



## CLASS 9 ELIGIBILITY BULLETIN

### ***Definitions and Eligibility***

Real estate is eligible for Class 9 status under the following conditions:

- A. ***Property Type.*** The property must consist of an existing or newly constructed multifamily building containing seven or more rental dwelling units, and must be used primarily for residential purposes to provide decent, safe and affordable housing for low- and moderate-income households.
- B. ***Designating Class 9 Units.*** The applicant must predesignate and identify at least 35% of the building's dwelling units as Class 9 units. In order to help assure that Class 9 designated units within a building are comparable in quantity and quality to the remaining units in the building, the units must be allocated so that at least 35% of each type of unit, as characterized by the number of bedrooms, are Class 9 units, or some other allocation of that 35% that is found to be fair and equitable.
- C. ***Tenant Income Levels.*** Maximum household income of Class 9 tenants cannot exceed 80% of the areas median income. Owners must make a current listing of Class 9 tenants and their income available to the Assessor upon request. See the last page of this Bulletin for the current maximum income levels.
- D. ***Rent Levels.*** Class 9 designated units must be leased at rents affordable to low- and moderate-income persons or households for the duration of the Class 9 designation. Class 9 rents are gross rents, i.e., the rental cost of the unit plus an allowance for any tenant-paid utilities (except telephone), services and appliances. The rents are calculated by a formula based on the area's median income issued annually by the U.S. Department of Housing and Urban Development. See last page of this Bulletin for the current Class 9 maximum rent schedule.
- E. ***Notices of Current Rent Levels.*** When advised by the Assessor's Office of revisions in the permitted maximum rent levels, the owner must deliver or mail written notice of the revised rent ceilings to all Class 9 tenants. A copy of such notice must be submitted to the Assessor's Office. Please see Page 9 of this Bulletin, "Maintenance of Class 9 Status".
- F. ***Application Prior to Start of New Construction or Major Rehabilitation.*** An applicant seeking Class 9 must submit a completed Class 9 Eligibility Application to the Assessor's Office prior to the commencement of new construction or major rehabilitation, as described below. The application procedure is described beginning on page 6 of this Bulletin, "Required Information & Documentation".

G. *Rehabilitation Requirements.* Existing properties must undergo major rehabilitation. Major rehabilitation must minimally include the replacement or renovation of at least two primary building systems. Rehabilitation must be accomplished in a manner so that the Class 9 designated units within a building are comparable in terms of quality and living conditions to units not designated as Class 9.

A total expenditure per square foot of at least:

- \$5.00 in 2004;
- \$6.00 in 2005;
- \$7.00 in 2006;
- \$8.00 in 2007;

on the gross living area must be incurred toward the replacement or renovation of at least two designated building systems. Although the cost of each system may vary, the combined expenditure for the systems must be at least the dollar amount per square foot as outlined above. For subsequent years, at least \$8.00 per square foot indexed with the current annual Consumer Price Index (CPI).

Following are the specific building systems approved for this program:

1. **Electrical** – all electrical work must comply with applicable codes, it may consist of a combination of any of the following alternatives:
  - a. Install individual equipment and appliance branch circuits as required by code (the minimum being a kitchen appliance branch circuit);
  - b. Install a new emergency service including emergency lighting with all associated conduit and wiring;
  - c. Rewire all existing feeder conduit ("home runs") from the main switchgear to apartment area distribution panels;
  - d. Install new in-wall conduit for receptacles, switches, appliances, equipment, and fixtures;
  - e. Replace power wiring for receptacles, switches, appliances, equipment and fixtures;
  - f. Install new light fixtures throughout the building including closets and central areas;
  - g. Replace, add, or do work as necessary to bring into code compliance, all receptacles, switches, and other electrical devices;
  - h. Install a new main service including conduit, cables into the building, and main disconnect switch;
  - i. Install new distribution panels including all panel wiring, terminals, circuit breakers and all other panel devices.

