



CLASS S ELIGIBILITY BULLETIN

General Provisions and Incentive Benefits

The goal of Class S is to preserve project-based Section 8 multifamily rental housing so as to retain the stock of decent, safe and affordable housing for low- and moderate-income households in Cook County.

Qualified real estate under the incentive provided by Class S is Class 3 property which is subject to a project-based Section 8 contract that has been renewed pursuant to the provisions of the Class S Ordinance, 74-63. The Section 8 units must be retained during the five-year term of the renewed contract. The portion of the building eligible for the incentive shall be in such proportion as the number of Section 8 units bears to the total number of units. This proportion shall be applied only to property used for residential purposes, and not to portions of the property, if any, used for commercial purposes. The portion of the units that are Section 8 will be assessed at the 10% level.

Qualifying real estate will be eligible to renew the incentive when the applicant receives approval from HUD for a contract renewal. The applicant shall file an application for the incentive with the Assessor's Office along with a copy of HUD's letter approving the contract renewal and a copy of the executed renewal contract. After the Class S term expires, the assessment level will revert to the Class 3 assessment level.

Definitions

The following definitions, as set forth in Section 1 of the Cook County Real Property Assessment Classification Ordinance, pertain to the Class S incentive provision:

HUD: "The United States Department of Housing and Urban Development (HUD)."

HUD's Section 8 renewal policy guidelines means that certain handbook titled 'Section 8 Renewal Policy: Guidelines for the Renewal of Project Based Section 8 Contracts' as published from time to time by the United States Department of Housing and Urban Development Office of Multi-Family Housing, as amended from time to time, or any successor publication.

Section 8 Contract. "A contract for project-based assistance for a multifamily housing project under Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f)."

Fair Market Rent. “The fair market rental established under Section 8(c) of the United States Housing Act of 1937 (42 U.S.C. 1437f).”

Expiring Contract. “A project based assistance contract under Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) which, under the terms of the contract, will expire.”

Mark up to market option means a contract renewal option, pursuant to Section 524(a)(4)(A) of the Multifamily Assisted Housing Reform and Affordability Act of 1997 [MAHRA] (Title V of Public Law No. 105-65, October 27, 1997, 111 Stat. 1384ff), as amended by Section 531 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2000 (Pub. L. No. 106-74, October 20, 1999, 113 Stat. 1109ff) (42 U.S.C. § 1437f) or any successor statute, for eligible properties located in strong markets, where a rent comparability study conducted by HUD has determined that comparable market rents are at or above 100 percent of the HUD Fair Market Rent, and for which HUD is authorized to approve renewal terms providing rents higher than the HUD FMR. The mark up to market option includes increasing rents from the HUD FMR to the level of an existing use restriction on a property.

Mark up to market option under HUD's discretionary authority means a contract renewal option, pursuant to Section 524 (a)(4)(C) or (D) of the Multifamily Assisted Housing Reform and Affordability Act of 1997 [MAHRA] (Title V of Public Law No. 105-65, October 27, 1997, 111 Stat. 1384ff), as amended by Section 531 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2000 (Pub. L. No. 106-74, October 20, 1999, 113 Stat. 1109ff) (42 U.S.C. § 1437f) or any successor statute, providing rents higher than the HUD FMR, based on the exercise of HUD's discretionary authority, for properties which do not necessarily meet the usual eligibility criteria, but do meet a special set of statutory criteria, in that a vulnerable population is affected; there is a low vacancy rate in the area, which would make tenant based assistance difficult to use, or a lack of comparable housing; or the project is a high priority for the local community, as demonstrated by a contribution of state or local funds to the property.

Section 8 contract renewal means:

(1) Renewal of a Section 8 contract for an additional five years under the mark up to market option or under the mark up to market option under HUD's discretionary authority, after a determination of eligibility by HUD pursuant to its authority under Section 524(a)(4)(A), (C), or (D) of the Multifamily Assisted Housing Reform and Affordability Act of 1997 [MAHRA] (Title V of Public Law No. 105-65, October 27, 1997, 111 Stat. 1384ff), as amended by Section 531 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2000 (Pub. L. No. 106-74, October 20, 1999, 113 Stat. 1109ff) (42 U.S.C. § 1437f) or any successor statute; or

(2) Renewal of a Section 8 contract by a not-for-profit corporation under any available option under HUD's renewal procedures as described in HUD's Section 8 Renewal Policy Guidelines.

Eligibility Requirements

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

A. Mark Up To Market Option (MUTM).

Property qualifies if its Section 8 contract has been renewed under the Mark Up To Market option. HUD has approved renewal of the MUTM option after finding that:

1. the property has received a physical inspection score of at least 60, in an inspection by HUD's Real Estate Assessment Center confirming that the property is decent, safe, sanitary and in good repair with no uncorrected exigent health and safety (EHS) violations;
2. the property does not have a low-and-moderate-income use restriction that cannot be eliminated by unilateral action by the owner (if, however, the current rent is lower than the use restriction, HUD may use the Mark Up to Market option to increase the rents to the use restriction level, which would be a renewal qualifying for the S classification); and
3. a Rent Comparability Study conducted by HUD has demonstrated that comparable market rents are above 100% of the HUD Fair Market Rent (FMR).

B. Mark Up To Market Option Under HUD's Discretionary Authority.

Property qualifies under the discretionary authority MUTM option if:

1. a vulnerable population is affected, or
2. there is a low vacancy rate in the area, which would make tenant based assistance difficult to use, or a lack of comparable housing, or
3. the project is a high priority for the local community, as demonstrated by a contribution of State or local funds to the property.

