



## 101ST GENERAL ASSEMBLY

### State of Illinois

2019 and 2020

HB5275

by Rep. Emanuel Chris Welch

#### SYNOPSIS AS INTRODUCED:

35 ILCS 200/15-178 new

Amends the Property Tax Code. Provides for a reduction in the assessed value of newly-constructed or rehabilitated 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. Provides that the chief county assessment officer of a county with 3,000,000 or more inhabitants shall establish such a program. Sets forth application requirements and the amount of the reduction. Effective immediately.

LRB101 18298 HLH 67744 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 General Assembly finds that there is a shortage of  
10 high quality affordable rental homes for low-income and  
11 very-low-income households throughout Illinois; that owners  
12 and developers of rental housing face significant challenges  
13 building newly constructed apartments or undertaking  
14 rehabilitation of existing properties that result in rents that  
15 are affordable for low-income and very-low-income households;  
16 and that it will help Cook County and other parts of Illinois  
17 address the extreme shortage of affordable rental housing by  
18 developing a Statewide policy to determine the assessed value  
19 for newly constructed and rehabilitated affordable rental  
20 housing that both encourages investment and incentivizes  
21 property owners to keep rents affordable.

22 (b) Any county with 3,000,000 or more inhabitants shall  
23 implement a special assessment program to reduce the equalized

1 assessed value of all eligible newly-constructed residential  
2 real property or qualifying rehabilitation to all eligible  
3 existing residential real property in accordance with  
4 subsection (c) for 10 taxable years after the newly constructed  
5 residential real property or improvements to existing  
6 residential real property are put in service. Any county with  
7 less than 3,000,000 inhabitants may decide not to implement  
8 this special assessment program upon passage of an ordinance by  
9 a majority vote of the county board. Subsequent to a vote to  
10 opt-out of this special assessment program, any county with  
11 less than 3,000,000 inhabitants may decide to implement this  
12 special assessment program upon passage of an ordinance by a  
13 majority vote of the county board. Property is eligible for the  
14 special assessment program if and only if all of the following  
15 factors have been met:

16 (1) the property consists of a newly-constructed  
17 multifamily building containing 7 or more rental dwelling  
18 units or an existing multifamily building that has  
19 undergone qualifying rehabilitation containing 7 or more  
20 rental dwelling units;

21 (2) except as defined in subparagraphs (E), (F), and  
22 (G) of paragraph (4) of subsection (d) of this Section,  
23 prior to the newly-constructed residential real property  
24 or improvements to existing residential real property  
25 being put in service, the owner of the residential real  
26 property commits that, for a period of 10 years, at least

1       15% of the multifamily building's units will have rents as  
2       defined in this Section that are at or below maximum rents  
3       and are occupied by households with household incomes at or  
4       below maximum income limits; and

5           (3) the property meets the application requirements  
6       defined in subsection (d).

7       (c) The amount of the reduction shall be calculated as  
8       follows:

9           (1) if the owner of the residential real property  
10       commits for a period of at least 10 years that at least 15%  
11       but fewer than 35% of the multifamily building's units have  
12       rents at or below maximum rents and are occupied by  
13       households with household incomes at or below maximum  
14       income limits, the assessed value of the property used to  
15       calculate the tax bill shall be reduced by an amount equal  
16       to 25% of the assessed value of the property as initially  
17       determined by the assessor for the property in the current  
18       taxable year for the newly-constructed residential real  
19       property or based on the improvements to an existing  
20       residential real property; and

21           (2) if the owner of the residential real property  
22       commits for a period of at least 10 years that at least 35%  
23       of the multifamily building's units have rents at or below  
24       maximum rents and are occupied by households with household  
25       incomes at or below maximum income limits, the equalized  
26       assessed value of the property used to calculate the tax

1 bill shall be reduced by an amount equal to 35% of the  
2 assessed value of the property as initially determined by  
3 the assessor for the property in the current assessment  
4 year for the newly constructed residential real property or  
5 based on the improvements to an existing residential real  
6 property.

7 (d) Application requirements.

8 (1) In order to receive the reduced valuation under  
9 this Section, the owner must submit an application  
10 containing the following information to the chief county  
11 assessment officer for review in the form required by the  
12 chief county assessment officer:

13 (A) the owner's name;

14 (B) the postal address and permanent index number  
15 of the parcel;

16 (C) a deed or other instrument conveying the parcel  
17 to the current owner;

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

26 (E) written evidence that the residential real

1 property meets local building codes, or if there are no  
2 local building codes, Housing Quality Standards, as  
3 determined by the United States Department of Housing  
4 and Urban Development;

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

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

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

22 (I) a written statement identifying the household  
23 income for every household occupying an affordable  
24 unit and certifying that the household income does not  
25 exceed the maximum income limits allowable for the area  
26 in which the residential real property is located;

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

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

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

25           (3) The chief county assessment officer may charge a  
26           reasonable application fee to offset the administrative

1 expenses associated with the program.

