The Illinois Affordable Housing Omnibus of 2021 and Chicago

In May 2021, the Illinois General Assembly passed HB2621, which included a number of provisions on affordable housing.

Among other provisions, this bill creates three tiers of property tax incentives for new construction and rehabbed residential buildings with seven or more units that set aside between 15% and 35% of their units as affordable.

PROPERTY TAX INCENTIVES FOR AFFORDABLE HOUSING

The property tax incentives created by HB2621 represent a significant investment in affordable housing that can be used in a wide variety of circumstances, from subsidized to unsubsidized, new construction and rehab, and high-cost markets to lower-cost markets.

The table on the back summarizes these differences.

INCENTIVES AND THE AFFORDABLE REQUIREMENTS ORDINANCE

The Affordable Requirements Ordinance (ARO) requires certain multifamily new construction and rehab projects to set aside a portion of their units as affordable. Exactly how much, and at what levels of affordability, depends on where the project is and whether it falls under the 2015 ARO, an ARO Pilot, or the 2021 ARO. More information on this is available at Chicago.gov/ARO.

Developers whose projects trigger the ARO and who also wish to secure incentives under HB2621 must meet all of the requirements for both the ARO and the incentive tier they select.

Many ARO-subject projects will be able to take advantage of the new incentives. Consider the two examples below.

Example 1: Non-Downtown Project Subject to 2021 ARO

Under the 2021 ARO, developers can choose to set aside between 10% and 20% of their units on-site as affordable at between 30% and 60% average AMIs.

Outside of downtown, a developer could choose to satisfy the ARO and receive a property tax incentive at the 15% tier by making at least 15% of their on-site units affordable, and paying an in-lieu fee for the remainder of affordable units required under the ARO.

Example 2: Downtown Project Subject to 2021 ARO

In downtown zones, a developer could similarly choose to satisfy the ARO and receive a property tax incentive at the 15% tier by making at least 15% of their on-site units affordable, and paying an in-lieu fee for the remainder of affordable units required under the ARO.

Because the 20% property tax incentive tier is available in downtown zones, the developer could also choose to place all 20% of the required affordable units on-site to receive the 20% property tax incentive tier.

Other important considerations include:

Off-site units:

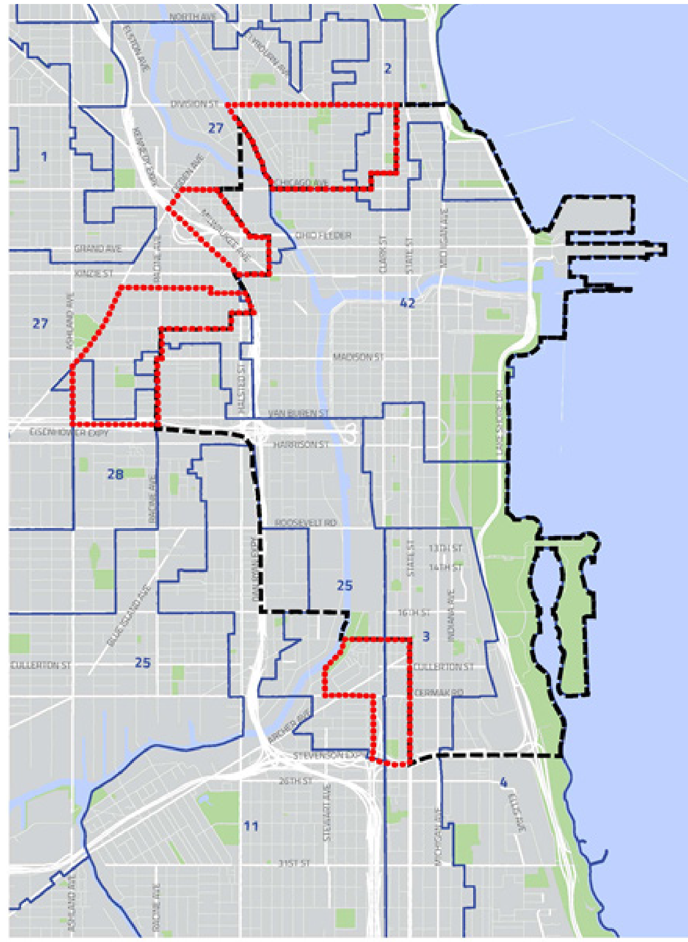
Although off-site units are allowed under the ARO, they will not count towards qualification for the property tax incentives under HB2621.

AMI levels:

The ARO allows for affordable rental units to be leased at an average of 60% AMI. However, it also requires that some units be priced as low as 40% AMI, while others may be up to 80% AMI.

Any units above 60% AMI, however, will not count towards the affordability required under the new state property tax incentives. As a result, developers may need to either rent what would be 80% AMI units under the ARO as 60% AMI units, or simply provide extra 60% AMI units beyond what is required by the ARO, in order to qualify for the property tax incentives.

In addition, the ARO allows developers to count units with Chicago Housing Authority Project-Based Vouchers or Chicago Low Income Housing Trust Fund subsidies as 60% AMI units, even if these subsidies cover rents up to 100% AMI. These units will be allowed to count as 60% AMI under the state property tax incentive.



Downtown Expansion Areas

Map Key

Downtown Expansion Areas

Boundary of Existing Downtown Zoning

SUMMARY OF INCENTIVES

	15% Tier	35% Tier	20% Tier
Required Affordability	15%	35%	20%
Affordability Level	60% of Area Median Income (AMI)	60% of AMI	60% of AMI
Tax Incentive	25% of assessed value	35% of assessed value	Years 1-3: 100% of the difference between the value of the property one year before the affordable units are occupied and post-construction assessed value Years 4-6: 80% of the difference Years 7-9: 60% of the difference Years 10-12: 40% of the difference Years 13-30: 20% of the difference
Qualifying Activity	New construction and rehab costing $8/sq ft and improvements of two primary building systems	New construction and rehab costing $12.50/sq ft and improvements of two primary building systems	New construction and rehab costing $60/sq ft and improvements of five primary building systems
Minimum Building Size	7 units	7 units	7 units
Duration	10 years, with two renewable 10 year periods for a total of 30 years	10 years, with two renewable 10 year periods for a total of 30 years	30 years