2. **Heating** - all heating work must comply with applicable codes, it may consist of a combination of any of the following alternatives:

- a. Install a new system to replace one of the following heat distribution systems:
- Piping and heat radiating units, including new main line venting and radiator venting; or
  - Duct work, diffusers and cold air returns; or
  - Any other type of existing heat distribution and radiation/diffusion components;

OR

- b. Install a new system to replace one of the following heat generating units:
- Hot water/steam boiler; or
  - Gas furnace; or
  - Any other type of existing heat generating unit(s).

3. **Plumbing** - all plumbing work must comply with applicable codes -

Replace, all or part of, in-wall supply and waste plumbing. (Main supply risers, waste stacks and vents, and code-conforming waste lines need not be replaced.)

4. **Roofing**

- a. Replace all rotted roof deck and insulation;

OR

- b. Replace or repair all leaking roof membrane (10% is suggested minimum replacement of membrane). Restoration of the entire roof is an acceptable substitute for membrane replacement.

5. **Exterior Doors and Windows**

Replace exterior doors and windows. Renovation of ornate entry doors is an acceptable substitute for replacement.

## 6. Floors, Walls and Ceilings

Finishes must be replaced or covered over with new material surfaces of floors, walls and ceilings. The following items define replacement and/or covering materials acceptable under these guidelines:

- a. Floors must have new carpeting, vinyl tile, ceramic, refurbished wood finish, or a similar substitute;
- b. Walls must have new drywall, including joint taping and painting;
- c. New ceilings must be either drywall, suspended type, or similar substitute.

## 7. Exterior Walls

- a. Replace loose or crumbling mortar and masonry with new material;

OR

- b. Replace or paint wall siding and trim as needed;

OR

- c. Bring porches and balconies to a sound condition.

## 8. Elevators

***At least four of the following seven alternatives must be accomplished:***

- a. Replace/rebuild the machine room controls and refurbish the elevator machine (or equivalent mechanisms in the case of hydraulic elevators);
- b. Replace hoistway electro-mechanical items including: ropes, switches, limits, buffers, levelers, and deflector sheaves (or equivalent mechanisms in the case of hydraulic elevators);
- c. Replace hoistway wiring;
- d. Replace door operators and linkage;
- e. Replace door panels at each opening;
- f. Replace hall stations, car stations, and signal fixtures;
- g. Rebuild the car shell and refinish the interior.

## 9. Health and Safety

- a. Install or replace fire suppression system;

**OR**

- b. Install or replace security system.

**OR**

- c. Environmental remediation of lead-based paint, asbestos, leaking underground storage tanks or radon.

**OR**

- d. Energy conservation improvements undertaken to limit the amount of solar energy absorbed by a building's roof or to reduce energy use for the property including, any of the following activities:

1. Install or replace reflective roof coatings (flat roofs)

**OR**

2. Install or replace R-38 roof insulation

**OR**

3. Install or replace R-19 perimeter wall insulation

**OR**

4. Install or replace insulated entry doors

**OR**

5. Install or replace Low E, insulated windows

**OR**

6. Install or replace low-flow plumbing fixtures

**OR**

7. Install or replace 90% sealed combustion heating systems

**OR**

8. Install or replace direct exhaust hot water heaters

**OR**

9. Install or replace mech. ventilation to exterior for kitchens and baths

**OR**

10. Install or replace Energy Star appliances

**OR**

11. Install low VOC interior paints on interior finishes

**OR**

12. Install or replace fluorescent lighting in common areas

**OR**

13. Install or replace grading and landscaping to promote on-site water retention

## 10. Code Compliance

Any applicant who has purchased the property in an arm's length transaction not more than 90 days before the Class 9 application is filed with the Cook County Assessor's Office may use the cost of rehabilitation or repairs required by documented code violations, up to a maximum of \$2.00 per square foot, toward the required minimum investment threshold as described on Page 2 of this Bulletin, "Rehabilitation Requirements".