2 (4) The reduced valuation conferred by this Section is  
3 limited as follows:

4 (A) The owner is eligible to apply for the reduced  
5 valuation conferred by this Section beginning in the  
6 first assessment cycle after the effective date of this  
7 amendatory Act of the 101st General Assembly through  
8 December 31, 2029. If approved, the reduction will be  
9 effective for the current assessment year, which will  
10 be reflected in the tax bill issued in the following  
11 calendar year. Owners that are approved for the reduced  
12 valuation under this Section before December 31, 2029  
13 shall, at minimum, be eligible for annual renewal of  
14 the reduced valuation during an initial 10-year period  
15 if annual certification requirements are met for each  
16 of the 10 years, as described in subparagraph (B) of  
17 paragraph (4) of subsection (d) of this Section until  
18 December 31, 2039.

19 (B) Property receiving a reduction outlined in  
20 this Section shall continue to be eligible for an  
21 initial period of up to 10 years if annual  
22 certification requirements are met for each of the 10  
23 years, but shall be extended for up to 2 additional  
24 10-year periods with annual renewals if the owner  
25 continues to meet the requirements of this Section,  
26 including annual certifications, and excluding the



1 requirements regarding new construction or qualifying  
2 rehabilitation defined in subparagraph (D) of  
3 paragraph (1) of this subsection.

4 (C) The annual certification materials in the year  
5 prior to final year of eligibility for the reduction in  
6 assessed value must include a dated copy of the written  
7 notice provided to tenants informing them of the date  
8 of the termination if the owner is not seeking a  
9 renewal.

10 (D) If the property is sold or transferred, the  
11 purchaser or transferee must comply with all  
12 requirements of this Section, excluding the  
13 requirements regarding new construction or qualifying  
14 rehabilitation defined in subparagraph (D) of  
15 paragraph (1) of this subsection, in order to continue  
16 receiving the reduction in assessed value. Purchasers  
17 and transferees who comply with all requirements of  
18 this Section excluding the requirements regarding new  
19 construction or qualifying rehabilitation defined in  
20 subparagraph (D) of paragraph (1) of this subsection  
21 are eligible to apply for renewal on the schedule set  
22 by the initial application.

23 (E) The owner may apply for the reduced valuation  
24 if the residential real property meets all  
25 requirements of this Section and the newly-constructed  
26 residential real property or improvements to existing

1 residential real property were put in service on or  
2 after January 1, 2015. However, the initial 10-year  
3 eligibility period shall be reduced by the number of  
4 years between the placed in service date and the date  
5 the owner first receives this reduced valuation.

6 (F) The owner may apply for the reduced valuation  
7 within 2 years after the newly-constructed residential  
8 real property or improvements to existing residential  
9 real property are put in service. However, the initial  
10 10 year eligibility period shall be reduced for the  
11 number of years between the placed in service date and  
12 the date the owner first receives this reduced  
13 valuation.

14 (G) Owners of a multifamily building receiving a  
15 reduced valuation through the Cook County Class 9  
16 program on December 31, 2019 shall be deemed  
17 automatically eligible for the reduced valuation  
18 defined in this Section in terms of meeting the  
19 criteria for new construction or substantial  
20 rehabilitation for a specific multifamily building  
21 regardless of when the newly-constructed residential  
22 real property or improvements to existing residential  
23 real property were put in service. If a Cook County  
24 Class 9 owner had Class 9 status revoked on or after  
25 January 1, 2017 but can provide documents sufficient to  
26 prove that the revocation was in error or any

1       deficiencies leading to the revocation have been  
2       cured, the chief county assessment officer may deem the  
3       owner to be eligible. However, owners may not receive  
4       the both the reduced valuation under this Section and  
5       the reduced valuation under the Cook County Class 9  
6       program in any single assessment year. In addition, the  
7       number of years during which an owner has participated  
8       in the Class 9 program shall count against the number  
9       of remaining years eligible for the reduced valuation  
10       as defined in this Section.

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

14       (e) For the purposes of this Section,

15       "Affordable units" means units that have rents that do not  
16       exceed the maximum rents as defined in this Section.

