

PROPERTY TAX RELIEF TASK FORCE
Subcommittee: Assessments & Exemptions

Meeting Minutes

Friday, September 13, 2019
2:30pm

James R. Thompson Center
100 West Randolph Street
IDOR 7th Floor Media Room
Chicago, Illinois

The Property Tax Relief Task Force Subcommittee: Assessments & Exemptions met for the first time on September 13, 2019.

MEETING START

Meeting Scheduled to Start: 2:30pm.

AGENDA

I. Welcome/Roll Call

- a. IDOR staff member Sam Salustro called the meeting to order at approximately 2:30pm and welcomed members.
- b. Roll Call was taken. Quorum was met.

Name	Present
Representative Davis – Chair	Yes
Representative Didech	Yes
Representative Ford	No
Representative Greenwood	No
Representative Mayfield	Yes
Representative Mazzochi	Yes
Representative Meyers-Martin	Yes
Representative Ramirez	Yes
Representative Yingling	Yes
Senator Belt	No
Senator Ellman	No
Senator Martwick	No
Senator Righter	Yes
Senator Tracy	Yes

II. Setting Future Meeting Dates

- a. Chairman Davis stated the Subcommittee of Assessments & Exemptions would meet weekly. Chairman Davis will work with Sam Salustro on scheduling future meetings.
- b. Those wanting to present testimony to the committee should contact Chairman Davis or Sam Salustro.

III. Presentation: Cook County Assessor's Office

- a. Fritz Kaegi, Cook County Assessor, provided testimony. Kaegi's written testimony is attached. At the conclusion of Kaegi's testimony, the floor was opened for questions from subcommittee members.
 - i. Representative Mazzochi said Kaegi's bill, SB 1379, was not ready for passage as it is problematic for small business owners and she believed it would not reduce property tax appeal cases. Mazzochi asked why Illinois doesn't adopt the Florida property tax model, which levies a sales tax on rental income? Mazzochi was also concerned with data privacy. Kaegi responded that use of accurate income and expense data proposed in SB 1379 has proven to lead to accurate assessments and therefore reduces the costly need for small business owners to seek property tax relief through the appeals process. Kaegi noted that a recent northern Cook County reassessment, using updated business data, was not capturing expenses data for small businesses and led to appeals which he was trying to avoid. He and Mazzochi talked about how half of Cook County commercial properties appeal their property taxes. Additionally, Kaegi noted Illinois' property tax system is substantially different than Florida's. Kaegi noted his bill was supported by Dorothy Jacks, Palm Beach County Property Appraiser. Mazzochi again brought up her concerns of data intrusiveness and that his bill would be a compliance burden. Kaegi responded by saying his bill excluded many small businesses, and that data turned over was not subject to FOIA unlike the appeals process.
 - ii. Chairman Davis asked if the assessment criteria established in SB 1379 would reduce property taxes and the need for property tax exemptions? Kaegi responded that better assessment data leads to accurate assessments and ultimately reduces overall compliance costs, decrease cost of capital, and leads to higher occupancy rates. For homeowners, it will assure they will only pay their fair share. Kaegi said a recent re-assessment, with better data, shifted some of the property tax burden away from homeowners.
 - iii. Representative Mayfield asked how his bill would reduce property taxes for residential properties. Kaegi would not make guarantees, but explained how it might reduce property taxes. He noted, commercial and residential assessments are interlinked. The assessment process begins with a levy that is spread across both commercial and residential properties within a district. If the commercial base is accurately assessed, it will have an impact on residential properties. When the commercial base increases within the levy, it reduces the levy amount that is applied to the residential base. Residents will have more confidence in their property tax assessment if they know the

commercial property tax assessment was accurate. Mayfield responded that there was an incentive to leave properties vacant. She had concerns about raising taxes on commercial properties when the reason for the Task Force was to lower property taxes for everyone. Kaegi said his bill would encourage occupancy. Mayfield said she opposed his bill because she believed it would lead to higher taxes, and she thought it was a warning sign that it failed to get out of committee.

