Building an Affordable Illinois:

Achieving the Vision of the Affordable Housing Planning and Appeal Act

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Impact for Equity (formerly BPI) is a public interest law and policy center that has been at the front lines of social justice in the Chicago region and Illinois for over 50 years. Known for its innovative and effective advocacy for racial and economic equity, today Impact for Equity is deeply engaged in advancing systemic change in housing, community building, and criminal legal system reform.

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Executive Summary

The Affordable Housing Planning and Appeal Act, passed in 2003, is a state law that provides incentives and consequences for municipalities with high housing costs to increase their stock of affordable housing.

The law focuses on proactively planning for additional affordability and provides an appeal mechanism for affordable developments that have been blocked by local governments. However, Illinois' affordable housing production is not strong enough to reach AHPAA's implied affordability goals even absent any local frictions in delivering housing.

The Illinois Housing Development Authority (IHDA) administers both AHPAA and the Low Income Housing Tax Credit (LIHTC) program, Illinois' largest affordable housing production program. Since 2008, IHDA has used its LIHTC award policy to encourage proposals and awards in high-cost communities, but on average less than one award per year is given to an AHPAA-subject municipality.

As a result, Illinois and AHPAA-subject communities face two challenges in reaching the affordability targets set by the law: First, the gap between what AHPAA targets and the state's capacity to produce affordable housing; and second, how to place what resources do exist in high-housing-cost municipalities.

One or both of these challenges could be addressed by:

- Finding ways to strengthen the focus on making LIHTC awards in AHPAA-subject communities;
- Implementing policies that "grow the pie" of subsidized housing production in ways that both do and do not require ongoing state appropriations; and
- Creating new zoning policies that can reduce barriers to the creation of both subsidized and unsubsidized affordable housing.

Introduction

Illinois, like most other states, has traditionally given municipalities almost unilateral power to regulate the creation of new housing through zoning and other methods of land use controls. In principle, cities and towns use these powers to separate conflicting uses (such as keeping schools from being built next to wastewater treatment plants) or manage growth (ensuring communities do not grow faster than utilities, schools, or fire departments can handle). But sometimes, this power has been used in ways that—intentionally or not—can block the creation of low- and moderate-cost housing, contributing to a statewide housing affordability crisis. Recognizing this conflict, a coalition of community, labor, faith-based, and other advocacy organizations came together from 2002 to 2003 to advocate for state-level rules to facilitate the development of affordable housing in communities with the highest housing costs.

As a result of that advocacy, the Illinois General Assembly passed the Affordable Housing Planning and Appeal Act (AHPAA) in 2003.[1] While AHPAA represented a significant departure from the prior practice of nearly exclusive local decision-making, it has fallen short of the impact many had hoped for. And although the threshold for a community to be "exempt" from the law is just 10% affordability in the local housing stock—a level substantially below the proportion of Illinois residents who need affordable housing—dozens of municipalities statewide continue to fall below that level two decades since AHPAA's original passage.

This report explores some of the reasons for these shortcomings. While communities subject to AHPAA have not always embraced the law and sometimes resisted it—particularly before recent amendments, when many "home rule" municipalities chose to opt out of the law[2]—a closer look reveals that Illinois' affordable housing production is not strong enough to reach AHPAA's affordability goals even absent any local frictions in delivering housing. This report will describe how policymakers have tried to steer affordable housing production to AHPAA-subject communities in the past, and potential paths to overcoming challenges that remain.

[1] 310 Ill. Comp. Stat. 67/1, et al. (2025).

[2] Natalie Moore, *Illinois Lawmakers Strengthen a Law That Requires Some Cities to Submit Affordable Housing Plans*, WBEZ (June 8, 2021), https://www.wbez.org/race-class-communities/2021/06/08/illinois-lawmakers-strengthen-a-law-that-requires-some-cities-to-submit-affordable-housing-plans.

The Affordable Housing Planning and Appeal Act: An Overview

Under AHPAA, every five years, the Illinois Housing Development Authority (IHDA) compiles a list of municipalities where less than 10% of the local housing stock is considered affordable as defined in the Act.[3] By law, these communities are known as Non-Exempt Local Governments, and each NELG must create plans to increase the amount of affordable housing within that community.[4] IHDA most recently determined which municipalities belong on the list of NELGs in 2023.[5] As part of their plan, NELGs must determine how many homes they must add to reach 10% affordability and identify policies and strategies to close that affordable housing gap.[6]

[3] Under AHPAA, rental homes are considered affordable if the total housing costs (rent, utilities, etc.) are less than 30% of annual income for a household earning 60% of the area median income (AMI). Owner-occupied homes are affordable if the total housing costs (mortgage, taxes, insurance, etc.) are less than 30% of annual income for a household earning 80% of AMI.

[4] A detailed explanation of how AHPAA works and how it has changed over time is available at Impact for Equity's January 2024 issue brief. Impact for Equity, *Advocacy in Action: An Impact for Equity Issue Brief on the Affordable Housing Planning & Appeal Act* (Jan. 2024), https://www.impactforequity.org/wp-content/uploads/2024/01/IFE-Issue-Brief-AHPAA.pdf.

[5] Ill. Hous. Dev. Auth., 2023 Report Of Non-Exempt Local Governments (Dec. 2023), https://www.ihda.org/wp-content/uploads/2023/12/2023-AHPAA-NELG-List.pdf.

[6] One flaw in AHPAA's calculations is that if a community did add the right number of affordable homes to surpass the 10% threshold, it would also increase the **overall** number of homes in the community, which would likely mean the community remains subject to the law. For example: if Community A has 1000 households, 5 of which are affordable, AHPAA suggests that 95 affordable homes will bring Community A into compliance with the law. However, even if those 95 homes are the only new homes Community A builds during a given reporting period and it now has 100 affordable homes, it now has 1095 homes total, meaning that the community is only 9.1% affordable and therefore remains subject to the law (100 ÷ 1095 = 9.1%).