17       "Household income" includes the annual income for all the  
18       people who occupy a housing unit that is anticipated to be  
19       received from a source outside of the family during the  
20       12-month period following admission or the annual  
21       recertification, including related family members and all the  
22       unrelated people who share the housing unit. Household income  
23       includes the sum total of the following income sources: wages,  
24       salaries and tips before any payroll deductions; net business  
25       income; interest and dividends; payments in lieu of earnings,  
26       such as unemployment and disability compensation, worker's

1 compensation and severance pay; Social Security income,  
2 including lump sum payments; payments from insurance policies,  
3 annuities, pensions, disability benefits and other types of  
4 periodic payments, alimony, child support, and other regular  
5 monetary contributions; and public assistance, except for  
6 assistance from the Supplemental Nutrition Assistance Program  
7 (SNAP). "Household income" does not include: earnings of  
8 children under age 18; temporary income such as cash gifts;  
9 reimbursement for medical expenses; lump sums from  
10 inheritance, insurance payments, settlements for personal or  
11 property losses; student financial assistance paid directly to  
12 the student or to an educational institution; foster child care  
13 payments; receipts from government-funded training programs;  
14 assistance from the Supplemental Nutrition Assistance Program  
15 (SNAP).

16 "Maximum income limits" means the maximum regular income  
17 limits for 60% of area median income for the geographic area in  
18 which the multifamily building is located for multifamily  
19 programs as determined by the United States Department of  
20 Housing and Urban Development and published annually by the  
21 Illinois Housing Development Authority.

22 "Maximum rent" means the maximum regular rent for 60% of  
23 the area median income for the geographic area in which the  
24 multifamily building is located for multifamily programs as  
25 determined by the United States Department of Housing and Urban  
26 Development and published annually by the Illinois Housing

1 Development Authority. To be eligible for the reduced valuation  
2 defined in this Section, maximum rents are to be consistent  
3 with the Illinois Housing Development Authority's rules; or if  
4 the owner is leasing an affordable unit to a household with an  
5 income at or below the maximum income limit who is  
6 participating in qualifying income-based rental subsidy  
7 program, "maximum rent" means the maximum rents allowable under  
8 the guidelines of the qualifying income-based rental subsidy  
9 program.

10 "Qualifying income-based rental subsidy program" means a  
11 Housing Choice Voucher issued by a housing authority under  
12 Section 8 of the United States Housing Act of 1937, a tenant  
13 voucher converted to a project-based voucher by a housing  
14 authority or any other program administered or funded by a  
15 housing authority, the Illinois Housing Development Authority,  
16 another State agency, a federal agency, or a unit of local  
17 government where participation is limited to households with  
18 incomes at or below the maximum income limits as defined in  
19 this Section and the tenants' portion of the rent payment is  
20 based on a percentage of their income or a flat amount that  
21 does not exceed the maximum rent as defined in this Section.

22 "Qualifying rehabilitation" means, at a minimum,  
23 compliance with local building codes and the replacement or  
24 renovation of at least 2 primary building systems. Although the  
25 cost of each primary building system may vary, to be approved  
26 for the reduced valuation under paragraph (1) of subsection (c)

1 of this Section, the combined expenditure for making the  
2 building compliant with local codes and replacing primary  
3 building systems must be at least \$8 per square foot for work  
4 completed between January 1, 2020 and December 31, 2020 and in  
5 subsequent years, \$8 adjusted by the Consumer Price Index for  
6 All Urban Consumers, as published annually by the U.S.  
7 Department of Labor. To be approved for the reduced valuation  
8 under paragraph (2) of subsection (c) of this Section, the  
9 combined expenditure for making the building compliant with  
10 local codes and replacing primary building systems must be at  
11 least \$12.50 per square foot for work completed between January  
12 1, 2020 and December 31, 2020 and in subsequent years, \$12.50  
13 adjusted by the Consumer Price Index for All Urban Consumers,  
14 as published annually by the U.S. Department of Labor. "Primary  
15 building systems", together with their related  
16 rehabilitations, specifically approved for this program are:

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

20 (A) installing individual equipment and appliance  
21 branch circuits as required by code (the minimum being  
22 a kitchen appliance branch circuit);

23 (B) installing a new emergency service, including  
24 emergency lighting with all associated conduits and  
25 wiring;

26 (C) rewiring all existing feeder conduits ("home

1 runs") from the main switchgear to apartment area  
2 distribution panels;

3 (D) installing new in-wall conduits for  
4 receptacles, switches, appliances, equipment, and  
5 fixtures;

6 (E) replacing power wiring for receptacles,  
7 switches, appliances, equipment, and fixtures;

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

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

13 (H) installing a new main service, including  
14 conduit, cables into the building, and main disconnect  
15 switch; and

16 (I) installing new distribution panels, including  
17 all panel wiring, terminals, circuit breakers, and all  
18 other panel devices.

