

## Summary of HB 2621

### Low-income Housing Projects

This document starts on page 6 of legislative updates. The first 6 pages are excluded only because they refer to different bills and/or bills specific to Cook County.



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### **Low-income Housing Projects**

**PA 102-0175 (HB 2621)**

#### *Overview:*

Requires the income approach be used to value low-income housing in all counties; creates a valuation methodology for low-income housing in counties with more than 3,000,000 inhabitants. Creates a new special assessment program for low-income housing in other counties.

#### *Summary of Changes:*

Provides details for a new special assessment program for low-income housing; sets forth the qualifications and application requirements; provides the time frames for the special assessment program.

#### *Statutory Reference:*

35 ILCS 200/10-260 – Low-income housing (updated)

35 ILCS 200/15-178 – Reduction in assessed value for affordable rental housing construction or rehabilitation (new)

Also contains provisions for other changes to state law outside of the property tax code.

#### *New Law:*

35 ILCS 200/10-260:

For all counties, requires an emphasis on the income approach to be used when valuing low-income housing by removing language allowing a different appropriate method to be used. In counties with more than 3,000,000 inhabitants, during a general reassessment year or other property reassessment, there is an updated outline of the determination of the fair cash value of any low-income housing project that qualifies for the Low-Income Housing Tax credit under Section 42 of the Internal Revenue Code.

- In buildings with 7 or more units, the assessor must consider the actual or projected net operating income attributable to the property, capitalized at rates for similarly encumbered Section 42 properties, and
- In buildings with 6 or less units, the assessor prior to finalizing and certifying assessments to the Board of Review, shall reassess the building considering the actual or projected net operating income attributable to the property, capitalized at rates for similarly encumbered Section 42 properties.
- The capitalization rate shall be one that reflects the prevailing cost of capital for other types of similarly encumbered Section 42 properties in the geographic market in which the low-income housing project is located.

All low-income projects seeking to be assessed under this Section shall certify to the appropriate assessing officer that the owner(s) qualify for the Low-Income Housing Tax Credit under Section 42 of the Internal Revenue Code for the property, in a form prescribed by that assessment officer.

35 ILCS 200/15-178:

Develops a new statewide policy to determine the assessed value for newly constructed and rehabilitated affordable rental housing that meets certain criteria. Property that meets the qualifications will receive the special assessment for 10 taxable years after the newly constructed residential real property or improvements to existing residential real property are put in service.



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All counties are required to implement this new assessment program; counties of less than 3,000,000 inhabitants may choose to opt out of the one or both of the special assessment programs by ordinance requiring a majority vote by the county board. If a county board opts out of the program by ordinance, they may later choose to opt in by ordinance requiring a majority vote by the county board.

### Eligibility – (b)(1) and (b)(2)

Property is eligible for the special assessment program if and only if all of the following factors have been met:

- At the conclusion of the new construction or qualifying rehabilitation, the property consists of a newly constructed multifamily building containing 7 or more rental dwelling units or an existing multifamily building that has undergone qualifying rehabilitation resulting in 7 or more rental dwelling units, and
- The property meets the application requirements.

### Qualifications – (c)(1) and (c)(2)

The CCAO shall require that residential real property is eligible for the special assessment program if and only if one of the additional factors have been met, unless a county has opted out of the program.

- (c)(1) - Prior to the newly constructed residential real property or improvements to existing residential property being put in service, the owner commits that, for a period of 10 years, at least 15% of the multifamily building's units will have rents as defined that are at or below maximum rents and are occupied by households with household incomes at or below maximum income limits
- (c)(2) - Prior to the newly constructed residential real property or improvements to existing residential real property located in a low affordability community being put in service, the owner commits that, for a period for a period of 30 years after the newly constructed or improved existing residential real property are put in service, at least 20% of the multifamily building's units will have rents as defined that are at or below maximum rents and are occupied by households with household incomes at or below maximum income limits.

Note: if a reduction in assessed value is granted under one special assessment program provided in this Section, that same property is not eligible for an additional special assessment program under this Section at the same time.