List of Non-Exempt Local Governments as of December 15, 2023[7]

Place	County	Population	Total Housing Units	Total Affordable Units	Affordable Housing Share
Barrington Hills	Cook	4,236	1,425	49	3.4%
Bull Valley	McHenry	1,250	476	13	2.7%
Burr Ridge	DuPage	11,167	4,506	201	4.5%
Campton Hills	Kane	10,468	3,498	83	2.4%
Deer Park	Lake	3,638	1,269	24	1.9%
Deerfield	Lake	19,228	7,475	358	4.8%
Elmhurst	DuPage	45,661	16,476	1,550	9.4%
Frankfort	Will	20,040	6,405	406	6.3%
Geneva	Kane	21,472	7,964	584	7.3%
Glencoe	Cook	8,824	3,195	87	2.7%
Glenview	Cook	48,150	18,406	1,625	8.8%
Hawthorn Woods	Lake	8,959	2,867	81	2.8%
Highland Park	Lake	30,245	12,079	766	6.3%
Hinsdale	DuPage	17,148	5,700	208	3.7%
Homer Glen	Will	24,664	8,054	595	7.4%
Inverness	Cook	7,684	2,768	40	1.4%
Kenilworth	Cook	2,423	755	12	1.6%
Kildeer	Lake	4,093	1,317	5	0.4%
Lake Bluff	Lake	5,878	2,150	63	2.9%
Lake Forest	Lake	19,450	7,014	407	5.8%
Lakewood	McHenry	4,489	1,486	64	4.3%
Libertyville	Lake	20,616	7,458	691	9.3%
Lily Lake	Kane	1,278	406	10	2.5%
Lincolnshire	Lake	7,905	3,249	72	2.2%
Lincolnwood	Cook	13,358	4,766	318	6.7%
Long Grove	Lake	8,258	2,449	106	4.3%
North Barrington	Lake	2,814	992	26	2.6%
Northbrook	Cook	35,108	13,395	674	5.0%
Northfield	Cook	5,853	2,383	150	6.3%
Oak Brook	DuPage	8,178	3,071	202	6.6%
Park Ridge	Cook	39,562	15,199	1,237	8.1%
Port Barrington	Lake	1,686	572	47	8.3%
Prairie Grove	McHenry	1,928	696	57	8.1%
River Forest	Cook	11,742	4,428	430	9.7%
Riverwoods	Lake	3,742	1,298	20	1.5%
South Barrington	Cook	5,012	1,661	35	2.1%
Spring Grove	McHenry	5,713	1,772	112	6.3%
Third Lake	Lake	1,137	428	26	6.2%
Timberlane	Boone	1,323	385	5	1.3%
Tower Lakes	Lake	1,340	457	8	1.8%
Wayne	DuPage	2,548	924	50	5.4%
Western Springs	Cook	13,550	4,510	95	2.1%
Wilmette	Cook	27,895	10,331	501	4.8%
Winnetka	Cook	12,658	4,353	159	3.6%

[7] 2023 Report Of Non-Exempt Local Governments, *supra* note 5.

EXAMPLE

Calculating Affordable Housing Needed in Geneva

According to IHDA's 2023 calculations, the City of Geneva is an NELG with 7,964 total homes. For Geneva to become exempt from AHPAA's planning requirements, at least 10% of these homes, or 795, would need to be affordable. However, IHDA's analysis suggests that that only 584 of its homes have rents or mortgage payments that are considered affordable under AHPAA, meaning that the community is 211 affordable homes short of the threshold for exemption.[8]

In addition to the planning component, AHPAA includes an appeals process. If a municipality on IHDA's list improperly denies or otherwise restricts a proposal to build affordable housing, that decision can be appealed to an administrative agency called the State Housing Appeals Board (SHAB). The SHAB has the power to review the municipality's decision and potentially order local officials to approve the proposed development.

The AHPAA Planning Cycle and Appeals Process

IHDA uses Census data to determine which Illinois communities have less than 10% affordable rental and owner-occupied housing (called NELGs). NELG list published on **December 15, 2023**.

→

Communities on IHDA's list of NELGs have 18 months (until **June 15, 2025**) to create, approve, and submit a plan to IHDA detailing how the community will increase the amount of locally available affordable housing.

→

After **June 15, 2025**: IHDA may report NELGs that have failed to submit plans or submitted insufficent plans to the Illinois Attorney General for potential enforcement.

→

Beginning **January 1, 2026**: if an NELG improperly denies or restricts a proposal to build new affordable housing, the developer, a housing organization, or a potential affordable housing resident can file an administrative appeal with the State Housing Appeals Board (SHAB).

→

If SHAB agrees that the proposal was improperly denied or restricted, SHAB can issue order directing NELG to approve development.

[8] *Id.*

What Would It Take for AHPAA to Succeed?

AHPAA sets a goal of at least 10% affordability in every Illinois municipality, but the law does not lay out a clear plan for how to get each NELG to that threshold. While the focus of the law is on local planning and, to a much lesser extent, on appealing rejected affordable developments, it is not clear that even vigorously pursuing affordability through these methods would be sufficient for NELGs to reach the 10% affordability threshold.

This is because while many or even most "affordable" homes in Illinois do not carry special subsidies or legal restrictions—they are simply older, more modest housing options with modest market prices and typically referred to as "naturally occurring" affordable housing—NELGs by definition have very little of this housing. Meanwhile, *newly constructed* affordable housing almost always requires some sort of subsidy or regulation, because affordable rents and sale prices generally cannot cover a nonprofit or for-profit developer's cost of construction in Illinois. Developments produced through government subsidies or subject to regulations are sometimes called "legally restricted affordable housing."

