



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB5865

by Rep. Sara Feigenholtz

SYNOPSIS AS INTRODUCED:

35 ILCS 200/15-178 new

Amends the Property Tax Code. Provides for a reduction in the equalized assessed value of rental property if the owner of the residential real property commits that, for a period of 10 years, at least 15% of the multifamily building's units will have rents that are at or below maximum rents and are occupied by households with household incomes at or below maximum income limits. Sets forth application requirements and the amount of the reduction. Provides that the chief county assessment officer of any county with 3,000,000 or more inhabitants shall, and the chief assessment officer of any county with less than 3,000,000 inhabitants may, make such reductions. Effective immediately.

LRB100 21586 HLH 38631 b

FISCAL NOTE ACT
MAY APPLY

HOUSING
AFFORDABILITY
IMPACT NOTE ACT
MAY APPLY

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Property Tax Code is amended by adding
5 Section 15-178 as follows:

6 (35 ILCS 200/15-178 new)

7 Sec. 15-178. Reduction in assessed value for affordable
8 rental housing construction or rehabilitation.

9 (a) The chief county assessment officer of any county with
10 3,000,000 or more inhabitants shall, and the chief assessment
11 officer of any county with less than 3,000,000 inhabitants may,
12 reduce the equalized assessed value of newly-constructed
13 residential real property or qualifying rehabilitation to
14 existing residential real property in accordance with
15 subsection (b) for 10 taxable years after the newly constructed
16 residential real property or improvements to existing
17 residential real property are put in service, if and only if
18 all of the following factors have been met:

19 (1) the property consists of a newly-constructed
20 multifamily building containing 6 or more rental dwelling
21 units, or an existing multifamily building that has
22 undergone qualifying rehabilitation containing 6 or more
23 rental dwelling units;

1 (2) except as defined in subparagraphs (E), (F), and
2 (G) of paragraph (4) of subsection (c) of this Section,
3 prior to the newly-constructed residential real property
4 or improvements to existing residential real property
5 being put in service, the owner of the residential real
6 property commits that, for a period of 10 years, at least
7 15% of the multifamily building's units will have rents as
8 defined in this Section that are at or below maximum rents
9 and are occupied by households with household incomes at or
10 below maximum income limits; and

11 (3) the property meets the application requirements
12 defined in subsection (c).

13 (b) The amount of the reduction shall be calculated as
14 follows:

15 (1) if at least 15% but fewer than 35% of the
16 multifamily building's units have rents at or below maximum
17 rents and are occupied by households with household incomes
18 at or below maximum income limits, the equalized assessed
19 value of the property used to calculate the tax bill shall
20 be reduced by an amount equal to 25% of the equalized
21 assessed value of the property as initially determined by
22 the assessor for the property in the current taxable year
23 for the newly-constructed residential real property or
24 based on the improvements to an existing residential real
25 property; and

26 (2) if at least 35% of the multifamily building's units

1 have rents at or below maximum rents and are occupied by
2 households with household incomes at or below maximum
3 income limits, the equalized assessed value of the property
4 used to calculate the tax bill shall be reduced by an
5 amount equal to 35% of the equalized assessed value of the
6 property as initially determined by the assessor for the
7 property in the current taxable year for the newly
8 constructed residential real property or based on the
9 improvements to an existing residential real property.

10 (c) Application requirements.

11 (1) In order to receive benefits under this Section,
12 the owner must submit the following information to the
13 chief county assessment officer for review in the form
14 required by the chief county assessment officer:

15 (A) the owner's name;

16 (B) the postal address and permanent index number
17 of the parcel;

18 (C) a deed or other instrument conveying the parcel
19 to the current owner;

20 (D) written evidence that the new construction or
21 qualifying rehabilitation has been completed with
22 respect to the residential real property, including,
23 but not limited to, copies of building permits, a
24 notarized contractor's sworn affidavit, and
25 photographs of the interior and exterior of the
26 building after new construction or rehabilitation is

1 completed;

2 (E) written evidence that the residential real
3 property meets local building codes, or if there are no
4 local building codes, Housing Quality Standards, as
5 determined by the United States Department of Housing
6 and Urban Development;

7 (F) a list identifying the affordable units in
8 residential real property and a written statement that
9 the affordable units are comparable to the market rate
10 units in terms of unit type, number of bedrooms per
11 unit, quality of exterior appearance, energy
12 efficiency, and overall quality of construction;

