

The University of Chicago

A Blueprint for Equity:

The Impact of the Affordable Requirements Ordinance on Segregation in Chicago

Alexandria Porter



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BA Faculty Advisor: Professor Maria Angelica Bautista

Public Policy Studies Preceptor: Nina Kerkebane

Second Reader: Professor Jeffrey Leslie

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Abstract

Known as one of the most segregated cities in the United States, Chicago, Illinois has instated a variety of policies in an attempt to address residential segregation. One of their most celebrated policies, the Affordable Requirements Ordinance (ARO), is an inclusionary zoning policy that intentionally tries to create more integrated communities. Though inclusionary zoning policies across the country have successfully increased the amount of affordable housing units, little is known about whether the policy is actually forwarding racial and socioeconomic integration. Using a mixed methods approach, I assess the implementation of the ARO and find that the policy is providing equity for Black Chicagoans, but that it is only effective at a small scale. Specifically, quantitative data reveals that a majority of the affordable units are going to Black individuals; however, qualitative data reveals many aspects of the policy that are quite contentious. The findings presented here fill gaps in the literature about inclusionary zoning's ability to break up residential segregation, and can help inform further improvements to the ARO and other similar inclusionary zoning policies.

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Introduction

Chicago has historically served as a hub for Black culture in the Midwest. Over time, however, a majority of the Black population has been actively contained within specific blocks of the south and west sides of the city. These demographic patterns have earned the city a reputation of being one of the most racially segregated cities in the United States (Sinclair, 2023). These present issues have emerged from decades of policy and actions from both the private and public sectors, which have reproduced racial residential patterns and created barrier to housing accessibility. (Novara & Khare, 2017). Lying at the intersection of race and class, housing issues are incredibly pertinent as class divides continue to grow, with housing affordability being a key social issue.

In an effort to provide affordable housing, the city has enacted a myriad of housing policies to subsidize housing costs. One such policy is the Affordable Requirements Ordinance (ARO), an inclusionary zoning policy. The Affordable Requirements Ordinance was first introduced in 2003, and has been updated several times over the last twenty years. The main purpose of the policy is to provide market-rate housing at a price that is affordable for people making a certain percentage of the area median income of the neighborhood in which they live. This policy shares the burden of providing affordable housing between the city government and private developers in an effort to increase the housing stock through a more efficient use of resources. Additionally, it encourages individuals to move in closer proximity to neighborhoods that offer better job and socioeconomic prospects.

Understanding the role of inclusionary zoning policies, such as the Affordable Requirements Ordinance, is important for two reasons. First, if inclusionary zoning is seen as an effective tool for dismantling segregationist residential patterns, communities that are committed

to furthering social integration can add it to their toolkit of social policies. Because it does not require a tremendous outpouring of city resources, inclusionary zoning may prove helpful for communities of all sizes that want the dual benefits of increased development and social integration. Second, integration is positive in a normative sense. Expanding opportunity for mobility for marginalized groups, particularly Black and/or low-income communities is critical for advancing equity and justice. Though no action can be done to make up for the historic harms to which these communities were subjected, current and future generations deserve a chance to thrive.

This study employs a case study approach that allows for an in-depth analysis of how inclusionary zoning operates within Chicago. Moving on, I employ a mixed methods approach, relying on data from the City of Chicago Department of Housing and US Census Bureau, as well as qualitative interview data from eighteen individuals working in development, policy, and non-profit spaces. The data reveal that the Affordable Requirements Ordinance is an effective policy; however, it also reveals the problems that arise from the policy's implementation. The success of the ARO is only apparent when the policy is analyzed on a small scale. Though the quantitative data reveals that the policy is advancing equity, the qualitative data shows that it is ineffective at shifting larger citywide patterns of racial segregation.

This thesis seeks to assess the impact of the ARO on the segregation of the Black population in Chicago. More specifically, it attempts to discover the extent to which the ARO is creating more racially and economically integrated communities. The literature on inclusionary zoning reveals that this form of policy does increase the stock of affordable housing; yet, that is only one facet of the policy's supposed benefits. The policy's ability for integration is up for debate. First, I will provide background on the historical trends of Black population growth in

Chicago, an overview of public and private discriminatory action, and a discussion of Chicago's public housing system. I then move to a literature review that describes previous research on inclusionary zoning policy and how Chicago's Affordable Requirements Ordinance has evolved over time. Next, I will analyze and discuss findings from a series of semi-structured interviews with policymakers and advocates working on housing policy and developers that manage property participating in the ARO, as well as data from the US Census Bureau and the Chicago Department of Housing. Finally, I will provide policy recommendations and conclude.

Background

A full understanding of Chicago's current state of housing requires background knowledge of both housing policy in the United States and demographic shifts of the city's Black population. Prior to the 1930s, housing issues were not considered to be under the domain of the government. However, the Great Depression shifted American opinion on government intervention, specifically on housing (Jackson, 1985). The FDR Administration provided the most robust government intervention policies for the purpose of social welfare, with the Home Owners Loan Corporation (HOLC) and the Federal Housing Administration (FHA) both supporting housing provision. The HOLC established the practice of long-term mortgages (five- or ten-year, with the possibility of increasing to twenty years) and granted loans to homeowners recovering from losses, and the FHA further extended mortgages and completely amortized loans as well as set standards from home construction (Jackson, 1985, p. 195-196; 203-204). While both of these initiatives supported Americans experiencing precarity during and after the Depression, it also codified racial segregation into public policy.

The HOLC created a standardized method for appraisal that was based on assumptions of the productivity of the housing it financed. It considered the inhabitants, price, and state of

property, among other things. In doing this, the HOLC instituted the practice of redlining. This was done through a rating system that categorized land as A, B, C, or D (green, blue, yellow, and red, respectively). Black communities, as well as locations that were in general disrepair, were noted as red. Communities that had been redlined were unable to get mortgage loans and were left to further deteriorate. Moving on, the Federal Housing Administration (FHA), “hastened the decay of inner-city neighborhoods by stripping them of much of their middle-class constituency” through prioritizing loans to single-family homes being built in the suburbs (Jackson, 1985, p. 206). Jackson adds that the FHA also encouraged the use of restrictive covenants, which were “legal provisions written into property deeds,” in order to keep areas off limits to prospective Black homeowners (Jackson, 1985, p. 208). These practices were contested in state and federal courts and though they now cease to exist, they did significant and lasting damage to cities across the nation.

Looking specifically at Chicago, the First and Second Great Migrations tremendously increased Chicago’s Black population. Multiple motivations were behind both of these migrations: fleeing racial violence, seeking opportunities in the North, returning home from WW2, and joining family members that had left the South years prior (Moore, 2016). “Ten times as many Black [people] lived in Chicago in 1966 as in 1920. Representing but 4% of the city’s population in the latter year, Black [people] accounted for nearly 30% of all Chicagoans by the mid-1960s” (Hirsch, 1983, p.3). This population boom brought with it growth of political, economic, and cultural strength, making Chicago the “heart of Black America” (Moore, 2016, p.36). The Black population was predominately confined to what is considered to be Chicago’s Black Belt.

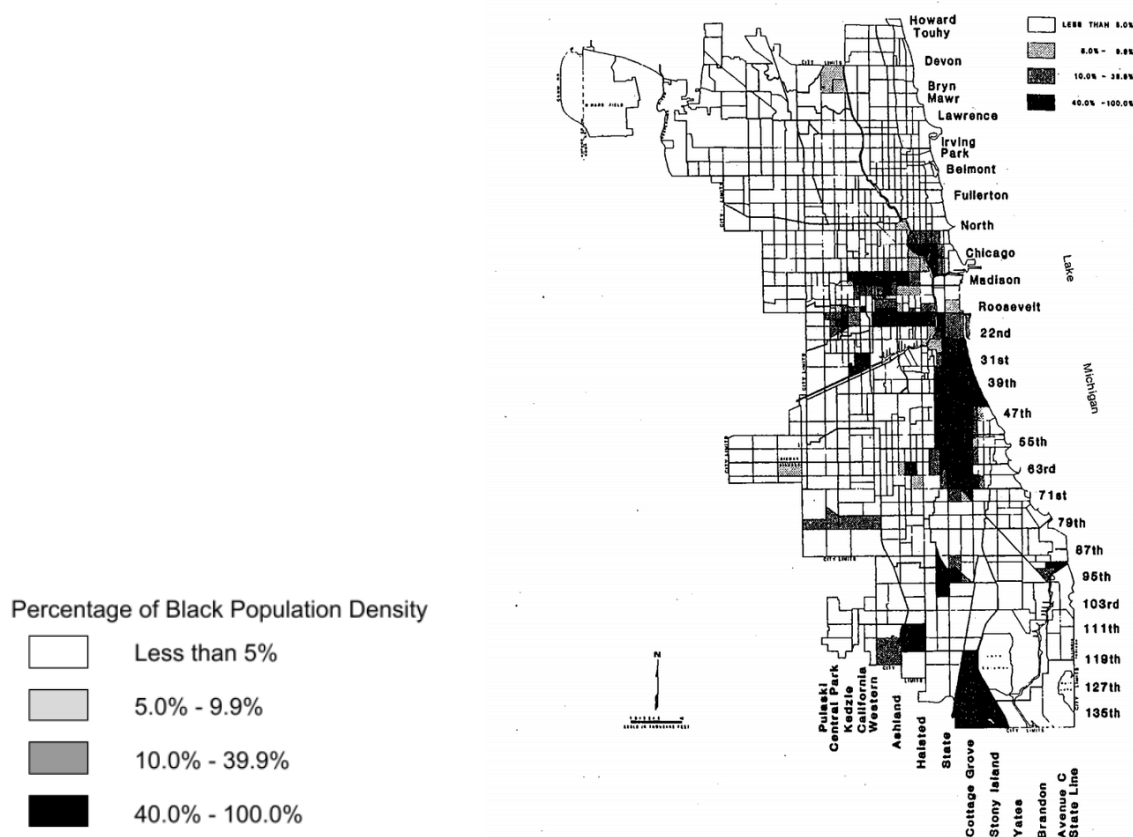


Fig. 1. "Percentage of Black population, in census tracts, city of Chicago, 1950 [Source: U.S. Bureau of the Census, *Population and Housing Characteristics, 1960.*] from Hirsch, 1983, (republished 1998).

