addition to the as-of-right FAR boost provided by the previous recommendation); corresponding reductions in required MLA and increases in allowed heights should be provided.

### Rezonings along transit corridors

To ensure correspondence between the development of Chicago’s rapid transit network and the creation of dense, mixed-use districts adjacent to stations, rezonings should be undertaken for corridors along existing and planned future lines. DPD has recently undertaken a land use study of the station areas around the future Ashland Avenue BRT line; this study should be used to inform future zoning changes. Over the course of the next several years, we recommend that the city implement similar rezonings along all existing rapid transit corridors, and plan to undertake similar rezonings along future rapid transit lines.

### Example benefits of a revised TOD ordinance

With the regulatory changes recommended in this report, the overall area that could benefit from potential density boosts as a result of the TOD ordinance would expand substantially from 0.47 square miles citywide today to at least 7.3 square miles if the ordinance is amended. An analysis conducted for this paper suggests that the increase in the scope of the TOD zone would expand the annual additional sales, property and transfer taxes collected by the city from $17 million over 10 years to at least $170 million. The number of people living near transit would be expanded from an additional 440 people a year to at least 5,000 new people every year. In other words, the expansion of the transit zone would produce a dramatic impact on the city’s overall fiscal conditions and significantly improve the ability of the city to concentrate growth near transit.

An examination of a specific transit zone demonstrates how these benefits could be directed to new, sustainable, transit-oriented growth. The Morgan Station along the CTA Green and Pink Lines opened in the Near West Side in 2012 and has already served as a magnet for significant new development, particularly in the luxury and tech sectors. The parameters of the current TOD ordinance, however, limit potential density boost to just 110,000 square feet of land, as shown on the left side of the following map. This very popular neighborhood, as a result, is not developing to its full potential.

With the expanded TOD overlay proposed in this document, the area allowed to receive density boosts through the TOD ordinance would expand dramatically, to 3.4 million square feet, as shown on the right side of the following map. An expanded ordinance, in other words, has the potential to increase the quantity of new development—office, retail or residential, depending on the circumstance—directly related to the TOD ordinance by 30 times in this neighborhood.

Through stronger regulatory incentives, Chicago has the opportunity to reduce barriers to equitable, dense and mixed-use TOD. In the process, the city will not only become a more livable, more vibrant place, but it will also become a national model for cities looking to take greatest advantage of their transit networks.
In addition to the proposed ordinance revisions, the City should test other regulatory incentives to encourage TOD.

**Transfer of development rights**

Transfer of development rights (TDR) programs are increasingly being used in cities across the U.S. This program allows development rights to be bought and sold through a “market” that can be overseen by the government. Development rights must first be purchased from a willing seller with excess development capacity in a designated zone; the purchase must be made either by a brokering entity or by an interested developer directly. In the best-case scenario, a TDR program can encourage landowners in areas designated as open space or farmland, defined as deserving historic preservation or even in those areas not slated for densification, to refrain from developing their property.

Seattle’s South Lake Union area has transitioned to an innovative TDR and financing program that will supplement its other incentive zoning initiatives. The program, known as the Landscape Conservation and Local Infrastructure Program (LCLIP), is brokered through a County-established TDR bank, and specifies that 33 percent of bonus floor area in South Lake Union must be acquired through TDR. The Seattle Municipal Code has adopted an exchange ratio that accounts for the varying prices of land in the region and is intended to focus on the acquisition of farm, forest and rural credits.30

We recommend that the City of Chicago evaluate the establishment of an experimental TDR system that is explicitly designed to encourage increasing development in areas close to transit. The TDR program could allow developers with proposed projects in TOD zones to purchase unused FAR rights worth up to an additional +2 FAR (on top of the FAR boosts described earlier in this section) from parcels in the same community area but either outside of the TOD zone or within the TOD zone and designated for historic preservation. The net effect of this strategy would encourage greater development within transit zones.

**Reforming the building code**

Compared with cities across the country, and even many of the Chicago region’s suburban municipalities, Chicago’s building code is highly restrictive and leads to higher building costs. For example, most wood-framed structures are generally banned—a response to 19th century fires—even though modern building materials have made wood as fireproof as steel. Other rules require metal piping, when cheaper PVC pipes are commonplace elsewhere. We recommend that the City of Chicago convene a panel of development and construction experts to consider the adoption of the International Building Code in the city. This rule change could benefit projects within TOD areas and the city as a whole by lowering construction prices, thereby increasing affordability and spurring additional construction.