C. Renewal by a Not-For-Profit

Property qualifies if HUD has approved renewal of a Section 8 contract for a not-for-profit corporation under any available option under HUD's renewal procedures as described in HUD's Section 8 Renewal Policy Guidelines.

D. Number of Section 8 Units

At least 20% of the living units must be Section 8 units for qualifying low- and moderate-income persons.

E. Duration

The owner(s) must agree to retain at least the existing number of Section 8 units during the five-year term of the renewed contract.

F. Affidavit

For the duration of the Class S, the applicant must file annually with the Assessor's Office, on or before a date determined by the Assessor's Office, a sworn statement verifying continuous compliance with the Class S provisions.

G. Notification

Applicant must agree to notify the Assessor's Office if the Section 8 contract is terminated by HUD prior to its expiration date. Applicant shall provide to the Assessor's Office a copy of any Notice of Default or Notice of Abatement received from HUD.

H. Sale or Transfer of Property

In the event the property is sold or transferred during the Class S term, the purchaser or transferee must comply with all of the Class S requirements. The consequences of failure to comply with the Class S requirements after a sale or transfer of property are discussed in "Termination" below.

I. Anti-discrimination Clause

No owner of a building with the Class S 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

The residential portion of the property qualifying for Class S will be assessed at 16% of fair market value.

Required Information and Documentation

A. Filing Class S Eligibility Application.

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

1. When the applicant applies to HUD for a contract renewal, the applicant shall, at the same time, notify the Assessor's Office of possible contract renewal.
2. Upon receiving approval of the contract renewal from HUD, the applicant shall file an application for the incentive with the Assessor's Office on a form provided by that office.
3. The Class S application shall be supported by a copy of HUD's letter approving the contract renewal and a copy of the executed renewal contract.

Any property which, as of the effective date of the adoption of the amendments to the Class S incentive program, has an existing Section 8 contract may apply for Class S classification for the portion of the 2006 assessment year encompassed within the contract term. The Class S classification will remain in effect for the duration of the contract. Class S may be renewed each time the contract is renewed.

B. *Acknowledgment of Receipt of Application*

The Assessor's Office will acknowledge in writing the receipt of all applications.

C. *Filing of the Appeal Form to Change the Property Classification*

The Assessor's Office's acknowledgement of the application will inform the applicant of the time for filing an appeal. If the appeal dates are not yet available, the acknowledgement will suggest a time to contact the Incentives Department at (312) 603-7529 for an appeal date. To effect a change in the subject property's classification from Class 3 to Class S, a Real Estate Valuation Appeal Form must be filed with the Assessor's Office for the assessment year in which the contract begins. This "appeal" should request "change Class 3 to Class S".

To challenge the market value placed on the property, an additional valuation appeal may be included, supported by the required additional documentation (see General Rules for Assessment Valuation Appeals).

D. *Review and Determination*

Upon the receipt of a Real Estate Valuation Appeal Form requesting a change from Class 3 to Class S, the Assessor will review the Eligibility Application, along with the documentation submitted in support of such Application, and will make a final determination as to whether the subject property complies with the requirements contained in this Bulletin and in the Real Property Assessment Classification Ordinance, as amended. If the subject property meets all the foregoing requirements, the Assessor shall reclassify the property as Class S real estate. This reclassification to Class S shall take effect in the assessment year in which the contract is effective.

Maintenance of Class S Status

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

The affidavit must certify the following:

1. The subject property is in substantial compliance with applicable building, safety and health codes. Attached to the affidavit must be copies of any outstanding building, safety or health code violations.
2. Attached to the affidavit must be documentation verifying a HUD contract for Section 8 housing assistance for those units that are project-based Section 8 units.
3. The number of Section 8 units, listed in the contract, has been maintained or exceeded.
4. Rents for at least 20% of the property are HUD Section 8 units.
5. The applicant is a not-for-profit in good standing, if the applicant is a not-for-profit renewing a contract under HUD's Section 8 renewal policy

guidelines.

Renewal of Class S Status

A. Renewal Requirements:

1. The incentive may be renewed if the Section 8 contract is renewed and continues to meet the Class S requirements. Upon filing an application with HUD (no less than 120 days prior to termination of the contract) for renewal of the Section 8 contract, the applicant shall provide notice to the Assessor's Office. Upon receipt of notice from the applicant, the Assessor's Office will send an Application Renewal Form which the applicant must return to the Assessor's Office within forty-five days for renewal of the Class S incentive.
2. The Assessor will notify owners with Class S incentives of the scheduled expiration of the Class S classification six months prior to the expiration date.
3. In addition, the applicant shall provide notice to the Assessor's Office of HUD's approval of the contract renewal or notification of other HUD action upon receipt.

B. Acknowledgment of Receipt of Application for 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. If the subject property meets all Class S requirements, the Class S classification of the property shall be renewed, subject to the filing of an appeal.

Termination by the Assessor

The Class S classification may be terminated immediately by the Assessor under any of the following circumstances:

- failure to comply with the Class S requirement that at least 20% of living units be designated as Section 8 units for qualifying low-and moderate income persons;
- failure to retain Section 8 units for at least 5 years after the renewal of the expired Section 8 contract;
- failure to file annually with the Assessor's Office, on or before a date determined by the Assessor's Office, a sworn statement verifying continuous compliance with Class S;
- failure to notify the Assessor's Office if the Section 8 contract is terminated prior to its expiration date.
- termination of the HUD contract.

Furthermore, in the event that the original applicant, or any successor in interest in the subject property, fails to comply with the requirements under the Class S classification, the Class S 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 at the Class 3 assessment level and the amount of taxes collected under the Class S classification. Failure of the then current owner 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.

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