The Black Belt emerged partially by choice, as people moved to join their family members and larger community; however, practices such as redlining further cemented racial separation. Additionally, threatened and real violence by white people also enforced these racial boundaries. Moore (2016) contends that racially restrictive covenants became prevalent in Chicago in the 1920s, and the redlining practices of the HOLC and the refusal to make mortgage loans by the FHA extended further harm. There was another practice that followed known as blockbusting, where speculators bought houses from panicking white families at low prices and then sold them to Black families at high prices, significantly diminishing Black wealth (Moore,

2016). Here, it is evident that both public and private practices directly harmed Chicago's Black community.

A third dimension to this problem was Chicago's housing shortage, which had been a problem since the city's 1871 Great Fire (Cohen & Taylor, 2007). The city government's response to the housing shortage was to construct major public housing sites. The Chicago Housing Authority, which was founded in 1937, managed public housing across the entire city. Though this type of housing was intended for use by people of all racial and ethnic backgrounds, the Neighborhood Composition Rule, which stated that "the racial mix of tenants in a new public housing project had to match the racial composition of the residents who had previously lived on the site", meant that integration within these housing units was virtually impossible (Cohen & Taylor, 2007, p. 71). Thus, the siting of housing projects became a crucial factor in their quality of construction, lifestyle, and management. Despite knowledge of the harmful ramifications of such a decision, Chicago Mayor Richard J. Daley intentionally continued to build high-rise style housing projects mostly in low-income neighborhoods throughout the 1950s-60s, leading these homes to become sites of concentrated poverty and rapidly deteriorate (Cohen & Taylor, 2007). Housing project residents complained of cramped units with unsafe and unsanitary conditions, but the CHA was unresponsive (Hunt, 2001). Residents later sued the CHA, "claiming that the previous decade's public housing siting procedures reflected discriminatory intent and, in practice, had enforced a pattern of residential segregation on the CHA's largely minority tenant population" (Bennett, 2000, p.56). Instead of attempting to resolve these problems and maintain these communities, Mayor Richard M. Daley, son of the former Daley, chose to demolish the housing projects during a movement towards urban renewal in the 1990s (Moore, 2016).

Today, much of the public housing assistance that is provided comes in the form of housing choice vouchers, also known as Section 8. These vouchers attempt to create mixed-income housing, but they have still been largely ineffective at integration. Oakley and Burchfield (2009) argue, “Even if conditions are improved through demolition of public housing and its replacement with mixed-income housing in the original neighborhoods, these benefits are not attainable for the majority of former public housing families relocated with housing vouchers” (Oakley and Burchfield, 2009, p. 606). Most recipients of Section 8 housing live in segregated neighborhoods that are predominantly Black, while white and wealthier areas have a small number of voucher holders (Moore, 2016). These realities have left people entrenched in poverty across generations, and have cemented racial segregation into the city’s residential patterns. Though the most harmful housing policies now cease to exist, their remnants still linger and are largely responsible for the city’s current situation.

Literature Review

Inclusionary Zoning (IZ), also referred to as inclusionary housing, is the one of the many policies that Chicago has pursued to provide affordable housing. Chicago’s policy is not unique, however, as different forms of inclusionary zoning programs are present in other cities across the country. The National Association of Home Builders provides the following definition for inclusionary zoning: “any municipal or county ordinance that requires or allows a property owner, builder, or developer to restrict the sale or resale price or rent of a specified percentage of residential units in a development as a condition of receiving permission to construct that development” (Salsich, 2011, p. 81-82). The goal of IZ is “to promote construction of affordable housing in areas where property prices are so high that lower-income individuals are effectively prevented from living there” (Andersh, 2016, p.864). Becoming popular in the 2000s, this policy

functions in the context of shrinking public resources for affordable housing and is a response to the restrictive and spatially divisive uses of zoning policies. (Mukhija, et al, 2015). Inclusionary zoning (IZ) aims to create communities that are more socioeconomically integrated. Because inclusionary zoning properties are scattered across different residential conditions, it may be difficult to define exactly what the standard should be for a successful policy. Generally, a successful inclusionary zoning policy is one that creates a substantial amount of affordable units in a location in which ones previously did not exist. A secondary outcome of a successful policy, one that I would argue should be more prioritized, is the extent to which it can shift communities towards being tangibly more economically and socially integrated.

Impact of inclusionary zoning on affordable housing stock

Proponents of inclusionary zoning argue that it promotes social integration through the provision of more below-market rate housing, which creates more mixed income communities. (Mukhija et. al, 2015, p. 223). Prior research on IZ policies provides generally positive evidence. Through an analysis of a 2016-2017 survey of national inclusionary housing programs, Thaden and Wang (2017) find that about 170,000 affordable housing units were created and a total of \$1.7 billion was collected in in-lieu fees. The time period of data used in this analysis was from the instating of the first IZ policy in 1970 up until the point of data collection in 2015. However, the authors note that this is likely an underestimate as all possible programs were not represented in the count of units created and money collected.

California is one of three states that has the greatest amount of IZ policies (Thaden & Wang, 2017). Rosen (2004) examined outcomes of the state's inclusionary housing program, finding that overall housing production was increased after local governments passed inclusionary housing ordinances. From 1999 to 2006, nearly 30,000 affordable units were

produced through inclusionary housing, combining on-site units, off-site units, and partnership units built by developers and non-profits or the government (Non-Profit Housing Association of Northern California, 2007). Similarly, Massachusetts's policy, known as Chapter 40B, has had positive results. In 2009, the state reported that this policy led to more than 56,000 affordable units either being built or in the process of being constructed. Chapter 40B serves those making less than \$50,000 per year, granting more people access to market-rate quality housing at a much lower price. (Salsich, 2011). The most well-known inclusionary housing program is the Moderately Priced Development Unit Ordinance in Montgomery County, Maryland. Because of its success, it has become a national model for inclusionary zoning policy. Since its creation in 1974, it has produced about 9,500 for-sale units and nearly 4,500 rental units (Dawkins, 2016). Aside from the usual features of IZ policy, the county also allows the county Housing Authority to purchase land, which has led to approximately 1,500 units being made available for rent to those participating in other housing subsidy programs such as Section 8. (Salsich, 2011, p.102). Generally, it appears that successful inclusionary housing policies are able to make substantial contributions to the stock of affordable housing.

Despite these positive trends, the success of each individual IZ policy is highly dependent on the structure of the program. Conducting a meta-analysis of inclusionary zoning policies across the country, Wang and Fu (2022) found that the policies that produced the most units were those that “were mandatory, older, covered the entire jurisdiction (applying to a broader geographic area), or had more complex income requirements designed to reach lower income levels...” (Wang & Fu, 2022, p.551). The authors provide explanations for each of these features. Starting with age of the policy, more units are able to be developed because the presence of inclusionary housing lowers the price of land with each year of the program, which incentivizes

more developers to build a greater number of units at a lower cost. Moving to jurisdiction size, a larger coverage area means that developers have a harder time avoiding land that falls in the inclusionary housing zone. Next, mandatory policies are more restrictive and place a greater burden on developers to follow through with developing affordable units. A caveat to this, however, is that voluntary programs can provide financial and zoning incentives that could also induce the building of additional units. Or, developers may purposefully build in areas with stringent rules (Schuetz et.al, 2011). Finally, more complex income requirements generally create mixed-income residential spaces by allowing people with a variety of affordability needs to live together in one community. This allows developers to continue to make a profit because a majority of people living in the building will still be occupying at the market-rate price, rather than making a building where every tenant was at a lower income level. Though not initially mentioned, rental programs were found to be more effective than homeownership policies (Wang & Fu, 2022). Due to the potential complexity of inclusionary zoning policies, no single one of these features can exist in isolation. However, individual components that contribute to success can be combined to shape an effective policy.