13 (G) a written schedule certifying the rents in each
14 affordable unit and a written statement that these
15 rents do not exceed the maximum rents allowable for the
16 area in which the residential real property is located;

17 (H) documentation from the administering agency
18 verifying the owner's participation in a qualifying
19 income-based rental subsidy program as defined in
20 subsection (d) of this Section if units receiving
21 rental subsidies are to be counted among the affordable
22 units in order to meet the thresholds defined in this
23 Section;

24 (I) a written statement identifying the household
25 income for every household occupying an affordable
26 unit and certifying that the household income does not

1 exceed the maximum income limits allowable for the area
2 in which the residential real property is located;

3 (J) a written statement that the owner has verified
4 and retained documentation of household income for
5 every household occupying an affordable unit; and

6 (K) any additional information as reasonably
7 required by the chief county assessment officer,
8 including, but not limited to, any information
9 necessary to ensure compliance with applicable local
10 ordinances and to ensure the owner is complying with
11 the provisions of subparagraph (F) of paragraph (4) of
12 subsection (c) of this Section.

13 (2) The chief county assessment officer shall notify
14 the owner as to whether or not the property meets the
15 requirements of this Section. If the property does not meet
16 the requirements of this Section, the chief county
17 assessment officer shall provide written notice of any
18 deficiencies to the owner, who shall then have 14 days from
19 the date of notification to provide supplemental
20 information showing compliance with this Section. If the
21 owner does not exercise this right to cure the deficiency,
22 or if the information submitted, in the sole judgment of
23 the chief county assessment officer, is insufficient to
24 meet the requirements of this Section, the chief county
25 assessment officer shall provide a written explanation of
26 the reasons for denial.

1 (C) The application materials in the year prior to
2 final year of eligibility for the reduction in assessed
3 value during the initial 10-year period and any
4 additional 10-year periods must include a dated copy of
5 written notice provided to tenants informing them of
6 the date of the termination regardless of whether or
7 not the owner is eligible for or seeking a renewal.

8 (D) If the property is sold or transferred, the
9 purchaser or transferee must comply with all
10 requirements of this Section in order to continue
11 receiving the reduction in assessed value.

12 (E) The owner may apply for the benefit if the
13 newly-constructed residential real property or
14 improvements to existing residential real property
15 were put in service on or after January 1, 2015.
16 However, the initial 10-year eligibility period shall
17 be reduced by the number of years between the placed in
18 service date and the date the owner first receives this
19 benefit.

20 (F) The owner may apply for the benefit within 2
21 years after the newly-constructed residential real
22 property or improvements to existing residential real
23 property are put in service. However, the initial 10
24 year eligibility period shall be reduced for the number
25 of years between the placed in service date and the
26 date the owner first receives this benefit.

1 (G) Owners of a multifamily building receiving a
2 benefit through the Cook County Class 9 program on
3 December 31, 2018 shall be deemed automatically
4 eligible for the benefit defined in this Section in
5 terms of meeting the criteria for new construction or
6 substantial rehabilitation for a specific multifamily
7 building regardless of when the newly-constructed
8 residential real property or improvements to existing
9 residential real property were put in service. If a
10 Cook County Class 9 owner had Class 9 status revoked on
11 or after January 1, 2017 but can provide documents
12 sufficient to prove that the revocation was in error or
13 any deficiencies leading to the revocation have been
14 cured, the chief county assessment officer may deem the
15 owner to be eligible. However, owners may not receive
16 the both the benefits defined in this Section and the
17 Cook County Class 9 program in any single taxable year.
18 In addition, the number of years during which an owner
19 has participated in the Class 9 program shall count
20 against the number of remaining years eligible for the
21 benefit as defined in this Section.

22 (H) At the completion of the assessment reduction
23 period described in this Section, the entire parcel
24 will be assessed as otherwise provided in State law.

25 (d) For the purposes of this Section,

26 "Affordable units" means units that have rents that do not

1 exceed the maximum rents as defined in this Section.