- iv. Representative Meyers-Martin opened by noting, five of Illinois' highest property tax jurisdictions were in her legislative district, and in the south suburbs, assessment rates have gone up while house values have decreased. She said residents are not able to sell their houses at the price they purchased them. Kaegi responded, when a community has been hit by a housing crisis, and there are a significant number of foreclosures, such as in the south suburbs, those foreclosures were not taken into consideration in the previous assessment process. Therefore, negatively impacted homeowners' rates were due to inaccurate assessments.
- v. Representative Didech asked if he thought commercial properties were being under-assessed in the current system and if was trying to fix that. Kaegi responded that better data is needed to make the commercial property assessment more accurate. The intent of SB 1379 was not to drive a rate shift from residential to commercial properties, but to have better data to ensure accurate commercial property assessments.
- vi. Representative Yingling said he believes property taxation was regressive, and that Lake County residents don't believe the property tax system is fair. For them, it was annoying to see a commercial property in Chicago receive multi-million-dollar property tax breaks. He noted, when that occurs, it means the Chicago Public School District is not receiving their fair share of the property tax base. The School District then turns to the State to make up the difference in funding. The difference reduces the amount of state funding available for Lake County schools. As a result, Lake County property taxes go up. Kaegi responded, the framework of the bill only applies to Cook County, but it is possible for other county boards to opt into the assessment process established by passage of the bill.
- vii. Yingling asked Kaegi to walk the committee through an assessment appeal process. Kaegi responded that an initial assessment includes the evaluation of certain data to determine the earning potential of the commercial building and what the market would pay for the earnings of that building. Components of earning potential for consideration include: the rent the building earns; vacancy rate; operational costs; concessions given to secure occupancy; etc... When those components are taken into consideration an assessment rate is established and sent to the building owner. If the building owner disagrees with the assessment they have 30 days to appeal. They would then begin turning over information supporting their perceived assessment. Yingling asked about the Board of Review process? Kaegi responded that three commissioners review the initial assessment process and appeal process and

make a determination on the assessment rate. Yingling asked if he believed people were using the appeals process to avoid paying their fair share of property taxes, and eventually shifting the property tax burden to other property owners. Kaegi agreed if property tax owners are winning their appeals. This is why he thought it was so important for the assessment to be accurate at the beginning. Kaegi noted, other states have just flat rates, while Illinois starts the property tax system by determining the levy wanted by a taxing body.

- viii. Representative Ramirez noted, her district was seeing increased property taxes from increasing land values. She asked how SB 1379 would impact gentrifying neighborhoods like Humboldt Park. Kaegi responded by saying, first, homeowners need to be aware of the exemptions they may be eligible for. For example, the Long-time Occupant Homestead Exemption. Second, Kaegi noted, over the past few years, residential assessments were increasing in Chicago, while commercial assessments were not. If commercial assessments are done correctly, it will impact residential property. He also said more data would allow for a better understanding of what is happening in individual neighborhoods.
- ix. Representative Meyers-Martin asked about other states, where there is a flat assessment rate, and if they have as many taxing bodies as Illinois. Kaegi responded by saying, the short answer is no other states don't have as many taxing bodies as Illinois. He noted Illinois starts with a levy that is needed by each taxing body and then it grows into a rate by spreading the levy across the assessed value in a community. He said other states among the taxing bodies agree how one rate will be split among the taxing bodies. Kaegi reiterated that he wanted to have better data when his office reassesses the South Suburbs.
- x. Yingling asked what the Long-time Occupant Homestead Exemption was. Kaegi did not know if it was only in effect in Cook County. It provided two tests – one for a household income of \$100,000 or less, and two, for a recent increase in neighborhood values. Yingling asked Kaegi to explain the privacy protections in his bill. The data submitted under the bill is not subject to the Freedom of Information Act, while the same data that is submitted through the appeals process is subject to FOIA. Therefore, the bill sets a higher standard of privacy. He also noted, his office could only use compiled anatomized information. Finally, he noted his bill has the same penalties IDOR uses for anyone giving out information.
- b. Chairman Davis asked committee members if additional information was needed for committee consideration.
 - i. Chairman Davis requested a list of Property Tax Exemptions from Kaegi.
 - ii. Chairman Davis asked Kaegi to invite other County Assessors to testify.

IV. New Business

- a. Representative Ramirez asked Kaegi to provide examples of property tax relief exemptions that have been used successfully. And to accompany them with the pros and cons data of such exemptions.

b. Davis saw no other new business.

