



BRING CHICAGO HOME

A Study By the League of Women Voters of Chicago

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INTRODUCTION

Whether or not it passes, the result of the ‘Bring Chicago Home’ referendum will shape Chicago's future. That is why the League of Women Voters of Chicago has committed to engage constructively in voter education on the issue. The following study was developed by a special committee of LWV Chicago members in order to inform internal discussion on the issue.

As a League, we always aim to do what we do best: convening different viewpoints and perspectives to give voters the best and most complete information available. To that end, we have decided to publish our internal study report on ‘Bring Chicago Home’ so that anyone interested in the issue can have access to a thoroughly researched educational resource offering multiple perspectives.

I hope readers will find this report useful in informing their perspective before heading to the ballot box this spring.

Sincerely,

Jane Ruby

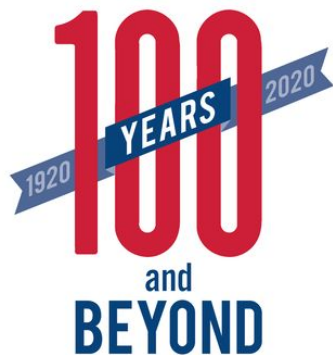
President

League of Women Voters of Chicago

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ABOUT LWV CHICAGO



The League of Women Voters of Chicago is a nonpartisan, grassroots organization working to protect and expand voting rights and ensure everyone is represented in our democracy. We empower voters and defend democracy through advocacy and education.

LWV Chicago encourages informed and active participation in government while influencing public policy.

LWV Chicago is a 501(c)(3) organization.

Our Two Roles

1. Voter Service & Citizen Education: We present unbiased nonpartisan information about elections, the voting process, and issues.
2. Action & Advocacy: We are nonpartisan, but, after study, we use our positions to advocate for or against particular policies in the public interest.

In the case of the 'Bring Chicago Home' referendum, LWV Chicago has opted to focus exclusively on voter and citizen education. The League has no formal position for or against the referendum.

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01

STUDY PROCESS AND METHODOLOGY

STUDY PROCESS AND METHODOLOGY

The Study Committee was formed in November 2023. Committee Chair Lali Watt and Co-Chair Jane Ruby developed a master work plan and timeline in anticipation of short turnaround time.

The Committee assembled a team of volunteers, recruited via LWV Chicago’s newsletter and formed them into two “teams”, pro and con. These teams worked cooperatively throughout the process, while being tasked with presenting each side equally and fairly.

The study development process began with a comprehensive literature survey. This was supplemented by a series of stakeholder interviews, which enhanced the Committee’s findings. The Committee Identified, contacted and interviewed practitioners, experts, proponents and opponents of measure. All members of the Committee were invited to attend these interview meetings. All materials used to inform the study were placed in a secure Google Drive and were reviewed by all Committee members.

Each team was responsible for drafting arguments for their assigned side (pro or con) independently. These were then reviewed and discussed by the Committee as a whole before being compiled into a coherent study report.



02

ABOUT 'BRING CHICAGO HOME'

WHAT IS 'BRING CHICAGO HOME'?

'Bring Chicago Home' is a proposed policy that aims to increase the City of Chicago's **real estate transfer tax** on property sales over \$1 million in order to **fund expanded homelessness intervention efforts**.

Chicago voters will decide whether to back the proposed transfer tax increase in a referendum on **March 19, 2024**.

TEXT OF THE REFERENDUM

Shall the City of Chicago impose:

a real estate transfer tax decrease of 20% to establish a new transfer tax rate of \$3 for every \$500 of the transfer price, or fraction thereof, for that part of the transfer price under \$1,000,000 to be paid by the buyer of the real estate transferred unless the buyer is exempt from the tax solely by operation of state law, in which case the tax is to be paid by the seller; AND

a real estate transfer tax increase of 166.67% to establish a new transfer tax rate of \$10 for every \$500 of the transfer price or fraction thereof, for that part of the transfer price between \$1,000,000 and \$1,500,000 (inclusive) to be paid by the buyer of the real estate transferred unless the buyer is exempt from the tax solely by operation of state law, in which case the tax is to be paid by the seller; AND

a real estate transfer tax increase of 300% to establish a new transfer tax rate of \$15 for every \$500 of the transfer price, or fraction thereof, for that part of the transfer price exceeding \$1,500,000 to be paid by the buyer of the real estate transferred unless the buyer is exempt from the tax solely by operation of state law, in which case the tax is to be paid by the seller?

The current rate of the real estate transfer tax is \$3.75 per \$500 of the entire transfer price, or fraction thereof, and the revenue is used for general corporate purposes. The revenue from the increase (the difference between revenue generated under the increased rate and the current rate) is to be used for the purpose of addressing homelessness, including providing permanent affordable housing and the services necessary to obtain and maintain permanent housing in the City of Chicago.