- H. *Post-Construction or Post-Rehabilitation Verification.* The applicant must submit written evidence to the Assessor that the new construction or major rehabilitation has been completed and that the property complies with all local building, safety, and health codes. These requirements are more completely described on Page 6 of the Bulletin, "Required Information and Documentation".
- I. *Annual Affidavits.* The owner must file an annual affidavit with the Assessor's Office certifying that the building remains in substantial compliance with local building, safety, and health codes and that the Class 9 requirements pertaining to rent levels and tenant household income limits are being met. The affidavit submitted the year prior to termination of Class 9 status must include a dated copy of written notice to tenants informing them of the date of the Class 9 termination regardless of whether or not the owner is seeking renewal. The contents of the annual affidavit are outlined on page 9 of this Bulletin, "Maintenance of Class 9 Status".
- J. *Sale or Transfer of Property.* In the event the property is sold or transferred during the period of Class 9 designation, the purchaser or transferee must comply with all of the Class 9 requirements. The consequences of failure to comply with the Class 9 requirements after a sale or transfer of property are discussed on page 11 of this Bulletin, "Termination of Class 9".
- K. *Anti-discrimination Clause.* No owner of a building with the Class 9 designation shall discriminate against any tenant or potential tenant on the basis of race, color, sex, age, disability, marital status, religion, national origin or ancestry, or on any other basis prohibited under federal, state, or local law.

### **Assessment Level**

Properties receiving Class 9 will be assessed at 16% of market value for ten years from the date of completion of major rehabilitation, and, upon application and approval of the Assessor, renewals of the incentive may be made in ten-year terms.

## **Required Information and Documentation**

### **A. Before New Construction or Rehabilitation**

1. *Optional Filing of Current Market Value Appeal.* Property owners have the option of filing a Real Estate Valuation Appeal Form requesting relief on the current market value of a property. Information on this optional step is mailed to all applicants.
2. *Filing Class 9 Eligibility Application.* Before beginning new construction or major rehabilitation activity, the property owner(s) or prospective transferee(s) seeking classification of real estate as Class 9 must file a "Class 9 Eligibility Application" with the Assessor's Office.

The "Eligibility Application" requires certain information from the applicant including, but not limited to, the following:

- a. Names and addresses of the owner(s) or prospective transferee(s) of the property, including any beneficial owner(s) if title to the property is held in trust;
- b. Description of the property:

#### *For major rehabilitation*

- Gross area of the building by square feet;
- Number of existing dwelling units;
- Proposed number of units after rehabilitation;
- Number of occupied units;
- Extent of vacancy;
- Any other uses of the property;
- A listing of code violations;
- Photographs of the interior and exterior of the building.

#### *For new construction*

- Gross area of the building by square feet;
- Square feet of living area;
- Square feet of unfinished area;
- Square feet of any other uses;
- Number of dwelling units;
- Number of bedrooms per unit

- c. Proposed construction or rehabilitation plans:

#### *For both new construction and major rehabilitation*

- The estimated date that construction or rehabilitation will commence;
- The estimated date that construction or rehabilitation will be completed;
- Plans, drawings and specifications, upon request.

*For major rehabilitation only*

- Scope of rehabilitation
- The estimated cost and extent of rehabilitation of each of the primary systems involved, and the combined cost per square foot of those systems;
- The estimated date that field staff from the Assessor's Office can inspect the rehabilitation of the identified major systems. This inspection must be made **WHILE WORK IS IN PROGRESS**. It is the Applicant's responsibility to notify the Assessor's Office of the exact date when an "open wall" inspection can be completed.

3. *Acknowledgment of Receipt of Application.* The Assessor's Office will acknowledge in writing the receipt of all applications.
4. *Optional Preliminary Review:* Upon written request, the Assessor's Office will make a preliminary review of an Eligibility Application as to whether it appears that a property will be eligible for the Class 9 designation. The Assessor's Office will not, however, make a preliminary review where there is insufficient data from which to draw any reasonable conclusions. Furthermore, the Assessor's Office's preliminary review is not binding upon the Assessor's Office if it becomes apparent, following completion of the new construction or major rehabilitation project, that the subject property fails to meet the requirements set forth in this Bulletin and in the Real Property Classification Ordinance.

