

COMMUNITIES UNITED



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The City That Works...For Who?

How Mayor Emanuel's Plan Will Devastate Chicago's Affordable Rental Housing Market
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Mayor Rahm Emanuel has proposed Chicago's "largest tax hike in modern history."ⁱ The city's total property tax levy will increase by almost 60%.ⁱⁱ The proposal is estimated to generate \$588 million over the next four years, however the city's most vulnerable residents will be hit the hardest.

Through an analysis of Census data conducted by Communities United, as well as over a half-dozen case studies conducted across seven Chicago north and northwest side communities, it is revealed that without strategies to address the needs of the city's low-income tenants, the mayor's tax increase will decimate an already dwindling multi-unit affordable housing stock in Chicago.

Key Finding 1: The Tax Increase Will Threaten Affordability Across Chicago's Rental Market

- According to the Preservation Compact, landlords in gentrifying areas will pass off increased costs to renters.ⁱⁱⁱ The demand in these neighborhoods allow owners to find renters willing to pay more while long-time residents face displacement.
- The Chicagoland Apartment Association estimates that rent would increase by an average of \$32 per month throughout the city as a result of the property tax increase.^{iv} According to DePaul University's Institute of Housing Studies, nearly a third of the city's rental stock is comprised of two-to-four flat rental buildings.^v A case study of two-flats in seven neighborhoods conducted by Communities United found that **rents in conventionally affordable rental buildings in Chicago's north and northwest side could increase up to \$100 per month per unit based on the County's assessed value of these properties. This amounts to an increase in rent of up to \$1200 a year in some cases.**^{vi}
- The mayor has proposed exempting properties from the increase that are valued at \$250,000 or less, however the exemption does not apply for buildings that are not owner occupied. Owners of these buildings will likely pass on the increased cost to their renters. Additionally, on Chicago's northwest side, most habitable multi-unit rental buildings are valued higher than \$250,000.^{vii} Moreover, the exemption requires the approval of Governor Rauner who has signaled that he would veto such a proposal.^{viii}

Key Finding 2: The Tax Increase Will Add to the Citywide Affordable Housing Crisis By Broadening the Pool of "Cost-Burdened" Renters in Chicago

- Chicago's median income in 2014 was slightly under \$50,000 according to the US census.^{ix} Communities United found that in 2014, **three-out-of-four renter households in Chicago that made below \$50,000 a year pay more than 30% of their income towards rent.**^x **Sixty percent of these households spend more than half of their monthly paycheck on rent.**^{xi} This is defined as unaffordable by the U.S. Department of Housing and Urban Development, and these renters are considered to be "severely cost-burdened."

- According to Communities United analysis, most of the city was already unaffordable to renters in 2010 (the most recent neighborhood level census available). **Forty percent or more of renters living in virtually all (95%) of Chicago's community areas were paying more than they could afford according to Communities United's analysis.**^{xii} This is a citywide epidemic.
- The proposed tax increase will make matters worse, significantly broadening or pricing out renting families if no relief is offered to low-to-moderate income cost-burdened renters in Chicago.

Key Finding 3: Low and Moderate-Income Renters Are Hit Double Hard By The Mayor's Budget Decisions Through Rent Increases on Top of a Loss of City Services and Resources

- *Chicago Public Schools (CPS)*: CPS was forced to make \$200 million in cuts this summer, including layoffs of 1,400 educators and major cuts to special education services.
- *The Chicago Department of Public Health (CDPH)*: CDPH provides vital mental health, women's and children's health, HIV/AIDS treatment, immunization, food protection, violence prevention, and substance abuse services. They have had \$25 million, or 15% of their budget, cut since the Mayor came into office.
- *Chicago Department of Family and Support Services (CDFSS)*: DFSS manages Head Start, youth jobs, afterschool, and domestic violence programs, as well as a variety of services for people who are homeless and who are seniors. They have lost \$79 million, or 19% of their budget, since the Mayor came into office.
- *Chicago Commission on Human Relations (CCHR)*: CCHR investigates potential discrimination and human rights violations across the city, and administers mediation and conflict resolution programs in communities. They have lost 27% of their budget since the Mayor came into office.^{xiii}

Conclusion

This tax hike will hit low-to-moderate income families the hardest in Chicago, while these families also endure deeper cuts to schools and services. The Mayor has included a proposed exemption for properties valued at or below \$250,000, however the passage of this exemption is extremely unlikely. Mayor Emanuel has proposed a plan that will hurt low-income homeowners and decimate the backbone of the city's traditional affordable rental housing market: smaller rental buildings of two or more units.