- Yes
- No

WHAT IS A TRANSFER TAX?

A one-time tax applied when a property is sold (i.e. has a transfer of ownership).

In the case of Chicago's real estate transfer tax, this tax is paid by the buyer.

*“A transfer tax is a charge levied on the transfer of ownership or title to property from one individual or entity to another. A transfer tax may be imposed by a state, county, or municipality. It is usually not deductible from federal or state income taxes, although it may be added to the cost basis when profit on the sale of securities and investment property is calculated. Transfer tax is considered an excise tax in some states.”
(Investopedia)*

CHICAGO'S CURRENT TRANSFER TAX

Chicago currently imposes a flat-rate transfer tax on real estate transactions.

The current rate is flat at **0.75% of the sale price**.

Proceeds from the tax are used for 'general corporate purposes' (i.e. the City's General Fund).

| CURRENT TRANSFER TAX RATE | | |
|---------------------------|----------|----------------------------|
| Sale Price | Tax Rate | Transfer Tax Paid by Buyer |
| \$750,000 | 0.75% | \$5625 |
| \$1,250,000 | 0.75% | \$9375 |
| \$5,000,000 | 0.75% | \$37,500 |
| \$45,000,000* | 0.75% | \$337,500 |

*The price of the office building at 230 W. Monroe St., sold in Fall of 2023.

TRANSFER TAX UNDER ‘BRING CHICAGO HOME’

‘Bring Chicago Home’ proposes a graduated transfer tax with the following scale:

Portion of price <\$1 million
20% decrease to 0.6%

Portion of price between \$1-1.5 million
166.67% increase to 2.0%

Portion of price >\$1.5 million
300% increase to 3.0%

If passed, only the **increase** beyond the existing transfer tax would be dedicated to ‘Bring Chicago Home’ funds. The tax revenue under the current structure would be unchanged, i.e. continue to be allocated to the General Fund.

| NEW TRANSFER TAX RATE | | |
|-----------------------|--|----------------------------|
| Sale Price | Tax Rate | Transfer Tax Paid by Buyer |
| \$750,000 | 0.60% for all | \$4500 |
| \$1,250,000 | 0.60% for \$1,000,000; 2% for \$250,000 | \$11,000 |
| \$5,000,000 | 0.60% for \$1,000,000; 2% for \$500,000; 3% for \$3,500,000 | \$121,000 |
| \$45,000,000* | 0.60% for \$1,000,000; 2% for \$500,000; 3% for \$43,500,000 | \$1,321,000 |

*The price of the office building at 230 W. Monroe St., sold in Fall of 2023.

HOW THE MONEY WILL BE SPENT

Creating a dedicated funding stream to address homelessness

'Bring Chicago Home' proposes that the **difference between revenue raised at the old rate and at the new rate** be used for 'eligible uses' to address homelessness.*

Pursuant to the draft implementing ordinance, the City Budget Director, consulting relevant City departments and the Advisory Board, would determine the maximum amount of money from the Bring Chicago Home Fund to be included in the budget recommendation for eligible uses, and is to make reasonable efforts to minimize the potential for disruption to people served by programs funded by the Bring Chicago Home Fund due to a decline in future revenue.

Most funding under the proposal is for non-congregate models, although some discrete capital costs can be covered for existing congregate shelter, beds for severe/extreme weather, increasing pay equity for shelter employees, and expanding operations from overnight to 24-hour shelter models.

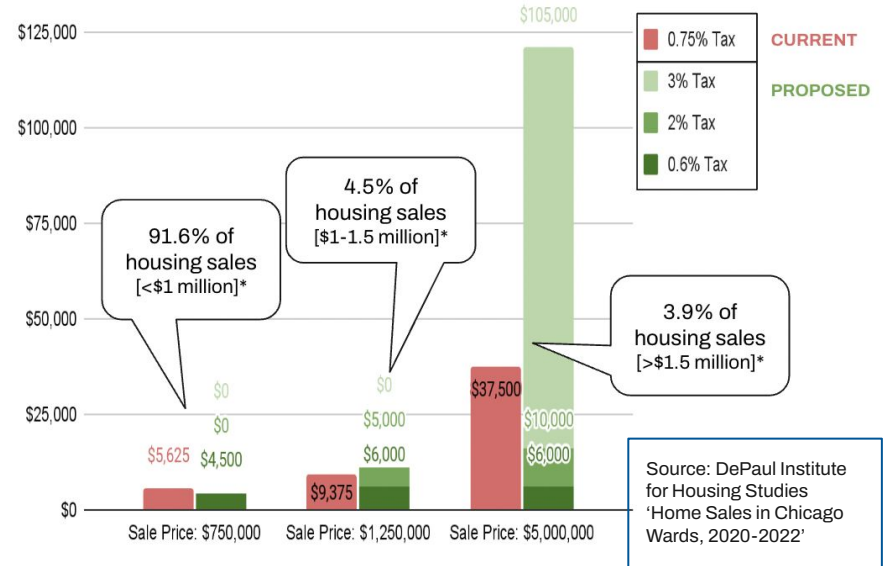
**From the draft ordinance: "Eligible use' means any support provided by the City or a delegate agency selected by the City to people experiencing or at risk of homelessness, including providing permanent affordable housing and the services necessary to obtain and maintain permanent housing, as set forth in Section 2-48-010, and the activities of the Advisory Board. 'Eligible use' shall not include law enforcement operations."*