### Reduction in assessed value – (d)(1) and (d)(2) and (e)(1) and (e)(2)

The amount of reduction in assessed value for qualifying properties under (c)(1) shall be calculated as follows:

- (d)(1) - If the owner commits for a period of at least 10 years that at least 15% but fewer than 35% of the multifamily building's units have rents at or below maximum rents and are occupied by households with household incomes at or below maximum income limits, the assessed value of the property used to calculate the property tax bill shall be reduced by an amount equal to 25% of the assessed value of the property as determined by the assessor for the property in the current taxable year for the newly constructed or improved existing residential real property.
- (d)(2) - If the owner commits for a period of at least 10 years that at least 35% of the multifamily building's units have rents at or below maximum rents and are occupied by households with household incomes at or below maximum income limits, the assessed value of the property used to calculate the property tax bill shall be reduced by an amount



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equal to 35% of the assessed value of the property as determined by the assessor for the property in the current taxable year for the newly constructed or improved existing residential real property.

(e)(1) through (e)(5) - The amount of reduction in assessed value for qualifying properties under (c)(2) shall be calculated as follows.

- For the first, second, and third taxable year after the residential real property is placed in service, the property is entitled to a reduction in its assessed value in an amount equal to the difference between the assessed value in the year for which the incentive is sought and the assessed value for the residential real property in the base year.
- For the fourth, fifth, and sixth taxable year after the residential real property is placed in service, the property is entitled to a reduction in its assessed value in an amount equal to 80% of the difference between the assessed value in the year for which the incentive is sought and the assessed value for the residential real property in the base year.
- For the seventh, eighth, and ninth taxable year after the residential real property is placed in service, the property is entitled to a reduction in its assessed value in an amount equal to 60% of the difference between the assessed value in the year for which the incentive is sought and the assessed value for the residential real property in the base year.
- For the tenth, eleventh, and twelfth taxable year after the residential real property is placed in service, the property is entitled to a reduction in its assessed value in an amount equal to 40% of the difference between the assessed value in the year for which the incentive is sought and the assessed value for the residential real property in the base year.
- For the thirteenth through thirtieth taxable year after the residential real property is placed in service, the property is entitled to a reduction in its assessed value in an amount equal to 20% of the difference between the assessed value in the year for which the incentive is sought and the assessed value for the residential real property in the base year.

### Application requirements (f)

(f)(1) - In order to qualify for the reduced valuation as outlined above, the owner must submit an application containing the following information to the CCAO for review in the form and by the date require by the CCAO:

- Owner's name
- Postal address and permanent index number (PIN) or numbers of the parcel or parcels for which the owner is applying to receive the reduced valuation under this section
- Deed or other instrument conveying the parcel or parcels to the current owner
- Written evidence that the new construction or qualifying rehabilitation has been completed with respect to the residential real property, including but not limited to copies of building permits, notarized contractor's affidavit, and photographs of the interior and exterior of the building after new construction or rehabilitation is completed
- Written evidence that the residential real property meets local building codes, or if there are no local building codes, Housing Quality Standards, as determined by the US Department of Housing and Urban Development
- A list identifying the affordable units in residential real property and a written statement that the affordable units are comparable to market rate units in terms of unit type, number of bedrooms per unit, quality of exterior appearance, energy efficiency, and overall quality of construction
- A written schedule certifying the rents in each affordable unit and a written statement that these rents do not exceed the maximum rents allowable for the area in which the residential real property is located



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- Documentation from the administering agency verifying the owner's participation in a qualifying income-based rental subsidy program as defined if units receiving rental subsidies are to be counted among the affordable units in order to meet thresholds defined
- A written statement identifying the household income for every household occupying an affordable unit and certifying that the household income does not exceed the maximum income limits allowable for the area in which the residential real property is located
- A written statement that the owner has verified and retained documentation of household income for every household occupying an affordable unit
- Any additional information consistent with this Section as reasonably required by the CCAO, including but not limited to, any information necessary to ensure compliance with applicable local ordinances and to ensure the owner is complying with the provisions of this Section

(f)(1.1) - In order for a development to receive the reduced valuation, the owner must provide evidence to the county assessor's office of a fully executed project labor agreement entered into with the applicable local building trades council, prior to commencement of any and all construction, building, renovation, demolition, or any material change to the structure or land.