Unless the unjust and inequitable consequences of the proposed tax increase are addressed, the future socioeconomic, ethnic and racial diversity of the city is at risk of depletion. The plan will devastate Chicago's low-income communities of color, where low-income renters are concentrated.^{xiv} The tax-increase will not take full effect until 2019, however Chicago's residents cannot wait another four years before solutions are put forward to address this crisis. The administration and city council has a responsibility to create immediate solutions to keep all of Chicago affordable for working-class renters. The city must reverse these dangerous citywide trends that threaten the future of a vibrant Chicago through the continual "pricing-out" of the city's working class residents.

About Communities United:

Communities United (CU) is a grassroots community organization committed to social, economic and racial justice based on Chicago's northwest side. Communities United builds power by developing local leadership and empowering communities to identify and address the root causes of inequity at the neighborhood, city, state and national levels. Affordable housing preservation has been a priority for the organization since its inception in the year 2000 with a particular focus on preserving affordable rental housing for families throughout the northwest side and all of Chicago. For more information about CU's housing efforts, contact Nick Jefferson at nick@communitiesunited.org

End Notes

- ⁱ Chicago Tribune. "Emanuel set to call for largest property tax hike in modern Chicago history" October 26, 2015. <http://www.chicagotribune.com/news/local/politics/ct-rahm-emanuel-property-tax-hike-met-0903-20150902-story.html>
- ⁱⁱ Crain's Chicago Business. "Chicago's giant tax increase still won't eclipse the burbs" September 3, 2015. <http://www.chicagobusiness.com/article/20150903/NEWS02/150909907/chicagos-giant-tax-increase-still-wont-eclipse-the-burbs>
- ⁱⁱⁱ The Preservation Compact. "Chicago Property Tax Increase Impact on Affordable Rental Housing" <http://www.preservationcompact.org/wp-content/uploads/Property-Tax-Increase-Impact-on-Affordable-Rental-Housing-2015.pdf>
- ^{iv} Crain's Chicago Business. "How much will Emanuel's tax hike cost renters?" October 7, 2015 <http://www.chicagobusiness.com/article/20151007/NEWS02/151009860/how-much-will-emanuels-tax-hike-cost-renters>
- ^v DePaul University Institute for Housing Studies. "Housing Stock Composition: Housing Units by Property Type by Chicago Wards, 2014–2014" <http://www.housingstudies.org/dataportal/composition/housing-units-composition/chicago-wards/2014/2014/>
- ^{vi} Estimates derived from Cook County Assessor (<http://www.cookcountyassessor.com>) and Chicago Tribune Tax-Estimator (<http://www.chicagotribune.com/news/local/breaking/ct-property-tax-increase-calculator-htmlstory.html>) for 2164 W. Sunnyside (Lincoln Square), 4722 N. Whipple (Albany Park), 4906 N. Sawyer (Avondale), 2300 N. Latrobe (Belmont Cragin), 3939 N. Spaulding (Irving Park), 6720 N. Campbell (West Ridge) and 5717 N. Christiana (North Park)
- ^{vii} <http://www.chicagobusiness.com/realestate/20151001/CRED0701/150939984/map-shows-whos-hit-spared-in-proposed-chicago-property-tax-hike>
- ^{viii} Crain's Chicago Business. "Rauner all but kills Emanuel's property tax relief plan" September 15, 2015. <http://www.chicagobusiness.com/article/20150915/BLOGS02/150919884/rauner-all-but-kills-emanuels-property-tax-relief-plan>
- ^{ix} US Census. <http://quickfacts.census.gov/qfd/states/17/1714000.html>
- ^x Analysis derived from 2014 Census projections
- ^{xi} Analysis derived from 2014 Census projections
- ^{xii} Aggregated data from Chicago Rehab Network's 77 "Chicago Community Area Fact Sheets" released October 2013. <http://www.chicagorehab.org/crn/factbook/index.aspx>
- ^{xiii} Analysis conducted by Jim Freeman, The Grassroots Action Support Team
- ^{xiv} Chicago Public Radio. "Where are Chicago's poor white neighborhoods?" August 12, 2015 <http://www.wbez.org/series/curious-city/where-are-chicagos-poor-white-neighborhoods-112639>