IMPACT OF GRADUATED TAX BY PROPERTY VALUE

A property sold for \$750,000 would result in a transfer tax of \$5,625 under the current system. Under 'Bring Chicago Home' the same property would face a transfer tax of just \$4,500, or \$1,125 less than under the current rate. It is worth noting that 91.6% of home sales in Chicago would benefit from a lower rate.

A property sold for \$1.25 million would see a transfer tax of \$9,375 under the current system. Under 'Bring Chicago Home' it would be \$11,000 (an increase of \$1,625, or 17.3%).

A property sold for \$5 million would see a transfer tax of \$37,500 under the current system. Under 'Bring Chicago Home' it would be \$121,000 (an increase of \$83,500, or 223%).



**Housing" refers to single family homes, 2-4 unit apartment buildings, and multifamily apartment buildings. It does not include commercial/industrial/office properties.

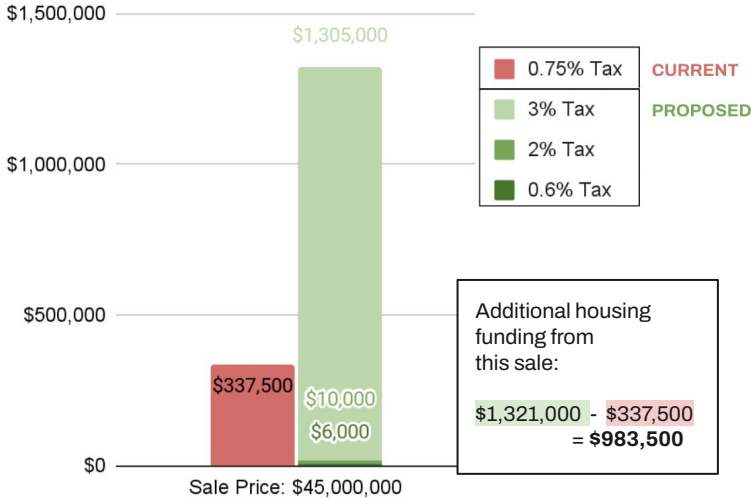
CASE STUDY: 230 W. MONROE STREET

230 W. Monroe St., a Type A commercial property, was sold in in the fall of 2023 for \$45 million.

Under the existing flat-rate system, the purchaser of the property had to pay a transfer tax of \$337,500.

Under the 'Bring Chicago Home' graduated tax system, the purchaser would have paid a transfer tax of \$1,321,000.

Based on the terms of the referendum ordinance, the City General Fund would still receive \$337,500, leaving \$983,500 to fund homelessness interventions.



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POLITICAL PROCESS AND TIMELINE

POLITICAL PROCESS: HOW WE GOT HERE

September 14, 2023

Mayor Brandon Johnson with Aids. Maria Hadden (49th), Carlos Ramirez-Rosa (35th) and Matt Martin (47th) introduced the proposed 'Bring Chicago Home' referendum to the City Council, which referred the item to the Rules Committee for consideration (R2023-0004166).

October 4, 2023

As part of the City Council meeting, a public hearing was held on the intent to submit the question of increasing the City's transfer tax for referendum as set forth in the item introduced on September 14. The implementing draft ordinance was also included in the documents made public for that hearing. Members of the public were given an opportunity to speak, and no vote was to be taken by the Council.

Oct 31 - Nov 1, 2023

The Rules Committee debated and passed a recommendation for the City Council to approve the Bring Chicago Home referendum (R2023-0004166). The City Council "deferred and published" (that is, held in the Council without voting on the merits) the Bring Chicago Home referendum on November 1.

November 7, 2023

The City Council passed submitting the Bring Chicago Home proposal as a referendum by a vote of 32 yeas, 17 nays, and 1 not voting.

