

PROPERTY TAX INCENTIVE FOR MULTIFAMILY BUILDINGS

Established in 2021 to increase affordable housing stock across Illinois

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

This new assessment program for affordable rental housing **passed the Illinois General Assembly in 2021 with unanimous, bi-partisan support** and was signed into law by the Governor as [Public Act 102-0175](#).* The bill was developed by affordable housing advocacy groups and had broad support from real estate industry groups such as Illinois REALTORS. The Illinois Municipal League was included in the negotiation process and was neutral on the bill. These new property tax policies provide counties with an excellent tool to promote investment, expand the tax base and serve affordable housing needs of people in the community.

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.
- Implemented at the County level. Counties can opt-out by a vote of the county board.

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.
- **Increases Investment and Preserves Affordability:** In high-cost areas, the program makes it easier to create and preserve affordable rental housing. In historically disinvested communities, owners can 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 is applied to the higher, post-rehab assessed value, which helps prevent a decrease in property tax revenue.

*See page 24 – Section 15-178 “Reduction in assessed value for affordable rental housing construction or rehabilitation”

Property Tax Incentive for Multifamily Buildings

	Tier 1	Tier 2	Tier 3 (Limited Availability*)
Required Affordability	15% Requirement can be met through market rents, renting to tenants with vouchers, or participating in another affordable housing program.	35% Requirement can be met through market rents, renting to tenants with vouchers, or participating in another affordable housing program.	20% Requirement can be met through market rents, renting to tenants with vouchers, or participating in another affordable housing program.
Affordability Level	60% of Area Median Income (AMI).	60% of Area Median Income (AMI).	60% of Area Median Income (AMI).
Tax Incentive	25% reduction in assessed value	35% reduction in assessed value	Years 1-3: reduction equal to 100% of the difference between the value 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

*Tier 3 is only available in Downtown Chicago & communities IHDA designates as "low-affordability" as defined as 40% or less of the total housing stock is affordable. Visit <https://www.ihda.org/wp-content/uploads/2015/07/2018-Statewide-AHPAA-List.pdf>