Impact of inclusionary zoning on segregation

An implicit assumption of inclusionary zoning is that it will promote socioeconomic diversity because those of lower-income backgrounds will have access to properties in higher income areas. This would reverse outcomes of exclusionary zoning, which Zimmerman & Cohen (2011) define as “zoning practices that have intent and/or effect of excluding disadvantaged groups, particularly low- and moderate-income people and racial minorities, from a locality” (Zimmerman & Cohen, 2011, p. 54). There are techniques through which exclusionary zoning harms disadvantaged communities: “1) minimum building size; 2) exclusion of multiple

dwellings; 3) restrictions on the number of bedrooms; 4) prohibition of mobile homes; 5) frontage requirements; and 6) minimum lot size requirements” (Zimmerman & Cohen, 2011, p. 55). Discriminatory practices, such as redlining, which was previously discussed in the context of Chicago, also fall within the category of exclusionary zoning.

There is a strong connection between exclusionary zoning and racial segregation despite the fact that many exclusionary zoning practices of the past have been considered unconstitutional. Cities and towns that were shaped with an emphasis on racial and socioeconomic stratification still have stark division along lines of race and class among citizens. Through conducting a longitudinal spatial analysis, Rothwell and Massey (2009) were able to assess the impact of anti-density zoning on segregation across the United States. Their data reveals that “patterns of racial segregation in post-civil rights US cities are strongly affected by density zoning” (Rothwell & Massey, 2009, p.12). They found that density zoning appears to have had a strong influence on the pace of racial desegregation in US metropolitan areas from 1980 to 2000.

Though the assumption is that inclusionary zoning would promote greater racial integration, there is limited evidence proving this as a fact because the social benefits are hard to measure (Mukhija et. al, 2015). Kontokosta (2013) analyzed data on inclusionary units in both Montgomery County, Maryland and Suffolk County, New York to attempt to assess IZ’s impact on racial and socioeconomic integration. Unlike Montgomery County, a greater proportion of affordable units in Suffolk County were built in neighborhoods with greater Black and Hispanic populations, indicating that “inclusionary zoning units were more likely to be built in income segregated and poor neighborhoods” (Kontokosta, 2013, p.728). However, the data does indicate that census tracts with IZ became more integrated over time in both locations overall. Over a

period of 1980 to 2000, neighborhoods participating in the inclusionary program saw “larger relative increases in both racial and income integration than neighborhoods where no IZ units were built” (Kontokosta, 2013, p.727). In Suffolk County, however, there was evidence of continued segregation, as communities likely to receive housing through IZ did experience greater declines in their white populations (Kontokosta, 2013). Despite this, the available evidence does indicate that the introduction of inclusionary housing promotes racial and economic integration.

Sportiche et.al (2024) conducted a similar study using data primarily from Massachusetts’s 40B program. Their analysis indicates that communities with inclusionary zoning units tended to be whiter and more affluent. Not only did 40B neighborhoods have 1-2 percentage points less Black, Hispanic, and Asian populations, but there was also a \$15,000 or more difference in income compared to the median Massachusetts neighborhood (Sportiche et. al, 2024). Moreover, 40B units were more likely to be located in areas formerly zoned for single-family homes. This is important to note because homes in this zoning type are “whiter, more affluent, and have better characteristics for social mobility and health” (Sportiche et. al, 2024, p. 18) To be clear, living in closer proximity to white people is not a prerequisite to a higher quality life. However, the data does indicate that people in 40B units end up in areas that have greater resources which also happen to have greater white populations. These two articles together to point towards the potential for inclusionary zoning to forward racial integration.

Counterarguments to Inclusionary Zoning

Inclusionary zoning policies are not without criticism. Those with more conservative stances on housing policy contend that inclusionary zoning pushes too much of the burden of providing affordable housing on to private developers. This mainly appears in the forms of high

production costs and limitations on development. The literature (Rosen, 2004; Andersh, 2016, Mukhija et. al, 2015) indicates that rising costs may be an unintended consequence of IZ policies both through the ways in which incentives function in real estate markets and through increases in projected prices of developments. Rosen (2004) provides an explanation for this: “For example, a developer may experience an increase in construction interest from that contained in his or her development pro forma. That developer can no more pass along the ‘cost increase’ of higher than projected interest rates to renters or homebuyers than could be done for a ‘cost increase’ associated with inclusionary housing.” (Rosen, 2004, p.42). Furthermore, Harris (2021) argues that IZ policies “distort housing markets, slowing down construction and driving up prices (Harris, 2021, p.2). He contends that “the prospect of lower revenues from housing projects will reduce the amount that developers are willing to pay for the land, reducing the quantity of housing construction and depressing property values in areas that could be redeveloped” (Harris, 2021, p.2). Overall, inclusionary zoning is thought by some to act as a tax on developers.

Not only can IZ policies increase the cost of the initial project, but these cost increases may spill over into the general market. Indeed, IZ policies may “undermine affordability by creating circumstances that lead to increase in the cost of market-rate homes and a reduction in overall production of market-rate housing” (Local Housing Solutions, 2021). Rising costs may impede general housing development, which can be a cost of implementing such policies. All of these concerns are legitimate; however, Sturtevant (2016) finds evidence to the contrary. In a policy brief from *The Center on Housing Policy*, Sturtevant reports that a study on IZ policies in San Francisco “found no impacts on housing production or prices associated with local inclusionary housing programs” (Sturtevant, 2016, p.6). Additionally, evidence from studies that

investigate this suggests that there are “generally no impact on supply and no or modest impact on prices” (Sturtevant, 2016, p.5). Furthermore, incentives baked into IZ policies can help to offset the possible reduction in revenue that results from providing below-market-rate affordable units (Wang & Fu, 2022).

Inclusionary Zoning in Chicago

Chicago’s policy, the Affordable Requirements Ordinance (ARO) was originally adopted in 2003, and was later amended in 2015, and 2021, and is considered by the city as “one of the City’s strongest, most efficient tools to create affordable housing” (City of Chicago, 2014). As stated by the City, the policy’s main purpose is to “push back against longstanding patterns of segregation and exclusion” (Chicago Department of Housing, n.d.). While comprehensive, the policy is quite straightforward. The policy requires “residential developments with 10 or more units that receive City Council approval for an entitlement, a city land purchase, or financial assistance to provide a portion of the units as affordable housing” (Chicago Department of Housing, n.d.). Developers are required to set aside 10% of units as affordable in Low-Moderate Income areas, while 20% must be set aside in all other areas. In both cases, the units have to be provided at an average cost that is 60% of the Area Median Income (AMI) and cannot exceed 80%. The city legislation provides multiple options for establishing the percentages of affordable unit provisions and AMI calculations for projects (Chicago Department of Housing, 2021, p. 9-10). If developers choose not to participate, they can either develop housing off-site one mile from the residential development or pay in-lieu fees which go into the Affordable Housing Opportunity Fund, which provides money for other affordable housing-related initiatives. (City of Chicago, 2014). Each unit must remain affordable for thirty years (Chicago Department of Housing, n.d.).

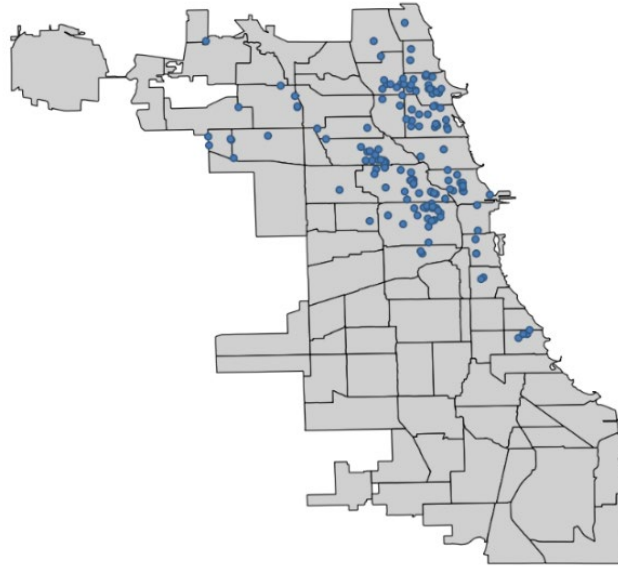


Fig. 2. Map of Active ARO Units as of October 2024. City of Chicago (2024). [data from City of Chicago Data Portal]. Made with GeoDa Software.

The above map displays the locations of ARO units that are currently active as of October 2024. As indicated by the blue dots, the majority of ARO properties, both completed and currently under construction, are located on the North and Northwest sides of the city, with a few locations on the South and West sides. According to city data, there are a total of 4,355 active ARO units. 2,667 units are located on-site, meaning that there are located on the original proposed development site. There are 1,688 off-site units, which are units located within a one mile radius of the original proposed location. A majority of the units are one bedroom units (710 units), followed by studios (443 units), two-bedrooms (331 units), and three-bedrooms (61 units), respectively. Finally, a great percentage of units are available at 50-60% of area median income (AMI), with fewer available for those earning greater than 60% and those earning less than 50% of AMI (Chicago Department of Housing, 2024).

