



City of Chicago



O2021-746

Office of the City Clerk

Document Tracking Sheet

Meeting Date: 2/24/2021

Sponsor(s): Lightfoot (Mayor)
La Spata (1)
Ramirez-Rosa (35)

Type: Ordinance

Title: Amendment of Municipal Code Chapter 2-44, adding new section 2-44-135 imposing building demolition surcharge tax pilot program until April 1, 2022 in Pilsen and 606 trail neighborhoods

Committee(s) Assignment: Committee on Finance

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OFFICE OF THE MAYOR
CITY OF CHICAGO

LORI E. LIGHTFOOT
MAYOR

February 24, 2021

TO THE HONORABLE, THE CITY COUNCIL
OF THE CITY OF CHICAGO

Ladies and Gentlemen:

At the request of the Commissioner of Housing, together with Aldermen Ramirez Rosa and La Spata, I transmit herewith an ordinance imposing a demolition tax in some areas of the City.

Your favorable consideration of this ordinance will be appreciated.

Very truly yours,

A handwritten signature in black ink that reads "Lori E. Lightfoot".

Mayor

ORDINANCE

WHEREAS, The City of Chicago (the "City") is a home rule unit of government pursuant to Article VII, Section 6(a) of the 1970 State of Illinois Constitution and, as such, may exercise any power and perform any function pertaining to its government and affairs; and

WHEREAS, The City has determined that a shortage of affordable housing available to low- and moderate-income households is harmful to the health, prosperity, economic stability and general welfare of the City; and

WHEREAS, The City's current Five Year Housing Plan (2019-2023) recognizes that most of the City's existing affordable housing is in unsubsidized, naturally occurring housing, often in the form of older 2-flats and smaller multi-family residential buildings; and

WHEREAS, Protecting such naturally occurring affordable housing is critical to protecting vulnerable households from displacement; and

WHEREAS, Two particular areas in the City are experiencing high levels of gentrification and displacement of vulnerable households: the area adjacent to the 606 trail and the Pilsen neighborhood; and

WHEREAS, The area adjacent to the 606 trail is a transit-rich neighborhood that has experienced significant change due to a major public investment in a neighborhood amenity, and Pilsen is a transit-rich neighborhood that has experienced significant change due to its proximity to downtown jobs and cultural vibrancy; and

WHEREAS, With respect to the 606 area, the Institute for Housing Studies at DePaul University estimates the area lost almost sixty 2- to 6-flat residential buildings to redevelopment as single-family homes between 2013 and 2018, representing hundreds of vulnerable households displaced by the elimination of such unsubsidized and naturally occurring affordable housing; and

WHEREAS, The Institute for Housing Studies has further found that while prices for 1- to 4-unit buildings in areas vulnerable to displacement in the 606 trail area west of Western Avenue were 30 percent below the citywide average in 2012, they were double the citywide average in 2018, creating significant difficulties for low- and moderate-income households with respect to housing affordability; and

WHEREAS, With respect to the Pilsen neighborhood, census tract data from the American Community Survey show that between 2013 and 2018, the Lower West Side Community Area, in which Pilsen is the main neighborhood, was the only Community Area in Chicago that registered both an increase of more than 15% in median household income from households earning below \$50,000 and an increase of more than 10 percentage points in adults with four-year college degrees, which are two primary indicators of gentrification; and

WHEREAS, The American Community Survey also reveals that the Pilsen neighborhood lost nearly 16,000 Latino residents between 2000 and 2019; and

WHEREAS, It is in the public interest to protect vulnerable households in the 606 trail area and the Pilsen neighborhood from displacement by assessing a surcharge on demolitions of dwelling units within the boundaries defined in Sections 17-7-580 and 17-7-590 of the Municipal Code of Chicago; and

WHEREAS, This surcharge is authorized under the City’s home rule powers, as well as the Illinois Municipal Code, 65 ILCS 5/1-1-1 et seq. (particularly Section 11-42-1 of the Illinois Municipal Code, 65 ILCS 5/11-42-1); now, therefore,

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

SECTION 1. The above recitals are incorporated herein and made a part of this ordinance, which shall be known as the Demolition Permit Surcharge Ordinance.

SECTION 2. Chapter 2-44 of the Municipal Code of Chicago is hereby amended by inserting a new Section 2-44-135, as follows:

2-44-135 Demolition Permit Surcharge Ordinance.

