

Valuation Issues Assessing Subsidized Affordable Housing Communities

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What is Affordable Housing?

- The U.S. Department of Housing and Urban Development defines affordable housing as housing where the occupant is paying 30% or less of the gross income on total housing, including utilities.



<https://www.hud.gov/>



Affordable Housing Incentive

35 ILCS 200/15-178

Section 15-178: Reduction in Assessed Value for Affordable Rental Housing

- Addresses the shortage of high-quality affordable rental homes for low-income and very-low-income households in Illinois.
- Highlights challenges faced by owners and developers in building new apartments or rehabilitating existing properties.
- •Advocates for a statewide policy to determine assessed value for newly constructed and rehabilitated affordable rental housing.
- States that a reduction in assessed value under one special assessment program does not qualify for another.

Affordable Housing Subsidies

- **Subsidies**

- Housing subsidies funded by the government help make housing more affordable for low-income individuals and families. There are two basic types of subsidies that provide affordable housing in different ways:

- **Renter subsidies:** These subsidies go directly to renters to help them afford housing by paying a portion of their monthly income for rent. For example, Section 8 Housing Choice Voucher households typically pay 30% of their income towards rent, and the housing authority pays the rest of the balance to the landlord.

- **Owner subsidies:** These subsidies are given to owners of affordable housing to cover building and maintenance costs. Renters do not get a direct subsidy, and must pay the full monthly rent amount. However, these properties have affordable rents that are lower than what's available on the private market.

Rent Limits

- **Rent Limits**

- Rent limits are an important part of affordable housing that make sure rents are kept in check for renters with low-incomes. These limits are set based on a percentage of the area's median income and are adjusted for family size. They ensure that rent does not exceed a certain threshold, making housing accessible to those who need it most.

What are Fair Market Rates?

- **Fair Market Rents**

- Fair Market Rates (FMRs) are estimates of the cost of renting a standard-quality apartment in a particular area. The U.S. Department of Housing and Urban Development (HUD) sets these rates, which are used to determine the maximum amount of housing assistance that can be provided through programs like Section 8 vouchers. FMRs reflect the cost of rent and utilities, ensuring that families using vouchers can afford decent housing in the private market.
- **FMRs** are determined using rental market data, surveys, and statistical models. HUD collects data from Census Bureau and private surveys to establish the 40th percentile rent level for standard-quality units.

- **Small Area**

Small Area FMRs (SAFMRs) are a variation of FMRs that apply to smaller geographic areas, typically at the ZIP code level. The purpose of SAFMRs is to provide a more accurate reflection of rental prices in specific neighborhoods, allowing for more precise housing assistance. This approach helps to promote housing choice and mobility by enabling families to access housing in a wider range of areas, including those with better schools and employment opportunities.

Cook County Affordable Housing Incentive Program

- **Affordable Housing Programs**

- The Assessor's Office manages programs authorized in State law to address the special valuation of affordable housing. Eligible properties may apply for both the Affordable Housing Special Assessment Program and the LIHTC valuation program.
- The Affordable Housing Special Assessment Program incentivizes the rehabilitation and new construction of multi-family residential properties to create and maintain affordable housing. This program establishes assessment reductions for multifamily rental developments subjected to certain rent, tenant income, and related restrictions.

LOW INCOME TAX CREDIT

- Illinois Affordable Housing Tax Credit (IAHTC) Overview
 - Encourages private investment in affordable housing.
 - Provides donors with a one-time tax credit equal to 50% of the donation's value.
 - Credits can be transferred to projects, creating additional financing.
 - Administered by IHDA and City of Chicago's Department of Housing and Economic Development.
 - IHDA receives 75.5% of the annual IAHTC allocation.
 - Rules governed by the Illinois Administrative Code, Title 47, Chapter II, Part 355.