As in other states, however, Illinois' affordable housing resources fall far short of the scale of the need. The most common way for Illinois communities to create new affordable rental housing is by using the Low-Income Housing Tax Credit (LIHTC), a federal program administered by states (and the cities of Chicago and New York) that is currently responsible for the creation of an estimated 85% to 90% of all new affordable housing built in America.[9]

LIHTC awards come at two levels of support, generally called 9% and 4%, which typically cover around 70% and 30% of the cost of constructing affordable housing, respectively. The more generous 9% awards are issued on a competitive basis, and in Illinois there are far more applications than the state is able to grant based on its allocation from the federal government.[10] In 2024, IHDA—which administers the Illinois LIHTC program in addition to administering AHPAA—awarded credits for the construction or acquisition and rehab of new affordable housing developments across the state with a total of just 1,220 homes.[11]

In 2024, IHDA awarded credits for new affordable housing developments across the state with a total of just 1,220 homes. For all 44 NELGs to reach 10% affordability, they would collectively need 7,818 affordable units.

[9] Miriam Axel-Lute, *The Only Tool in the Box: What It Means That LIHTC Dominates Affordable Housing*, Shelterforce (Dec. 8, 2023), https://shelterforce.org/2023/12/08/the-only-tool-in-the-box-what-it-means-that-lihtc-dominates-affordable-housing/.

[10] Technically, only "9%" LIHTC awards are limited. The other type of LIHTC, "4%," is triggered by state allocation of tax-exempt bond capacity and is limited by the "volume" of tax-exempt bonds an allocating agency is allowed by the federal government. See Miriam Axel-Lute, *LIHTC for Regular People*, Shelterforce (Nov. 30, 2023), https://shelterforce.org/2023/11/30/lihtc-for-regular-people/#What-are-9-and-4-percent-credits.

[11] This figure includes the number of new units funded through both 9% and 4% LIHTC credits. IHDA makes counting units funded through 9% credits relatively straightforward through annual documentation of proposals and awards, which, taken together show that 751 units of new affordable housing were funded through 9% awards in 2024. *Compare* Ill. Hous. Dev. Auth., 2024 9% Lihtc Applications Received (Apr. 2024), https://www.ihda.org/wp-content/uploads/2024/04/2024-LIHTC-9-Applications-Received.pdf with Ill. Hous. Dev. Auth., 2024 9% Lihtc Approved Allocations (July 2024), https://www.ihda.org/wp-content/uploads/2024/07/2024-LIHTC-Approved-Allocations.pdf. To calculate how many new units of affordable housing units were created through 4% awards in 2024, we used IHDA's database of historical 4% awards and looked at developments with "new," "acquisition, rehab," or "new, rehab" construction and an "initial board date" in 2024. Ill. Hous. Dev. Auth., Ihda 4% Historical Summary Table (Jan. 15, 2025), https://www.ihda.org/wp-content/uploads/2025/01/IHDA_4PCT_HST_20250115.xlsx. For the sole project listed as "new, rehab" construction, Ravine Terrace in Waukegan, only 28 of the 98 units in the project were new. Steve Sadin, *Extensive Renovations Planned for Waukegan Senior Housing Project; 'Our Buildings Are So Old*,' Chi. Trib. (Aug. 8, 2024), https://www.chicagotribune.com/2024/08/08/extensive-renovations-planned-for-waukegan-senior-housing-project-our-buildings-are-so-old/. As a result, we estimate that 469 units of new affordable housing were created through 4% LIHTC awards in 2024. The combined total of new affordable units funded through both types of awards is 1,220.

For all 44 NELGs to reach 10% affordability, they would collectively need 7,818 affordable units.[12] To illustrate this disparity using Illinois' 2024 rate of LIHTC awards, if every dollar of IHDA's allocations for new construction were spent exclusively in NELGs for all five years of the current AHPAA cycle, these communities would see only about 6,100 new affordable homes. This would not only be short of what would be needed even to reach the relatively low goal of 10% affordability across NELGs, it would also leave nothing for every other community in the state.

In reality, however, NELGs are often challenging environments in which to develop affordable housing, as local zoning laws, land prices, and community opposition can create formidable barriers. Most NELGs receive no LIHTC awards over a five-year AHPAA planning cycle. In fact, only a single new development in an NELG—a 147 unit building for senior citizens in Deerfield that was funded, in part, with 4% credits—was awarded LIHTC in 2024.[13] Moreover, for the entire 2024 LIHTC cycle, IHDA received just one proposal for its competitive 9% awards in a community subject to AHPAA.[14]

There is, in other words, both a sizable gap between what AHPAA requires and the state's current ability to produce affordable housing, as well as a significant challenge in placing the resources that do exist in communities subject to AHPAA. The next section discusses how IHDA has tried to address this second problem.

[12] As discussed earlier, this calculation assumes that the overall number of homes in these communities remains static, and any *new* affordable housing replaces *existing* housing that is not affordable under AHPAA. See *supra* note 6.

[13] IHDA 4% Historical Summary Table, *supra* note 11.

[14] 2024 9% LIHTC Applications Received, *supra* note 11.

How Illinois Has Incentivized Affordable Housing Awards in High-Cost Communities

IHDA and other LIHTC allocating agencies, known as Housing Finance Agencies (HFAs), lay out the criteria for how they will evaluate applications for the more valuable 9% LIHTC awards in a document called the Qualified Allocation Plan (QAP). QAPs "spell out a housing finance agency's priorities" for a given year and are generally thought of as a policy document.[15] HFAs can use the QAP to advance policy goals by giving scoring incentives to proposals that serve certain locations or populations, establishing set-asides for certain populations or locations, or requiring proposals meet certain criteria in order to be evaluated.[16] Over the last twenty years, IHDA has revised its QAP every one to two years and has made three major changes to how it scores proposals to attempt to encourage LIHTC development in AHPAA communities, with varying degrees of success.