Density bonuses, which allow developers to create bigger properties, were added to the ARO as incentives. The Downtown Affordable Housing Zoning Bonus “offers additional square footage for residential development projects in downtown zoning districts, in exchange for either providing on-site affordable housing or contributing to the City’s affordable housing opportunity fund” (Chicago Department of Planning and Development, 2008, p. 1). This policy works with the ARO to incentivize developers to build in the most active parts of the city. In 2019, the Chicago Department of Housing stated, “the ARO has led to nearly 500 completed and under construction units for very-low and moderate-income households” and “in-lieu fees have generated \$123 million for affordable housing across the city”. (Chicago Department of Housing, 2019, p.15).

While the bulk of the policy has remained unchanged since its original adoption, the city has made some key changes since its original passage to make it more effective. In 2015, the updated ARO divided Chicago into three zones: downtown, high income areas, and low-moderate income areas (Chicago Department of Housing, 2015). Separating the city in this way enabled the city and developers to better understand the housing environments across different parts of Chicago to assess neighborhood and regional needs and priorities. An audit conducted by the Office of the Inspector General recommended that Department of Planning and Development “define goals relating to geographic distribution of affordable housing, and that, as part of this works, the Department assess and formalize the city’s high opportunity areas for affordable housing development” (Office of the Inspector General, 2019, p.1). In order to do so, the 2021 version made changes to the three zones, changing them to be 1) inclusionary areas which are “communities with higher income and housing costs and relatively low levels of legally restricted affordable housing”; 2) community preservation areas which have “high numbers of

low-income residents at risk of displacement and rapidly growing housing costs”; and 3) low-moderate income areas which have “low or moderate housing costs that are not rapidly rising” (Chicago Department of Housing, 2022, p.7). Though the designations have changed between 2015 and 2021, their purpose is still the same. They represent the city’s attempt to take a more targeted approach at providing affordable housing rather than using a one-size-fits-all approach.

Another significant change is a sliding scale for in-lieu fees for developers that choose not to provide affordable housing. Prior to 2015, developers were required to pay a fee of \$100,000 to the city regardless of the location of their property. However, the 2015 amendments made the fee dependent on the location of their property. Downtown developers now must pay \$175,000, while developers in high-income areas and low-moderate income areas must pay \$125,000 and \$50,000, respectively. More specific payment calculations are decided by the Department of Housing based on location and set-aside requirement. The main reason this change was made was to make avoiding the ARO through payment more difficult for developers wanting to build downtown, but also to lower the burden for developers building in lower income areas (Chicago Rehabilitation Network, 2015; Chicago Department of Housing, 2014, p.5; Chicago Department of Housing, 2015, p. 1). No further changes have been made to the Affordable Requirements Ordinance since 2021. Moreover, there is no research that points to the ARO leading to more integrative communities.

This research fills the gap in the literature that describes the integrative power of the Affordable Requirements Ordinance. As stated in the literature review, little research has been conducted to assess the ability for inclusionary zoning policies to disrupt segregation across the country, particularly for Black Americans. More importantly, no research has been conducted on this matter within the city of Chicago. My study aims to fill this gap by assessing the extent to

which the ARO helps not only to create more affordable units primarily through the private market, but also creates communities that incorporate a variety of income levels and racial and ethnic backgrounds. This implementation analysis can help guide future researchers towards answering this question, providing evidence and a possible method for conducting research on this topic. The findings of this research can also inform possible policy stakeholders who are attempting to approve the Chicago Ordinance or other similar legislation.

Data and Methods

Data

This study relies upon both quantitative and qualitative data. The first set of quantitative data is racial population data for Cook County, Illinois from the 2000 and 2020 US Census, which was pulled from the IPUMS National Historical Geographic Information System. The second set of quantitative data was received from the City of Chicago Department of Housing through a Freedom of Information Act request. This data shows the number of ARO units provided at area median income percentages ranging from 40-100% by race and ethnicity.

Finally, the qualitative data used in this study comes from a series of eighteen semi-structured interviews that took place between November 2024 and January 2025. All of the interview subjects either worked within city housing-related agencies, non-profit organizations focused on housing, or development and project management agencies with active ARO units. Each respondent had varying levels of expertise in and exposure to the Affordable Requirements Ordinance. Each interview was conducted and recorded using Zoom and lasted approximately 30 minutes. A transcript of the conversation was obtained, and then cleaned and coded for overarching themes. The audio and transcripts were then moved to a secure Box folder and

removed from my personal computer. All interviews and recordings were conducted with consent from the interviewee. Additionally, all names, identities, and workplaces will remain anonymous during the analysis. The purpose of the interviews was to obtain the interviewees' opinions on the ARO effectiveness for providing affordable housing and mitigating segregation, and also to get insight on possible policy recommendations. To provide some form of standardization, all interviews were conducted using an interview guide that consisted of prescribed and edited questions. One guide was used for all the interviews, and each conversation diverted from the guide when the opportunity presented itself due to their semi-structured nature.

Research Design and Methodology.

This research is grounded in a case study approach. Focusing on the city of Chicago in isolation allows for a more focused implementation analysis of the Affordable Requirements Ordinance rather than looking at how the policy functions within the wider inclusionary zoning ecosystem across the country. Through designing the study in this way, there is greater opportunity to see the strengths and shortcomings of the policy and then put that in conversation with other national policies of this kind. Next, this study employs a mixed-method approach that uses both the quantitative and qualitative data that was discussed above. Taking findings from each data type allows us to have a more complex understanding of the findings.

The longitudinal census data were collected to do spatial analysis to chart the movement of the Black population across the city. That data was visualized into maps using QGIS software and were analyzed through a spatial analysis of demographic shifts. Color gradients indicate increases in Black population across the city of Chicago, with darker colors indicating a greater concentration. The data on ARO locations allows the comparison of unit locations relevant to the

city's Black population. Each point on the map corresponds to the location of a unit. Finally, the tenant data from the Department of Housing underwent a categorical analysis by race and AMI status. Organizing the data in this way clearly displays which populations are receiving units at each level of affordability. Together, these data allow us to analyze the movement of Chicago's Black population over the lifetime of the policy to understand the effect that it has on the city's segregation.

The interview data were manually cleaned, coded, and underwent a thematic analysis underscoring the following themes: current status of Chicago's affordable housing, the ARO's pros and cons, how the ARO impacts segregation, and suggested recommendations and improvements to the ARO. The analysis process included multiple reviews of the transcript, coding based on the aforementioned themes, and organization of coded information into thematic groups. From each of these larger themes, more specific themes on the policy's implementation emerged and are later considered in greater depth.

Limitations

Though this study presents a comprehensive view of the inclusionary housing landscape in the city, it does acknowledge certain limitations. The first limitation is that this study mainly focuses on the Black population and does not concern other marginalized groups in depth. Indeed, other racial and ethnic minorities have had their unique relationship to and challenges with housing in Chicago. This study chooses to focus on the city's Black population due to my positionality and to the historical harms committed by the city to this population. Another limitation within the data is the lack of demographic data by the occupants of ARO units. Although data is available on the general tenant race and income, there is no specific information that ties an identity to a specific unit. Rather than examining larger neighborhood demographic

shifts, knowing exactly who is living in these units would provide a greater idea of the extent to which integration at the neighborhood level is occurring through this policy. Finally, participants may have felt inhibited to share their personal beliefs and opinions. Though confidentiality was guaranteed, withholding information is still a limitation to this study's potential.

Findings and Analysis

The next section focuses on the quantitative data focused on race pulled from the Decennial Census and the American Community Survey and data on the race and income of ARO tenants. The accompanying qualitative data is pulled from the interviews conducted by the research team. The first subsection will reveal trends in demographics for the City of Chicago and Cook County over the span of twenty year. Then, the second subsection will reveal the strengths and weaknesses of the ARO, as well as its impact on segregation, which were reported by the interviewees.

Quantitative Data and Analysis

U.S. Census Data

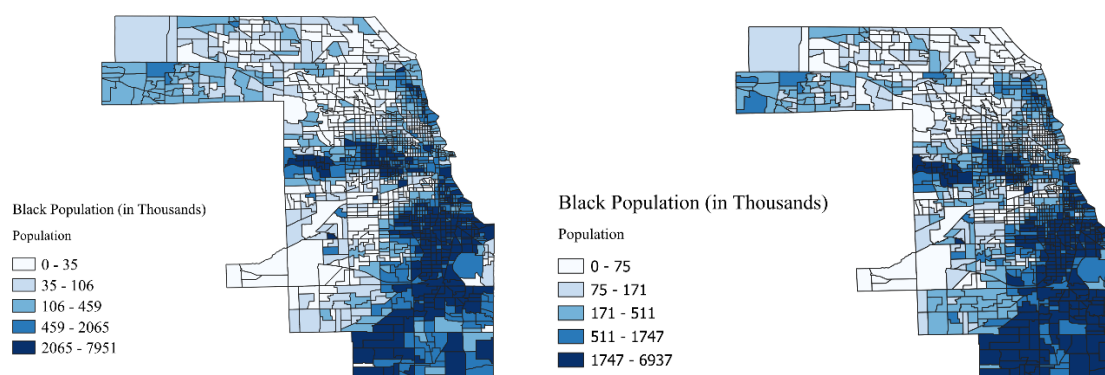


Fig.3 and 4: Black Population by Census Tract for the 2000 Census (left); Black Population by Census Tract for the 2020 Census (right). Data from: IPUMS National Historical Geographic Information System.