TIMELINE: KEY DATES FOR VOTERS

3/19

Election Day

3/4

Early Voting Starts in all 50 Wards

2/15

Early Voting Starts at Board Supersite
and at the office of the Board of Elections

2/8

Vote-by-mail ballots mailed to voters

04

AFFIRMATIVE CASE ARGUMENTS FOR VOTING YES

ARGUMENTS IN FAVOR OF ‘BRING CHICAGO HOME’

1. Homelessness and housing unaffordability cost us as a society in both the long and short terms
2. A dedicated funding stream ensures ongoing resources & provides flexibility for existing funds
3. Federal funds are limited by allowed uses and amount available
4. Bring Chicago Home is the most politically viable additional funding option [Good vs. Better vs. Perfect]
5. Transfer taxes go down for a large majority of sales.
6. The proposed progressive tax model — different from LA and other cities — with a single-time transfer tax applying across all real estate sales (commercial, residential, industrial, office) will have minimal impact on rents
7. A transfer tax change is not a significant factor in the current downturn of high-value office building sales

1. HIGH COST OF HOMELESSNESS TO SOCIETY

Everyone agrees that something needs to be done in Chicago about homelessness and people experiencing insecure housing, including opponents of ‘Bring Chicago Home’.

Currently, Chicago has no dedicated revenue stream for funding affordable housing, permanent supportive housing, and homelessness prevention. Over **68,000 Chicagoans** are experiencing street, shelter, or “doubled up” homelessness, including **over 17,000 CPS students**.¹ This *does not include* the over 33,000 migrants who have been sent to Chicago in recent months.² For the 17,000 CPS students who are homeless or doubled up, education will be interrupted and less effective, lowering future productivity and reducing future tax revenue. Many homeless youth and adults are trapped in a cycle of homelessness and incarceration, and use more expensive health services.³

Youth and adults experiencing homelessness and housing insecurity are often more in need of wrap-around support than the housed population. This support is often much more expensive and much less effective when people are unhoused or insecurely housed. The consequence is increased use of tax revenue for police services, incarceration, emergency room care, AND lost productivity and future tax revenue.

Businesses and commercial properties also lose revenue and real estate value as a result of homelessness.⁴ Commercial properties near areas with high numbers of unhoused people are valued lower, resulting in lower property tax. People are more reluctant to visit commercial properties in those same areas, resulting in further lost revenue.

We must also consider environmental Impact and Transit Access. Riders hesitate to take transit when people are forced to keep warm and safe by staying on our public transit system, resulting in decreased revenue for CTA.

1: [Bring Chicago Home Coalition 'Fact Sheet: Bring Chicago Home'](#)

2: [City of Chicago: "New Arrivals Situational Awareness Dashboard"](#)

3: Per Farzin Parang - BOMO

4: Urban Institute - [Homelessness & Jail Cycle](#)

2. DEDICATED AND FLEXIBLE FUNDING STREAM

Current Transfer Tax Spending Does Not Provide for Housing

Approximately \$130-200 million per year are raised by the Chicago Real Estate Transfer Tax.¹

- 100% of that amount → Corporate/General Fund
- **0% → Earmarked for Housing needs**

Comparison: State of Illinois Real Estate Transfer Tax¹

- 50% → Environmental needs
- 50% → Affordable housing [~\$40-50 million per year for various IDHA programs]

Flexibility for Existing Funding

Emergency federal pandemic funding will not be available in Chicago after 2025, so many program budgets will be decimated. It is critically important to keep and expand on current programming and work, according to 49th Ward Ald. Maria Hadden. 'Bring Chicago Home' is expected to raise at least \$100 million per year, and perhaps as much as \$170 million.

A dedicated funding stream will be protected within the budget process. Additionally, general revenue can be directed as needed for emergent situations without impacting services for housing and homelessness. For example, funds could be directed to supporting housing migrants without decreasing funds for existing programs. However, per the draft ordinance and city officials, current funding will not be impacted; only *excess* funding due to the new transfer tax will go towards housing and homelessness. However, this could change in a final ordinance post-referendum.

“This is more solid footing for permanent supportive housing and services to prevent homelessness than have previously existed.”

– Emma Tai
Campaign Director
Chicago Coalition for
the Homeless

¹: LWV interviews and conversations with Chicago area thought leaders on housing and homelessness.

3. LIMITATIONS OF FEDERAL HOUSING FUNDS

Federal funding inflexibility—Federal funds can only be used for direct housing and does not provide for support services.

Without these services, housing provided is not considered Permanent Supportive Housing, i.e. affordable properties and associated services such as a social worker who helps them get required documents, links to potential job opportunities, help with addiction or mental health issues, reuniting with family, etc.¹

Current ordinance is a *draft*, focused on spending on providing affordable housing and non-congregate shelter, as well as “the services necessary to obtain and maintain permanent housing”.