2 "Household income" includes the annual income for all the
3 people who occupy a housing unit that is anticipated to be
4 received from a source outside of the family during the
5 12-month period following admission or the annual
6 recertification, including related family members and all the
7 unrelated people who share the housing unit. Household income
8 includes the sum total of the following income sources: wages,
9 salaries and tips before any payroll deductions; net business
10 income; interest and dividends; payments in lieu of earnings,
11 such as unemployment and disability compensation, worker's
12 compensation and severance pay; Social Security income,
13 including lump sum payments; payments from insurance policies,
14 annuities, pensions, disability benefits and other types of
15 periodic payments, alimony, child support, and other regular
16 monetary contributions; and public assistance, except for
17 assistance from the Supplemental Nutrition Assistance Program
18 (SNAP). "Household income" does not include: earnings of
19 children under age 18; temporary income such as cash gifts;
20 reimbursement for medical expenses; lump sums from
21 inheritance, insurance payments, settlements for personal or
22 property losses; student financial assistance paid directly to
23 the student or to an educational institution; foster child care
24 payments; receipts from government-funded training programs;
25 assistance from the Supplemental Nutrition Assistance Program
26 (SNAP).

1 "Maximum income limits" means the maximum regular income
2 limits for 60% of area median income for the geographic area in
3 which the multifamily building is located for multifamily
4 programs as determined by the United States Department of
5 Housing and Urban Development and published annually by the
6 Illinois Housing Development Authority.

7 "Maximum rent" means the maximum regular rent for 60% of
8 the area median income for the geographic area in which the
9 multifamily building is located for multifamily programs as
10 determined by the United States Department and published
11 annually by the Illinois Housing Development Authority. To be
12 eligible for the benefit defined in this Section, maximum rents
13 are to be reduced by the owner based on the Illinois Housing
14 Development Authority's rules regarding tenant payment of
15 utilities; or if the owner is leasing an affordable unit to a
16 household with an income at or below the maximum income limit
17 who is participating in qualifying income-based rental subsidy
18 program, "maximum rent" means the maximum rents allowable under
19 the guidelines of the qualifying income-based rental subsidy
20 program.

21 "Qualifying income-based rental subsidy program" means a
22 Housing Choice Voucher issued by a housing authority under
23 Section 8 of the United States Housing Act of 1937, a tenant
24 voucher converted to a project-based voucher by a housing
25 authority or any other program administered or funded by a
26 housing authority, the Illinois Housing Development Authority,

1 or another State agency, or a unit of local government where
2 participation is limited to households with incomes at or below
3 the maximum income limits as defined in this Section and the
4 tenants' portion of the rent payment is based on a percentage
5 of their income or a flat amount that does not exceed the
6 maximum rent as defined in this Section.

7 "Qualifying rehabilitation" means, at a minimum,
8 compliance with local building codes and the replacement or
9 renovation of at least 2 primary building systems. Although the
10 cost of each primary building system may vary, to be approved
11 for the benefit under paragraph (1) of subsection (b) of this
12 Section, the combined expenditure for making the building
13 compliant with local codes and replacing primary building
14 systems must be at least \$8 per square foot for work completed
15 between January 1, 2019 and December 31, 2019 and in subsequent
16 years, \$8 adjusted by the Consumer Price Index for All Urban
17 Consumers, as published annually by the U.S. Department of
18 Labor. To be approved for the benefit under (b)(2) of this
19 Section, the combined expenditure for making the building
20 compliant with local codes and replacing primary building
21 systems must be at least \$12.50 per square foot for work
22 completed between January 1, 2019 and December 31, 2019 and in
23 subsequent years, \$12.50 adjusted by the Consumer Price Index
24 for All Urban Consumers, as published annually by the U.S.
25 Department of Labor. "Primary building systems", together with
26 their related rehabilitations, specifically approved for this

1 program are:

2 (1) Electrical. All electrical work must comply with
3 applicable codes; it may consist of a combination of any of
4 the following alternatives:

5 (A) installing individual equipment and appliance
6 branch circuits as required by code (the minimum being
7 a kitchen appliance branch circuit);

8 (B) installing a new emergency service, including
9 emergency lighting with all associated conduits and
10 wiring;

11 (C) rewiring all existing feeder conduits ("home
12 runs") from the main switchgear to apartment area
13 distribution panels;

14 (D) installing new in-wall conduits for
15 receptacles, switches, appliances, equipment, and
16 fixtures;

17 (E) replacing power wiring for receptacles,
18 switches, appliances, equipment, and fixtures;

19 (F) installing new light fixtures throughout the
20 building including closets and central areas;

21 (G) replacing, adding, or doing work as necessary
22 to bring all receptacles, switches, and other
23 electrical devices into code compliance;

24 (H) installing a new main service, including
25 conduit, cables into the building, and main disconnect
26 switch; and

1 (I) installing new distribution panels, including
2 all panel wiring, terminals, circuit breakers, and all
3 other panel devices.

