**Property Tax: Cook County Classification Reform**

**The Need:** Recent studies confirm what the real estate marketplace has known for some time: The Chicago area faces a serious shortage of affordable rental housing. The marketplace has built very little rental housing, while condo conversions have taken rental stock out of the market.

Part of the problem is due to how we tax rental property. **In Cook County multifamily rental is taxed at twice the rate of single-family homes.** Reducing the tax classification rate on this property will provide a needed economic incentive to develop more rental units and thus take away the upward pressure on rents caused by the very low vacancy rate. Furthermore, expanding the Class 9 incentive program makes a development tool for affordable housing available in areas that need it most.

Chicago Rehab Network advocates public tax policy that ensures low and very low-income households continued access to affordable housing and supports the following proposals:

**Class 3:** **Adopt the Assessor’s Recommendation to reduce Class 3 rate from 33% to 26%**. Class 3 includes all rental housing of seven units or more, and is assessed at a rate of 33%. By comparison, single-family homes—Class 2 properties—are assessed at 16%. Chicago Rehab Network supports the Cook County Assessor’s recommendation to phase in a reduction of this rate from 33% to 26% over three years. This will provide a needed economic incentive to develop more rental housing. Even the development of high-end rental housing will have the effect of increasing overall vacancy rates from their historically low levels to a “natural vacancy rate” which will take the upward pressure off of all rents. It will also lessen the incentive for condo conversions that results from the capital gain realized when the condominium property is reclassified to the lower 16% rate.

**Class 9:** **Expand Class 9 to all areas of the county.** Class 9 provides a reduction in the assessment level to 16% for rental projects that involve substantial rehab or new construction, and where at least 35% of the units have “affordable rents.” Class 9 is an important development tool that allows for the construction of affordable rental housing in the county. It is currently limited to 1990 census tracts that have majority low and moderate-income households (“low/mod census tracts”). With the new 2000 census results coming out soon, we will see large sections of the city, particularly the North, West and Near South sides, no longer eligible for this program. **Expanding Class 9 does not result in any lost revenue to the county or other taxing districts.**