While the ordinance is being finalized (if the referendum passes), advocates will need to ensure that the City includes an appropriately wide range of approved spending (possibly including rehab of currently vacant CHA properties, etc.). Even if the final ordinance is not ideal for providing housing and services, BCH funds are *still* more flexible than federal funds and will remain under the control of locally elected alderpeople.

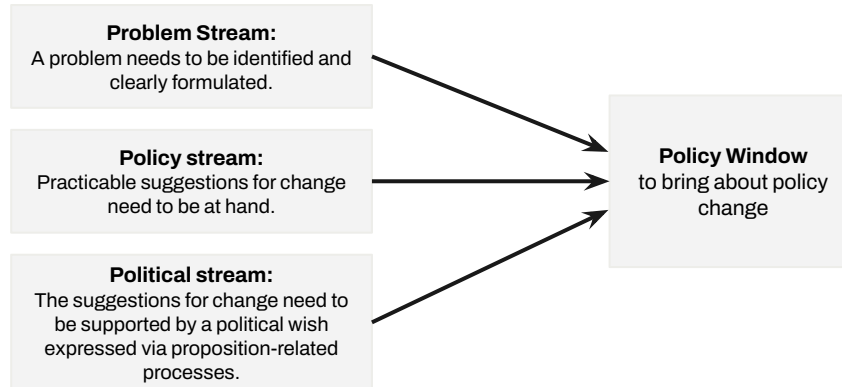
1: LWV interviews and conversations with Chicago area thought leaders on housing and homelessness.

4. THE BEST POLITICALLY VIABLE OPTION

Even if there are other, more ideal or efficient theoretical funding options, this is the one that is before us and has been met with the approval of City Council. The general public is up next.

Bring Chicago Home has been under consideration since the Daley administration, but this is the first time it has made it to the ballot box.

Kingdon's Theory of Policy Streams



“The Kingdon’s multiple streams theory emphasizes agenda setting and includes three independent streams that when joined together they open a window of opportunity. The first stream, referred to as problem stream, is related to the problems, issues or challenges that have attracted the attention of society. The second stream, policy stream, addresses the policy options that researchers, stakeholders and executive bodies propose to solve the problem. Political transitions, specific national situations and social pressures all belongs to main elements of the third stream, i.e., the politics stream. At certain points, the streams come together and offer a window of opportunity for governments to decide how to address the issue at hand.”

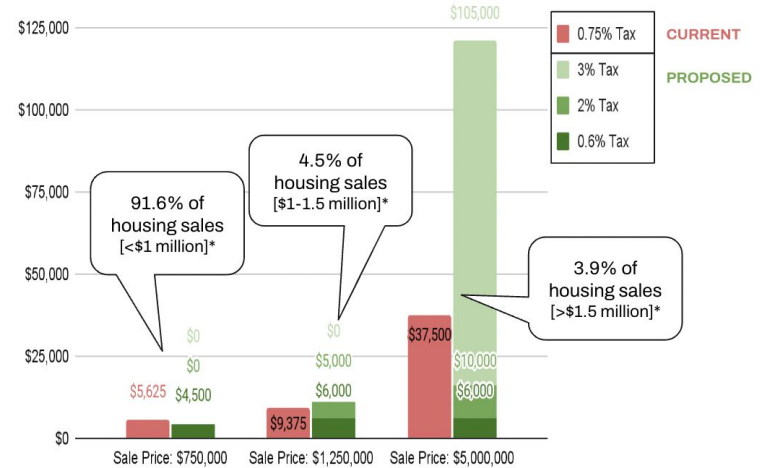
– World Health Organization

5. LOWER TRANSFER TAX ON MOST SALES

For all sales priced at or under \$1,000,000, the real estate transfer tax decreases from 0.75% to 0.6%.

This applies to 91.6% of housing sales in Chicago.¹ The average value of a single-family home in the Chicago area was just over \$370,000 (Sep. 2023).²

The new graduated tax structure proposed under ‘Bring Chicago Home’ is different than structures in other cities such as New York City or Los Angeles.



1: DePaul Institute for Housing Studies ‘Home Sales in Chicago Wards, 2020-2022’
 2: Chicago Tribune: [How Chicago are home values compare by zip code.](#)

6. PROGRESSIVE TAX STRUCTURE ON ALL SALES

Marginal real estate transfer tax applies as sales price increases.

This progressive tax structure applies to all real estate sales, not just residential. This is a different model and structure from so-called 'mansion' taxes.

Current Transfer Tax: Flat rate of 0.75% applies to all sales.

‘ **Bring Chicago Home’ Proposal:** Applies a marginal progressive tax as sale price increases.