While AHPAA took effect in 2004, it was not until 2008 that IHDA began using the QAP to incentivize LIHTC development in NELGs. Under the 2008-09 QAP, LIHTC proposals in NELGs would receive three points out of a possible 91 points, and projects proposed in communities with 10-20% affordability—referred to as "at risk" communities in later QAPs—would receive one point.[19] Despite these scoring incentives, IHDA's LIHTC records show just a single 9% award was given to a proposal in an NELG from 2008 to 2009,[20] and no projects in "at risk" communities received awards.[21]

QAP incentives for affordable housing proposals in AHPAA communities[17]

Years	Incentive	Total proposals in NELGs	Total awards in NELGs
2008–09	Three points for proposals in NELGs, one point for proposals in "at risk" communities	Unknown[18]	1
2010–17	Set aside for NELGs and "at risk communities"	13	7
2018–24	Two points for proposals in NELGs	7	4
Total		**22**	**11**

[15] *See* Ed Gramlich, Nat'l Low Income Hous. Coal. Qualified Allocation Plan, (2014), https://nlihc.org/sites/default/files/2014AG-259.pdf.

[16] *Id.*

[17] *See* Appendix A for a complete breakdown of proposals and awards in both NELGs and "At Risk" Communities (ARCs).

[18] Ill. Hous. Dev. Auth., Low Income Housing Tax Credit, https://www.ihda.org/developers/tax-credits/low-income-tax-credit/#toggle-id-5 (last visited Feb. 7, 2025).

[19] Ill. Hous. Dev. Auth., 2008 & 2009 Qualified Allocation Plan 44-45 (Nov. 25, 2008), https://www.novoco.com/public-media/documents/illinois_final_08.pdf.

[20] It is worth noting that the proposal in question (a 16-unit development in Lake Forest) was funded through a special round of LIHTC called the "Disaster Tax Credit," a temporary award that targeted counties in states that were impacted by July 2008 flooding. In Illinois, proposals in 18 counties were eligible to apply for these credits, including Lake County. It is difficult to tell from IHDA's records whether this proposal received the three-point scoring incentive or if IHDA used a different scoring system for proposals that sought funding through the Disaster Tax Credit. Ill. Hous. Dev. Auth., 2009 Round II 9% LIHTC And Disaster Tax Credit Applications Approved, https://www.ihda.org/wp-content/uploads/2016/03/2009RoundIILIHTCandDisasterTCApplicationsApproved.pdf; see ALSO Ill. Hous. Dev. Auth., 2009 LIHTC Disaster Tax Credits, https://www.novoco.com/public-media/documents/illinois_disastercredits_09.pdf.

[21] Appendix A.

Beginning in 2010, IHDA pivoted away from a system that provided scoring incentives for proposals in NELGs and "at risk" communities to using a set-aside model. In the LIHTC context, set-asides are used to ensure that development proposals are scored against a smaller pool of projects that share some characteristics (e.g. geography, intended tenant population, etc.) rather than being scored against all proposals submitted in the same year. The goal of a set-aside is often not only to ensure a certain number of awards for each type of proposal, but also to encourage proposals within set-asides that might otherwise be at a disadvantage in a larger pool by increasing their odds of winning an award. IHDA's 2010 QAP used geographic set-asides, including one for the communities within Chicago's metropolitan area that were "subject to or at risk of being subject to AHPAA."[22]

This set-aside remained in effect with minor changes for nearly a decade. Over this period, the pace of IHDA's awards to communities subject to AHPAA did pick up, with awards for eight developments representing 367 units of affordable housing made in NELGs. However, the greatest beneficiaries appeared to be developers in "at-risk" communities within the set-aside, which received 21 awards. Of the 61 LIHTC proposals submitted in Chicago metropolitan area NELGs and at-risk communities from 2010-2017, the overwhelming majority (46 or roughly 75% of proposals) were made in at-risk communities—not NELGs.[23]

In 2018, IHDA returned to a scoring incentive system whereby projects proposed in NELGs could score two points out of a possible 100 total points.[24] In a departure from both previous systems, proposals in "at-risk" communities were no longer treated the same as NELGs. While IHDA adjusted the scoring system at various points between 2018 and 2024, each QAP continued to encourage proposals in NELGs by awarding those projects two points. While of course changes to the QAP are not the only factor in changes to awards over time, results for NELGs under the new scoring incentive system were somewhat worse than under the set-aside model, with only seven proposals submitted in NELGs and just four receiving awards over the last seven years for a total of 177 affordable units.[25]

Though the QAP is perhaps the most powerful policy with leverage over the creation of affordable housing in AHPAA-subject communities, it is not capable of closing the affordability gaps that AHPAA identifies alone. In the next sections, we will explore three major paths to more rapidly create affordable housing in NELGs: First, ways to strengthen the QAP's focus on AHPAA-subject communities; second, ways to "grow the pie" of subsidized production in ways that both do and do not rely on additional ongoing appropriations; and third, zoning approaches that can reduce barriers to the creation of both subsidized and unsubsidized affordable housing.

[22] For purposes of IHDA's AHPAA set-asides, Chicago Metro includes Lake, DuPage, Kane, McHenry, and Will Counties, along with the portion of Cook County outside the City of Chicago. Ill. Hous. Dev. Auth., 2010 Qualified Allocation Plan 15, https://www.novoco.com/public-media/documents/illinois_final_10.pdf.