LOW INCOME TAX CREDIT

Home

(312) 836-5200

Contact Us



HOMEOWNERSHIP RENTAL HOUSING COMMUNITY DEVELOPERS LEGAL LENDERS & REALTORS ABOUT US

Affordable Housing Tax Credit

Low Income Housing Tax Credit

Illinois Affordable Housing Tax Credit

Qualified Allocation Plan (QAP)

Multifamily Financing Programs

Soft Funds

Next Generation Capacity Building for BIPOC
Developers Request for Applications

Housing for Justice Involved Individuals
(HJIIP) Program

Permanent Supportive Housing

Statewide Referral Network

Illinois Affordable Housing Tax Credit



Senior Suites of Bellwood (Bellwood)



<https://www.ihda.org/developers/tax-credits/illinois-affordable-housing-tax-credit/>



CHICAGO HOUSING AUTHORITY

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The screenshot shows the Chicago Housing Authority (CHA) website homepage. At the top left is the CHA logo. Navigation links include 'About', 'Careers', 'Contact Us', and 'Search'. A 'Select Language' dropdown menu is visible. The main navigation bar features four categories: 'Residents' (Find housing, programs & services), 'Landlords' (Property owner & manager resources), 'Doing Business' (Contractor & developer resources), and 'News & Media' (Stay connected). A prominent green banner reads 'EXCITING NEWS: CHA'S NEW WEBSITE IS LAUNCHING THIS FALL'. Below this, a text block states: 'HCV offices are by appointment only. [Click here](#) to schedule an appointment. Walk-ins are welcome for Public Housing support at Central Office located at [60 E Van Buren St.](#)' The main content area is a grid of tiles: 'Public Housing Directory', 'Plans, Reports & Policies', 'Fair Housing & Disability Resources', 'Schedule an Appointment', 'Property Owners & Managers' (with 'Get Started with' subtext), 'LEVELUP 6 STEPS TO ECONOMIC POWER', 'HOME Home Ownership', and 'Policies out for Public Comment' (with 'LEARN MORE' subtext). On the right side, there are two vertical promotional tiles: 'CHA HOUSING WAITLISTS' with a 'NEED AN INTERPRETER? CHA CAN ASSIST YOU!' callout, and 'WORC CHA WORKFORCE OPPORTUNITY RESOURCE CENTER' with 'CREATING STRONG COMMUNITIES 2023 IMPACT REPORT' and a 'READ NOW' link.

