



City of Chicago



O2014-9759

Office of the City Clerk

Document Tracking Sheet

Meeting Date: 12/10/2014

Sponsor(s): Pope (10)

Type: Ordinance

Title: Amendment of Municipal Code Chapter 1-23 by adding new Section 1-23-500 entitled Abuse of Property Tax Incentive Programs

Committee(s) Assignment: Committee on Economic, Capital and Technology Development

ORDINANCE

WHEREAS, the City Council of the City of Chicago from time to time passes so-called inducement ordinances, authorizing favorable treatment of specific real properties under the Cook County Real Property Assessment Classification Ordinance under certain conditions specified by Cook County; and

WHEREAS, the purpose of such inducement ordinances is to induce the property owner to make a major capital investment in the subject property for industrial, commercial or other purposes, all as specified within the Cook County Real Property Assessment Classification Ordinance; and

WHEREAS, if the property owner's subsequent application for favorable treatment is approved by Cook County, and the owner makes the requisite investment in the subject property, the property is assessed, for purposes of taxation, at a reduced rate for a specified number of years; and

WHEREAS, the resulting favorable treatment results in temporarily reduced tax bills for the property owner, as a way of offsetting some or all of the cost of investment; and

WHEREAS, local taxing bodies may benefit during the period of reduced assessment because of the increased value of newly constructed, expanded or renovated improvements to the subject property, as well due to economic activity resulting from the inducement ordinance: construction jobs, more industrial or commercial activity generating additional personal income and additional transaction taxes; and

WHEREAS, in a recent incident, a recipient of reduced assessments for a Class 6(b) industrial property was accused of using the redeveloped subject property for an illegal purpose, which if disclosed to the City Council at the time of application would have resulted in denial of the City's authorization for favorable treatment by Cook County; and

WHEREAS, it is wrong for a property owner to use a governmental benefit to support illegal activity, and it is appropriate that the City of Chicago take action to redress such wrongs; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:

SECTION 1. The statements in the preamble of this ordinance are hereby incorporated by this reference, as if fully restated.

SECTION 2. Chapter 1-23 of the Municipal Code of the City of Chicago is hereby adding a new Section 1-23-500, as follows:

1-23-500 Abuse of property tax incentive programs.

(a) Every person who applies for a property tax incentive involving reduced levels of assessed valuation pursuant to the Cook County Real Property Assessment Classification Ordinance, as amended, shall execute an anti-abuse agreement, in a form approved by the corporation counsel. The anti-abuse agreement shall include the following elements:

- (i) An acknowledgment by the applicant that the City of Chicago is not obligated to support the applicant's attempt to have the subject property assessed at reduced levels;
- (ii) An acknowledgment that, if the subject property is assessed at a reduced rate for tax purposes because of the city's approval of a property tax incentive, the City of Chicago will not receive the full benefit of city-levied property taxes on that portion of the property's true market value;
- (iii) A covenant that the applicant will not use the subject property, or allow the subject property to be used, for criminal purposes;
- (iv) An agreement that, if the foregoing covenant is violated, to pay to the City of Chicago an amount equal to the difference in city-levied taxes attributable to the reduced level of assessment, calculated from the earliest proven date of the illegal activity and continuing until the sooner of (A) the termination of the reduced assessment period or (B) the owner's transfer of title to the subject property to another party in a bona fide, arm's length transaction.

(b) The covenant described in paragraph (iii) of subsection (a) of this section will be deemed violated upon the occurrence of any of the following:

- (i) The applicant's conviction of commission or participation in a felony of any nature involving the use of the subject property; or
- (ii) The applicant's admission, in any civil or criminal proceeding, of commission or participation in a felony of any nature involving the use of the subject property;
- (iii) The applicant knew, or reasonably should have known, that another person engaged in conduct constituting a felony involving the use of the subject property. This requirement is met if the felony was committed by a controlling or managing person of the applicant.

(c) A felony will be considered to involve the use of the subject property if:

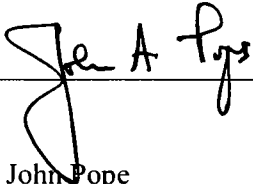
- (i) The felony was actually committed at or on the subject property; or
- (ii) Instrumentalities, items taken in the course of the felony, or proceeds of a felony were or are stored on or at the subject property.

(d) A transfer of title to the subject property, for purposes of phrase (B) of paragraph (iv) of subsection (a) of this section, shall be considered to be bona fide and at arm's length if all the following conditions are met:

- (i) Neither the transferee nor any controlling or managing person of the transferee has been convicted or made an admission of committing or participating in the subject felony; and

- (ii) No person who was a controlling or managing person of the original applicant is a controlling or managing person of the transferee.

SECTION 3. This ordinance shall take effect 30 days after its passage and approval.

A handwritten signature in black ink, reading "John A. Pope". The signature is written in a cursive style and is positioned above a horizontal line.

John Pope

Alderman, 10th Ward