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Resources to the Multifamily Industry

**CHICAGO CITY COUNCIL
COMMITTEE ON BUDGET & GOVERNMENT OPERATIONS
TESTIMONY ON PROPOSED 2016 BUDGET
WEDNESDAY, OCTOBER 14, 2015
GIVEN BY MICHAEL MINI, EVP**

Good morning Chairman Austin and Members of the Budget Committee, my name is Michael Mini and I serve as Executive Vice President of the Chicagoland Apartment Association. CAA represents 6000 apartment professionals managing over 900 properties and over 170,000 apartments in Chicago and the surrounding suburbs.

CAA applauds Mayor Emanuel for proposing to right Chicago's financial ship by addressing the structural deficit with this proposed 2016 budget. Dedication of the increased property taxes to Chicago's pension obligations is a step in the right direction. We've heard a lot of concern about how the proposed 68 percent increase in the City's property tax levy will affect homeowners. Today, I'm here to talk about how it will affect apartment buildings and the residents who live in them, and who account for a majority of the City's population. Apartment owners, already facing average assessment increases of 42 percent, will be forced to pass these costs on in the form of higher rents. Estimates indicate that rents will increase more than \$380 annually, or \$32 per month, over the next four years because renters pay property taxes too.

As you search for ways to alleviate the burden of this property tax increase on homeowners, CAA strongly urges you not to do it at the expense of Chicago's renters. We urge you to, as the Mayor said in his budget address, approach these fiscal challenges in a way that is truly fair to all. Efforts to increase the homestead exemption in Springfield shifts an even greater property tax burden on to multi-family rental, commercial and industrial properties. It is not fair, and CAA cannot support, such a measure. Instead, a rebate program targeting only the most severely impacted taxpayers would alleviate the harmful effects of a property tax shift. Such a rebate program could potentially be funded from the Home Equity Assurance funds or the Skyway Long-Term Reserve Fund.

If the City Council is inclined to support this unprecedented tax increase, we urge you to consider changes to municipal codes that will reduce an apartment property's operating expenses. This will help shield renters from the full brunt of this property tax increase. Amending the Residential Landlord and Tenant ordinance to provide for judicial discretion, aligning Chicago's building code with the International Building Code, reducing the time it takes to get a building permit and amending the Affordable Requirements ordinance to encourage more residential development are just some ways the City Council can bring meaningful operational savings to multi-family property owners and provide renters with rent relief at the same time.

CAA supports the \$9.50 per month fee for residents who receive city garbage collection. Most renters living in residential buildings over 4 units have been paying for their own garbage collection for years. Implementing a fee based system for city garbage service is long overdue and has benefits for all taxpayers, including homeowners. It will encourage recycling and reduce waste, lowering the overall cost of this critical city service.

CAA is concerned that this proposed budget is balanced based on the assumption that Senate Bill 777 will be enacted. However, the bill has yet to be sent to the Governor. If it is not signed into law, the City would need to identify an additional \$221 M in revenue for police and fire pensions in 2015 and an additional \$288 M in revenue for these pensions in 2016. Before the City Council votes on this proposed 2016 budget, all revenue sources to fund these additional costs should be identified.

This property tax increase resolves the City's financial problems for now, but what about four years from now. Nearly 78% of the 2016 corporate budget is spent on personnel. You cannot right the City's financial ship without addressing work rules and other matters that drive personnel costs. This effort must begin with the 2016 budget and every budget thereafter until the City reaches a point where its revenue collection meets expenses year over year. Then and only then will Chicago's budget be truly fair to all.