



# RSK&G BRIEFS



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## PROPERTY TAX REBATE PROGRAM LEAVES \$17 MILLION IN UNDISTRIBUTED FUNDS

Mayor Rahm Emanuel and the City of Chicago launched a one-time Property Tax Rebate Program on October 6, 2016 which was intended to benefit working and middle-class families and seniors with property tax relief. This rebate program was intended to offset the detrimental effects of its record \$543 million property tax increase which took effect in a series of increases over four years beginning in 2016. When Mayor Emanuel and the Chicago City Council created the rebate program, they set aside \$20 million. In late November 2016, Mayor Emanuel extended the deadline to apply for this rebate by a month until December 30, 2016 citing a lack of rebate claims filed by homeowners because only approx. 11,000 Chicago homeowners applied for their rebate. The rebate was a fixed amount of between \$25 - \$200, determined by using

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## REMEDICATION OF LEAD PIPES

The now-infamous lead contamination of the public drinking water in Flint, Michigan, last year, has raised the alarm for citizens nationwide who are concerned about the quality of their tap water. Many municipalities across the nation are now taking steps to overhaul their aging drinking water systems which have become increasingly fragile.

The Federal Environmental Protection Agency (EPA) and the Centers for Disease Control and Prevention (CDC) indicate that lead is harmful to one's health, especially a child, and maintain that there is no known safe level of lead in a child's blood. Even low levels of lead in the blood of children can result in: a) behavioral and learning problems, b) lower IQ, c) hyperactivity, d) slowed

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"America is a land of taxation that was founded to avoid taxation." – Laurence Peter

## PROPERTY TAX REBATE PROGRAM

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the increase in the homeowner's city property taxes and the homeowner's income. The Rebate Program provided for Chicago homeowners with a household adjusted gross income of \$75,000 or less with a rebate to help reduce the impact of their increase in property taxes. The program also includes a senior supplement and an enhanced grant for those experiencing significant hardship.

The problem with the program was the challenging application process where each homeowner had to go to one of the 26 neighborhood processing centers, complete a six to eight page form, present his or her most recent property tax bill, 2015 federal income tax return or Social Security award letter, and state-issued identification. Securing the requisite documentation, getting to a processing center and completing the application on-site took most of a day which was a factor in limiting the number of applicants. As a result the number of people applying for this rebate fell way short of its goal to provide a benefit to the approximately 155,000 households who would be eligible.

Now the Mayor is left with approximately \$17 million in unclaimed property tax rebate money to spend and he announced that \$1 million would go to the creation of a six-month job training boot camp in cybersecurity, with the federal Department of Defense to match at least \$500,000. Previously, he has stated that he would spend \$1.3 million to create a legal protection fund for immigrants, \$2.8 million to speed up the process of outfitting all of the city's police officers with body cameras, and \$2 million to buy and rehab vacant homes. This leaves approximately \$10 million left to spend. The City Aldermen held a morning event on January 18, 2017 to call on the Mayor to spend most of the untapped rebate money to try to reduce the city's surge of violent crime or expanding part-time summer job

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programs for youth. Also suggested was spending \$2.5 million to install private security cameras to the city's emergency system. ("Sluggish tax rebate program leaves Emanuel millions to spend", *Chicago Tribune*, January 19, 2017.) There is no shortage of needy causes where the rebate's \$17 million in undistributed funds could go to. But for many eligible homeowners, it will not go in the pockets of the taxpayers whom the program was intended to help. □

## REMEDIATION OF LEAD PIPES

The now-infamous lead contamination of the public drinking water in Flint, Michigan, last year, has raised the alarm for citizens nationwide who are concerned about the quality of their tap water. Many municipalities across the nation are now taking steps to overhaul their aging drinking water systems which have become increasingly fragile.

The Federal Environmental Protection Agency (EPA) and the Centers for Disease Control and Prevention (CDC) indicate that lead is harmful to one's health, especially a child, and maintain that there is no known safe level of lead in a child's blood. Even low levels of lead in the blood of children can result in: a) behavioral and learning problems, b) lower IQ, c) hyperactivity, d) slowed growth, e) hearing problems, and f) anemia.

Lead exposure can result in serious effects to a pregnant mother and her developing fetus, including: a) reduced growth of the fetus and b) premature birth. Adults exposed to lead can suffer from: a) cardiovascular effects, b) increased blood pressure, c) incidence of hypertension, d) decreased kidney function, and e) reproductive problems (in both men and women).