Figures 3 and 4 displays the Black population of Cook County from 2000 and 2020, respectively. These dates closely correspond to the time period at which the ARO was created

and to the present. With the policy being active for nearly about twenty years, demographic changes based on inclusionary zoning may be visible on these choropleth maps. Based on the map legend, the lighter blue color indicates a census tract with a smaller Black population, whereas a darker shade indicates a larger Black population. From these maps, two patterns become evident. The first is that the city's longstanding pattern of segregation has not been disrupted in the time period between 2000-2020. Though the city's overall population is much larger, the city's Black Belt from the 1950s still exists in a slightly extended form. Second, there has been significant movement of the Black population to southern parts of Chicago and its south suburbs. This is in direct contrast to the locations of the ARO units, which are mainly in the Loop, West Loop, and the Northside. Together, these two findings suggest that Chicago's Black population has not been able to enter the "high amenity" areas in which the ARO units are predominantly located. On a macro-level, then, the ARO is not contributing to integration in the way that the city intends.

A caveat to this is that ARO is not the only or most widely available housing policy, meaning that these findings cannot be directly tied to the success or failure of the Affordable Requirements Ordinance. However, this spatial analysis does reveal that segregation in Chicago has remained fairly consistent throughout the duration of the policy. The Affordable Requirements Ordinance, along with other integration efforts made by the city in the last twenty years, have not had their promised impacts on a city-wide scale. Be that as it may, there is still a possibility that the ARO is having positive impacts on segregation at a smaller scale.

ARO Tenant Data from the Chicago Department of Housing

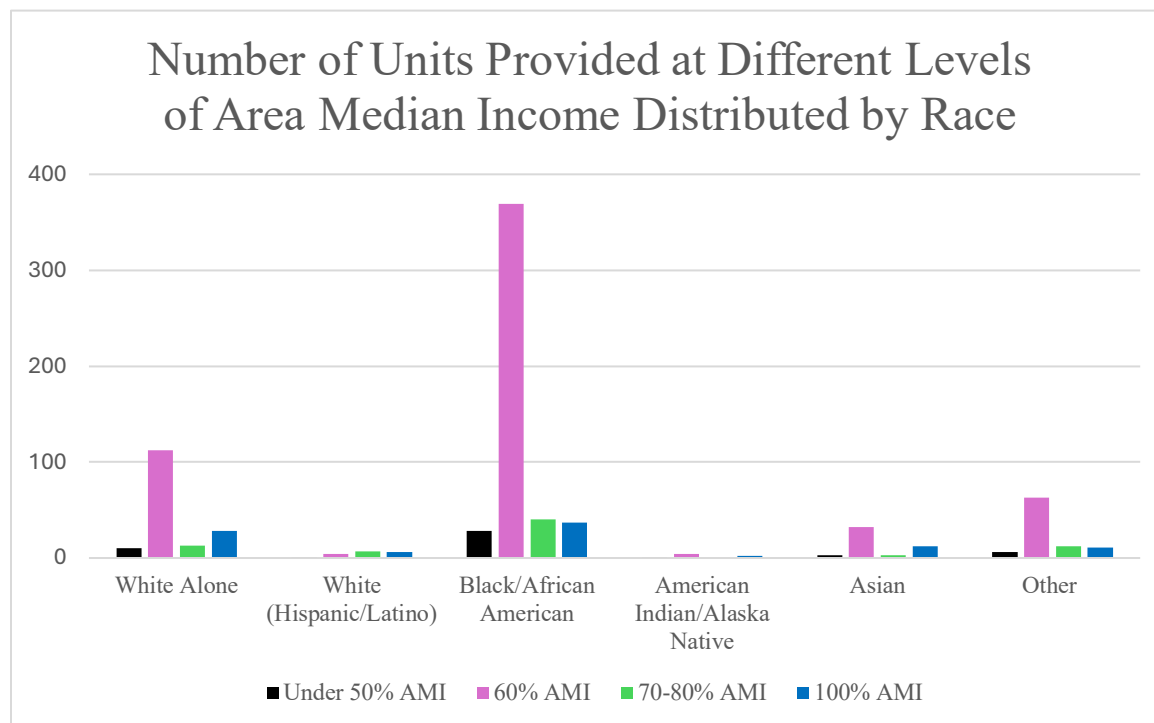


Figure 5. Data from the Chicago Department of Housing on the race of ARO tenants across AMI brackets. Visualized using Excel.

Figure 5 visualizes Chicago Department of Housing data that details the distribution of ARO units across income brackets by race from 2020 to present. In order to improve visibility, I removed those who were categorized as multiracial and combined income brackets into the ranges seen in the chart above. The chart indicates that a majority of the units are provided at the 60% area median income, which is consistent with 2024 data from the Chicago Department of Housing. Moreover, Black Chicagoans are receiving the greatest amount of units at every income level. This information indicates that the ARO is serving the study's target vulnerable population. Though 60% AMI is not the most impoverished population, the policy is able to provide housing for people in places that they otherwise could not afford.

Contrary to the findings of the US Census Data, these data suggest that the ARO is providing equitable access to housing in “high amenity” areas of the city. While we cannot tie identities to each individual unit, we do know the profile of the majority of ARO recipients, and we know something about the places to which they are moving. Put more succinctly, Black Chicagoans are receiving the greatest amount of ARO units at all income levels, which contributes to integration on a neighborhood scale. Considering the scale of the policy may provide reasoning for the discrepancies between the macro- and micro-level analysis. The total number of ARO units is small compared to the overall housing market and the total number of regular affordable housing units. This fact significantly limits the ARO’s ability to impact citywide segregation.

Qualitative Data Analysis

There was general agreement among all interviewees that Chicago, like many cities across the country, is experiencing a shortage of housing. Most interviewees cited a need of approximately 100,000 to 120,000 units. Two interviewees expressed that the reason for this significant shortage lies at the national level, with one saying, “as a country, we have decided not to fund housing that people can afford as an entitlement.” Moreover, the housing that is available is not accessible on an equitable basis. The lack of federal emphasis on and targeting of resources to housing has led to Chicago and other major cities not having the necessary resources to provide more housing. Thus, this is the context in which the Affordable Requirements Ordinance emerged, as stated by City of Chicago (2014).

Despite what is stated in published city documents, disagreements were expressed in the interviews about the purpose of the ARO. A little over half (56%) of the interviewees claimed that the purpose of the Ordinance was to forward integration, which aligns with the purpose as

established by the City of Chicago and discussed by Mukhija et. al (2015). However, many of the developers that were interviewed felt that the ARO was a fee to tax in order to pay their fair share towards affordable housing because they were mainly producing higher-end rental units. Those that were affordable housing developers were not bothered by this, as they were not subject to the ARO. However, market-rate and luxury developers expressed disapproval for this reason. Finally, two interviewees cited integration as part of, but not the sole purpose of the ARO. They said that the purpose was to spur affordable housing development, particularly in areas of the city where the price of land is significantly higher. This in turn, they said, would eventually disrupt segregation.

Impact on Segregation

After a thematic analysis of the interview data, the most significant ways in which the ARO impacted segregation were through unit production, income requirements, and barriers to entry.

Unit Production

Among the interviewees, there was a general consensus that the Ordinance was not generating a substantial amount of units. While the few thousand units that the city has been able to gain through the ARO should not go unnoticed, it is still a small dent in the larger housing need. An interviewer from the policy sector acknowledges this tension: “You know, between I think 2007-2020 I think there has been 1,000 affordable units generated in Chicago because of the ARO, I think that that is a big deal, but it also is a very insufficient impact, given the fact that we’re still short 120,000 affordable homes or units. So that’s a very small fraction.” Practitioners in the non-profit space also relayed the same point, with one saying that to rely on the private

sector to create scattered affordable housing units' piece by piece is "not a consistent stream of affordable housing." These findings contradict evidence provided by Rosen (2004), the Non-Profit Housing Association of Northern California (2007), and Salsich (2011) stating that inclusionary zoning policies create significant amounts of housing. Instead, it seems that the Affordable Requirements Ordinance has not been able to produce a substantial amount of units.