<https://www.thecha.org/>



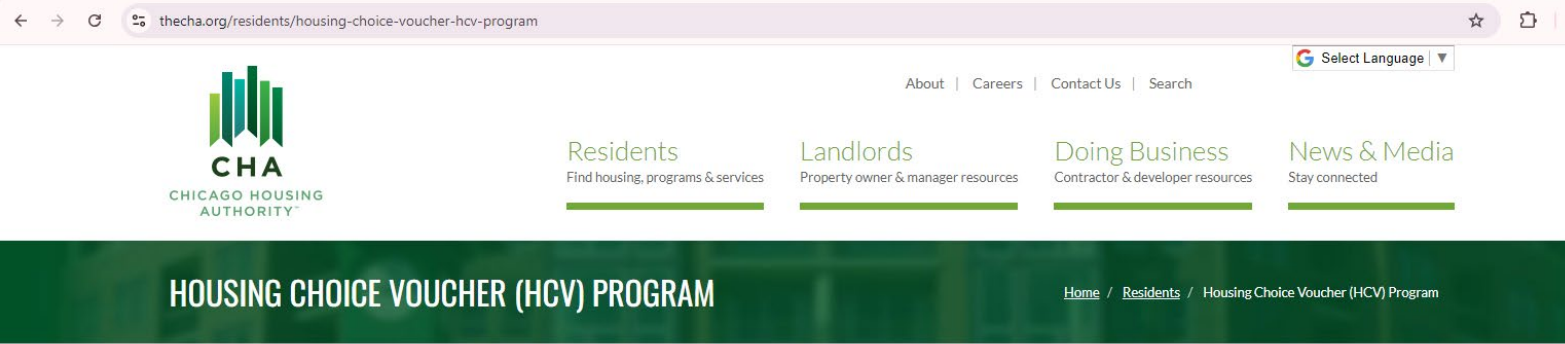
CHA HCV Tax Savings Program

The screenshot shows a web browser window with the URL thecha.org/landlords/get-started-hcv-program. The page features the CHA logo (Chicago Housing Authority) and navigation links for About, Careers, Contact Us, and Search. A language selection dropdown is visible. Below the navigation, there are four main menu items: Residents (Find housing, programs & services), Landlords (Property owner & manager resources), Doing Business (Contractor & developer resources), and News & Media (Stay connected). The main content area has a dark green header with the text "GET STARTED WITH THE HCV PROGRAM" and a breadcrumb trail: Home / Landlords / Owner Briefing Information. The main text states: "Over 13,000 rental housing providers (landlords, property owners and property managers) are growing their businesses and building stronger communities by leasing their apartments, condos, and/or single-family homes with the Housing Choice Voucher (HCV) Program — formerly known as Section 8. HCV property owners enjoy a number of benefits, including:" followed by a bulleted list: "Guaranteed rent", "Low turnover", "Incentive payments (for new property owners leasing in Mobility Areas)", "Vacancy payments (for existing HQS compliant units)", and "Property tax savings (for units in low-poverty census tracts)". Below this is a section titled "WATCH THE PROPERTY OWNER BRIEFING ON-DEMAND" with the text: "During this 35-minute session, we review what you need to know to succeed as a new HCV property owner, including:" followed by a bulleted list: "What to do when a HCV participant family is interested in your unit", "What to do when you buy a property with existing HCV participant tenants", and "How to market your property to HCV participant families". To the right of the main text is a vertical list of links: "New HCV Programs and Procedures", "Leasing with HCV", "HCV Inspections", "Owner Portal", "Market Your Property", "Project Based Voucher", "Check Inspection Status", "Owner Symposium", "Pay Re-Inspection Fee", "Forms & Documents", and "Owner Briefing Information".

<https://www.thecha.org/landlords/get-started-hcv-program>



CHA HOUSING CHOICE VOUCHER PROGRAM



- > Public Housing
- > **Housing Choice Voucher (HCV) Program**
 - Schedule an Appointment
 - Stability Vouchers
 - Find HCV Housing
 - Participant Portal
 - HCV Inspections
 - Report HCV Program Violations
 - Check Inspection Status
 - Forms & Documents
 - Cannabis FAQ
 - Register For Workshops (Participant)
 - HCV Participant Quarterly News -

<https://www.thecha.org/residents/housing-choice-voucher-hcv-program>



What is the Low-Income Housing Tax Credit?

Low-Income Housing Tax Credit Overview

- Provides a tax incentive for affordable rental housing for low-income households.
- Enacted as part of the 1986 Tax Reform Act, it has generated over 3.5 million units.
- From 2000 to 2016, LIHTCs supported the construction or rehabilitation of an average of 115,000 units annually.
- Federal government issues tax credits to state and territorial governments, which are awarded to private developers.
- Developers sell the credits to private investors for funding.
- Once the housing project is in service, investors can claim LIHTCs over a 10-year period.
- LIHTC eligibility includes large apartment buildings, single-family homes, or two- to four-unit buildings.
- Owners or developers must meet an income and rent test for 15 years or the tax credits are recaptured.

Low Income Housing Tax Credit

- (35 ILCS 200/10-260)

Low-Income Housing Tax Credit in Sec. 10-260

- Emphasizes income approach in determining fair cash value of property receiving benefits from the Low-Income Housing Tax Credit.
- In counties with over 3,000,000 inhabitants, during a general reassessment year, assessors must consider net operating income for buildings with 7 or more units.
- Buildings with 6 units or less must be reassessed considering net operating income, capitalized at rates for similarly encumbered Section 42 properties.
- Capitalization rate for these items should reflect the prevailing cost of capital for other similarly encumbered Section 42 properties in the geographic market.
- All low-income housing projects must certify to the local assessment officer that they qualify for the Low-Income Housing Tax Credit.