V. Public Comment

a. Curt Fiedler, Building Owners and Managers Association of Chicago, requested to make a formal presentation to the subcommittee.

VI. Adjourn

a. Representative Yingling moved to recess to the call of the Chair.

MEETING END

Meeting ended approximately 4:00pm.

Remarks as prepared for delivery by Assessor Fritz Kaegi

Illinois Property Tax Task Force Subcommittee on Assessments and Exemptions September 13, 2019

Good morning. I want to thank Chairman Will Davis and the rest of this subcommittee for the opportunity to address you. We all share a goal of making Cook County and Illinois's property tax system fair and equitable for all residents.

A little more than nine months ago, my team and I came into office with a plan, after having met with more than 25 major assessment jurisdictions throughout the United States, and having met with hundreds of real estate participants, big and small, as well as experts in other fields such as data science.

Starting with a 100 Day Plan of publicly available objectives and initiatives we began the work of reforming the Cook County Assessor's Office. From a day one executive order on ethics, to publicly posting our models and underlying data online, to a countywide Listening Tour, we've stuck to our promise of a more ethical and transparent administration.

As we've begun the re-assessments of the Northern Suburbs, we've publicly posted our rules for appeal, implemented more advanced GIS technology and brought the International Association of Assessing Officers in to do a thorough audit. We have developed a more open relationship with the press, significantly reduced regressivity in our assessments and begun a long-overdue rehab of our website. We've also taken significant steps to make our office compliant with the Shakman decree.

We have, in the words of Crain's Chicago Business, created an exciting prospect: A boring Cook County Assessor's Office.

We were able to make many of these changes immediately through executive order. Some have taken a couple of months to put into practice. Other changes, such as fully adopting the IAAO's recommendations, will be an ongoing years-long effort. As we make these changes, we've committed to publicly discussing our progress and updating lawmakers in hearings like this.

As we talk with people, we hear a lot of concerns that our changes are hurting predictability or causing uncertainty. But we've gone out of our way to explain the changes we're making. In addition to every other public report we've put out, we've released 30 pages of reporting on each re-assessed township. In addition to our Listening Tour, I've attended 8-15 events a month, speaking to community groups, business associations, real estate market participants and homeowners to answer questions about our work.

In short, we've provided more transparency into our work over the last nine months than people have seen in the last nine years. This past week, I made a presentation to the annual IAAO conference about our efforts. National assessment experts are cheering on the work

we're doing and are excited about the prospect of a more open, predictable and transparent system.

Many of the improvements to deliver on that promise can be made by our working together. For example, HB 833, a bill recently signed into law by Governor Pritzker, which unanimously passed both houses of the General Assembly. This bill will remove the undue burden from Cook County seniors of having to renew their senior homeowners' exemption each year. Many of the members of this subcommittee were co-sponsors on this bill. I'm proud to say that thanks to many operational and technological improvements in our office, lawmakers felt confident in passing this bill.

I'm here today to discuss another opportunity for us to work together to pass a bill that will benefit not just seniors, but every residential and commercial property owner in Cook County and, for those counties who opt-in, throughout Illinois. That bill is SB 1379, the Data Modernization Bill.

We can have the best models, data scientists and algorithms in the world, but without good data, it's garbage in, garbage out. If this happens, we won't get the assessment system we deserve.

For commercial and larger multi-family buildings, the only real way to solve this data problem is to require income-producing properties to submit basic rental income and expense data at the start of the assessment process.

This is a common sense best practice. Most of our major peers in the United States are able to access this data, and residents are glad for it, because it produces more accurate assessments, increases transparency, reduces investment risk, -increases the efficiency of operations, and reduces compliance costs for owners. Georgia, Massachusetts, New York, Tennessee, Virginia, and Washington D.C. all require this data. Not coincidentally, institutional real estate participants tell us that these are thriving markets and the best assessment systems to emulate.

SB 1379 would give the Cook County Assessor's Office (and other Illinois counties that choose to opt in) the ability to require owners of income-earning properties to disclose basic rent, real estate income, and expense information.

Those who do not comply would be subject to a fine, but many smaller properties are exempted, including those of owner-occupied properties.