- 0.6% on first \$1,000,000
- 2.0% on next \$500,000
- 3.0% on everything above \$1.5 million

One-time transfer tax will have minimal impact on rents.

A common argument against the proposal is that rents will rise to recoup transfer tax costs. However, the transfer tax is a single time cost at time of sale – it is not paid over time. Rental buildings will only incur this tax when they are sold, which does not happen all the time for every building.

Rents, as clearly demonstrated by generations of economists, are determined by supply and demand. Neither supply nor demand would change as a result of this tax change, making any impact on rents by ‘Bring Chicago Home’ negligible at best.

7. IMPACT ON OFFICE BUILDING SALES

Sales are already slow—thanks in part to post-pandemic impacts

Unquestionably, office building sales are extremely slow. In July of 2022, three Chicago office buildings sold for a total of \$223 million.¹ Since then, no office building has sold for more than \$60 million.²

The post-Pandemic issues in office building demand and valuation are real. However, real estate transfer taxes are a very small part of the considerations when buying a multi-million dollar office building.

Housing makes for the priciest sales

The 10 priciest sales in Chicago in 2023 ranged from \$81-\$232 million and totaled \$1.4 billion. *None of them* were offices.³ Two were industrial, one was a hotel, and seven were multifamily apartment buildings.

Current buyers are motivated

Those buying office buildings in the current slowdown are likely motivated. It is unlikely that an additional tax will have a detrimental impact on their motivation to buy.

*“Is office dead? The answer is no. Is Chicago dead? The answer is no. Is San Francisco dead, Portland dead? No. It’s a contrarian play. When everybody goes left, we like to go right. **We’re ready for another deal in Chicago.**”*

– Jordan Menashe,
CEO of Menashe Properties,
which purchased 230 W. Monroe
St. in 2023 for \$45 million

1: [CoStar Real Estate Information Company](#)
2: [Cawley Chicago Real Estate Management](#)
3: [The Real Deal: Real Estate News](#)
4: [CoStar Real Estate Information Company](#)

06

**NEGATIVE CASE
ARGUMENTS FOR VOTING NO**

ARGUMENTS AGAINST ‘BRING CHICAGO HOME’

1. The transfer tax is not a reliable funding stream
2. If the Referendum is not approved, there could be other viable options.
3. We do not know how the money collected from the increased transfer tax will be spent.
4. The proposed reduction in transfer taxes for values below \$1 million that is provided for in the Referendum may not be for policy reasons, but a means to get votes.
5. The proposed increase in the transfer tax for values above \$1 million could negatively impact the real estate and building industries, already hurting now.
6. The proposed transfer tax could negatively impact the residential real estate market.
7. The proposed transfer tax could negatively impact the commercial property market—if commercial property values fall, all other property owners will have to pay higher taxes.

1. UNRELIABILITY OF FUNDING STREAM

The Proposed 'Bring Chicago Home' Referendum and draft implementing ordinance will not result in a reliable funding stream to deal with homelessness

The amount collected under the existing Transfer Tax already varies considerably each year.

Based on information provided by the City Budget Department, yearly amounts from 2013 to 2022 ranged from \$130.3 million (2020) to \$197.1 million (2016).

The Administration is estimating an additional \$100 million per year if the Referendum passes.

However, based on experience in other cities, during the first year the increased tax would go into effect (which would start Jan. 1, 2025), the total sales of higher-priced buildings are likely to drop considerably.

In other cities, such as Los Angeles, there has been a rebound in sales and transfer tax collections after the first year. However, those cities are growing. Chicago is not. In fact, it has been significantly below other cities in sales prices and numbers of sales in recent years.

2. AVAILABILITY OF OTHER VIABLE OPTIONS

If the 'Bring Chicago Home' Referendum is not approved, there could be other viable options.

Everyone benefits if the tax base grows; the concern is that the proposed increase in the transfer tax will have the opposite effect. If the Referendum fails, other options can and likely will be considered by the Johnson Administration and those supporting the Referendum. The Administration may then be willing to meet with real estate and building industry representatives.

The Study Committee discussed this issue with the Business Owners and Managers Association (BOMA) as part of the research process. BOMA told the League that it and other industry stakeholders sought to meet with the Administration both prior to the draft proposal being released and then again prior to the votes in the City Council. BOMA suggests the Administration start with a more robust review to identify the amount actually needed and then look at how to raise that amount. BOMA also suggests that the Administration not look to a single source of new revenue, particularly a source that would likely negatively impact already struggling industries such as commercial real estate and building construction and rehab.

44th Ward Ald. Bennett Lawson, who voted against putting the referendum on the ballot, has suggested looking at implementing a small tax on services, which could be expected to produce a large stream of revenue. There are likely many other ways to provide revenues to address homelessness and housing affordability.

