



SB 1959 (Castro) Bringing Fairness and Consistency to Impact Fees

Illinois REALTORS®' "Housing Stability & Affordability Initiative" is our latest effort to bring to bear a concentrated and comprehensive plan to address the lack of housing inventory and affordability in Illinois. Our state, like the rest of the country, faces a housing supply crisis. By some estimates, in 2024, our statewide underproduction of new homes exploded to more than 150,000, making Illinois one of, if not the worst state in the country for keeping up with housing needs.

Today, most areas of the state only have one to three months of available housing on the market. Years of low inventory have driven prices higher and higher – almost 40 percent in only five years – and increased housing instability across the state. The "Housing Stability & Affordability Initiative" puts Illinois on a path to more housing stability and affordability.

Nowhere is the housing crisis seen more vividly than in the dramatic shortage of middle-income housing – or the "Missing Middle." "Missing middle" housing is both starter homes and smaller multi-family units that are considered "affordable" by those earning between 80 percent and 120 percent of the area median income. In 2024, Illinois Gov. JB Pritzker formed the Ad-Hoc Missing Middle Housing Solutions Advisory Committee, which Illinois REALTORS® was proud to serve on, to delve deeper into the causes and effects of this issue. Specifically, the committee was tasked with developing interventions the state could pursue to address this crisis.

One of the leading contributors to the lack of new missing middle construction has been local regulations, which can add between 25 percent and 40 percent to the cost of new home construction. To target one of the components of costly local regulation, our initiative is championing SB 1959 (Sen. Cristina Castro). This bill makes changes to the state's existing impact fee law, yet another unnecessary added cost to the home building process. While state law already sets the parameters for how towns implement and charge impact fees, SB 1959 aims to bring more fairness and uniformity to this critical development mechanism.

Today, municipalities may apply inflated impact fees outside of the parameters of state law with no repercussions. Those affected are left with only a few choices, all of which are designed to discourage protest. Those include simply paying higher than necessary fees for the ability to develop residential properties, suing the city for compliance, or abandoning their residential development project all together. SB 1959 will not negatively impact any municipality that is currently in compliance with state law. Rather, the amendment proposes an incentive for towns and cities not in compliance to reform their local impact fee ordinances within the next 12-18 months. Implementation of these changes will be to bring consistency to the impact fee application process and clear the way for home builders to engage on new projects.