

## Vacant Building Fee

**Vacant Building Fee:** The City requires owners and certain mortgagees of vacant buildings to register and pay a fee for each vacant building.

### Background

In order to address the negative impact of improperly maintained vacant properties, the City of Chicago requires owners and certain mortgagees of vacant buildings to register and pay a registration fee for each vacant building.

The City provides the following guidance to determine whether a building qualifies as “vacant”:

- For a single-family home or residential building with less than 10 units, if no one is legally living at the building, and no one who has lived at the building in the past intends to return to live at the building in the next six months, the building is vacant and must be registered within 30 days.
- For a residential building with 10 or more units, if 90% or more of the units are unoccupied the building is a vacant building and must be registered within 30 days.
- For a non-residential building, if substantially all lawful business operations have ceased the building is a vacant building and must be registered within 30 days. The presence of a guard or watchman does not mean a building is occupied.
- For a construction site, if permitted construction operations have stopped, the construction site must be registered as a vacant building within 30 days. If a building is vacant due to a fire or other damage, the building is vacant and must be registered until repairs begin with a proper building permit.

Since November of 2011, a mortgagee of a vacant residential building must register the building if the mortgage is in default and the owner has failed to register the building as required. The mortgagee is also required to secure the building and perform certain maintenance.

This registration requirement has been in place since 2000, and the fee schedule was amended in 2012, as set forth in the table below, to increase the fees for involuntary registrations<sup>1</sup> and registrations with code violations. There is an initial registration fee of \$250 if the building owner files in a timely and voluntary manner. Registrations must be renewed every 6 months if the property remains vacant.

Registration Type	Pre-2012 Fee	Current Voluntary Fee	Current Involuntary Fee
Registration	\$250	\$250	\$500
Registration with code violation	\$250	\$500	\$1,000
Renewals	\$250	\$250	\$500
Renewal 1 with code violation	\$500	\$500	\$1,000
Renewal 2 with code violation	\$750	\$750	\$1,500
Renewal 3 & successive with code violation	\$1,000	\$1,000	\$2,000

Enforcement is driven by members of the public safety departments who flag and report buildings that are vacant and open. In addition, residents and aldermen can report vacant properties through complaints filed through the 311 Customer Service Request portal. In 2014, 7,948 vacant buildings were

<sup>1</sup> A registration is considered ‘involuntary’ when the City has cited the owner for failing to register as vacant and has filed either a court or administrative hearing case against the owner for the violation.

registered with the City, 70% of which were voluntary registrations (before code violations). Bank and financial institution-owned properties made up 19% of total registrations, all of which were voluntary.

### **Revenue Impact**

In 2014, the City received \$2.7 million from vacant building registration fees, and has received \$1.9 million through July 2015. Increasing all fees by 20% - to range from \$300 for an initial voluntary registration without any code violations to \$2,400 for renewals after the second with code violations - could yield an estimated \$500,000 in additional annual revenue, assuming compliance/enforcement remains constant.

### **Legal Issues**

Imposing a fee on vacant buildings is within the City's authority and changing the fee requires amendment of the Municipal Code. The City can charge a fee commensurate with the cost of administering the program, including City costs specifically associated with vacant properties.

The idea of an increased property tax rate for vacant properties has also been raised. Within the City, the same tax rate is generally applied to all property, and is a function of the levies set by each taxing body. However, different types of property have different level of assessment. Currently, vacant land (without buildings) and residential properties are assessed at 10% of market value while commercial and industrial properties are assessed at 25% of market value. Because the tax rate is applied to the assessed value, a higher level of assessment results in higher taxes. The County sets all levels of assessment, so a higher level of assessment for vacant buildings would require action by the County. In addition, the Illinois Constitution limits the highest level of assessment to 2.5 times the level of assessment of the lowest class. As such, vacant commercial properties could not be assessed at a level greater than the highest class which is 2.5 times that of the lowest.