

**Testimony for Joint Hearing on Affordable Housing and Land Use Policies
by Senate Executive Committee, Senate Commerce and Economic
Development Committee, Senate Financial Institutions Committee,
and Senate Local Government Committee
October 1, 2020 at 3:00 p.m.**

Submitted by Bob Palmer, Policy Director, Housing Action Illinois,
312-939-6075 or bob@housingactionil.org

Thank you for discussing how affordable housing and land use policies at the state level can be improved to:

- Increase the availability of affordable housing for those people have faced obstacles to securing an affordable place to call in the private market;
- Encourage community development without displacement; and
- Improve access to fair and accessible lending, quality credit and wealth building products in communities of color and eliminate redlining and predatory lending.

Current and past injustices related to these issues disproportionately impact communities of color, particularly people who are Black. For example:

- Increasing the amount of affordable rental housing would promote racial equity by offsetting historic policies in housing, education, and other essential areas that promoted systemic racial discrimination and segregation. According to U.S. Census data for 2016 in Illinois, regardless of income, 42.6% of White, non-Hispanic renter households spent 30% or more of their income on housing. By contrast, 58.4% of African American renter households, and 48.4% of Hispanic renter households, did so.
- Even among those in poverty, Black Illinoisans are more likely to experience homelessness than White Illinoisans. This is true in rural, suburban, and urban areas. The racial disparity in experiencing homelessness is clearly shown in federal data released by the U.S. Department of Housing and Urban Development (HUD) in 2019. Despite making up 14% of the population of the state, Black Illinoisans make up 30% of residents experiencing poverty and 59% of residents experiencing homelessness.
- Homeownership rates reflect the racial wealth gap and public policy needs to do more to close it. Based on a 2019 report, 65.3% of Illinois households are homeowners, but they are 1.6 times more likely to be white than a person of color.

In recent years, many pieces of legislation have been introduced in the General Assembly to make improvements in the areas that are the focus of the hearing. Housing Action Illinois is currently working with our partners to pass the following initiatives (some with amendments to be made to bills to be the bills introduced for the 2020 General Assembly session).

Emergency Eviction Protections – To Be Amended Version of HB 4911 (Ramirez) and SB 3158 (Collins)

- The pandemic has exacerbated the eviction crisis. It is estimated that between 31% and 51% of Illinois renters are at risk of eviction, impacting up to 1,753,000 Illinoisans. Though there is a moratorium on evictions and there was a fund to provide rental assistance, there is not enough funding available to help everyone in need—80,000 households applied for state COVID-19-related rental assistance, but only 30,000 households will be assisted.
- As a result, an influx of eviction filings once the moratorium is lifted and courts reopen is inevitable.
- Evictions disparately impact Black communities, especially Black women and families. In 2017, 23 of the 25 community areas in Chicago with the highest eviction filing rates were majority Black Community Areas. Majority Black areas had eviction filing rates two to four times higher than majority Latinx or White areas.
- Prohibits landlords from filing evictions if they accept partial rent payments from their tenants by temporarily eliminating the need for landlords and tenants to enter into written agreements to prevent an eviction case.
- Seals eviction cases filed during the COVID-19 pandemic and economic recovery period (March 9, 2020 - September 2022).
- Expands a tenant's ability to seal prior eviction records if doing so is in the interests of justice, the parties agree to seal the court file, the tenant did not violate the lease, or there was no judgment entered against the tenant.
- Prohibits tenant screening companies from disseminating a sealed eviction court record.

Support Investment in Affordable Rental Homes – To Be Amended Version of HB 5275 (Welch) and SB 3529 (Feigenholtz)

- In lower cost markets, property owners struggle to maintain their buildings in good condition. Affordable rental housing is lost when buildings fall into disrepair. In higher cost markets, soaring rents are making it impossible for low-income families to remain.
- Establishes new property tax assessment policy for multi-family apartment buildings.
- Both market rate and affordable developers can participate. Enacts the policy in Cook County. Other counties can opt-out by a vote of the county board.
- Promotes investment in lower cost markets keeps rents affordable in higher cost markets.
- Statewide the deficit of affordable and available rental homes for those with incomes at or below 60% of area median income (AMI) is 160,000.
- Provides for a reduced assessed value for 10 years or more for buildings with seven or more residential rental units that are: new construction or undertake qualifying rehabilitation to improve health and safety, energy efficiency, accessibility and/or other physical conditions, and; keep a portion of units affordable to households at or below 60% of Area Median Income (AMI).
- Establishes two tiers of affordability and reductions in assessed value: 35% or more affordable units results in a 35% reduction in assessed value; 15% or more affordability results in a 25% decrease in assessed value.

Amend Affordable Housing Planning and Appeals Act to Increase Local Government Compliance – To Be Amended Version of SB 3013 (Gillespie)

- The Affordable Housing Planning and Appeals Act is a longstanding state law, passed in 2003, intended to encourage municipalities with little affordable housing, for rent or for sale, to develop and implement a plan to address the shortage.
- The effectiveness of the law has been limited because it does not explicitly require communities with home rule powers to comply. The proposed state law would mandate home rule compliance.
- Under the law, the Illinois Housing Development Authority determines what municipalities in the state have less than 10% affordable housing and are therefore not exempt from the law. These communities are required to approve local Affordable Housing Plans. Based on the IHDA's 2018 analysis of U.S. Census data, there are 46 communities in Illinois with less than 10% affordable housing.
- Plans are required to contain one or more specific goals for increasing the stock of affordable housing in a community, such as a minimum of 15% of all new development or redevelopment must be affordable.
- A State Housing Appeals Board is empowered to review developers' appeals of certain local government decisions affecting proposed affordable housing developments. Communities with 10% or more affordable housing or communities that have met the goal outlined in their plan are NOT subject to the authority of the Appeals Board. Established by law in 2009, the State Housing Appeals Board has never had a case brought before it.
- The law defines a variety of tools to help in the creation/preservation of affordable housing. For example, creating a Community Land Trusts and/or Housing Trust Funds and using local zoning powers to create affordable housing.

