Before the conclusion of the General Assembly session, state legislators can help alleviate the shortage of affordable rental housing in Illinois. Here's how.

Before the conclusion of the General Assembly session at the end of May, state legislators can help alleviate the shortage of affordable rental housing in Illinois by passing legislation creating a new property tax incentive that will encourage landlords to both invest in their building and maintain lower rents.
The proposal, sponsored by State Representative Sara Feigenholtz, comes at a time when our state faces a shortage of 161,162 affordable rental homes for households with incomes at or below 60% of area median income (AMI) (approximately $36,000 for 1 person household, $50,000 for a family of 4 in the Chicago area). To put that number into context, imagine filling Wrigley Field four times over with people who need rental homes that don’t exist.

The affordable rental housing that does exist is continually decreasing as buildings in lower cost markets fall into disrepair and rents soar in higher cost markets, making it increasingly difficult for low-income families to remain. Most of the current affordable rental shortage is in Cook County, where there is a deficit of 105,936 units.

Now is an ideal time to address how property values for affordable rental housing are assessed. Because of the good work that Cook County Assessor Fritz Kaegi is doing to ensure that the property tax assessment system is more transparent and equitable, without mitigating action, recent increases in assessed value in higher cost areas will result in higher rents for families struggling to afford to live in these communities.

House Bill 2168, the proposal introduced by Representative Feigenholtz, aims to do something about this by providing a property tax incentive for 10 years or more. The incentive applies to buildings that have seven or more residential rental units; are newly constructed or undergo qualifying rehabilitation; and keep a portion of units affordable to households with incomes at or below 60% of AMI (about $51,000 for a family of four in the Chicago area).

The incentive establishes two tiers of affordability and property tax incentives: 35% or more affordable units come with a 35% reduction in equalized assessed value, and 15% or more affordability come with a 25% decrease in equalized assessed value.

Historically, property tax incentives for affordable housing have been attractive to owners in lower cost markets, but less popular with owners in higher cost markets, since the affordability requirements were too high. Providing a second tier for a lower threshold of affordability allows the incentive to have an impact in markets with higher prices.

In the past, the Cook County Class 9 Program worked much like the proposed incentive. However, changes to Cook County’s assessment structure reduced the program’s transparency and value. The number of Class 9 properties has plummeted from 1,792 in 2015 to only 389 in 2017.
HB 2168 enacts the incentive in Cook County and allows other counties to implement the incentive after approval by the county board.

Thanks to the required investment in an existing building or new construction, this incentive will increase values for any participating property. For rehab projects, improving two or more major building systems, such as electricity and plumbing, would make the property eligible. Making energy efficiency and/or accessibility improvements would count, too. Because the property tax relief will be applied to the higher, post-rehab value, the overall impact on revenue is minimal, and unlikely to lead to any significant burden shift between assessment classes.

A diverse constituency of groups have lined up to support the tax incentive proposal, including Access Living, Chicagoland Apartment Association, Communities United, Community Investment Corporation, Enterprise Community Partners, Housing Action Illinois, Illinois REALTORS, Illinois Housing Council, Metropolitan Planning Council, Northwest Side Housing Center and others.

Now it’s time for legislators to join these supporters and stand behind the incentive. Before they adjourn at the end of May, members of the House and Senate should work together to ensure that the provisions in House Bill 2168 become law, taking a key step forward in ensuring affordable homes for the residents of our state.

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