Cities such as Boston, Denver, Milwaukee, Pittsburgh, Philadelphia and St. Paul are accessing

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## REMEDIATION OF LEAD PIPES

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municipal funds to add replacement pipes on municipal projects. In some instances, homeowners are being offered low-interest loans or payment plans to finance the replacement of service lines, which plans may be funded jointly by state and federal lawmakers. Many municipalities in the country are working out the details on their plans to replace the water pipe infrastructure.

The Chicago Tribune has reported that the City of Chicago has more lead service lines than any other city, due, in part, to the fact that the City required service lines to be made of lead until 1986 when the United States Congress enacted the Safe Drinking Water Act which banned the use of lead in water pipes because lead contamination of drinking water had been discovered.

Mayor Rahm Emanuel has tapped a federal-state loan fund for \$412 million over the past six years for water related projects, but none of these funds are being used to replace lead service lines to private properties. Most of the funds are being used to replace 440 miles of aging water mains. At this point, City officials indicate that it is up to homeowners to decide whether to replace lead service lines to their homes at their own expense, while the City pushes ahead with expensive plans to modernize Chicago's aging system of water mains.

Chicago, like other cities, adds corrosion fighting chemicals to the water supply that form a protective coating inside lead pipes, helping to prevent the toxic metal from leaching out. However, according to studies by industry scientists and researchers, this protective coating can break off if lead pipes are disturbed.

In response to the criticism it received for its slow reaction to the crisis in Flint, Michigan, the EPA has

sent a series of letters to state regulators which advise them to do more to warn the general public about the potential health risks from lead pipes. Chicago, like other cities, considers a service line from a water main to a residence to be private property, rather than part of the municipal system. Nonetheless, there is no law or regulation that prevents the City from using federal EPA money to replace such a service line.

Unlike some other cities, Chicago has no inventory of its lead service lines, and replacing those service lines would be daunting inasmuch as an estimated 80% of residential properties access the municipal water supply through lead pipes.

The City's replacement of water mains continues and the City advises residents affected by water main replacements to flush their taps for a few minutes any time water hasn't been used for several hours. □

## ILLINOIS TAXES HIGHEST IN NATION

According to an analysis that was conducted last year by CoreLogic, an Irvine, CA-based corporation providing financial, property and consumer information, which study was reported in the Chicago Tribune, Illinois has the highest median property tax rate in the nation. While Illinois taxing districts levy a median combined property tax rate of 2.67% of a property's market value, the median tax rate, nationally, is 1.31% of market value.

In other words, the average home in this country, valued at \$200,000, receives a total annual property tax bill of approximately \$2,620, while the same property in Illinois receives a bill of about \$5,340.

The other states with high rates are New York (2.53%), New Hampshire (2.4%) and New Jersey (2.37%). Hawaii has the lowest median property tax rate at 0.31% of market value. After Hawaii, the states with the lowest median property tax rates are South Dakota (0.38%), Alabama (0.54%) and

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## ILLINOIS TAXES HIGHEST IN NATION

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Wyoming (0.65%). With respect to the states bordering Illinois, their median property tax rates are: Wisconsin (1.95%), Iowa (1.69%), Missouri (1.26%) and Indiana (0.88%). □

## NEW CHICAGO ORDINANCE REGARDING SHORT-TERM RENTAL PROPERTIES

There has recently been an upsurge in the proliferation of short-term vacation rental properties, such as those operated under the auspices of the AirBnB and Homestay companies. As a result, in 2016 the City Council of the City of Chicago adopted a new ordinance which provides condominium and homeowners' associations some protections against concerns about security, damage and changes in the quality of living when units in such a residential building are converted to use as a short-term vacation rental property.

In enacting this ordinance, the City intends to maintain a record of all of the short-term rental units in the City of Chicago, as well as to track any nuisance complaints or violations against the new ordinance. To qualify a short-term rental unit under the Ordinance, the owner or tenant of a unit who wishes to rent it on a temporary basis must register the unit with the Department of Business Affairs and Consumer Protection of the City of Chicago, and the

rental listing platform being utilized (e.g., AirBnB, Homestay) must be licensed to do business within the City of Chicago. To register a unit, the owner or tenant is required to sign an attestation that the Condominium or Homeowners' Association has no prohibitions against vacation or transient rentals. Revenues generated by short-term rental properties in Chicago are not only subject to the 17.4% hotel tax, but also an additional 4% surcharge that has been imposed by the City Council at Mayor Rahm Emanuel's request.

Condominium or Homeowners' Associations whose covenants do not already contain restrictions on short-term rentals may want to consider amending their Declarations to memorialize such a ban. Although many properties are governed by Association Declarations that already memorialize policies prohibiting vacation or short-term rentals, this new Chicago Ordinance now serves as an additional mechanism by which Associations are able to enforce an existing ban on vacation rentals.

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