

HB3965



102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

HB3965

Introduced 2/22/2021, by Rep. Marcus C. Evans, Jr.

SYNOPSIS AS INTRODUCED:

35 ILCS 200/15-178 new

Amends the Property Tax Code. Provides that each county shall implement a special assessment program to reduce the equalized value for affordable rental housing construction or rehabilitation. Effective immediately.

LRB102 16799 HLH 22201 b

FISCAL NOTE ACT
MAY APPLY

HOUSING
AFFORDABILITY
IMPACT NOTE ACT
MAY APPLY

A BILL FOR

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:

10 (1) there is a shortage of high quality affordable
11 rental homes for low-income and very low-income households
12 in Illinois;

13 (2) owners and developers of rental housing face
14 significant challenges building newly-constructed
15 apartments or undertaking rehabilitation of existing
16 properties that result in rents that are affordable for
17 low-income and very low-income households; and

18 (3) developing a Statewide policy to determine the
19 assessed value for newly-constructed and rehabilitated
20 affordable rental housing that both encourages investment
21 and incentivizes property owners to keep rents affordable
22 will help Cook County and other parts of Illinois address
23 the extreme shortage of affordable housing.

1 (b) Each county shall implement a special assessment
2 program to reduce the equalized value of all eligible
3 newly-constructed residential real property, qualified
4 substantial rehabilitation to all eligible existing
5 residential real property, or qualified moderate
6 rehabilitation to existing residential real property in
7 accordance with this Section. Any county with less than
8 3,000,000 inhabitants may opt-out of this special assessment
9 program upon passage of an ordinance by a majority vote of the
10 county board. If a county with less than 3,000,000 inhabitants
11 chooses to opt-out of this special assessment program, that
12 county may subsequently implement this special assessment
13 program upon passage of an ordinance by a majority vote of the
14 county board. Property is eligible for the program if and only
15 if all of the following factors have been met:

16 (1) at the conclusion of the new construction or
17 rehabilitation, the property will consist of a
18 newly-constructed multifamily building containing 7 or
19 more rental dwelling units or an existing multifamily
20 building that has undergone a qualifying substantial
21 rehabilitation or a qualifying moderate rehabilitation
22 containing 7 or more rental dwelling units;

23 (2) for incentives under subsection (c) or (d), the
24 property exercises a waitlist preference for veterans for
25 a minimum of 10% of total development units; for the
26 purposes of this paragraph (2), a waitlist preference

1 means that, if there is a veteran on the property
2 waitlist, the veteran's application shall be considered
3 before any non-veteran applicant; if there is not a
4 veteran on the property waitlist, the unit may be filled
5 with a qualified applicant who is not a veteran; if 10% of
6 a property's units are occupied by veterans, the property
7 will not be required to exercise the preference until
8 veteran occupancy drops below the 10% minimum, though
9 properties may elect to apply the preference for more than
10 10% of units;

11 (3) for incentives under subsection (c) or (d), except
12 as defined in subparagraphs (D), (E), and (F) of paragraph
13 (4) of subsection (f) of this Section, prior to the
14 newly-constructed residential real property or substantial
15 rehabilitation to existing residential real property being
16 put in service, the owner of the residential real property
17 commits that, for a period of 30 years after the
18 newly-constructed residential real property or
19 rehabilitation to existing residential real property is
20 put in service, at least 20% of the multifamily building's
21 units will have rents as defined in this Section that are
22 at or below maximum rents and are occupied by households
23 with household incomes at or below maximum income limits;

24 (4) for incentives under subsection (e), except as
25 defined in subparagraphs (D), (E), and (F) of paragraph
26 (4) of subsection (f) of this Section, the owner of the

1 residential real property makes commitments with respect
2 to maximum rents and household incomes as provided in
3 subsection (e); and

4 (5) the property meets the application requirements
5 set forth in this Section.