Build Illinois Homes State Tax Credit – HB5554 (Ramirez) and SB3787 (Hunter)

- This legislation would create the Build Illinois Homes State Tax Credit, a new state tax credit which would generate private investment for affordable rental housing and expand access to federal tax credits that are currently going unused.
- The Federal Low Income Housing Tax Credit is the primary tool we have to develop and preserve affordable rental housing, but the need far outpaces the available funds.
- In order to take advantage of the federal Tax Credits, projects often require additional sources of gap funding. State tax credits have proven to be a critical tool for filling financing gaps in projects by generating more private equity investment in affordable housing and easing the burden on states to provide other soft financing sources.
- This proven model has been successfully implemented in 20 other states across the country, including Wisconsin, Georgia, Colorado and Nebraska.
- The state tax credit will help Illinois match federal funds now left on the table. The program can be implemented without any additional administrative cost, as the state and Chicago housing finance agencies already administer the federal program.
- The proposal would create up to 3,500 new affordable homes or apartments per year while generating up to \$1 billion in income for Illinois residents and over 17,000 jobs over the course of 10 years.
- Homes remain affordable for 30 years and require high-quality building and construction under federal tax credit regulations applied to this credit.
- The credit will not impact the state budget for approximately two years because the tax credit is not claimed by an investor until an affordable housing development is successfully built and completed.

This are numerous additional positive public policies that address the shortage of affordable housing, particularly for people of color. For example:

Repeal State Rent Control Preemption: Lifting the ban on rent control would give local governments the option to enact limits on rent increases so tenants in communities with rapidly increasing rents can stay in their neighborhood with affordable housing options, contributing to local economies, schools and community preservation. Under a well-designed rent control program tailored to meet local conditions, landlords would to obtain an annual rent increase and earn a reasonable rate of return, while retaining long-term tenants who help maintain neighborhood stability and preserve the integrity of communities. Landlords may also include capital improvements in rent increases.

Reduce Interest Rate and Expand Eligibility for Senior Citizen Property Tax Deferral Program: In recent years, \$6.5 million has been appropriated annually for the program, but expenditures have been significantly lower (e.g., only \$3.3 million in FY 2020). The fund balance, currently more than \$20 million, has grown due loan repayments by past borrowers and limited use of current program. Lowering the interest rate on the program, currently 6%, as well as making other changes, would help seniors at risk of losing their home due to unpaid property taxes. In Chicago, all 11 of the community areas with the most seniors whose homes are subject to tax sales in 2020 are places where the majority of the population is Black.

Create Housing is Recovery Pilot Program Act: The bill establishes the Housing is Recovery Pilot Program, which provides individuals who have a serious mental illness or substance use condition who are homeless and at risk of institutionalization or overdose with a rental subsidy paired with support services. The subsidies mirror the subsidies granted through the Williams Decree to maximize state programmatic infrastructure already in place. “At risk of institutionalization” and “at risk of overdose” are measured by hospitalizations, periods of incarceration and overdoses in the most recent year. It is subject to appropriation.

Improve Public Housing Access: Create opportunities for people with criminal backgrounds to access public housing by establishing uniform guidelines for public housing authorities to follow when they consider an applicant’s history.

Pass Higher Education Housing and Opportunities Act: Provides students at colleges and other higher education institutions who have experienced homelessness access to a homeless liaison who will help navigate the unique challenges they face as they work to complete their degree.

Reduce the Interest Rate to Redeem Past Due Property Taxes: Amends the Property Tax Code. In provisions concerning redemption, provides that the amount of the penalty applied to taxes, special assessments, interest, and costs that have been paid by the tax certificate holder after the date those taxes or special assessments became delinquent shall be 3% (currently 12%).

Ease Housing Restrictions for People on Conviction Registries: Alarming numbers of Illinoisans are listed on public conviction registries and subject to residency restrictions—disproportionately Black men. One in every 147 men in Illinois is listed on a public conviction

registry, but for Black men it's one in every 42. One in 5 people listed on the sex offense registry in Chicago is homeless; Eighty percent of these people who are homeless are Black men who stay on the west and south sides of Chicago. Illinois residency restrictions keep 1,400 people imprisoned past their release dates—a number equivalent to the population of an entire prison. Residency restrictions have been carefully evaluated. They provide no public safety benefit.

Expand Housing Opportunities by Treating All Sources of Income Fairly: Creates housing opportunities for seniors, people with disabilities, families with children, veterans and others with legal, nonwage income. This would be accomplished by amending the Illinois Human Rights Act to require that all legal sources of income (SOI)—including employment, retirement income, public benefits and/or rental subsidies—be treated the same in residential real estate transactions. Denials based on source of income disproportionately limit the housing choices of people who are Black or Latinx, persons with disabilities, and female heads of households. Denials based on SOI offer a legal pretext to refuse housing to otherwise protected persons.