The developers that were interviewed claimed that the reason for this outcome was the difficulty in building. Overall, there was consensus among the developers that they did not feel supported by the city throughout the process of dealing with the ARO or even with developing more broadly, which impeded their ability to develop additional properties. More specifically, the ARO made the development of all types of units, not just those applicable to the policy, more expensive. One developer stated that as construction costs and interest rates increased during the pandemic, the requirement of having a portion of units sold below market prices made projects unable to be financed. They said, "developers are just a conduit for capital, and if they can't prove out the return on investment for a project, that project's not going to happen because developers don't use their own money." Unit production became especially difficult as the unit requirement grew from 10% to 20% under the new iteration of the policy, further slowing the pace of production. One developer detailed an incident in which a project he wanted to develop on the south side of the city fell through due to finances. After attempting to reshape the project multiple times, it was finally impossible to actually go through with construction. Concurrently, some developers were building projects that were just small enough to avoid triggering the ordinance. One developer explained, "The zoning is as of right... and we see a lot of developers saying, 'I'm only going to build as many units as I don't trigger the ARO, because I can't finance the other ones and my staff running and everything else'". While it is unclear how often

situations like these occur, it is evident that this is one of the methods that luxury developers use to evade the ARO, which defeats the purpose of the policy. Finally, a significant portion of developers raised the point that luxury and market-rate developers should not be responsible for building affordable housing. Not only is this because these ARO units do not serve their target audience, but because they “aren’t good at affordable housing.” One affordable housing developer who felt quite strongly about this likened it to forcing the market rate developers to “commit fraud” and continued to ask, “Do you really want [market rate developers] to be the ones to be providing affordable housing in the context of the luxury housing development?” While prior literature does not address this nuance, it raises an important question when discussing the factors that impact unit production. Unlike affordable housing developers and property managers, luxury developers and managers do not have experience with providing and managing affordable housing and doing things such as screening tenants and providing wraparound services. Because the city pushes this additional responsibility onto individuals who lack experience and training in this area, the frustration felt by these individuals is legitimate.

Two additional aspects of the policy that pertain to unit production were in-lieu fees and off-site development. Though both of these have decreased due to the 2021 iteration of the ARO, they still are important to the ARO’s ability to impact segregation. Beginning with in-lieu fees, there was some agreement, especially among non-profit advocates and policy practitioners, that the option for developers to pay instead of build property was a way for them to just “buy their way out.” Instead of contributing to the affordable housing stock, this workaround was, in some cases, cheaper and easier than actually constructing buildings. However, the newest iteration not only made it harder to simply pay in-lieu, but also created a tax incentive for developers building affordable units which accelerated the rate of unit production. One interviewee that straddled

non-profit and for-profit spaces explained, “But the trigger that really got things going was a concurrent effort... to create a new tax incentive statewide that reduced the property tax assessment on affordable units, and if you built those units in higher income areas, that got all the way up to 35% 10 year tax incentive. And so that really made it financially feasible for a developer putting up a high rise, for instance, 100 units, to take 20 of those units and make them affordable...”. Interviewers agree that with the 2021 changes, the city saw a notable increase in units, bringing us to the number of ARO units that are affordable today (Chicago Department of Housing, 2024). The caveat to this success, however, is that less money is being funneled into the Affordable Housing Opportunity Fund (AHOF), which is the pool of money used to make affordable housing. Some discontent was expressed from affordable housing developers, with one stating that this “created... [a] budget shortfall for affordable housing.” Despite this, there appeared to be general agreement that the trade-off of receiving more ARO units was worth the decrease in AHOF funds. This was largely because the reality of not building the units defeats the purpose of the ordinance to bring about integration.

Moving to off-site unit development, interviewees raised major concerns about the impact on segregation. Many stated that, like in-lieu fees, building off-site defeated the purpose of the ordinance. Though the possible radius for off-site development has now been tightened, developers had a much wider expanse of possible building sites. One policy practitioner commented that developers would usually build in lower income neighborhoods with cheaper land and more malleable zoning laws, which “reinforces concentrations of poverty and racial segregation.” Another policy practitioner noted more bluntly, “for integration to work, there have to be units in the building” when referring to luxury properties. Thus, though it ultimately did lead to the creation of units, it does not contribute towards integration: “you lose the power of the

ordinance to get people ... of different means together.” Despite this, some policy practitioners and developers saw the benefit of off-site housing. One noted that off-site housing provided affordable housing to individuals in a context in which they were familiar with the neighborhood amenities and culture. Another told of a situation where an off-site unit was able to provide affordable housing, wraparound services, and support to women who were homeless due to gender-based violence. Though these two accounts detailed more positive examples of off-site developments, it is unclear how often situations such as these happen.

Overall, nearly every interviewee agreed that the units produced by the ARO provided substantial benefits. The greatest was the fact that the ARO was able to get housing in locations in which it is extremely difficult to get affordable housing, and many stated that the city certainly needed an inclusionary housing ordinance. A policy practitioner summed up these benefits:

... one of the things I would point out is that I don't have to use public subsidy to create those affordable units, and that's a bonus, because I don't have anywhere near enough subsidy for the need that I have, right? So cool. I get, you know, if it's a large enough development, I get a substantial amount of affordable units that I didn't have to pay for, per se, I just had to give a developer a zoning change. And what I like about it too, is that, because these are market rate developments, all these units are all getting created in higher income neighborhoods, and so you're creating accessibility for people who couldn't otherwise afford to live in West Loop or downtown or River North or South Loop or things like that.

Looking past the small number of units produced in comparison to other inclusionary programs across the country, as well as disagreements over off-site development and in-lieu fees, the ARO is positively impacting segregation by this metric. By bringing individuals, who are

predominately Black based on Department of Housing data, into higher amenity neighborhoods, sections of Chicago are becoming more socially integrated.

Income Requirements and Unit Type

The AMI requirements for ARO units were another topic of great debate among interviewees, and an additional aspect of the policy's ability to impact segregation. More interestingly, there seemed to be a divide between the policy practitioners and non-profit advocates and the developers. Those from these sectors noted that the high percentages of 60% AMI meant that those with the greatest need for housing were ineligible for the program. One interviewee noted that the policy targets those who are "temporarily low income" rather than those who experience persistent poverty. Despite a few more incentives in the 2021 edition to create multifamily units, a majority are still one-bedroom units that are provided at or above 60%. Attempting to get an idea of who this population might be, one interviewee answered that someone who makes 60% AMI is someone who has a job but not making a high wage. For example, they could be a service worker earning minimum wage. Though this does not undermine the value of the assistance provided to this population, much disdain was expressed because the ARO was incapable of assisting people at lower income levels.

Attempting to resolve these issues, the city allowed for developers to reserve fewer affordable units at a deeper AMI percentage. One policy practitioner explains:

And so... I think one of the biggest things that we did was we required income averaging so that even if you know the average AMI was 60, developers had to provide a mix of between 40 and 80. And that sort of guaranteed both that it would serve a wider range of people, because not every unit is ... targeting the exact same income, which was

the case prior, but also that there would be a meaningful number of units, or at more deeply subsidized levels, and nothing above 80% and really we only went up to 80% to offset the costs of going down to 40%...

Despite having fewer units below 60%, it does seem that this change is benefitting people as indicated by individuals receiving units under 50% AMI. This is particularly important for Black Chicagoans who make up the majority of ARO unit recipients at or below 50% AMI.

The greatest complaint from developers was the loss in profit. Because they were building market-rate buildings in more expensive areas of the city, their buildings were already quite expensive to develop. That reality, coupled with the requirement to lease 10-20% of their units to be below market prices, made some developers express disdain. And, because they were further disincentivized from paying in-lieu, their options for obtaining full profit were little to none if they needed or wanted any sort of assistance from the city. This led to situations that were previously explained above: either developments were not getting built, or they were built so small that they were able to fly under the ARO's radar. Though agreeing that luxury developers should pay something towards developing housing, they expressed that the ARO was "too heavy handed of an approach" and that the city should "provide a lot less financial assistance and get out of our business a lot more." Overall, there was agreement among developers that the ARO simultaneously drove up production costs and decreased profit earnings.

Though the concerns of the developers were legitimate, there was a spectrum of sympathy towards them from the policy practitioners and non-profit advocates. One advocate remarked, "But a for profit developer has other investors that they're trying to pay, and those return requirements are just higher, and so, you know, that's okay, as long as they're doing their part", and "whatever the city can do to kind of incentivize and make that [more profitable]"

could help. Another stated that while they felt that developers did not lose that much money in the long run, the trade-offs between profit and affordable units were a balance that required delicate calculations. One advocate was not sympathetic at all, saying that they had never been shown evidence proving that developers make less profit. They more bluntly stated,

And so, saying that somebody is not going to build, you know, something like this, the [property name] example that I gave, the [property name] example, because they're going to have to develop a couple of affordable units within it. Just the numbers do not make sense. They do not add up. So, they always say that. They always say that, but the numbers have not actually panned out, and there is research that has been done backing that up that inclusive housing programs do not raise rents for other types of units and do not cause developers to not build things that they otherwise would...

While it is unclear if Chicago's inclusionary housing policy has decreased development in the city, it is obvious that this issue is an area of great contention.

Ultimately, it appears that this aspect of the ARO does not have a positive impact on segregation. At most, it may be neutral. At 60% AMI, the income requirements are low enough to help those who obviously cannot afford market-rate housing in areas such as West Loop and Downtown. However, it must be acknowledged that this may not be the population that could benefit most from living in these areas, and is certainly not the only group who could benefit from affordable housing. Likewise, the common small unit sizes only support one- or two-family households, rather than larger, intergenerational families or perhaps those with multiple children. This fact, coupled with the tension between rapid development and affordable housing provision, slows down the provision of units overall. Taking all this together, it seems that the Affordable Requirements Ordinance is not designed to support those in this city that are most vulnerable.

