



CITY OF HIGHLAND PARK AFFORDABLE HOUSING DEMOLITION TAX

1. What is the Affordable Housing Demolition Tax?

The Demolition Tax is a tax imposed on all residential demolitions in Highland Park. The tax is \$10,000 for single family homes. For multi-unit buildings, the tax is either \$10,000 or \$3,000 per unit, whichever is greater.

2. What is the purpose of the Demolition Tax?

The purpose of the demolition tax is to help fund the City's Affordable Housing Trust Fund (HTF). The City established the HTF to provide financial resources to preserve and create more affordably priced housing in Highland Park. Most of the revenue raised from the Demolition Tax is deposited in the HTF.

Establishing the HTF was a key recommendation of the City's Affordable Housing Plan, adopted by the City Council in January 2001 as an element of the City's Comprehensive Master Plan. The Affordable Housing Plan was prepared in response to resident concerns that rising land and housing costs and a loss of affordable units in the wake of redevelopment are threatening the diversity of Highland Park's population, changing neighborhood character, and severely limiting housing options for a broad range of individuals and families living or working in the community.

Early in 2006, the City Council amended the ordinance establishing the Demolition Tax to reallocate a portion of the proceeds to the City Street and Bridge Fund to help defray the increased costs of maintenance of roadways and streets caused by construction activity in areas of residential demolition.

3. What is the rationale for a tax on demolitions?

Over the years, the demolition of existing dwellings in Highland Park has led to a reduction in the diversity of the City's housing stock and a decrease in the availability of affordable housing options within the City. Subsequent redevelopment has in many cases contributed to increases in housing prices that make it more difficult to provide affordable housing. Accordingly, the City Council determined that a tax on tear-downs would provide an appropriate source of revenue to help fund new initiatives to address the community's affordable housing needs.

4. When is the demolition tax paid?

Payment of the demolition tax is required prior to receipt of a demolition permit.

5. How is demolition defined?

The City Code defines demolitions as any act or process within the owner's control that results in the removal or destruction of 50 percent or more of the structure or building. The 50 percent is determined by removal of a combination of interior and exterior elements.

6. Are there any exceptions to the demolition tax?

The demolition tax does not apply under the following circumstances:

- If the applicant for the permit has entered into an agreement with the Housing Commission for the provision of affordable housing.
- If the applicant establishes, subject to appropriate evidence, that the replacement housing is affordable under the City's definition of affordable housing.
- If the applicant has owned and occupied the dwelling being demolished for at least 5 years preceding the demolition and covenants to own and occupy the replacement home for a minimum of 5 years.
- If the applicant establishes, subject to appropriate documentation, that the demolition of the dwelling is necessary due to the medical condition of the owner, that the owner qualifies as a low- or moderate-income household, and that the owner will occupy the replacement dwelling.
- If the applicant establishes, subject to appropriate evidence, that the demolition is necessary due to a Force Majeure – i.e., an act of God, or other factors beyond the owner's control and reasonable ability to remedy.

7. Who administers the demolition tax?

The Building Division administers the demolition tax. If an applicant believes that the tax does not apply based on one of the exceptions listed above, the applicant must submit appropriate documentation. The documentation is reviewed by the staff liaison to the Housing Commission, who determines whether the exception applies.

For more information about Affordable Housing Trust Fund and the City's other affordable housing initiatives, contact the Community Development Department at 847-432-0867.