6 (c) For new construction and substantial rehabilitation,
7 the incentives shall be calculated as follows:

8 (1) during the construction period, the property is
9 entitled to a reduction in its equalized assessed value in
10 an amount equal to the difference between the equalized
11 assessed value in the year for which the incentive is
12 sought and the equalized assessed value for the property
13 in the base year;

14 (2) for the first through tenth taxable years after
15 the property or improvements are placed in service, the
16 property is entitled to a reduction in its equalized
17 assessed value in an amount equal to 50% of the difference
18 between the equalized assessed value in the year for which
19 the incentive is sought and the equalized assessed value
20 for the property in the base year;

21 (3) except as provided in subsection (d), for the
22 eleventh through twentieth taxable years after the
23 property or improvements are placed in service, the
24 property is entitled to a reduction in its equalized
25 assessed value in an amount equal to 40% of the difference
26 between the equalized assessed value in the year for which

1 the incentive is sought and the equalized assessed value
2 for the property in the base year; and

3 (4) for the twenty-first through thirtieth taxable
4 years after the property or improvements are placed in
5 service, the property is entitled to a reduction in its
6 equalized assessed value in an amount equal to 30% of the
7 difference between the equalized assessed value in the
8 year for which the incentive is sought and the equalized
9 assessed value for the property in the base year.

10 (d) New construction or qualified substantial
11 rehabilitation that meets 35% blended participation of
12 certified disadvantaged business enterprises and certified
13 underrepresented business enterprises owned by minorities,
14 women, veterans, LGBT, and persons with disabilities during
15 construction is entitled to a reduction in equalized assessed
16 value in an amount equal to 50% of the difference between the
17 equalized assessed value in the year for which the incentive
18 is sought and the equalized assessed value for the property in
19 the base year for the eleventh through twentieth taxable years
20 after the property or improvements are placed in service. For
21 the purposes of this subsection (d), the chief county
22 assessment officer shall require all contractors and
23 subcontractors to comply with the requirements of Section
24 30-22 of the Illinois Procurement Code as they apply to
25 responsible bidders and present satisfactory evidence of
26 compliance to the chief county assessment officer. For those

1 seeking certification by the Department of Central Management
2 Services under this subsection, the Department of Central
3 Management Services shall require the contractor to provide
4 evidence of a fully executed project labor agreement with the
5 applicable local building trades council.

6 (e) For qualified moderate rehabilitation, the amount of
7 the reduction shall be calculated as follows:

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

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

1 the assessed value of the property as initially determined
2 by the assessor for the property in the current assessment
3 year for the newly constructed residential real property
4 or based on the improvements to an existing residential
5 real property.

6 (e) Property receiving a reduction outlined in this
7 subsection (e) shall be eligible for an initial reduction
8 period of up to 10 years, which shall be extended for up to 2
9 additional 10-year periods if the property continues to meet
10 the requirements of this subsection (e).

11 (f) Application requirements.

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

16 (A) the owner's name;

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

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

22 (D) written evidence that the new construction,
23 qualifying substantial rehabilitation, or qualifying
24 moderate rehabilitation has been completed with
25 respect to the residential real property, including,
26 but not limited to, copies of building permits, a

1 notarized contractor's sworn affidavit, and
2 photographs of the interior and exterior of the
3 building after new construction or substantial
4 rehabilitation is completed;

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

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

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

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

1 defined in this Section;

2 (I) a written statement identifying the household
3 income for every household occupying an affordable
4 unit and certifying that the household income does not
5 exceed the maximum income limits allowable for the
6 area in which the residential real property is
7 located;

8 (J) a written statement that the owner has
9 verified and retained documentation of household
10 income for every household occupying an affordable
11 unit; and

12 (K) any additional information as reasonably
13 required by the chief county assessment officer,
14 including, but not limited to, any information
15 necessary to ensure compliance with applicable local
16 ordinances and to ensure that the owner is complying
17 with the provisions of subparagraph (E) of paragraph
18 (4) of this subsection.

19 (2) The chief county assessment officer shall notify
20 the owner as to whether the property meets the
21 requirements of this Section. If the property does not
22 meet the requirements of this Section, the chief county
23 assessment officer shall provide written notice of any
24 deficiencies to the owner, who shall then have 30 days
25 from the date of notification to provide supplemental
26 information showing compliance with this Section. If the

1 owner does not exercise this right to cure the deficiency,
2 or if the information submitted, in the sole judgment of
3 the chief county assessment officer, is insufficient to
4 meet the requirements of this Section, the chief county
5 assessment officer shall provide a written explanation of
6 the reasons for denial.

7 (3) The chief county assessment officer may charge a
8 reasonable application fee to offset the administrative
9 expenses associated with the program.

10 (4) The benefit conferred by this Section is limited
11 as follows:

12 (A) The owner is eligible to apply for the benefit
13 conferred by this Section from June 1, 2020 through
14 December 31, 2029. If approved, the reduction will be
15 effective for the current taxable year, which will be
16 reflected in the tax bill issued in the following
17 taxable year.