Barriers to Entry

The final aspect, and perhaps the most important, is barriers to entry. When discussing “barriers to entry,” two aspects are considered. The first is barriers to entry of the individual tenant. The second is the barriers to entry of the affordable units themselves into communities. In both cases, discrimination and administrative difficulties are getting in the way. For tenants, the first barrier is finding the units. Two interviewees explained that there was a lack of program oversight and efficient processing of tenant and property manager information within the city departments. Complaining about the amount of paperwork required, a property manager remarked that collecting all the necessary information was “worse than getting a mortgage.” It seemed that all the actors involved in the process struggled to navigate the requirements and implementation of the ordinance. Furthermore, there is no central database with information on where to find ARO affordable properties and poor advertising. This ended in situations where buildings had ARO vacancies, or that only a privileged subgroup was able to access units. Those with the ability to acquire knowledge were served ahead of those who were not even if they were the most in need. One interviewee noted,

...they don't necessarily have to be widely advertised, and it is hard to find them, because ... there are people.... I mean, we ended up sort of learning there are people who, like are savvy enough, or like agents who are savvy enough to sort of know when an ARO building is opening with a lot of units, and they will, you know, send in their application, or tell their clients to send them their application, or whatever. And so, things get snatched up quickly. I think that also opens the door to discrimination by race, by age, by family status, etc. And we definitely heard stories about that.

This reality limits the pool of people who are actually able to get in the units, as those with time and social capital win. People without those luxuries, regardless of the degree of vulnerability, are passed over in the process of searching for units.

The second trend that appeared related to this topic was tenant discrimination. One interviewee managed fair housing testing of ARO units in their prior role. Testing, which is a common practice in housing policy, is where organizations send a set of individuals or couples to inquire about a unit. Both groups are identical in every way except on the tested feature, such as race, gender, sexuality, etc. Through testing, they found that tenants were primarily experiencing segregation due to having Section 8 status, which they felt was “a proxy for racial discrimination”. Oftentimes, testing revealed that landlords would feign ignorance of the ARO and its policies. Many said things like they “didn’t know what the ARO was, or it turns out [the unit] wasn’t available, of the process for actually applying for it, they didn’t know anything about.” My interviewee and their team of testers did give landlords and property managers the benefits of the doubt in the beginning; however, they quickly started to feel that this was an excuse seeing that the policy had been around for nearly twenty years at the time. They further explained their opinion on the matter,

So, I think part of what's hard about the ARO is that, in my view, ... if we as taxpayers in the city of Chicago are going to be subsidizing the development of luxury buildings, of real estate in general, and one of the things we're making obligatory in exchange for that is affordable units. There should be no tolerance for discrimination for any landlords in Chicago, right? We should not have anyone furthering racist segregation in our city. But if there's going to be a landlord or property management company that's getting city money, they're getting some kind of zoning change, they're getting some kind of tax

break, they're getting some kind of benefit, then they especially should not be discriminating against people.

Per the Fair Housing Act, tenant discrimination is illegal. Therefore, it was surprising to hear that such practices were quite prevalent during the rental process. Though there is no quantitative evidence of how often such discrimination occurs, this still is an active impediment to integration.

Moving on, some interviewees mentioned that city-wide patterns of development impacted the siting of ARO units, with all of the individuals I interviewed explaining that it was quite difficult to build affordable housing in certain parts of the city. Aside from the price of land in higher end neighborhoods, the attitudes of community members are a significant obstacle. Aldermanic prerogative, which is when the decisions of local Alderman are the ultimate decision-maker of community choices, often shot down development and was referenced as being a “very, very, very powerful tool for perpetuating racial and income segregation.” This means that even if everything goes correctly with planning the development, ensuring adequate affordability, and indiscriminately selecting tenants, units could still never be produced simply due to politics.

Interestingly, it appeared that leaders from neighborhoods across the economic spectrum used aldermanic prerogative to halt development. Two problems emerge from this. First, communities that are having high development that would be prime areas for ARO recipients do not want affordable units built, which impedes integration. Second, communities that have experienced chronic disinvestment are also turning down developments, meaning that additional units that would have benefitted community members from marginalized backgrounds are not getting created. Even with the changes made to the ARO over time, aldermanic prerogative was

quoted multiple times as a consistent barrier of buildings with affordable units. One developer explained the difficulty they experienced with a project:

I was trying to get an affordable elderly housing project approved down at 71st and Jeffrey, it's the [property name], and it was going to be senior, affordable. And the alderman there said, 'We got too many poor people here. I don't want it.' It's just, it just... If you care about the city and you care about housing, people with limited incomes, this political piece is a headwind.

In both high and low income neighborhoods, the practice of aldermanic prerogative impeded unit development on the basis of racial and economic bias. Though some were sympathetic to the nature of politics and the reality of reelection, there was general disappointment and frustration with the decisions of elected officials. In Chicago, where the need for housing is so great, aldermanic prerogative not only stands in the way of social integration but also a community's ability to provide more affordable housing for those who already live there.

Finally, though this is not a significant finding, there was an interesting discussion on the meaning of integration. In academic conversations of integration, there is often an implicit understanding that people of color will have a better life when they have increased exposure to whiteness and white spaces. However, the opposite is never considered. Turning back to the policy, because the ARO prioritizes development for communities that are already considered to be high amenity, communities that have experienced chronic disinvestment (which are often communities of color) do not benefit from the same windfall. Some argued that this 'limits the access to diverse neighborhoods.' A policy researcher from a non-profit organization spoke to this dynamic in more detail:

The ARO is really poorly equipped for facilitating integration of majority black or majority Latinx communities, in large part because of patterns of development, the thinking about the far south side in particular, because the ARO is tied to new development. If you're in a place where there's not a lot of new development happening, thinking racial patterns of disinvestment, especially over a long term, it's not going to facilitate integration in those places.

Though this is more a matter of the policy's writing rather than its implementation, it still pushes the discussion on the "best" method for racial integration. What trade-offs are we willing to accept and which ones do we refuse to tolerate? Though there are considerable barriers to entry for both individuals and units, there are also barriers within the framing of the ordinance that inhibit the city's fight against its longstanding segregation.

On one hand, the ARO is not necessarily gentrifying communities. This is mainly because a vast majority of the units are located in areas that already have higher baseline area median incomes and generally more development. This is positive, as housing advocates are usually concerned with new developments pushing residents out. On the other hand, the ordinance is not spurring a significant amount development either. Because the ordinance follows patterns of development in order to site units, integration occurs selectively. Moreover, because the ordinance was changed to discourage off-site units, the ARO does not lead to unit production in historically under-resourced neighborhoods.

Discussion

This study focused on the implementation of Chicago's Affordable Requirements Ordinance. Specifically, this study strives to understand the impact that the policy has on the provision of affordable housing and its ability to facilitate integration. The data reveals that the

ARO has had a mix of impacts on the city over its twenty-two year tenure. Concretely, the evidence indicates that the ARO is leading to the creation of additional affordable housing and is serving a subset of the city's vulnerable population, but that these units are difficult to find and build. However, because this thesis does not represent a causal analysis, it is difficult to definitively conclude whether the ARO is or is not directly leading to integration.

Scale and Effectiveness

The interaction between the quantitative and qualitative data reveals that scale is a major factor in determining the success of the Affordable Requirements Ordinance and its implementation. Going further, that success can be determined by two factors: success in reaching the target audience and success of actually building the physical structures. The quantitative analysis from the Chicago Department of Housing reveals that a majority of the ARO unit recipients are African American and receiving units at an AMI at or below 60%. Here, the data complement each other, and answer the central question of the study, as the policy is helping lower-income Black people enter communities that would otherwise likely be off limits to them. This finding is consistent with that of Kontokosta (2013). Interviewees who worked intimately with the policy explained how the ARO allowed them to help more Chicagoans because they did not have to rely on public subsidies to forward housing generation. This success is important to recognize, as the current 4,000 units that were created through the Ordinance have helped people who may have otherwise not had income low enough to qualify for other housing subsidies or did not have a unit to live in at all. Thus, the ARO is effective on a small scale. This aligns with outcomes found with inclusionary zoning policies in Massachusetts; Montgomery County, Maryland; and California.

However, there is divergence in the quantitative and qualitative data when zooming out to a larger scale. The maps of Cook County from 2000 and 2020 show that segregation has remained stagnant over time, which connects to the disappointment with the policy that was expressed by nearly all the interviewees. The policy has only generated about 4,000 units, which is a miniscule amount in comparison to the number of apartments across the city of Chicago. Moreover, the ARO is making a virtually negligible dent in the 100,000-120,000 unit gap in affordable housing. Though the city instated that city government created a tax incentive, made it much more difficult to pay in-lieu fees, and curtailed off-site development, developers noted that it was still incredibly difficult to have a consistent stream of unit production. While the study is unable to determine exactly which factor is most directly impeding unit production, a lack of resources, developer reluctance to build units that comply with the policy, and aldermanic prerogative are all key factors to consider. While I would agree that these factors point to the policy's ineffectiveness, I do think they hint to areas in which the policy could be improved in both its framing and implementation. The data shows evidence that on a large scale, the ARO is making very little substantive progress towards shifting the city's patterns of segregation despite opening the opportunity for individual people to move to high amenity areas.