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

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

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

26 (ii) duct work, diffusers, and cold air

1 returns; or

2 (iii) any other type of existing heat  
3 distribution and radiation/diffusion components;

4 or

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

7 (i) hot water/steam boiler;

8 (ii) gas furnace; or

9 (iii) any other type of existing heat  
10 generating unit.

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

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

19 (A) replacing all rotted roof decks and  
20 insulation; or

21 (B) replacing or repairing leaking roof membranes  
22 (10% is the suggested minimum replacement of  
23 membrane); restoration of the entire roof is an  
24 acceptable substitute for membrane replacement.

25 (5) Exterior doors and windows. Replace the exterior  
26 doors and windows. Renovation of ornate entry doors is an



1 acceptable substitute for replacement.

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

5 (A) floors must have new carpeting, vinyl tile,  
6 ceramic, refurbished wood finish, or a similar  
7 substitute;

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

10 (C) new ceilings must be either drywall, suspended  
11 type, or a similar

12 (7) Exterior walls.

13 (A) replace loose or crumbling mortar and masonry  
14 with new material;

15 (B) replace or paint wall siding and trim as  
16 needed;

17 (C) bring porches and balconies to a sound  
18 condition; or

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

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

22 (A) replace or rebuild the machine room controls  
23 and refurbish the elevator machine (or equivalent  
24 mechanisms in the case of hydraulic elevators);

25 (B) replace hoistway electro-mechanical items  
26 including: ropes, switches, limits, buffers, levelers,

1 and deflector sheaves (or equivalent mechanisms in the  
2 case of hydraulic elevators);

3 (C) replace hoistway wiring;

4 (D) replace door operators and linkage;

5 (E) replace door panels at each opening;

6 (F) replace hall stations, car stations, and  
7 signal fixtures; or

8 (G) rebuild the car shell and refinish the  
9 interior.

10 (9) Health and safety.

11 (A) install or replace fire suppression systems;

12 (B) install or replace security systems; or

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

15 (10) Energy conservation improvements undertaken to  
16 limit the amount of solar energy absorbed by a building's  
17 roof or to reduce energy use for the property, including,  
18 but not limited to, any of the following activities:

19 (A) installing or replacing reflective roof  
20 coatings (flat roofs);

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

22 (C) installing or replacing R-19 perimeter wall  
23 insulation;

24 (D) installing or replacing insulated entry doors;

25 (E) installing or replacing Low E, insulated  
26 windows;

1           (F) installing or replacing WaterSense labeled  
2           plumbing fixtures;

3           (G) installing or replacing 90% or better sealed  
4           combustion heating systems;

5           (H) installing Energy Star hot water heaters;

6           (I) installing or replacing mechanical ventilation  
7           to exterior for kitchens and baths;

8           (J) installing or replacing Energy Star  
9           appliances;

10          (K) installing or replacing Energy Star certified  
11          lighting in common areas; or

12          (L) installing or replacing grading and  
13          landscaping to promote on-site water retention if the  
14          retained water is used to replace water that is  
15          provided from a municipal source.

16          (11) Accessibility improvements. All accessibility  
17          improvements must comply with applicable codes. An owner  
18          may make accessibility improvements to residential real  
19          property to increase access for people with disabilities.  
20          As used in this paragraph (11), "disability" has the  
21          meaning given to that term in the Illinois Human Rights  
22          Act. As used in this paragraph (11), "accessibility  
23          improvements" means a home modification listed under the  
24          Home Services Program administered by the Department of  
25          Human Services (Part 686 of Title 89 of the Illinois  
26          Administrative Code) including, but not limited to:

1       installation of ramps, grab bars, or wheelchair lifts;  
2       widening doorways or hallways; re-configuring rooms and  
3       closets; and any other changes to enhance the independence  
4       of people with disabilities.

5           (12) Any applicant who has purchased the property in an  
6       arm's length transaction not more than 90 days before  
7       applying for this reduced valuation may use the cost of  
8       rehabilitation or repairs required by documented code  
9       violations, up to a maximum of \$2 per square foot, to meet  
10       the qualifying rehabilitation requirements.

11       Section 99. Effective date. This Act takes effect upon  
12       becoming law.