18 (B) In the year prior to the final year of
19 eligibility for the reduction in assessed value,
20 written notice must be provided to tenants informing
21 them of the date of the termination.

22 (C) If the property is sold or transferred, the
23 purchaser or transferee must comply with all
24 requirements of this Section in order to continue
25 receiving the reduction in assessed value.

26 (D) The owner may apply for the benefit if the

1 newly-constructed residential real property or
2 improvements to existing residential real property
3 were put in service on or after June 6, 2015. However,
4 the eligibility period shall be reduced by the number
5 of years between the placed in service date and the
6 date the owner first receives this benefit.

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

14 (F) Owners of a multifamily building receiving a
15 benefit through the Cook County Class 9 program on May
16 31, 2020 shall be deemed automatically eligible for
17 the benefit defined in this Section in terms of
18 meeting the criteria for new construction or
19 substantial rehabilitation for a specific multifamily
20 building regardless of when the newly-constructed
21 residential real property or improvements to existing
22 residential real property were put in service. If a
23 Cook County Class 9 owner had Class 9 status revoked on
24 or after June 1, 2017 but can provide documents
25 sufficient to prove that the revocation was in error
26 or any deficiencies leading to the revocation have

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

9 (G) At the completion of the assessment reduction
10 period described in this Section, the entire parcel
11 shall be assessed as otherwise provided in State law.

12 (g) For the purposes of this Section:

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

15 "Base year" means the taxable year prior to the first year
16 of the construction period.

17 "Construction period" means a period of not more than 3
18 consecutive tax years during which the dwelling units are
19 being newly-constructed or the qualifying substantial
20 rehabilitation is taking place.

21 "Household income" includes the annual income for all the
22 people who occupy a housing unit that is anticipated to be
23 received from a source outside of the family during the
24 12-month period following admission or the annual
25 recertification, including related family members and all the
26 unrelated people who share the housing unit. Household income

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

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

26 "Maximum rent" means the maximum regular rent for 60% of

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

14 "Primary building systems" means the following, together
15 with their related rehabilitations, specifically approved for
16 this program:

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

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 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 or replacing direct exhaust hot
6 water heaters;

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

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

11 (K) installing low VOC interior paints on interior
12 finishes;

13 (L) installing or replacing Energy Star certified
14 lighting in common areas; or

15 (M) installing or replacing grading and
16 landscaping to promote on-site water retention.

17 (11) Accessibility improvements. All accessibility
18 improvements must comply with applicable codes. An owner
19 may make accessibility improvements to residential real
20 property to increase access for people with disabilities.
21 As used in this paragraph (11), "disability" has the
22 meaning given to that term in the Illinois Human Rights
23 Act. As used in this paragraph (11), "accessibility
24 improvements" means a home modification listed under the
25 Home Services Program administered by the Department of
26 Human Services (Part 686 of Title 89 of the Illinois

1 Administrative Code) including, but not limited to:
2 installation of ramps, grab bars, or wheelchair lifts;
3 widening doorways or hallways; re-configuring rooms and
4 closets; and any other changes to enhance the independence
5 of people with disabilities.

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

18 "Qualifying moderate rehabilitation" means, at a minimum,
19 compliance with local building codes and the replacement or
20 renovation of at least 2 primary building systems. Although
21 the cost of each primary building system may vary, to be
22 approved for the benefit under this Section, the combined
23 expenditure for making the building compliant with local codes
24 and replacing primary building systems must be at least \$8 per
25 square foot for work completed between June 1, 2020 and
26 December 31, 2020 and, in subsequent years, \$8 adjusted by the

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

11 "Qualifying substantial rehabilitation" means, at a
12 minimum, compliance with local building codes and the
13 replacement or renovation of at least 4 primary building
14 systems. Although the cost of each primary building system may
15 vary, to be approved for the benefit under this Section, the
16 combined expenditure for making the building compliant with
17 local codes and replacing primary building systems must be at
18 least \$20 per square foot for work completed between June 1,
19 2020 and December 31, 2020 and, in subsequent years, \$20
20 adjusted by the Consumer Price Index for All Urban Consumers,
21 as published annually by the U.S. Department of Labor. Any
22 applicant who has purchased the property in an arm's length
23 transaction not more than 90 days before applying for this
24 benefit may use the cost of rehabilitation or repairs required
25 by documented code violations, up to a maximum of \$2 per square
26 foot, to meet the qualifying substantial rehabilitation

1 requirements.

2 Section 99. Effective date. This Act takes effect upon
3 becoming law.