*B. Upon Completion of New Construction or Major Rehabilitation*

1. *Submission of Post-Construction or Post-Rehabilitation Data.* After the new construction or major rehabilitation has been completed, the applicant must provide the following information as required by the "Eligibility Application":
  - a. Proof of the dates on which the new construction or major rehabilitation began and was completed;
  - b. Identification of the primary building systems (minimum of two) that were rehabilitated and the total dollar amount expended for the rehabilitation of these systems per square foot (*Rehabilitation only*);
  - c. Proof of rehabilitation costs including copies of building permits and contractor's sworn statements or certificates for payment (*Rehabilitation only*);
  - d. Photographs of all portions of the building that were rehabilitated, or for new construction, exterior photographs of building and typical interior units;
  - e. Documentation that the property is in compliance with all applicable local building, safety, and health codes and requirements, and is fit for occupancy;

- f. A Rental Information Form must be submitted, listing all the dwelling units within the building, identifying each unit by the apartment number, whether it is a Class 9 unit which has been predesignated for the duration of the incentive period, the number of bedrooms, the current occupancy status, the tenant's name, the rental rate and the lease term. The owner must provide documentation verifying Section 8 housing assistance if the Section 8 units are to be counted among those apartments subject to the Class 9 affordable rents.
  - g. The applicant must indicate that notices of current permissible Class 9 affordable rent levels have been delivered to tenants in the predesignated Class 9 units. Attach one copy of the dated notice. A sample notice appears on page 14 of this Bulletin.
  - h. A Class 9 Tenants' Household Income Report must be completed by the owner/agent for each Class 9 unit, listing the name of the tenant, number of persons in the household, total household income and type of income verification. In addition, the owner must submit individual Class 9 Certification of Tenant Household Income forms, each one completed and signed by the Class 9 tenant and the building owner/agent.
  - i. As a part of the Application, the applicant must also stipulate that, in the event that a failure to comply with the household income and affordable rent requirements occurs during the Class 9 term, the Class 9 classification shall be deemed null and void from its inception as to the subject property and that the then current owner will be liable for and shall reimburse to the County Collector an amount equal to the difference in the amount of taxes that were saved during the years that the Class 9 classification was in effect. The then current owner shall be personally liable for the amount which is due to be reimbursed.
2. *Filing of an Appeal Form to Change the Property Classification.* To effect a change in the subject property's classification from Class 3 to Class 9, a Real Estate Valuation Appeal Form must be filed for the assessment year in which major rehabilitation or new construction is completed. This "appeal" should request "change Class 3 to Class 9".

To challenge the market value placed on the property, an additional valuation appeal may be filed on the same form, submitting the required additional documentation.

3. *Review and Determination.* Upon the receipt of a Real Estate Valuation Appeal Form requesting a change from Class 3 to Class 9, the Assessor's Office will review the Eligibility Application as well as all of the documentation submitted in support of such Application, and will make a final determination as to whether the subject property complies with all of the requirements contained in this Bulletin and in the Cook County Real

Property Assessment Classification Ordinance, as amended.

If the subject property meets all of the foregoing requirements, the Assessor shall reclassify the property as Class 9 real estate. This reclassification to Class 9 shall take effect in the assessment year in which the major rehabilitation or new construction was completed.

### ***Maintenance of Class 9 Status***

The owner must file an annual affidavit provided by the Assessor's Office. The affidavit, attesting to continuous compliance with Class 9 requirements, must be filed before the annual deadline as set by the Assessor's Office.