Additionally, the process through which the ARO is implemented should be considered in discussion of its effectiveness. It seems that the policy's structure places a sizeable burden on property managers and those looking for affordable rental units. The qualitative data reveals that there was a lack of oversight from the city, with few resources dedicated to actually facilitating the program. With this, one of the respondents that managed an ARO property reflected on the difficulty in screening possible tenants, and that the process for processing prospective ARO tenants was slow and inefficient. For prospective tenants, it was hard to locate ARO units, and

interviewees noted that people had to be savvy in order to find and inquire about properties because there were no formal advertisement requirements. This feature of the policy dampens its effectiveness, and this coupled with the reported and implied situations of discrimination, also detract from the ARO's ability to be effective at a large scale. Given all of this, the ARO should be redesigned with additional requirements to improve the tenant experience. However, due to the nature of inclusionary zoning, specifically that it is designed to rely on the private market in some capacity, future research can investigate ways in which to improve developers' experience while adhering to the ARO and other similar IZ policies.

Considering Affordability vs. Integration

Socioeconomic and racial integration is pivotal to inclusionary zoning policies and listed as a priority for the city of Chicago. As discussed earlier, the ARO is supporting lower income Black Chicagoans which is an important finding. However, because the city government is not specific on how they define integration, questions are raised about the extent to which the ARO is contributing to the broader disruption of segregation. The interview findings revealed that while the ARO is assisting low-income Chicago residents as intended, it is not helping a significant number of people, nor is it helping those at the greatest levels of vulnerability. Many housing advocates were unsatisfied with the fact that a majority of the units were provided at the 60% level and instead wanted a greater number of units to be provided at 30-40% of AMI. Although the city did attempt to address this issue by incentivizing developers to allow deeper affordability requirements, it proved quite difficult to substantially increase the number of units provided below 60%. It would be unfair to undermine the fact that the ARO is supporting individuals with low-incomes by bringing them into areas of greater opportunity. Similar to results of Sportiche et. al (2024), people are moving more affluent communities with higher

concentrations of resources. But, it is clear that the ARO is not meant to provide housing for those in the most difficult situations. Instead, interviewees suggested that the ARO was supporting those who were temporarily low income or had a decent job that just happened to be low paying.

With this, the types of units also impact the efforts towards integration. Housing advocates noted that the units generated by the Ordinance were predominantly one-bedroom, which is corroborated by evidence from the Chicago Data Portal. Conversely, bigger units with additional bedrooms were less likely to be placed in buildings with ARO units. This means that the ARO is much more effective at serving individuals or small families, and not larger families that may struggle with securing affordable housing. Consequently, families that may have children or other dependents cannot reap the benefits of living in areas with greater amenities in the same way that a single person or small family could. This represents the tension between affordability and integration. Inclusionary zoning policies such as the ARO that depend on the private market may struggle to significantly advance integration because developers must ultimately make a profit. Despite the ARO being framed as a tool to combat historical racial exclusion, it cannot feasibly grapple with the most intense levels of poverty and strive to make profit for developers at the same time. Thus, the level of affordability at which units are offered through the Ordinance must come at the expense of integration for certain groups within Chicago's broader marginalized communities.

Finally, the data reveals that the ARO is selectively leading to community development. Perhaps an unintended consequence, the Ordinance is only contributing to development in communities that already have a significant amount of development. This seems to be brought about through both the framing of the policy itself, and features of the city's political landscape

manifested through aldermanic prerogative. With the aim of bringing people with lower-incomes into higher-resource areas, it makes sense that most of the ARO units are sited in wealthier and whiter areas. Though this should not be interpreted as an objectively bad side effect of the policy, it does complicate the meaning of residential integration. A more comprehensive approach to integration would build units and invest in both well-resourced and under-resourced neighborhoods. Though the Affordable Requirements Ordinance appears to perform well at building units in affluent communities at a small scale, it may be important for the city to reconsider how they define their goal of integration pertaining to this policy.

Policy Recommendations

Given the findings of the study, it is clear that there are areas in which the Affordable Requirements Ordinance can be improved. Each set of stakeholders (policymakers, non-profit advocates, and developers) had problems with specific aspects of the policy, and tradeoffs must be made in order to find the balance between satisfaction and feasibility. For example, an ARO that requires all luxury developers to provide units regardless of project size or to have more units below 60% affordability would satisfy advocates; but it would be largely unfeasible due to the need to make profit. Likewise, luxury developers could not be responsible for building affordable housing at all, but that diminishes the availability of a public good that the city is trying to generate in a low-resource environment. Therefore, we must turn to other facets of the policy's implementation to refine the ARO.

The first, and perhaps simplest, adjustment is to centralize information and dedicate staff and city resources to implementing the ARO. As many interviewees implied, one should not have to have special contacts or be savvy in order to take advantage of a public program. Chicago's Department of Housing should create a database or information repository of where available

units are located and how to contact those property managers. It should be open to the public and easy to access. Additional regulation can be added to the Ordinance to provide guidance as to how these units should be advertised so that people can be notified when a unit becomes available. The Department of Housing can also designate staff to process ARO documents. This can help to expedite the process and ensure that property managers, developers, and those attempting to apply for the policy can be supported, have their questions answered, and have their documents processed in a timelier manner. This is quite feasible, as most of this can be accomplished through a reallocation of department resources or the hiring of a few additional staff members. The additional regulations regarding advertising may require an amendment to the Ordinance, but it should not be consequential enough to launch a large political debate in city government.

A second recommendation is to limit the impact that aldermanic prerogative can have towards developing affordable housing. The stories shared by the developers interviewed, combined with the stark deficit in affordable units highlights an urgent need to increase the development across the city. And, while Alderman should have input in development that occurs within their jurisdiction, they should not have the ultimate decision to thwart housing development. Indeed, a 2018 complaint issued by lawyers at the Sargent Shriver National Center on Poverty Law provides a detailed report on the historical harms caused by aldermanic prerogative across the city of Chicago. They explain that aldermanic prerogative leads to “discrimination against Black and Latinx households, families with children and persons with disabilities” (CAFHA et.al v, City of Chicago, 2018, p.2). Moreover, they argue that the practice of aldermanic prerogative violates necessary conditions of receipt of federal funding from HUD,

as there is an obligation to affirmatively further fair housing (CAFHA et.al v, City of Chicago, 2018, p.18).

Information from the Metropolitan Planning Council (MPC) highlights that aldermanic prerogative “perpetuates segregation, creates disparities in how we invest in communities, and invites political corruption” (MPC, n.d.). Today, Aldermen and their constituents can veto plans to develop housing in their communities arbitrarily and are not required to provide reasoning. Currently, developers are required to get letters of support from Alderman, and the ARO requires consultation with both Department of Housing and the Alderman of the ward in which the property is to be sited. MPC contends that the Aldermen should influence how affordable housing appears in their community, but not have the ability to stop the development altogether (MPC, n.d.). Considering this within the context of the ARO, the City should consider amendments to the legislation that can curtail the unrestricted nature of aldermanic prerogative. If an Alderman is to turn down a development project, they should be required to provide reasoning as to why. Developers should then be able to appeal the alderman’s decision in order to try to get the project developed despite Alderman disapproval. Conversely, there could be a complete elimination of the need for Alderman support, though that may be too heavy-handed of an approach.

The opinions of Aldermen should be heard given that they are elected officials who are tasked with representing their constituents. But their word should not be taken as absolute because it has real consequences on people’s access to housing. This change would be politically unpopular and probably less feasible than the prior recommendations, but it appears necessary given that data reveals that aldermanic prerogative functions as a significant impediment to the development of affordable housing. If Chicago’s leaders truly desire to help those in need of

housing and break up the city's patterns of residential segregation, then the power of the elected officials should not come at the expense of doing social good, especially when wielded without explanation.

Conclusion

Chicago's Affordable Requirements Ordinance was put in place with the hope that it would initiate integration across a segregated city. However, the study reveals that it is difficult to discern the policy's success. This study reveals that different outcomes of the policy arise depending on the lens through which the policy is revealed. On a small scale, the ARO is functioning as intended. It is generating affordable units and bringing residents of marginalized backgrounds and/or with lower incomes into high amenity areas. This is particularly important for racial minorities who have experienced historical harms from both public and private actors. These impacts, though small, have real and tangible positive consequences of the ARO.

Looking more broadly, though, policies such as the ARO are not a panacea for segregation in Chicago, or any major city that is divided on the basis of race. Despite small scale successes, the interviewees were correct in expressing their grievances with the policy. Creating units and developing a target audience for those units is difficult. Addressing the needs of stakeholders with diverse interests add further complications. Even when acting with the best intentions, inclusionary policies such as the ARO have a difficult time making significant dents in a larger social issue because some of the dynamics at play extend beyond the scope of policy tools. Yes, addressing segregation involves the creating and implementation of intentional policies such as the Affordable Requirements Ordinance, but they must be combined with a larger shift towards empathy for our neighbors.

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