[23] Appendix A

[24] Ill. Hous. Dev. Auth., 2018-2019 Qualified Allocation Plan, https://www.novoco.com/public-media/documents/illinois2018-19finalqap2017.pdf.

[25] Appendix A

Three Paths to Achieving the Vision of AHPAA

Path 1: Strengthen QAP incentives for developments in NELGs

Fortunately, Illinois has nearly two decades of experience in using the QAP to incentivize LIHTC proposals in NELGs, and it can build on past and current incentives to further encourage affordable development. In addition, national research has shown that QAP policies to encourage proposals and awards in high-cost neighborhoods can be successful.[26]

One approach could involve increasing the number of points that projects in NELGs receive. While it is unclear exactly how many NELG proposals were pushed over the finish line by these points, it is clear that the current policies leave room for more significant outcomes, with less than one 9% LIHTC award to an NELG per year on average since 2008.[27] If IHDA were to increase the point value for a proposal in an NELG, it could send a clear signal to developers that they should prioritize developments in those communities. Determining the right size for a scoring incentive may be difficult, but IHDA can look to past submissions or solicit opinions from affordable developers to estimate how many points would lead to a measurable increase in applications in NELGs.

Alternatively, IHDA could revive the AHPAA set-aside it used for nearly a decade, but keep it narrowly focused on NELGs to avoid proposals in so-called "at-risk" communities dominating awards. While past set-asides may have benefitted these "at risk" communities—which also surely need a greater stock of affordable housing—AHPAA provides a clear mandate from the state for prioritizing NELGs. By creating a set-aside that is actually limited to AHPAA communities, IHDA can try to ensure affordable housing developers begin looking for opportunities in NELGs.

Regardless of how IHDA chooses to retool the QAP to better encourage affordable development in NELGs, it may take time to see results as developers evaluate where and how to take advantage of the new incentives. In addition, QAP incentives may not be successful if NELGs use their zoning and review powers to undermine the feasibility of affordable developments by requiring extremely low-density, cost-inefficient development, unreasonably extending permit review times, or adding regulatory requirements, such as parking minimums, that make developments unviable. However, local roadblocks that stymie future LIHTC proposals in NELGs could lead developers, housing advocates, or potential residents to employ AHPAA's appeal process to overturn any improper decisions.

National research has shown that QAP policies to encourage proposals and awards in high-cost neighborhoods can be successful.

[26] *See* Ann Owens, *States Can Foster More Opportunity Through LIHTC Regulations*, Niskanen Ctr. (Jan. 28, 2025), https://www.niskanencenter.org/states-can-foster-more-opportunity-through-lihtc-regulations/.

[27] *See* Appendix A

Path 2: Grow Affordable Production

In addition to directing more existing resources to NELGs, policymakers and elected officials could find other ways of supporting legally restricted affordable housing to supplement the LIHTC program. While there are many potential options, these four may represent promising options:

A. Increased state resources

Most obviously, the State of Illinois could increase the resources available to IHDA to support new affordable housing. While these resources would not have to take the form of a dedicated revenue or tax credit stream—i.e., they could be provided from general funds—there are at least two current proposals for dedicated funds.

One, the Build Illinois Homes Tax Credit,[28] would create a $20 million state match for federal LIHTC awards. Because LIHTC typically does not fully cover the cost of building affordable housing, Build Illinois Homes would reduce the amount of "gap financing" state and local government must provide to these developments, allowing existing resources to be stretched further and delivering an estimated 1,100 additional affordable rental homes over six years. State LIHTC matches already exist in 25 other states, including Wisconsin, Indiana, and Missouri.[29]

Another idea is to increase revenue to the Illinois Affordable Housing Trust Fund.[30] The Trust Fund serves as a kind of affordable housing general fund, available for capital projects and operations. The Trust Fund is primarily supported by the state's Real Estate Transfer Tax, which collects 0.1% of the value of properties that are sold or transferred; half the proceeds are deposited into the Trust Fund. An increase to a tax rate of 0.15%, with the increase entirely dedicated to affordable housing, could raise $60 million or more annually, allowing IHDA to support more affordable developments statewide, including in NELGs.[31]

B. Affordable Housing Special Assessment Program (AHSAP)

Another option would be for county and local governments to more aggressively take advantage of an existing resource: the Affordable Housing Special Assessment Program (AHSAP).[32] Created by state legislation in 2021,[33] AHSAP provides property tax relief to rental buildings with minimum amounts of legally restricted affordable housing under three tiers, ranging from 15% to 35%.

All communities subject to AHPAA are also eligible for the most powerful tier of incentives under AHSAP, which provides property tax reductions for 30 years to properties that are at least 20% affordable. (While AHPAA targets municipalities where less than 10% of the housing stock is affordable, AHSAP

All communities subject to AHPAA are also eligible for the most powerful tier of incentives under the Affordable Housing Special Assessment Program.

[28] S.B. 62, Build Illinois Homes Tax Credit Act, 104th Gen. Assemb., Reg. Sess. (Ill. 2025).

[29] Affordable Hous. Tax Credit Coal., State Low-Income Housing Tax Credits: Recommended Practices And Considerations (2023), https://www.ncsha.org/wp-content/uploads/AHTCC-State-Low-Income-Housing-Recommended-Practices-and-Considerations.pdf; Local Hous. Sols., State Tax Credits For Affordable Housing (May 17, 2021), https://localhousingsolutions.org/housing-policy-library/state-tax-credits-for-affordable-housing/.

[30] Nat'l Low Income Hous. Coal., Illinois Affordable Housing Trust Fund (Aug. 14, 2023), https://nlihc.org/node/95416 (last visited Feb. 7, 2025).

[31] This increase would essentially double the tax rate dedicated to housing programs, and current revenue is approximately $60 million per year.