The affidavit must certify the following:

- A. The building is in substantial compliance with applicable local building, safety, and health codes;
- B. The rents of Class 9 units do not exceed the gross maximum rents current during the prior year. Using the Assessor's Rental Information Form, list all dwelling units in the building, the apartment number, whether it is a designated Class 9 unit, the number of bedrooms, the current occupancy status, the tenant's name, the rental rate and term, and whether notice of proposed rental rates has been given to each tenant in designated Class 9 units. The owner must also provide a list of all previous rental rates charged for any unit during the previous year. The applicant must verify Section 8 housing assistance if the Section 8 units are to be counted among those apartments subject to the Class 9 affordable rents;
- C. The rents for at least 35% of the units during the next year will not exceed the applicable Class 9 affordable rent levels;
- D. The owner has delivered or mailed, during the past year, written notice of the then current permissible Class 9 maximum rent levels to those tenants occupying the Class 9 units. One dated copy of the notice must be attached. A sample notice appears on page 14 of this Bulletin for your convenience.
- E. Household incomes of tenants in Class 9 units did not exceed the applicable maximum income for the prior year. The owner/agent must complete the Class 9 Tenants' Household Income Report and attach individual Class 9 Certification of Tenant Household Income forms completed by each Class 9 tenant.
- F. Tenant household income limits will be observed during the next year. If a tenant's income rises above the limit, the owner will have a grace period of 18 months from the date of the affidavit to bring the Class 9 unit, or an additional alternate unit, into compliance. Procedures are outlined at the bottom of the Class 9 Tenants' Household Income Report.
- G. Under any of the following circumstances of expiration or termination of the Class 9 status, notice to tenants must be given by the owner. A dated copy must be attached to the annual affidavit.
  1. Expiration of the incentive requires notification at the end of Year 9 of that incentive period whether or not renewal is sought.
  2. Termination by the Assessor for non-compliance requires immediate

notification.

### ***Renewal of Class 9 Status***

The Assessor will notify owners with Class 9 incentives of the expiration of the Class 9 classification prior to the expiration date. For the convenience of those wishing to renew the incentive benefits for another ten-year period, an Application for a 10-year Renewal Form will accompany the notice.

A. *Renewal Requirements.* For each renewal, the applicant must file an Application for a 10-Year Renewal Form with the Assessor at least twelve months before the incentive expires.

1. Applicant must attest to the future compliance with the rent and tenant income restrictions: the rents for at least 35% of the units during the next ten years will not exceed the applicable Class 9 affordable rent levels and Class 9 units will be leased to low- and moderate-income households. In the event of failure to comply, the Class 9 classification shall be deemed null and void from its inception and the personal liability of the owner shall be the same as under the original application described in this Bulletin below as "Termination of Class 9".
2. Applicant must submit proof of substantial compliance with all applicable local building, safety and health requirements and codes.
3. Applicant must agree to an inspection of the building by the Assessor's field staff.
4. Applicant must certify all the other requirements as described on page 9 of this Bulletin, "Maintenance of Class 9 Status".

B. *Acknowledgment of Receipt of Application for a 10-Year Renewal.* The Assessor's Office will acknowledge in writing the receipt of applications for renewal.

C. *Review and Determination.* The Assessor's Office will review the application for renewal with its supporting documents, and the Assessor's field staff will schedule an inspection of the building. If the subject property meets all Class 9 rent requirements and household income limits, and complies with local building, safety and health codes, the Assessor shall renew the Class 9 status of the property for an additional ten years, subject to the filing of an appeal.

### ***Termination of Class 9***

The Class 9 designation may be terminated by the Assessor immediately under any of the following circumstances:

- failure to file the required annual affidavit prior to the filing deadline;
- failure to maintain the property in substantial compliance with all applicable local building, safety, and health codes and requirements;
- failure to comply with the Class 9 requirements of rent and tenant household income limits.

Furthermore, in the event that the applicant or any successor in interest in the subject property fails to comply with the rent and tenant household income requirements under the Class 9 classification, the Class 9 classification shall be deemed null and void from its inception as to the subject property. In such an instance, the then current owner shall be liable for and shall reimburse to the County Collector an amount equal to the difference in the amount of taxes that would have been collected had the subject property been assessed as a Class 3 property and the amount of taxes collected under the Class 9 classification. Failure of the original applicant or successor to make such a reimbursement shall not constitute a lien upon the subject property but shall constitute an in personam liability which may be enforced against the then current owner.