Crain's Chicago Business has reported that the Johnson Administration is looking at borrowing \$1.25 billion through a mix of taxable and tax-exempt bonds to use to fund affordable housing and development projects. The City could use the additional revenues that will be coming from expiring TIF (Tax Increment Financing) districts to help pay for those bonds.

3. UNCERTAINTY OVER HOW FUNDS WILL BE SPENT

We do not know how the money raised for the proposed Bring Chicago Home Fund will be spent.

Per the text of the Referendum, the revenue raised from the transfer tax is to be used “for the purpose of addressing homelessness, including providing permanent affordable housing and the services necessary to obtain and maintain permanent housing in the City of Chicago.” That language is very broad, and unfortunately no more specifics are offered.

Paul Colgan, a builder and representative of the Builders Association of Chicago, hopes that the money will be spent on providing housing first (as in Houston), which would mean construction and rehab jobs, as opposed to services. Others will likely argue that putting money into services will lead to longer-lasting effects.

There are concerns that there will be so many calls for the money that it would be divided among so many different entities and purposes that there will not be significant beneficial impacts in any area. Sadly, there could be further divides between spending money on existing residents vs. new arrivals.

4. POLITICIZATION OF TRANSFER TAX POLICY

The proposed reduction in transfer taxes for values below \$1 million that is provided for in the Bring Chicago Home Referendum may not be for policy reasons, but a means to get votes.

During a meeting of the City Council's Rules Committee on the subject of the proposed referendum, a lawyer from the City's Corporation Counsel stated that the transfer tax can be lowered by a City Council vote without the need for a referendum. Only the proposed increases in the transfer tax for amounts above \$1 million and above \$1.5 million would require a binding referendum be passed. If lowering the transfer tax on transactions below \$1 million is a good policy change in its own right, that could be implemented by the City Council right now, without a referendum.

Lower cost properties will not receive much of a reduction in the transfer tax under the referendum. The average homes sales price of \$370,000 would pay \$555 less under the Referendum, but the transfer tax to be paid would still be \$2,200. It is actually the higher-priced homes close to (but not over) the \$1 million level that will receive the largest benefits due to the reduction; a buyer of a \$1 million property is set to see transfer tax savings of \$1,500 under the proposal. Per the City Budget Office, a property sale price would have to reach \$1.12 million before even \$1.00 would go to the Bring Chicago Home Fund.

The referendum states that the revenue from the increase in the tax is to be used for the purposes of the Bring Chicago Home Fund; but there is an issue as to whether there will be a loss to the Corporate Fund because of the reduction in the tax for sales less than \$1 million. The Administration has said in the Rules Committee meeting approving the referendum that there will be no loss to the General Fund. The City Comptroller also has said the way he intends to direct the revenues, there will be no loss. However, based on the wording of the draft implementing ordinance, there would be a loss

If the Administration's intent is to keep the General Fund whole, the wording of the draft implementing ordinance will need to change. At a minimum, this demonstrates confusion over how the proposed transfer tax increase will actually be implemented.

5. HARM TO BUILDING, TRADES AND INVESTMENT

The proposed increase in the transfer tax for values above \$1 million and for values above \$1.5 million could negatively impact the already hurting real estate and building industries. The timing of the referendum could not be worse to disincentivize construction and investment in Chicago.

It is not surprising that the real estate and building industries do not want a significantly higher transfer tax for sales values above \$1 million and \$1.5 million; no one wants to pay higher taxes of any sort. But even supporters of the increase cannot say that there will not be negative impacts on these industries. Chicago competes with other cities for business and investments; reductions in returns will naturally cause developers and owners of commercial properties to look elsewhere for investments. Currently, transfer taxes in Chicago are said by BOMA to be the 4th highest among cities that compete with Chicago for business and investment.

Ald. Lawson told the Study Committee that if there is new construction, the developer will want to build bigger and at the higher end in order to get a higher return, resulting in fewer units of housing at lower prices. A representative of the Neighborhood Building Owners Alliance provided an example of a purchaser of 4 buildings with 90 units who was going to rehab those units and keep the rent affordable. The current transfer tax for this property is \$75,000, but it would jump to \$200,000 if the Referendum passes. Thus, if the sale price held, the likely impact would be that either the number of units rehabbed would be less, or the price to rent the units would be increased.

Fewer units being built and/or rehabbed means fewer jobs from the building industry and less investment in Chicago.

6. RISKS FOR COMMERCIAL PROPERTY MARKET

Commercial properties in Chicago already pay the highest property taxes in the nation.

While residential properties (including high-rises) are assessed at 10% of market value, commercial properties are assessed at 25% of the market value, regardless of size.