[32] Cook County Assessor's Office, Affordable Housing FAQs, https://www.cookcountyassessor.com/faq/affordable-housing (last visited Feb. 7, 2025).

[33] Housing Action Illinois, New State Law Creates Property Tax Incentive To Create And Preserve Affordable Rental Homes (Dec. 19, 2023), https://housingactionil.org/blog/2023/12/19/new-state-law-creates-property-tax-incentive-to-create-and-preserve-affordable-rental-homes/.

defines "Low Affordability Communities" as ones where that figure is below 40%.)

However, while the Cook County Assessor's Office estimates that more than 1,000 properties had signed up for AHSAP by the end of 2024, only two are currently taking advantage of the "Low Affordability Community" tier, with a small number of pre-construction projects looking to do the same. Of these, none are in an NELG.[34] Furthermore, only three properties in NELGs, with a total of 175 affordable units, are taking advantage of any tier of AHSAP support in Cook County. Take-up outside of Cook County has been substantially slower. Increasing the utilization of AHSAP represents a significant opportunity to secure financial support for legally restricted affordable housing without state or local appropriations.

C. Inclusionary zoning

Another strategy for building legally restricted affordable housing without LIHTC is inclusionary zoning. Inclusionary zoning laws generally require developers that receive some sort of public benefit, such as public land or zoning relief, to set aside a portion of their projects to be affordable units. In the Chicago region, seven municipalities have inclusionary zoning ordinances, two of which—Highland Park and Lake Forest—are subject to AHPAA.

While there are hundreds of inclusionary zoning laws across the country[35]—and some, like Chicago's Affordable Requirements Ordinance,[36] can produce hundreds of affordable units per year—their effectiveness varies widely. Important considerations include the level of the set-asides; the volume of market-rate developments being approved that trigger the inclusionary zoning ordinance to begin with; and the depth of affordability required.[37] This last point can be especially tricky, as existing inclusionary zoning programs in NELGs often produce housing that, while substantially more affordable than local market-rate housing, is still priced too high to count towards the municipality's AHPAA goals. For example, half of the affordable units required by Lake Forest's ordinance in a rental property are priced at 80% of area median income (AMI), above the 60% AMI standard set by AHPAA.

Inclusionary zoning laws can be especially effective where they are paired with some type of financial support for the affordable homes.[38] In Illinois, the AHSAP property tax incentive pairs well with inclusionary zoning requirements of 15-20% of total units. Municipalities could consider ways to leverage inclusionary zoning policies with AHSAP to maximize their production.

D. New public development models

Across the country, state and local governments are increasingly experimenting with ways of developing affordable and mixed-income housing that do not rely on LIHTC.[39] One of the most high-profile examples comes from Montgomery County, Maryland,[40] which created a revolving Housing Production Fund[41] to finance publicly owned, mixed-income developments. Since then, Atlanta,[42] Chattanooga,[43] and Chicago[44] have made moves to create similar programs.

In Illinois, a few other initiatives have also moved in this direction. The western suburban village of Bellwood has used a variety of tools to act as its own developer, producing dozens of moderately priced single-family homes, and it is now constructing a

[34] Impact for Equity analysis of data received from the Cook County Assessor's Office.

[35] *See* Inclusionary Housing, https://inclusionaryhousing.org/ (last visited Feb. 7, 2025).

[36] Chi. Dep't Of Hous., Affordable Requirements Ordinance, https://www.chicago.gov/city/en/depts/doh/provdrs/developers/svcs/aro.html (last visited Feb. 7, 2025).

[37] Local Hous. Sols., Inclusionary Zoning, https://localhousingsolutions.org/housing-policy-library/inclusionary-zoning/ (last visited Feb. 7, 2025).

[38] Dan Bertolet, *To Fix Inclusionary Zoning, Fund It*, Sightline Inst. (Oct. 28, 2024), https://www.sightline.org/2024/10/28/to-fix-inclusionary-zoning-fund-it/.

[39] Claudia Aiken, Matthew Murphy & Hayley Raetz, Furman Ctr. For Real Est. & Urb. Pol'y, The Emerging Spectrum Of Government-Led And Publicly-Owned Housing Development Models (2024), https://furmancenter.org/files/The_Emerging_Spectrum_of_Government-Led_and_Publicly-Owned_Housing_Development_Models_V5_(2).pdf.

[40] Conor Dougherty, *This Is Public Housing. Just Don't Call It That*, N.Y. Times (Aug. 25, 2023), https://www.nytimes.com/2023/08/25/business/affordable-housing-montgomery-county.html.

[41] Hous. Opportunities Comm'n Of Montgomery Cnty, Housing Production Fund, https://www.hocmc.org/about-us/innovations/housing-production-fund/ (last visited Feb. 7, 2025).

[42] Atlanta Urban Development Co., https://www.atlurbdevco.com/ (last visited Feb. 7, 2025).

[43] Ellen Gerst, *New Chattanooga Housing Fund Aims to Spur Development*, Times Free Press, Dec. 4, 2024, https://www.timesfreepress.com/news/2024/dec/04/new-chattanooga-housing-fund-aims-to-spur/.

[44] Anjulie Rao, *Chicago's Mayor Pitches Borrowing More Than $1B to Fund "Social Housing" and Other Projects*, Dwell, Feb. 23, 2024, https://www.dwell.com/article/chicago-affordable-housing-bond-94a4a979.

71-unit apartment building.[45] While the building does not have units that would qualify as affordable under AHPAA (and Bellwood is not an NELG), municipalities may be able to find a mix of rent levels that requires minimal subsidy portion at AHPAA-eligible levels. One such example is the Oak Park Residence Corporation, a nonprofit affiliate of the Oak Park Housing Authority, which constructed a building with 44 apartments, of which 20% are affordable.