Creating a comprehensive plan

In cooperation with MPC and other local non-governmental actors, the City of Chicago has reviewed neighborhood plans with the goal of identifying top investment priorities for the coming years (this review is referred to as “Chicago Neighborhoods 2015”). This is an important step towards clarifying where the City plans to invest, but we recommend that the City consider developing a comprehensive plan in parallel to this neighborhood review that aims to clarify what types of buildings and uses are desired in different neighborhoods, including identifying specific key sites to prioritize for redevelopment, particularly in areas around transit.

The lack of a comprehensive plan has left much of the development community very cautious about what projects they choose to pursue, as they are unsure about what will be approved and what will not. Developers interviewed for this report mentioned that they often go through many proposal revisions, often at different times during the pre-development process, which means they also have to go back through the permit process. This not only costs developers time, but holding vacant land also costs money that is passed down in the price that residents pay for housing. To circumvent this, many developers in Chicago are choosing “self-certification” permitting, which allows architects to certify projects instead of the city, somewhat akin to a peer review. This alternative has its benefits but could also lead to a completely uncoordinated growth and development pattern.

New products should be designed to leverage private dollars to support low-interest loans for affordable housing in medium- and high-opportunity areas and developments with retail and commercial space in low-opportunity areas, all in transit-accessible places throughout the city.

The creation of a comprehensive plan indicates that a city is using its planning powers to focus in a strategic way. For many cities around the U.S., from Cleveland, OH to Charlotte, NC, among many others, a comprehensive plan is often the first step in creating a vision for TOD in a city. Sometimes a comprehensive plan alone can have an important impact on the location of developer investments even if it is not coupled with zoning changes. The plan acts as a signal to developers that the municipality is likely to encounter a more favorable regulatory and fiscal environment. If a comprehensive plan is enforced with zoning changes and implemented in a coordinated manner across multiple municipal agencies and other municipalities in the region, it can be even more effective. In the quest to build a resilient, thriving Chicago, creating a stable policy environment will further attract businesses and investments.

The city’s first true TOD project at 1611 West Division exemplifies the value of planning. Built before the TOD ordinance went into effect, its form was largely dictated by a master plan for the neighborhood adopted in 2009. The master plan, produced by the Wicker Park-Bucktown Special Service Area (generally referred to as a Business Improvement District in other cities) and the local alderman, specifically identified 1611 West Division, then a low-scale, parking-oriented Pizza Hut, as a target site for redevelopment. Because of the ample transit amenities nearby—the CTA Blue Line station entrance less than a block away and the many bus lines running along adjacent Ashland Avenue—the master plan called for reduced parking and a mixed-use, higher density development. When the developer, 1601 W. Division LLC, acquired the property, their vision for a denser, transit-oriented project was quickly realized. Had the master plan not existed, the developer would have encountered many more issues in the design and permitting process. But, because the community process already dictated the reduction in parking and higher density, there were no issues in obtaining the necessary approvals from the city to amend the zoning regulations for the site.

Chicago has begun to reform its zoning code to support more TOD. However, we recommend that the city create a citywide comprehensive plan so that developers understand what the longer-term vision for the city’s growth is and it will ease the development process. This will build developer confidence and encourage more progressive development proposals and thus attract greater investment to the city.

Committing financial resources to TOD projects around the city and region

The regulatory tools described in the preceding section will provide essential incentives to encourage more development in places near transit. The resulting development will help make the city a more transit-oriented place, encouraging more people to ride trains and buses to work, cutting down on pollution, reducing congestion and enlivening neighborhoods, thereby improving quality of life. With greater density of development near our rapid transit network, Chicago will become a more thriving, economically productive place.

In order to ensure that Chicago’s future growth benefits the population by lowering cost of living and expanding choices, housing and employment must be oriented around transit where access to affordable travel options is available for people across the income spectrum. By offering affordable housing near transit, the overall cost of living for low- and moderate-income residents is reduced, improving quality of life. But in order to take most advantage of the resources offered by the transit system, the City and local financing groups must take a proactive approach both to encouraging more affordable housing in transit-rich high-opportunity areas while also expanding the availability of retail and other needs.
in transit-rich low-opportunity areas. This section recommends several financial tools that should be developed in parallel to regulatory reforms.

**An initial step: Assembling existing funding and financing sources to focus on transit-oriented development**

The civic collaboration profiled above can also play the role of organizing financial institutions to prioritize and coordinate their lending around transit. Chicago is fortunate to be the home of multiple CDFIs, all of which have different financing priorities and provide hundreds of millions of dollars in financing to affordable housing across the Chicago region. It is important to recognize, though, that to the degree that affordable housing requires its residents to travel long distances for both food and work, its true affordability is greatly diminished. Affordability is not limited to housing, but to overall household costs. Transportation, food and retail amenities are critical to improving not only overall affordability but also to improving the neighborhoods themselves.

