City Council OKs demolition fees to protect gentrifying neighborhoods

Opponents argue the rule, which carries fines starting at $15,000, would penalize longtime residents in Pilsen and around the 606 Trail who want to cash out. Supporters call it an important check on developers.
MARCH 24 UPDATE: The full City Council today approved an ordinance charging new fees on demolitions of certain homes in Pilsen and along the western portion of the 606 Trail. The ordinance passed 37-12.

Opponent Ald. Raymond Lopez, 15th, said the city is "stealing the equity from those families that stayed in these communities," residents who want to cash in on the sale of their property. But supporters, including Pilsen Ald. Byron Sigcho-Lopez, 25th said the fee is an important check on developers that are fueling displacement and driving up the cost of living in the two gentrifying neighborhoods.

Earlier:

Aldermen on Council's Finance Committee today approved tacking on a $15,000 fee to developers seeking to knock down buildings in the bulk of Pilsen and along the western portion of the 606 Trail. But the plan, which has been sent to the full City Council for a final vote, divided lawmakers who worried about the fee's legality and whether it would hamper families' ability to build wealth in the fast-gentrifying areas.

The fee "works in tandem" with the anti-deconversion ordinance that City Council approved last month in the same neighborhoods and comes on the heels of a demolition ban expiring near the 606, said Daniel Hertz, the Policy Director for the city's Housing Department. Both are part of the Lightfoot administration's efforts to protect affordable housing in neighborhoods that are seeing long-time residents displaced by rising property values and some multi-unit buildings being replaced with expensive single family homes.

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The Institute for Housing Studies at DePaul University estimates the area adjacent to the 606 saw 60 two-to six-flat residential buildings turn into single-family homes between 2013 and 2018. Pilsen has also seen certain metrics tied to gentrification rise between 2013 and 2018: an increase of more than 15 percent in median household income from households earning less than $50,000 in addition to a ten point increase in adults with four-year college degrees.
Under the proposal, buildings would face a $15,000 surcharge for three units, plus $5,000 more for each additional unit. Proceeds would go to the Chicago Community Land Trust in those areas to help create long-term, owner-occupied affordable housing. The fee will be in place for one year, and the city’s Housing Department will report back on the program’s preliminary findings shortly before it’s set to expire.

Eleven aldermen voted against the measure. Ald. Nick Sposato, 38th, said it would penalize any longtime resident who wants to "cash out" and benefit from rising property values: "[E]ven though he's been there for 30 years, he's going to have to spend $15,000 to demolish his building? Is that what we're saying? And of course we think it's legal?"

Wes Hanscom, a deputy in the revenue litigation department of the city’s law department, said the proposal is lawful because there’s “reasonable justification for the lines that are drawn. And it’s our understanding that the problem being addressed here is definitely a problem in this particular area."

Pilsen area Ald. Byron Sigcho-Lopez, 25th, says the measure is a good step, but not a silver bullet. "I think communities like Pilsen, along the 606, have been hurt, drastically, by the displacement and the lack of regulation in the real estate market that has damaged communities, he said.

Fellow supporter Ald. Carlos Ramirez Rosa, 35th, who represents Logan Square, says the current version of the ordinance is a "major compromise." Early proposals called for a $300,000 demolition fee for every single family home, $450,000 for a two-flat, and $150,000 for each additional unit.

The ordinance now heads to the full City Council for approval on Wednesday. If passed, the demolition fee pilot would last until
April 1, 2022.

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