4 (2) Heating. All heating work must comply with
5 applicable codes; it may consist of a combination of any of
6 the following alternatives:

7 (A) installing a new system to replace one of the
8 following heat distribution systems:

9 (i) piping and heat radiating units, including
10 new main line venting and radiator venting; or

11 (ii) duct work, diffusers, and cold air
12 returns; or

13 (iii) any other type of existing heat
14 distribution and radiation/diffusion components;
15 or

16 (B) installing a new system to replace one of the
17 following heat generating units:

18 (i) hot water/steam boiler;

19 (ii) gas furnace; or

20 (iii) any other type of existing heat
21 generating unit.

22 (3) Plumbing. All plumbing work must comply with
23 applicable codes. Replace all or a part of the in-wall
24 supply and waste plumbing; however, main supply risers,
25 waste stacks and vents, and code-conforming waste lines
26 need not be replaced.

1 (4) Roofing. All roofing work must comply with
2 applicable codes; it may consist of either of the following
3 alternatives, separately or in combination:

4 (A) replacing all rotted roof decks and
5 insulation; or

6 (B) replacing or repairing leaking roof membranes
7 (10% is the suggested minimum replacement of
8 membrane); restoration of the entire roof is an
9 acceptable substitute for membrane replacement.

10 (5) Exterior doors and windows. Replace the exterior
11 doors and windows. Renovation of ornate entry doors is an
12 acceptable substitute for replacement.

13 (6) Floors, walls, and ceilings. Finishes must be
14 replaced or covered over with new material. Acceptable
15 replacement or covering materials are as follows:

16 (A) floors must have new carpeting, vinyl tile,
17 ceramic, refurbished wood finish, or a similar
18 substitute;

19 (B) walls must have new drywall, including joint
20 taping and painting; or

21 (C) new ceilings must be either drywall, suspended
22 type, or a similar

23 (7) Exterior walls.

24 (A) replace loose or crumbling mortar and masonry
25 with new material;

26 (B) replace or paint wall siding and trim as

1 needed;

2 (C) bring porches and balconies to a sound
3 condition; or

4 (D) any combination of (A), (B), and (C).

5 (8) Elevators. Where applicable, at least 4 of the
6 following 7 alternatives must be accomplished:

7 (A) replace or rebuild the machine room controls
8 and refurbish the elevator machine (or equivalent
9 mechanisms in the case of hydraulic elevators);

10 (B) replace hoistway electro-mechanical items
11 including: ropes, switches, limits, buffers, levelers,
12 and deflector sheaves (or equivalent mechanisms in the
13 case of hydraulic elevators);

14 (C) replace hoistway wiring;

15 (D) replace door operators and linkage;

16 (E) replace door panels at each opening;

17 (F) replace hall stations, car stations, and
18 signal fixtures; or

19 (G) rebuild the car shell and refinish the
20 interior.

21 (9) Health and safety.

22 (A) install or replace fire suppression systems;

23 (B) install or replace security systems; or

24 (C) environmental remediation of lead-based paint,
25 asbestos, leaking underground storage tanks, or radon.

26 (10) Energy conservation improvements undertaken to

1 limit the amount of solar energy absorbed by a building's
2 roof or to reduce energy use for the property, including
3 any of the following activities:

4 (A) installing or replacing reflective roof
5 coatings (flat roofs);

6 (B) installing or replacing R-49 roof insulation;

7 (C) installing or replacing R-19 perimeter wall
8 insulation;

9 (D) installing or replacing insulated entry doors;

10 (E) installing or replacing Low E, insulated
11 windows;

12 (F) installing or replacing WaterSense labeled
13 plumbing fixtures;

14 (G) installing or replacing 90% or better sealed
15 combustion heating systems;

16 (H) installing or replacing direct exhaust hot
17 water heaters;

18 (I) installing or replacing mechanical ventilation
19 to exterior for kitchens and baths;

20 (J) installing or replacing Energy Star
21 appliances;

22 (K) installing low VOC interior paints on interior
23 finishes;

24 (L) installing or replacing Energy Star certified
25 lighting in common areas; or

26 (M) installing or replacing grading and

1 landscaping to promote on-site water retention.
2 (11) Any applicant who has purchased the property in an
3 arm's length transaction not more than 90 days before
4 applying for this benefit may use the cost of
5 rehabilitation or repairs required by documented code
6 violations, up to a maximum of \$2 per square foot, to meet
7 the qualifying rehabilitation requirements.

8 Section 99. Effective date. This Act takes effect upon
9 becoming law.