



DEPARTMENT OF HOUSING
CITY OF CHICAGO

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**CITY COUNCIL GRANTS DEPARTMENT OF HOUSING COMMISSIONER AUTHORITY TO
CEDE VOLUME CAP**

The Chicago City Council has passed an ordinance granting the Commissioner of the Department of Housing (DOH), with concurrence of the Chief Financial Officer's, authority to cede tax-exempt private activity bond (TE PABs) volume cap to the Illinois Housing Development Authority (IHDA) and the Chicago Housing Authority (CHA).

A primary use of DOH TE PABs volume cap is awarding it to the developers of affordable housing projects, which through federal regulation can use the bonds to generate Low-Income Housing Tax Credits (4% LIHTC credits). When developers use the City's TE PAB volume cap in this way, there is no cost or liability to the City. The City does not typically consume its entire volume cap amount.

Historically, DOH has received an average annual allocation of \$270 million in bond cap. The City anticipates nearly \$50 million of unused cap will expire. Ceding volume cap will allow DOH to help create and preserve more affordable housing in partnership with other funding agencies, generally at no additional cost to the city.

Each reallocation of cap has traditionally required unique & specific council authority, adding months to the reallocation process. In the interest of advancing Mayor Brandon Johnson's Cut the Tape initiative and reducing administrative burdens for processes related to affordable housing production, DOH sought City Council approval for commissioner approval to cede volume cap to other agencies.

IHDA is a state allocating agency who similarly uses bonds to finance multi-family and single-family projects in the City of Chicago. In addition to the financial partnerships IHDA shares with the City on its own multifamily developments, IHDA also uses its own volume cap to finance development proposals within the city and without city participation. From 2018-2023, IHDA has utilized its own volume cap support more than \$1.55 billion in Chicago based developments alone.

The City had previously ceded volume cap to IHDA and CHA to help support more affordable development in Chicago. In 2020, DOH ceded \$170 million in volume cap to IHDA which would have allowed IHDA to fund projects for a period of at least 3 years before expiring. DOH is currently working with IHDA on another \$150 million in volume cap which was approved by city council in April 2024. Additionally, DOH ceded \$100 million in volume cap to CHA specifically for the preservation of 350 units of affordable senior housing.

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