(a) *Title.* This section shall be known as the Demolition Permit Surcharge Ordinance. The surcharge imposed by this section shall be known as the Demolition Permit Surcharge and is imposed in addition to all other fees, surcharges and taxes imposed by the City of Chicago, the State of Illinois or any other municipal corporation or political subdivision of the State of Illinois.

(b) *Definitions.* As used in this section:

“Area Median Income” has the meaning ascribed to that term in Section 2-44-080(B).

“Building ” has the meaning ascribed to that term in Section 17-17-0223.

“CCLT” means the Chicago Community Land Trust, as defined in Section 2-44-080(B).

“Demolition” means any activity requiring a permit pursuant to Section 14A-4-407.

“Demolition Permit Surcharge” or “surcharge” means the Demolition Permit Surcharge established under subsection (c) of this section.

“Detached house ” has the meaning ascribed to that term in Section 17-17-0246.

“Dwelling unit” has the meaning ascribed to that term in Section 17-17-0248.

“Multi-unit residential” has the meaning ascribed to that term in Section 17-17-0299.

“Permit” has the meaning ascribed to that term in Section 14A-2-202.

“Pilot area” means:

- A. All parcels located in the boundaries identified in Section 17-7-0580; and
- B. All parcels located in the boundaries identified in Section 17-7-0590.

“Townhouse” has the meaning ascribed to that term in Section 17-17-02179.

“Two-flat” has the meaning ascribed to that term in Section 17-17-02184.

(c) *Demolition Permit Surcharge imposed.* Pursuant to 65 ILCS 5/11-42-1, the following Demolition Permit Surcharge is hereby imposed on the issuance of any permit for demolition that includes one or more dwelling units located in either of the pilot areas, except as otherwise provided in subsection (e):

- (1) \$15,000 for the demolition of a detached house, townhouse, or two-flat;
- (2) \$5,000 per dwelling unit for the demolition of a multi-unit residential building.

(d) *Payment.* Prior to the issuance of any permit for demolition of any building subject to the Demolition Permit Surcharge, the applicant, who shall be a demolition contractor, shall pay to the Department of Finance an amount equal to the surcharge required under subsection (c) of this section. No permit for demolition of any building subject to such surcharge shall be issued by the Department of Buildings until: (i) the applicant for such permit provides the Department of Housing with a copy of the receipt of payment issued by the Department of Finance showing that the surcharge has been paid; and (ii) the Department of Housing provides written notification of such fact to the Department of Buildings.

(e) *Exemptions.* The surcharge required under this section shall not apply if:

- (1) At least 50% of the dwelling units in any building replacing the building subject to subsection (c) will be restricted to households earning up to 60% of the Area Median Income, as evidenced by documentation required by the Department of Housing; or
- (2) The demolition of the building is determined to be necessary to remedy conditions imminently dangerous to life, health or property, as evidenced by a written order issued by the Department of Buildings, Department of Public Health, Fire Department or a court of competent jurisdiction.

(f) *Deposit and use of revenue.* The revenue generated by the surcharge shall be deposited in the Affordable Housing Opportunity Fund described in Section 2-44-080(G) unless such revenue is required to be deposited into another fund pursuant to federal or state law. Such revenue shall be reserved and utilized to pay the administrative costs and expenses of

implementing this section and, after subtracting such costs and expenses, transferred by the Department of Housing to the CCLT. The CCLT shall apply such revenue toward the construction, rehabilitation or preservation of affordable housing in direct proportion to the revenue collected in each pilot area.

(g) *Duration.* The surcharge required under this section shall be in effect through April 1, 2022. At least 150 days prior to such date, the Department of Housing shall submit to the City Council Committee on Housing and Real Estate a written report identifying the amount of revenue generated under this section; its observed effect on development activity in the applicable pilot area; and any other information that the Committee may require.

(h) *Rules.* The Commissioner is authorized to promulgate rules necessary or appropriate to implement this section.

(i) *Application of Uniform Revenue Procedures Ordinance.* Whenever not inconsistent with the provisions of this section or whenever this section is silent, the provisions of the Uniform Revenue Procedures Ordinance, Chapter 3-4 of this Code shall apply and supplement this section.

SECTION 3. This ordinance shall take full force and effect on April 1, 2021 and shall expire and be repealed of its own accord, without further action by the City Council, on April 1, 2022. This ordinance shall apply to permits applied for on and after the effective date as well as permits applied for before the effective date, but which have not been issued by such date.