Therefore, we encourage CDFIs to work through the civic collaboration to dedicate a portion of their funds to transit-oriented affordable housing and to coordinate with other CDFIs to use their funds to build projects that meet affordability and equity goals and that also provide increased value and opportunity to the neighborhoods in which they are located. Ideally, this coalition of CDFIs would work with the civic collaboration to pass the regulatory changes and develop the financing tools recommended below.

Better cooperation on financing TOD projects will be particularly effective if project financing is aligned with the reallocation of existing public grant funding. The City of Chicago receives and distributes millions of dollars’ worth of federal funds through the LIHTC, HOME and CDBG programs every year, but those expenditures are made without an explicit goal of encouraging TOD. We recommend that the City prioritize a significant portion of investments from these federal sources explicitly into areas within a quarter-mile of rapid transit stations, particularly when they can be aligned with projects receiving financing from CDFIs. For infrastructure, retail, business improvement and other amenities, the City should emphasize spending on projects in low-income areas with limited access to amenities.

Similarly, we recommend that the City commit a significant portion of locally raised TIF funds to transit-oriented affordable housing for high-opportunity neighborhoods and transit-oriented retail and amenities for low-opportunity neighborhoods. These investments should be made as close as possible to the rapid transit system to encourage the creation of strong districts directly around stations.

Finally, local CDFIs and the City have an opportunity to work with the Cook County Land Bank, which can hold land tax-free. The Land Bank could identify key TOD parcels, acquire them, then hold them until a developer works with CDFIs and the City to orient existing financing and funding sources for a project. This will require extensive cooperation and likely oversight from a City TOD point person, as described above.

**In the long term: Dedicating funding to affordable transit-oriented development**

There is a clear need for dedicated funds for financing transit-oriented affordable housing and the creation of transit-oriented neighborhoods in Chicago, but existing resources are inadequate to meet the demand for residential units in high-income neighborhoods and retail needs in low-income neighborhoods, both of which are not currently being provided adequately by the market. It should be a Chicago priority to encourage affordable housing in high-opportunity neighborhoods, but more dedicated financing is necessary to make that possible.

**Major financing obstacles to advance transit-oriented affordable housing in high-opportunity neighborhoods are the high cost of land around transit stations and the added time it takes to complete the development process.**

Under many of the same constraints as Chicago, several American cities have recognized the importance of directing new development around transit, and have created financial incentives oriented to overcome the most pressing barriers to TOD. The civic collaborations they have formed (described above) can support financing tools directly aimed at addressing the gaps in creating equitable TOD.

There are two basic types of investment needed to advance equitable transit-oriented neighborhoods in Chicago:

- Public funding for planning and infrastructure improvements, both of which exist in the Chicago area; and
- Sources of financing that developers can access to create transit-oriented affordable housing and transit-oriented neighborhoods.

Plans alone cannot advance beyond good ideas unless they are financially viable; economic feasibility dictates what actually gets built. Despite the growing interest in TOD, the risk tolerance of many of the institutions that provide the capital for development projects remains modest. Housing and retail markets took a sharp decline over the past few years and are only now slowly re-emerging. Lenders are particularly hesitant to invest in retail in low-opportunity neighborhoods. How-
ever, access to capital is critical to rebuilding these neighborhoods.

In Chicago, a major financing obstacle to advance transit-oriented affordable housing in high-opportunity neighborhoods is the high cost of land around transit stations and the added time it takes to complete the development process, given the protracted subsidy and tax credit process. To encourage transit-oriented affordable housing, we need sources of financing that lower the risk of embarking on these projects. At the same time, to encourage more amenities in transit-rich but low-opportunity neighborhoods and make them more mixed-use and active, we recommend structuring and implementing low-cost financing available for storefront improvements and similar investments.

We recommend the dedication of $10 million or more in seed funding, potentially from City or federal sources, to the creation of a series of TOD loan products. These products should be designed to leverage private dollars to provide support for low-interest loans to affordable housing in medium- and high-opportunity areas and amenity-producing projects in low-opportunity areas, all in transit-accessible places throughout the city. This solution, which is described in further detail below, would provide a clear financial incentive to develop equitably near transit.