In 2022, office construction in Chicago was at 25% that of 2019. Office buildings are heavily financed/leveraged, so an increase in the transfer tax has a bigger impact on returns on investment, whether it be the seller wanting the return upon the sale or the buyer wanting the return going forward.

Commercial buildings' values have already plummeted due to empty space, whether it be storefronts or offices. Office buildings are currently 60% empty, with office building vacancies at a record high. In 2023, there was only a single sale of a large office building (230 W. Monroe, which sold for \$45 million), and that came at a 60% discount to what the seller paid for the building in 2014.

While the proposed increase in the transfer tax would not be the primary cause of a further decline in the value of commercial properties, it would likely be an additional contributing factor, particularly as another reason to discourage investors from looking at Chicago versus other locations. Reducing the number of commercial property investors active in Chicago will further erode prices, reducing the amount collected through the transfer tax and having many other negative effects on all of us in Chicago and in the area.

7. RISKS FOR RESIDENTIAL PROPERTY MARKET

If commercial property values fall, all other property owners will have to pay higher property taxes.

Residential properties make up 98% of the total property value, but pay 50% of the total property taxes. A 40% to 80% decline in downtown office buildings' values would shift the tax base, resulting in a 9% to 18% increase in property taxes for all properties.

For owners of residential income properties whose primary savings are in those properties, they can expect to receive lower prices to offset the cost of the increased transfer tax when they sell OR buyers of such properties, who actually are obligated to pay the tax, will have to pay more if the sales price holds.

There is also concern that sellers will increase rents to make the property more attractive and keep up the sales price; alternatively, a buyer who bears the cost of the increased transfer tax will need to raise rents to recover the additional costs over a 3-to-5 year period.

Ald. Lawson is concerned that increasing the transfer tax will have a negative impact on “naturally occurring” affordable housing. Ald. Lawson did a quick survey of residential buildings that recently sold across the city. For example: A 14-unit building in the 26th ward sold for \$2.8 million and would have an increase in the transfer tax of \$55,000. To recoup this investment over 3 years, the rents would need to be increased by \$109/unit/month; to recoup over 5 years, the rents would need to be increased by \$65/unit/month.

07

SUMMARY OF ARGUMENTS

SUMMARY: THE CASE FOR VOTING YES

The need for affordable housing and comprehensive homelessness prevention services is great. At the same time, pandemic funds are drying up.

Everyone, including opponents, agrees something needs to be done. This is our best (and currently only) opportunity to help our fellow residents. **The time is now to invest in stable housing and supports for Chicagoans.**

Under the 'Bring Chicago Home' plan, transfer taxes will go down for more than 9 out of 10 transactions. The office building market collapse is due to other causes and this will have a de minimis impact. Investors in real estate might see minor increases in holding periods to recoup transaction costs. Rents are set by supply and demand, so 'Bring Chicago Home' will not impact the current rental housing shortage in Chicago.

Moreover, revenues to the General Fund from the transfer tax will not be reduced. Only excess revenues beyond current levels will flow to the Bring Chicago Home Fund.

SUMMARY: THE CASE FOR VOTING NO

There is no serious argument that homelessness and housing affordability is *NOT* a problem. However, there *IS* an argument that the proposed 'Bring Chicago Home' Referendum and draft implementing ordinance are not good vehicles, let alone the best vehicles, for dealing with the problem.

Rather than leaping blind with 'Bring Chicago Home', there should be a re-look at how—and from where—revenues should be raised to provide money to tackle homelessness and housing affordability. If the referendum passes, the proposed transfer tax change will not be implemented until Jan. 2025. If this referendum fails, there is time to craft a better proposal which could be placed on the November 2024 ballot and implemented in 2025.

The mechanism for raising additional revenue should be designed for minimal negative impacts on both the payors of the additional revenues and others. Ideally, the revenues would come from multiple sources to increase the reliability of the stream.

Given current market conditions, now is not the time to do anything that will discourage building and investment in Chicago, especially when there are plenty of other locations, near and far, for investors to put their money.

USING THIS REPORT

We hope this report has helped readers better understand what the ‘Bring Chicago Home’ proposal actually entails, the rationale behind it, and what it aims to achieve. We also hope that readers will have a firmer grasp of the major points of the political debate around the proposal.

Ultimately, each voter will have to decide for themselves which side of the debate they find most compelling. Hopefully this report will help Chicagoans exercise their right to vote in an informed and conscientious manner.

Informed voters are the backbone of our democratic society and the true strength of our great republic. We encourage all readers who got something out of this report to share it with their friends, families, and colleagues living in Chicago.

And, most importantly, remember to....

VOTE

BABY

VOTE



THANK YOU

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lwwchicago.org

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