(f)(2) - The application requirements above are continuing requirements for the duration of the reduction in assessed value received and may be annually or periodically verified by the CCAO.

(f)(3) - In lieu of submitting an application containing the information above in (f)(1), the CCAO **may** allow for submission of a substantially similar certification granted by the Illinois Housing Development Authority (IHDA) or a comparable local authority provided that the CCAO independently verifies the veracity of the certification with the IHDA or comparable local authority.

(f)(4) – The CCAO shall notify the owner as to whether or not the property meets the requirements of this Section. If the property does not meet the requirements, the CCAO shall provide written notice of any deficiencies to the owner, who shall have 30 days from the date of notification to provide supplemental information showing compliance with this Section. The CCAO shall, in its discretion, grant additional time to cure any deficiency. If the owner does not exercise this right to cure the deficiency, or if the information submitted, in the sole judgment of the CCAO, is insufficient to meet the requirements of this Section, the CCAO shall provide a written explanation of the reasons for denial.

(f)(5) – The CCAO may charge a reasonable application fee to offset the administrative expenses associated with the program.

(f)(6) – The reduced valuation conferred by this Section is limited as follows:

- (A) The owner is eligible to apply for the reduced valuation conferred by this Section beginning in the first assessment year after the effective date of this Act through December 31, 2027. If approved, the reduction will be effective for the current assessment year, which will be reflected on the tax bill issued in the following calendar year.
  - Owners that are approved for the reduced valuation under (c)(1) before December 31, 2027 shall, at minimum, be eligible for annual renewal of the reduced valuation during an initial 10-year period if annual certification requirements are met for each of the 10 years as described below.
- (B) Property receiving a reduction outlined in (c)(1) shall continue to be eligible for an initial period of up to 10 years if annual certification requirements if annual certification



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requirements are met for each of the 10 years, but shall be extended up to two additional 10-year periods with annual renewals if the owner continues to meet the requirements of this Section, including annual certifications, and excluding the requirements regarding new construction or qualifying rehabilitation as defined in (D) below.

- (C) The annual certification materials in the year prior to final year of eligibility for the reduction in assessed value must include a dated copy of the written notice provided to tenants informing them of the date of termination if the owner is not seeking a renewal.
- (D) If the property is sold or transferred, the purchaser or transferee must comply with all requirements of this Section, excluding the requirements regarding new construction or qualifying rehabilitation, in order to continue receiving the reduction in assessed value. Purchasers and transferees who comply with all requirements of this Section are eligible to apply for renewal on the schedule set by the initial application.
- (E) The owner may apply for reduced valuation if the residential real property meets all requirements of this Section and the newly constructed residential real property or improvements to existing residential real property were put in service on or after January 1, 2015. However, the initial 10-year eligibility period or 30-year eligibility period, depending on the applicable program, shall be reduced by the number of years between the placed in service date and the date the owner first receives this reduced valuation.
- (F) The owner may apply for the reduced valuation within 2 years after the newly constructed or improved existing residential real property are put in service. However, the initial 10-year or 30-year eligibility period, depending on the applicable program, shall be reduced for the number of years between the placed in service date and the date the owner first receives this reduced valuation.
- (G) <Cook County specific language> Owners of a multifamily building receiving a reduced valuation through the Cook County Class 9 program during the year in which this Act takes effect shall be deemed automatically eligible for the reduced valuation defined in (c)(1) in terms of meeting the criteria for new construction or substantial rehabilitation for a specific multifamily building regardless of when the newly constructed or rehabilitated residential real property were put in service. If a Cook County Class 9 owner had Class 9 status revoked on or after January 1, 2017 but can provide documents sufficient to prove that the revocation was in error or any deficiencies leading to the revocation have been cured, the CCAO may deem the owner to be eligible. Owners may not receive both the reduced valuation under this Section and the reduced valuation under the Cook County Class 9 program in any single assessment year. In addition, the number of years during which an owner has participated in the Class 9 program shall count against the 3 10-year periods of eligibility for the reduced valuation as defined in (c)(1).
- (H) At the completion of the assessment reduction period described in this Section, the entire parcel will be assessed as otherwise provided by law.

### Definitions

See the full Public Act for a list of all definitions.