Path 3: Stronger Planning Guidelines

Currently, while AHPAA requires NELGs to create an affordable housing plan in accordance with the law and provide IHDA with updates on the community's efforts to implement their plan, it does not directly require that communities address barriers to increasing affordability. One common such barrier in AHPAA-subject municipalities is the absence of land use policies that would enable construction of affordable housing or even moderate-cost unsubsidized housing, for example by allowing multifamily housing, or even rowhomes or smaller-lot single-family homes. State policymakers could address this barrier and pave the way for affordable housing developers by passing laws that require minimum standards, such as multifamily housing or moderate-sized lots, in local zoning laws to ensure low- and moderate-cost housing is not entirely excluded from communities.

A number of different models exist around the country to enable multi-family housing. In Oregon, for example, HB 2001, passed in 2019, requires municipalities with at least 10,000 residents to allow two units per lot, and municipalities with 25,000 residents or more to allow four units per lot.[46] Other states, such as California, require a certain "zoned capacity" for overall development, but they defer to local municipalities to decide where and how to add that capacity.[47]

One additional approach with some local precedent and interest in Illinois is to focus on locations served by public transit through an "equitable transit-oriented development" law. Generally speaking, equitable transit-oriented development (eTOD) refers to the idea that zoning near mass transit should allow for more dense, mixed-use development, typically multifamily apartment buildings or condos, with some commercial uses like retail. For example, Chicago's eTOD ordinance creates a series of density bonuses and planning standards for developments near train or high-frequency bus lines that use the City's inclusionary zoning ordinance to place affordable units within their projects.[48] By one estimate, at least sixty eTOD projects have been built (or are on their way to being built) in the City of Chicago since 2017.[49] Massachusetts passed legislation to this effect in 2021,[50] and a similar proposal for Illinois is included in a recently filed bill called the "Metropolitan Mobility Act."[51] This proposal would provide for the creation of "transit support overlay districts" by regional planning authorities, which would support zoned densities and reduced parking requirements that would reduce barriers to affordable housing construction. While not

State policymakers could pave the way for affordable housing developers by passing laws that require minimum standards in local zoning laws to ensure low- and moderate-cost housing is not entirely excluded from communities.

[45] Michael Romain, *Bellwood Breaks Ground on $43M Gateway Project Apartment and Retail Development*, Village Free Press, July 9, 2024, https://www.vfpress.news/articles/economic-development/bellwood-breaks-ground-on-43m-gateway-project-apartment-and-retail-development/.

[46] Or. Dep't Of Land Conservation & Dev., House Bill 2001 Overview, Oct. 22, 2019, https://www.oregon.gov/lcd/UP/Documents/HB2001OverviewPublic.pdf.

[47] Cal. Dep't Of Hous. & Cmty. Dev., Housing Elements, https://www.hcd.ca.gov/planning-and-community-development/housing-elements (last visited Feb. 7, 2025).

[48] City Of Chi., Equitable Transit-Oriented Development, https://www.chicago.gov/city/en/sites/equitable-transit-oriented-development/home.html (last visited Feb. 7, 2025).

[49] Elevated Chi., Etod Project Pipeline, https://elevatedchicago.org/our-impact/etod-project-pipeline (last visited Feb. 7, 2025).

[50] Mass. Exec. Off. Of Hous. & Livable Communities, Mbta Communities Law Q&A, https://www.mass.gov/info-details/mbta-communities-law-qa (last visited Feb. 7, 2025) ("The MBTA Communities Act requires 177 Cities and Towns to establish "at least 1 district of reasonable size in which multi-family housing is permitted as of right." Where possible, the district must be within a half mile from public transportation (commuter rail, bus station, ferry terminal or subway). MBTA Communities must permit the development of housing suitable for families with children, and may not impose age restrictions, within the district.").

[51] S.B. 5, Metropolitan Mobility Authority Act, 104th Gen. Assemb., Reg. Sess. (Ill. 2025).

all municipalities subject to AHPAA would likely be covered, 17 NELGs have a Metra commuter rail station.[52]

Regardless of the specific path taken, minimum standards to reduce local zoning and regulatory barriers to the creation of affordable housing could play an important role in reaching the AHPAA threshold of at least 10% affordability in all Illinois communities—as well as increasing affordability beyond that threshold in communities that have already reached that level.

Three Paths to Achieving the Vision of AHPAA

Path	Idea	Description
Strengthen QAP Incentives	**Add points to NELG applications**	Applications in NELGs receive additional points beyond current two-point allocation.
	Recreate NELG set-aside	Allocate a portion of tax credits to be awarded only to affordable housing proposals in NELGs.
Grow Affordable Production	**Increase state resources**	Build Illinois Homes state LIHTC match, increase to real estate transfer tax to fund Illinois Affordable Housing Trust Fund, or general budget appropriation.
	Affordable Housing Special Assessment Program (AHSAP)	Expand use of AHSAP in NELGs, strengthen administration and awareness in counties outside Cook, pair with inclusionary zoning policies for between 15-20% affordability.
	Inclusionary zoning	Establish required affordability set-asides in new housing developments. Pair with AHSAP tax benefits.
	New public development models	Revolving loan funds or other financing tools to support publicly owned affordable or mixed income development.
Stronger Planning Guidelines	**Minimum planning standards**	Requirement to allow smaller-lot single-family homes or two or more units per lot, or required zoned capacity for a certain amount of housing with deference to localities to determine how and where to allocate that capacity.
	Equitable transit-oriented development laws	Create overlay districts or other zoning and other incentives for multifamily and affordable housing near Metra stations.

[52] Metra, System Map, https://ridertools.metrarail.com/maps-schedules/system-map (last visited Feb. 7, 2025).

