



The Recognized Leader for Advocacy and
Resources to the Multifamily Industry

Chicago City Council Committee on Committees and Rules on Proposal to Submit for Referendum a Question of Increasing the Real Estate Transfer Tax

October 31, 2023

TESTIMONY

Michael Mini, Executive Vice-President, Chicagoland Apartment Association

Good afternoon, Chairperson Harris and Members of the Committee on Committees and Rules.

My name is Michael Mini, representing the Chicagoland Apartment Association (CAA). Our members own and manage over 270,000 units in 1,500 apartment communities across the Chicagoland area and the state of Illinois, ranging from downtown high-rises to neighborhood two-flats. While CAA remains committed to working with policymakers at all levels of government to explore and implement policies and programs to address affordable housing solutions, we are opposed to the proposal to increase the real estate transfer tax as it will result in negative economic consequences for both the residential and non-residential segments of our communities.

The CAA recognizes housing affordability is a significant challenge facing many Chicago residents. The number of families renting their homes stands at an all-time high and is growing, but unfortunately, the supply of new apartments is falling short of demand. Research shows that the Chicago Metro market alone needs to add 48,000 new units by 2030; there is also a growing need for renovations and improvements on existing apartment buildings as roughly half of the apartment stock was built pre-1980. There is no doubt that tax increases impede development and maintenance of affordable and market rate rental apartments, especially at a time when providers face rising interest rates, increased costs, and unpredictable and excessive property taxes.

In California, there have been 20 ballot initiatives to raise transfer taxes between 2010 and 2020; 13 were approved by voters. In a June 2022 study, the Sage Policy Group examined the economic and fiscal effects of increasing real estate transfer taxes and concluded that increasing transfer tax rates on high value properties would slow or even stop construction of new housing, particularly multifamily projects, making housing less affordable. Their findings show that increasing transfer taxes leads to decreases in population, real estate transactions, investment in housing, and quality of the built environment. They are also associated with higher rents, lower property valuations, reduced residential mobility, and diminished homeownership. The proposed transfer tax increase would slow development of new apartments, and discourage investing in, and improving existing apartments. It will incentivize rental housing providers to invest outside of the City of Chicago borders. The lost expansion of the housing base will ultimately make renting less affordable.

As an organization who has worked in earnest to be a partner in building solutions to address increasing affordable housing needs at both the City and State level, it's frustrating to be discussing a proposal like this at this time. The City of Chicago's 2023 budget allocated a substantial \$200M toward homelessness programs and added more money for rapid rehousing and affordable housing projects. Recently passed legislation in Springfield will also help address homelessness and achieve the goal of bringing more affordable housing to neighborhoods throughout the city. The CAA supported the Housing omnibus bill that created grant programs, tax credits, and financial incentives to increase the supply of affordable apartments statewide and help low-income families access housing. The legislation also provides incentives for investment in renovations and improvements on existing residential multi-family buildings. We were proud to work collaboratively with affordable housing advocates to support this groundbreaking legislation.

Multifamily housing providers are committed to helping solve our housing challenges, but government officials must understand the unintended consequences of placing increasing cost burdens upon the private housing industry and work collaboratively with business and industry to find workable solutions.

Our members are not just investing in our neighborhoods, they're investing in our neighbors and building our communities.

The proposed transfer tax will only slow or even stop construction of new housing, particularly multifamily projects, during a time when we need to be bringing more affordable and market-rate housing to communities where it is needed most.

Thank you for your time and consideration.