New Rental Property Tax Relief

Incentive for Multifamily Owners in High and Low Cost Markets

Key Provisions

Reduced assessed value for 10 years or more for rental buildings with 7+ units that:

- Are new construction or undertake qualifying rehab, and
- Keep a portion of units affordable to households at or below 60% of Area Median Income (AMI)

Establishes tiers of affordability and reductions in assessed value (see table on page 2 for details):

- 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
- See table for a 20% affordability tier – available on a more limited basis

Background

The Preservation Compact developed this statewide property tax incentive alongside partners including Housing Action Illinois, Illinois Housing Council, Metropolitan Planning Council, and Enterprise Community Partners. The policy is part of the landmark affordable housing omnibus that passed the Illinois General Assembly in 2021. Learn more at: preservationcompact.org/innovation/property-tax-incentive

The property tax legislation:

- Keeps rents affordable in higher cost markets.
- Promotes investment in lower cost markets.
- Applies to both market rate and affordable developers.
- Enacts the policy in Cook County (other counties can opt-out by a vote of the county board).
- Comes into effect January 2022

Benefits

- **Addresses Affordable Housing Shortage**: Statewide the deficit of affordable and available rental homes for those with incomes at or below 60% of area median income (AMI) is 160K.
- **Strategy for Reducing Racial and Economic Segregation**: In high-cost areas, the proposal will make it easier to create and preserve affordable rental housing. In historically disinvested communities, owners will more easily qualify for financing to improve buildings and provide high-quality housing.
- **No Tax Burden Shift:** New construction and required rehab will increase assessed values. The reduction will be applied to the higher, post-rehab assessed value, which will prevent a decrease in property tax revenue.

Summary of Incentives

	Tier 1	Tier 2	Tier 3
Required Affordability	15%	35%	20%
Affordability Level	60% of Area Median Income (AMI)	60% of AMI	60% of AMI
Tax Incentive	25% of assessed value	35% of assessed value	Years 1-3: 100% of the difference between the value of the property one year before the affordable units are occupied and post-construction assessed value Years 4-6: 80% of the difference Years 7-9: 60% of the difference Years 10-12: 40% of the difference Years 13-30: 20% of the difference
Qualifying Activity	New construction and rehab costing $8/sq ft and improvements of two primary building systems	New construction and rehab costing $12.50/sq ft and improvements of two primary building systems	New construction and rehab costing $60/sq ft and improvements of five primary building systems
Minimum Building Size	7 units	7 units	7 units
Duration	10 years, with two renewable 10 year periods for a total of 30 years	10 years, with two renewable 10 year periods for a total of 30 years	30 years

Preservation Compact

www.preservationcompact.org