

Committee on Housing & Real Estate

ORDINANCE

WHEREAS, Chicago faces an affordable housing crisis and the Low-Income Housing Tax Credit serves as one of the City's most important tools to produce additional affordable housing; and

WHEREAS, Exposed cost data demonstrates that the City has consistently allocated tax credits to projects with per-unit costs significantly exceeding those achieved by comparable developments at the state level, resulting in fewer affordable housing units produced than would otherwise be possible; and

WHEREAS, The City receives a fixed allocation of tax credits in proportion to its population, which means that higher construction costs reduce the number of affordable housing units produced; and

WHEREAS, The City does not currently provide a clear and transparent approach to awarding said tax credits; and

WHEREAS, That encourages developers to produce high-quality units at a reasonable cost; and

WHEREAS, A total of 53 states and large cities allocate Low Income Housing Tax Credits, but Chicago is one of only four that does not use a standardized scorecard to do so; now, therefore

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:

SECTION 1. Section 2-44-055 of the Municipal Code of Chicago is hereby amended by inserting the language underscored, and by deleting the language struck through, as follows:

2-44-055 Credit Allocations and Affordable Housing Developments.

(a) *Definitions.* Whenever used in this section, the following words and phrases shall have the following meanings:

"9% tax credit" means a competitively awarded Low-Income Housing Tax Credit with a minimum credit rate of not less than 9% under 26 U.S.C. § 42(b)(2)

(Omitted text is unaffected by this ordinance)

"Total development cost" means the aggregate amount of eligible and ineligible costs incurred or reasonably expected to be incurred in connection with the development, financing, construction, rehabilitation, or preservation of a project, as approved by the Department, including, but not limited to, the cost of land acquisition, site preparation, construction, architectural and engineering fees, financing fees, developer fees, legal and accounting expenses, reserves, soft costs, and all other costs necessary to complete the project in accordance with approved plans and applicable requirements.

"Unit mix" means the number and distribution of dwelling units by bedroom count in an affordable housing development.

(b) The Department's policies related to construction contingency, cost savings, change orders, and construction close-out applying to affordable housing developments selected, funded, or governed by any Qualified Allocation Plan published by the Department on or after January 1, 2027, shall conform with the following:

(Omitted text is unaffected by this ordinance)

(6) All 9% tax credits shall be allocated based on scoring criteria complying with subsection (g) of this section, including the multipliers under subsection g(1)(A)(i), to determine the total development cost per unit, calculated under subsection (g)(1)(A) and the weights and scoring criteria established under subsection (g)(1)(B).

(Omitted text is unaffected by this ordinance)

(g) *Scoring Criteria for 9% Tax Credits.* Beginning with the first Qualified Allocation Plan published by the Department on or after January 1, 2027, the Department shall make allocations of 9% tax credits based on a quantitative scoring criteria meeting the requirements of this subsection.

(1) The scoring criteria shall be on a 100-point scale, as follows:

(A) up to 30 points based on the total development cost per unit, calculated as follows:

(i) To normalize development costs across different unit sizes, the Department shall establish bedroom-count multipliers that convert all unit types into two-bedroom equivalents. Units smaller than two bedrooms shall have multipliers less than one; units larger than two bedrooms shall have progressively larger multipliers. These multipliers must be derived from actual project cost data from the preceding three allocation rounds and must not deviate by more than 15% from the ratios observed in that data without a published, written justification. For each project, the Department shall then compute an adjusted unit count, based on multiplying the number of units of each type by the applicable multiplier.

(ii) The total development cost per unit of each project shall be calculated by dividing the total development cost by the adjusted unit count, as described in subsection (g)(1)(A)(i).

(iii) Following the adjustment for bedroom count, projects shall be scored such that the lowest-cost submitted project receives 30 points, and the highest cost project submitted receives 0 points. The formula to calculate these values will be as follows, where $TDC_{project}$ is the adjusted per-unit cost of the project, TDC_{min} is the adjusted per unit cost of the lowest cost project proposed in the round, and TDC_{max} is the adjusted per unit cost of the highest proposed project in the round:

$$Score = 30 \left(1 - \frac{TDC_{project} - TDC_{min}}{TDC_{max} - TDC_{min}} \right)$$

(B) up to 50 points based on quantitative criteria to meet City priorities and applicable State and Federal requirements. Such quantitative criteria may, in the reasonable discretion of the Department, include weighted scoring criteria and multiple tracks or categories.

(C) up to 20 points based on factors not captured by subsections (g)(1)(A) or (g)(1)(B), to address any non-scored factors, unique situations presented by a proposed project, and other factors as determined by the Commissioner, in the Commissioner's reasonable discretion.

(2) In the event of a tie, the project with the lowest total development cost per unit, calculated in accordance with subsection (g)(1)(A), shall be given higher priority; provided, however, that if the tied projects have the lowest total development cost per unit, the Department may select a project in its reasonable discretion.

(3) Within thirty days of awarding a 9% tax credit to a project, the Department shall publish on its website a full list of all submitted projects, the respective scores in each element of the scoring criteria, and a brief, written explanation of the rationale for the scoring of factors under subsection (g)(1)(C).

(h) In the event of any conflict between the provisions of this Section 2-44-055 and Section 42 of the Internal Revenue Code of 1986 ("Section 42") and the applicable Treasury regulations under Section 42 (the "Tax Credit Regulations"), Section 42 and the Tax Credit Regulations shall control.

SECTION 2. This ordinance takes effect upon passage and publication.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Gilbert Villegas', with a stylized flourish at the end.

Gilbert Villegas
Alderman, 36th Ward

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