

Investment in Affordable Rental Homes

Property Tax Assessment Policy Encourages Investment by Owners in High and Low Cost Markets (HB 805: Tarver and SB 330: Feigenholtz)

- Establishes new property tax assessment policy for multi-family apartment buildings.
- Keeps rents affordable in higher cost markets. Promotes investment in lower cost markets.
- Both market rate and affordable developers can participate.
- Enacts the policy in Cook County. Other counties can opt-out by a vote of the county board.

Promoting Investment in Affordable Rental Housing

In lower cost markets, property owners struggle to maintain their buildings in good condition. Affordable rental housing is lost when buildings fall into disrepair. In higher cost markets, soaring rents are making it impossible for low-income families to remain.

In the past, the Cook County Class 9 Program worked much like our proposed incentive. However, changes to Cook County's assessment structure reduced the program's transparency and value.

Key Provisions

Provides for a reduced assessed value for 10 years or more for properties with seven or more residential rental units that:

- Are new construction or undertake qualifying rehabilitation to improve health and safety, energy efficiency, accessibility and/or other physical conditions; and
- Keep a portion of units affordable to households at or below 60% of Area Median Income (AMI). In the Chicago area, this is currently \$54,600 for a family of four. Other parts of the state vary. In Sangamon County, the current income limit for a family of four would be \$49,440.

Establishes two tiers of affordability and assessments based on the post-construction property value:

- 35% or more affordable units results in a 35% reduction in assessed value
- 15% or more affordability results in a 25% decrease in assessed value

Benefits

- **Increases Assessed Values:** New construction and required rehab will increase will increase assessed values and expand the tax base. The reduction will be applied to the higher, post-construction assessed value.
- **Cost Effective:** \$2,000 to \$4,000 subsidy per unit per year through reduced assessed value.
- **Addresses Affordable Housing Shortage:** Statewide the deficit of affordable and available rental homes for those with incomes at or below 60% of AMI is almost 108,000.
- **Strategy for Reducing Racial and Economic Segregation:** In higher cost and wealthier markets, the property tax provisions will make it significantly financially easier to create and preserve affordable rental housing. In lower cost, and lower-income, markets, owners will more easily qualify for financing to improve their buildings and provide high quality housing. The medium and long-term results will be a contribution to efforts to the lessen racial and economic segregation.

Supporters: Center for Disability & Elder Law, Chicagoland Apartment Association, Community Investment Corporation, Elevate Energy, Enterprise Community Partners, Housing Action Illinois, Illinois Housing Council, Illinois REALTORS, Metropolitan Planning Council, National Multiple Sclerosis Society and others.

How can I learn more?

Contact Bob Palmer, Policy Director, Housing Action Illinois, at bob@housingactionil.org or (312) 939-6075 for case studies and additional information.