

**SUPPORT HB5538, House Amendment 1 (Currie):  
EXTEND AND IMPROVE THE HOUSING OPPORTUNITY INCENTIVE**

**CURRENT PROGRAM**

The Housing Opportunity Area Tax Incentive (35 ILCS 200/18-173), passed in 2003 and implemented in 2004, provides an incentive for property owners in “opportunity areas” to rent a portion of their apartments to households using Housing Choice Vouchers. The program sunsets in tax year 2014.

In an average year, approximately 2,500 abatements are awarded throughout the Chicago metropolitan area and a few other counties, mostly to property owners renting to one voucher household.

**PURPOSE**

- Reduce the overconcentration of vouchers in high-poverty areas.
- Increase landlord interest in “opportunity areas” with job growth and low poverty.

**ELIGIBILITY**

The program is limited to counties with a population of over 200,000 in order to target the large metropolitan areas with significant numbers of vouchers. In any property, the abatement can only be received for up to 20% of the total units (or 2 units in properties with less than 10 units). The act was subsequently amended to allow building owners who create affordable homes through voucher "conversion" to use the program. Property owners are eligible to apply for the abatement if they are renting to a voucher holder and the property is located in:

- A census tract where less than 10% of the residents live below the poverty level (12% in Chicago).
- A township located whose tax capacity exceeds 80% of the average tax capacity of the total county (115% in suburban Cook County and does not apply in Chicago).

**PROPOSED IMPROVEMENTS**

In addition to extending the program through tax year 2024, we propose the following improvements:

1. Simplify the geographic eligibility criteria.

Under our proposed changes, taxpayers with rental units in the following geographic areas would be eligible for the abatement:

- Within the City of Chicago, the rental unit must be in a census tract with a poverty rate below 12% (no change from current law.)
- Within Cook County, the rental unit must be in both a township and a census tract with a poverty rate below 8%.
- In all other eligible counties, the rental unit must be in a census tract with a poverty rate below 8%.

Removing the EAV criteria from current law will make the program significantly easier to administer and market, as well as providing more predictability for landlords regarding whether they qualify for the

abatement each year. The variance in eligibility criteria for different geographic area reflects higher concentrations of poverty over larger geographic areas in Chicago and suburban Cook County than in other counties.

Note: Municipalities, except for municipalities with 1,000,000 or more inhabitants, may still exclude themselves from this program if they are able to demonstrate that more than 2.5% of the total residential units located within that municipality are occupied by tenants utilizing housing choice vouchers.

2. Increase the average value of the abatement from \$500 to \$1,000 for each qualified unit to attract new landlords to the program. To balance the increased value of the abatement and the elimination of the EAV component, we propose reducing the number of census tracts that qualify based on poverty level (the current 12% poverty threshold in Chicago will remain the same). This will limit the overall cost of the abatement and produce more targeted “opportunity area” qualification.
3. Eliminate the 10-year limit on receiving the subsidy. This will make the program easier to administer and provide greater stability for landlords and tenants.
4. Include project-based Section 8 properties with long-term contracts of at least 5 years eligible. This would be a preservation incentive for landlords who are considering opting out of the program at a time when increasing rents and property values put affordable rental units at risk of conversion to market rate housing.
5. Clarify standard data source for determining the poverty rates at the census tract level. As the Census bureau no longer measures poverty as part of the decennial census, but includes it in the American Community Survey, we would reflect this change in the legislation.

#### FAIR HOUSING CONSIDERATIONS

- Deconcentration of voucher holders: proposed amendments will further encourage landlords in low-poverty areas to consider renting to voucher holding tenants (landlords in Cook County are obligated to screen voucher tenants just as they would any other tenant). This has a two-fold benefit—voucher residents can be more evenly disbursed throughout the region, and voucher tenants will have greater access to the enhanced amenities, notably employment and educational opportunities, inherent in “opportunity areas.”
- Desegregation: The more tools for increasing housing choice, the greater the chances of desegregating our region. Although it is illegal to discriminate based on (among other protected classes) race, ethnicity, and disability, renters, and to a greater degree, voucher holding renters, continue to face rampant discrimination. The Chicago region is notorious for entrenched segregation, and the Fair Housing Act makes clear the obligation to not only combat discrimination but also promote integration. The Housing Opportunity Tax Incentive Act is a proactive tool to promote economic and racial integration throughout the region. It is important that the act is extended and amended to improve the efficacy of the program.

SUPPORTERS: Chicago Area Fair Housing Alliance, Housing Action Illinois and the Sargent Shriver National Center on Poverty Law.

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