One way to identify this seed funding would be to dedicate a portion of the City budget to the cause, but given limited available local funding, we have also outlined several alternate scenarios below. Another approach would be to allocate existing federal transportation funds in a flexible way. In our research, San Francisco’s Bay Area Transit Oriented Affordable Housing Fund (TOAH Fund) stood out as a model with particular relevance for Chicago. Finalized in 2011, the TOAH Fund is a $50 million resource designed not only for housing, but also for community services, markets and other community needs. The TOAH Fund was the product of five years of discussions and planning led by the local Great Communities Collaborative (GCC), whose members represent organizations from across the nine-county Bay Area.

The Fund was made possible through the dedication of $10 million from the Metropolitan Transportation Commission (MTC), which is the federally designated Metropolitan Planning Organization (MPO) for the San Francisco Bay Area (akin to Chicago’s CMAP). The MTC receives money from the federal government through the Surface Transportation Program (STP), which must be spent on traditional transportation projects, such as roads or transit. In order to bypass this barrier and support the TOAH Fund, the MTC made a trade with the San Francisco Municipal Transportation Agency (SFMTA), which received an advance of $10 million in STP funding from MTC in exchange for SFMTA providing MTC the same amount in local tax funding (which is unrestricted), albeit with about a year of delay. The $10 million from the MTC helped to accelerate the implementation of the SF Park program, a signature project of the SFMTA.31 MTC then advanced that $10 million to create the “top loss,” or seed capital, for the creation of the TOAH Fund (see the diagram).

Working with the GCC and its partners, MTC’s seed funding leveraged a total of $40 million in additional support, raising subordinated lending funding from several foundations; support from a group of six CDFIs; and $25 million in senior lender support from two banks. In total, these contributions provided support for the $50 million Fund. MTC’s contribution required that funded projects be completed within

priority development areas, which have access to high-quality transit.

As of 2014, the TOAH Fund offers five types of loan products, including acquisition loans, pre-development loans, construction bridge loans, construction-to-mini permanent loans and low-interest rate loans to bridge New Markets Tax Credit (NMTC) investments. The Fund’s four earliest funded projects have attracted $15.9 million in Fund support to complete more than 500 housing units, most affordable, and 48,000 square feet of retail space.

Our recommendation for Chicago is based on this example, as it uses the most flexible funds available. Among its duties, CMAP oversees STP and Congestion Mitigation and Air Quality Improvement (CMAQ) programs and the allocation of their funds. The CMAQ program supports surface transportation projects and other related efforts that contribute air quality improvements and provide congestion relief. The primary areas CMAQ dollars are used for are transit improvements, commuter parking facilities, traffic flow improvements and direct emissions reductions projects. While the annual program budget varies depending on the fiscal year, in 2014 CMAP has committed about $155 million for programs around the region. About 53 percent of those 2014 funds are dedicated to road projects.

It is our recommendation that with a solution similar to the TOAH Fund, made possible through the swapping of $10 million of CMAQ’s STP or CMAQ funds for more flexible funds raised locally, an agency such as the CTA could use additional federal funds for a project (rather than an equivalent amount of local funds). In the next few years, the following transit projects and improvements (among others) are planned in the city of Chicago:

- Ashland Avenue BRT;
- Bus Tracker real-time information displays; and
- Red and Purple Lines Modernization (RPM).

As was done in San Francisco, the funding swap can accelerate one of the above (or other) projects that will also qualify for separate federal funds in the coming years. As an end result, CMAP is left with more flexible funds that it can use to provide “top-loss” for new TOD-focused financing products. While this solution would not increase the overall regional funding available, it would redirect some federal transportation funds into supporting TOD directly.

Our research shows that a pressing issue preventing the creation of more transit-oriented affordable housing across Chicago is the cost of acquiring and holding land while waiting for other financing or funds to come through. As discussed, land around transit has a higher market value than parcels further away from transit. Additionally, it has proven difficult to build affordable housing in higher land market areas of the city. For these reasons, we recommend that the fund—whether its dollars are raised directly from a local source or from federal sources through CMAP—focus on providing longer-term low-interest loans to developers for this purpose. This will allow affordable housing developers to acquire more expensive land and to hold it, at a reasonable expense, until LIHTC comes through. The below table shows the term, interest rate, target AMI and applicable uses for the San Francisco TOAH Fund and Denver’s similar Equitable TOD Fund, which was created in 2012.