Assessors from around the state, on both sides of the aisle, support this bill because they know it would make their work more accurate.

The legislation also protects the privacy of private citizens by requiring that sensitive data is only published on an aggregated and anonymized basis and is otherwise exempt from FOIA.

As most of you know, income and expense information is already required at the point of appeal. The Board of Review takes in this data and uses it to determine a property's value, one appeal at a time.

But the Assessor's Office does mass appraisal. If we were equipped to require this data up front, at the start of the assessment process, we would be better able to determine market-level rents for every part of the County. Moreover, this helps us achieve a goal each attorney has for his or her client: accurate, uniform assessments.

This bill is a win-win: it gives us the bulk, anonymized data we need to assess commercial property owners fairly and not have them resort to appeals processes that cost them time and money.

It also brings more fairness for residential homeowners. If commercial property owners are not assessed fairly and accurately, residential homeowners end up paying more than their fair share to make up for it.

This bill also helps with vacancy issues which are plaguing neighborhoods throughout Chicago's south side and south suburbs.

Some believe we have a pre-conceived outcome in mind with our assessments and that somehow this bill is part of an intent to increase the tax burden of commercial property owners. In reality, this bill is completely separate from the approach we've taken this year. In fact, we have no preconceived notion in mind other than to meet the legal standard to assess at market value. There can be no more predictable method of assessment than our approach. And this bill will increase that predictability.

Consider that for smaller commercial property owners, our current process forces them to go through a costly appeal process in order to ensure our office has the correct data for their assessments. SB 1379 would give us this data at the beginning of this process, bringing more predictability to the system.

We've received great feedback on the bill from many market participants, including those with concerns about potential overreach. My chief of staff, chief policy officer and I have held many meetings in Springfield listening to their concerns and making changes to the bill.

We've created amendments to lessen the penalties on those who fail to report and added a penalty for anyone at the office who discloses this information. In addition, we've provided clear information within the bill about when data should be submitted and reduced the amount of data that must be submitted to be in compliance.

Despite these changes, we know some interest groups oppose this bill. While some prefer the system we have, our objective is to deliver on the mandate of reform that people voted for.

In fact, the business community is split on this bill. Real estate participants with global or national footprints know this is a practice in use in 17 other states with healthy assessment systems. Supporters include the International Association of Shopping Centers, Brookfield Properties - owner of Water Tower Place and one of the biggest real estate participants in the world - BMO Harris Bank, Abbel Associates, Jameson Commercial Real Estate, Magellan Development Group and Chamber 57 in the South Suburbs of Chicago.

It's also supported by the Illinois Association of School Boards, ED-RED, and the Chicago Teachers Union. Other union support includes the Chicago Regional Council of Carpenters, AFCSME 21, Teamsters 25, SEIU Health Care and 73.

Numerous community organizations; the editorial boards of the Chicago Tribune, Crain's Chicago Business and the Daily Herald and many elected officials including the South Suburban Mayors and Managers Association, the Cook County Board, Board President Toni Preckwinkle and Mayor Lori Lightfoot all support this bill and have urged its passage.

This overwhelming support is partly why SB 1379 passed the Senate in a supermajority vote. It now needs a vote in the House. Will Davis, chairman of this committee, is a co-sponsor of it there. We have 41 total co-sponsors of this bill in the House. Just this week, we were proud to have Rep. Curtis Tarver and Rep. Lindsay LaPointe sign on.

The language on this bill is ready. We know we have the votes in the House to pass this bill during veto session. That's why I'm hopeful that this subcommittee and the larger work of the task force will give this bill the final push it needs to get it to the full House for a vote.

Everyone in this subcommittee has done incredible work in the spring session with a full plate of accomplishments. We now have an opportunity to tackle the unfinished business of property tax reform.

This bill is no-cost, ready to go, and the easiest, fastest way for this task force to begin the process of meaningful property tax reform for the residents of Cook County and Illinois. It won't solve every problem in our property tax system - no single bill will. But calling it for a vote in the House will demonstrate to the citizens of Illinois that we're serious about taking action to reform this system.

Thank you again for the opportunity to address this hearing. I look forward to working with you on this effort and I welcome your questions.