Since renewal is not guaranteed, applicant must submit a dated copy of written notice to tenants informing them of the date of the Class 9 termination if approval of renewal has not been received within sixty days prior to the expiration of the incentive period.

***Class 9 is administered by the Assessor's Specific Properties Department. Please direct all communications to: Office of the Cook County Assessor, Specific Properties Department, 118 North Clark Street, Chicago, Illinois 60602, (312) 603-7529.***

## ***SUMMARY OF CLASS 9 APPLICATION PROCEDURE***

1. File Class 9 Application with pre-construction or pre-rehabilitation data  
Optional: File Real Estate Valuation Appeal Form regarding current market value (See Assessor's Rules for Filing)
2. Assessor's Office sends letter of receipt  
Optional: Upon written request, Assessor's Office makes a preliminary, non-binding review of eligibility
3. Begin construction
4. Notify Assessor's Office when property is ready for open-wall inspection (*Rehabilitation only*)
5. Complete construction
6. Obtain verification of code compliance
7. File Real Estate Valuation Appeal Form requesting change to Class 9 with post-construction or post-rehabilitation data  
Optional: Using same form, also file valuation appeal regarding current market value, with supporting argument and evidence (See Assessor's Rules for Filing)

**SAMPLE NOTICE  
TO TENANTS FROM OWNERS**

Dear (tenant),

Once a year, we are required to notify you of the rent limits under the Cook County Assessor's Class 9 Affordable Housing Tax Incentive Program. The purpose of this notice is to inform you of the new maximum rent levels so you will know that your rent is within the allowable limits.

Attached is the Assessor's Class 9 Rent Schedule showing the maximum gross rents and allowances for utilities. Your gross rent is your monthly rent plus the allowance for any utilities paid directly by you.

This notice is for your information and will not affect your rent.

If you have any questions, please contact (name of landlord or building manager).

## **CLASS 9 RENT AND TENANT INCOME SCHEDULE**

Effective March 2006

At least 35% of the apartments in a building having the Class 9 incentive must be leased to low- and moderate-income households at affordable rents. The Class 9 maximum rents and tenant household incomes are listed below.

### **MAXIMUM CLASS 9 GROSS RENTS**

All rents are gross rents, i.e., the rental cost of the unit plus an allowance determined by the Assessor for any tenant-paid utilities (except telephone), services and appliances.

<u>Size of Unit</u>	<u>Class 9 Maximum Rents</u>
SRO	\$564
0 BR	745
1 BR	804
2 BR	965
3 BR	1,116
4 BR	1,251

Maximum Class 9 affordable rents are calculated by a United States Department of Housing and Urban Development (HUD) formula based on the area's median income. Class 9 rent ceilings are based on 55% of the Chicago area median income.

### **UTILITY ALLOWANCES FOR LIGHTING AND GAS COOKING\***

<u>Size of Unit</u>	<u>Class 9 Allowance</u>
0 BR	\$19
1 BR	26
2 BR	32
3 BR	38
4 BR	48

\*If Class 9 units are individually heated or appliances are supplied by the tenant or if there are any other paid utilities or services, contact the Assessor's Development Incentives Department at (312) 603-7529.

### **MAXIMUM CLASS 9 TENANT HOUSEHOLD INCOME**

<u>Number in Household</u>	<u>Class 9 Income Limit</u>
1	\$41,700
2	47,770
3	53,650
4	57,920
5	62,554
6	67,187

Class 9 maximum household incomes are 80% of the area's median income.

The Class 9 Affordable Rent and Tenant Income Schedule will be updated annually at the time HUD issues the year's median income for the Chicago region. The Assessor's Office will notify owners of Class 9 buildings of changes in the Class 9 Affordable Rent and Tenant Income Schedule.