### TOD funds in San Francisco and Denver

<table>
<thead>
<tr>
<th>San Francisco TOAH</th>
<th>Denver TOD Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Term</strong></td>
<td>7 years</td>
</tr>
<tr>
<td><strong>Interest Rate</strong></td>
<td>4.50-5.75%</td>
</tr>
<tr>
<td><strong>AMI</strong></td>
<td>(A) At least 20% of the units must be designated for occupancy by residents with household income equal to or less than 50% of AMI; or (B) at least 40% of the units must be designated for occupancy by residents with household income that does not exceed 60% of AMI</td>
</tr>
<tr>
<td><strong>Use</strong></td>
<td>Multi-family rental, Mixed-use developments, Home Ownership</td>
</tr>
</tbody>
</table>

For Chicago, we recommend loan products with a similar structure to those offered by San Francisco’s fund, which provides acquisition, pre-development, construction and mini-permanent loans at a lower-than-market rate for developments located within a quarter-mile of rapid transit stations, with a preference for projects planned for neighborhoods with medium and high opportunity. The specific parameters of the financing products offered for Chicago TOD—such as term length, loan amounts and affordability levels—should be determined by the civic collaborative of stakeholders recommended above. The financing products should be oriented directly toward the creation of additional affordable units adjacent to rapid transit in high-income neighborhoods.

### Support for the creation of transit-oriented neighborhoods

As mentioned above, there are many neighborhoods in Chicago that are stuck in a cycle of dilapidation and underinvestment that is made worse because of a lack of access to retail, restaurants and other offerings that are important amenities in making neighborhoods attractive both to developers and residents. These amenities also make neighborhoods safer, more active and more viable places to live. For many people living in low-income communities, the lack of access to retail

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and other amenities within walking distance is a reason to leave. Depopulation of urban neighborhoods and suburbanization of the population is a common result. By encouraging retail development that anchors communities, the city and its population will benefit through an expanding tax base made possible through the repopulation of areas that have emptied out over the years.

A solution from Cleveland, Ohio has particular relevance for Chicago, as it experienced similar issues in its MidTown neighborhood, which is along the HealthLine BRT corridor. Mid-Town, historically a light industrial area, was hit hard by the general downturn in manufacturing starting in the 1980s. Vacant and dilapidated buildings dominated the neighborhood’s landscape, obscuring the few businesses left and diminishing new business prospects. Not only did business owners not want to move into the neighborhood, but banks also were reluctant to lend to a business located in a depressed market. Recognizing this problem, the Cleveland Economic Development Department established a Neighborhood Retail Assistance Program (NRAP). The NRAP provides financial assistance to neighborhood retail businesses, restaurants and merchants in Cleveland. The program helps upgrade the exterior and/or interior appearance of retail districts, or purchase fixtures or equipment for their business. Eligible projects include:

- Exterior and interior improvements;
- Storefront renovation;
- Exterior lighting;
- Landscaping/bike racks;
- Fencing and signage;
- Equipment, furniture and fixtures; and
- Public Art.

The program offers fixed-rate loans of up to $40,000, part of which is forgivable if sustainable and energy-efficient components are used. These small improvements have helped the street-level environment in MidTown immeasurably; they not only encouraged activity on the streets and were aesthetically pleasing, but also changed the perception of the neighborhood. This, in turn, encouraged other business owners to come to the neighborhood.

A similar approach can be taken in Chicago. As part of the financing products designed to support the creation of transit-oriented affordable housing, we recommend that there be several loans, of between $30,000 and $50,000 with similar forgivable conditions as in Cleveland, available to business owners in select low-opportunity neighborhoods to improve existing storefronts, street amenities and public space. The improvement of overall conditions and the existing businesses in many of these low-opportunity neighborhoods would entice new business and reduce other lenders’ perception of risk in these markets.

With effective financial incentives, appropriately oriented City subsidies and loans offering reduced-cost support for affordable housing, equitable TOD can become an increasingly important element of the Chicago landscape. Combined with appropriate regulatory approaches and strong political support, these financial tools will help support the development of more vibrant, livable communities throughout the city.

**Conclusion**

Now is the time to reorient our region toward transit. With unprecedented commitment at Chicago’s City Hall for encouraging more growth through TOD, a focus on public transportation in our regional GO TO 2040 long-term plan and a renewed national interest in living and working in dense, walkable, mixed-use neighborhoods, Chicagoland is ripe for investments that take advantage of our transit assets.

Yet without regional consensus about the importance of a TOD-based growth strategy, our region’s growth will revert to the automobile-oriented trends of the past half-century. Those trends produced a less equitable region where access to jobs, recreation and other amenities have been limited by the high cost of transportation.

This paper lays out the importance of establishing a permanent civic table to bring together the region’s nonprofit, public and private actors around our TOD goals. It recommends a series of regulatory reforms and financial tools necessary to ease the creation of equitable TOD in our neighborhoods. We must come together to achieve these improvements.
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