Conclusion

Too many families across Illinois are burdened by the cost of housing or are forced into crowded or substandard housing to make ends meet. While AHPAA is not a comprehensive solution to that crisis, it is a critical tool for ensuring that the Illinois communities with the least affordable housing have homes for low-income, working-class, and middle-class residents. But more tools and resources are needed for AHPAA to reach its goals, and some of those are outlined in this report.

Of course, while the recommendations in this report can all be achieved without amending AHPAA, strengthening the law itself could also represent an important step in ensuring our state's most affluent communities build their fair share of affordable housing. In particular, two types of measures could make the law more effective: First, the creation of more ambitious affordability goals in line with state or regional needs; and second, an appeals process that shifts the burden of proof onto municipalities to show that the denial of affordable housing was defensible, rather than requiring appellants to show that it wasn't.

Regardless of how state and local leaders choose to go about improving AHPAA, they should do so with all due haste to ensure the law lives up to its promise to create housing opportunities for all.

Appendix A[53]

9% LIHTC Awards in NELGs and "at risk" communities (ARCs), 2008–2024

Year	# Proposals in NELGs	# Awards in NELGs	# Total Units Awarded in NELGs	# Proposals in ARCs	# Awards in ARCs	# Total Units Awarded in ARCs	Proposals in NELGs that received awards	Proposals in NELGs that did not receive awards	Proposals in ARCs that received awards	Proposals in ARCs that did not receive awards
2008	Unknown*	0	0	Unknown*	0	0	none	Unknown*	none	Unknown*
2009	Unknown*	1[Δ]	16	Unknown*	0	0	Lake Forest [Δ]	Unknown*	none	Unknown*
2010	0	0	0	6 [†]	1 [†]	60	none	none	Oswego[†]	Crystal Lake, Arlington Heights, Itasca, Lake in the Hills, Lisle
2011	0	0	0	6	2	160	none	none	Orland Park, East Dundee	New Lenox, Plainfield, Batavia, Lisle
2012	0	0	0	9 [†]	4 [†]	210	none	none	Glenview, East Dundee, Crystal Lake, Oswego[†]	Frankfort, Lake in the Hills (2 proposals), New Lenox, Hawthorn Woods
2013	2	1	123	6 [†]	4 [†]	287	LaGrange, Sugar Grove	none	Grayslake, Lake in the Hills, Lisle, Oswego[†]	Bartlett, Huntley
2014	4	3	109	5 [‡]	2 [‡]	246	Glenview, Frankfort, Cary	New Lenox	Arlington Heights / Skokie[‡]	Huntley, Batavia, Arlington Heights
2015	4	1	20	9 [†]	5	304	LaGrange	Deerfield, Wilmette, New Lenox	Channahon, Arlington Heights, West Dundee, Huntley, Tinley Park	Tinley Park, Beecher, Batavia, Mahomet[†]
2016	2	1	53	6 [†]	4	144	New Lenox	Cary	Batavia (2 proposals)	Oak Park, Palatine, South Elgin, Yorkville[†]
2017	3	1	62	5 [†]	2	86	Cary	Deerfield, Naperville	South Elgin, Arlington Heights	Mahomet[†], Palatine, Evanston

[53] Data for Appendix A compiled from IHDA's annual documentation of LIHTC proposals and awards (https://www.ihda.org/developers/tax-credits/low-income-tax-credit/#toggle-id-5) where available and the Authority's database of historical 9% awards (https://www.ihda.org/wp-content/uploads/2025/01/IHDA_9PCT_HST_20250115.xlsx) where annual documentation was not available. Additional information compiled from historical QAP records maintained by Novogradac (https://www.novoco.com/resource-centers/affordable-housing-tax-credits/2025-qaps-and-applications).

* IHDA does not have proposals from 2008 & 2009 available on its website, but it does list awards from these years.

[Δ] As discussed in note 20, *supra*, this development was funded through a special round of LIHTC called the "Disaster Tax Credit," a temporary award that targeted counties in states that were impacted by July 2008 flooding.

[†] Oswego (Kendall County), Mahomet (Champaign County), and Yorkville (Kendall County) are all outside the Chicago Metro area and therefore did not qualify for the Chicago Metro AHPAA set-aside

[‡] This proposal was unique in that it was a rehabilitation project submitted by the Housing Authority of Cook County and split units across two "at risk" communities (Arlington Heights and Skokie); for purposes of this report, each community is counted separately

9% LIHTC Awards in NELGs and "at risk" communities (ARCs), 2008–2024 *(continued)*

Year	# Proposals in NELGs	# Awards in NELGs	# Total Units Awarded in NELGs	# Proposals in ARCs	# Awards in ARCs	# Total Units Awarded in ARCs	Proposals in NELGs that received awards	Proposals in NELGs that did not receive awards	Proposals in ARCs that received awards	Proposals in ARCs that did not receive awards
2018	2	1	68				Naperville	Deerfield		
2019	1	1	16				Wilmette	none		
2020	1	1	45				Geneva	none		
2021	0	0	0				none	none		
2022	0	0	0				none	none		
2023	2	1	48				Northbrook	Naperville		
2024	1	0	0				none	Geneva		
TOTAL	**22**	**12**	**560**	**52**	**24**	**1497**				
Chicago Metro Only	**22**	**12**	**560**	**46**	**21**	**1312**				

† Oswego (Kendall County), Mahomet (Champaign County), and Yorkville (Kendall County) are all outside the Chicago Metro area and therefore did not qualify for the Chicago Metro AHPAA set-aside

‡ This proposal was unique in that it was a rehabilitation project submitted by the Housing Authority of Cook County and split units across two "at risk" communities (Arlington Heights and Skokie); for purposes of this report, each community is counted separately

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