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Memorandum

To: Clients and Other Interested Taxpayers
From: O'Keefe Lyons & Hynes, LLC
Date: **June 17, 2020**
Re: **The 2019 Triennial Reassessment of Evanston as a Harbinger of the 2021 Triennial Reassessment of Chicago**

Now that the 2019 (pay 2020) tax rates have been published, it is possible to quantify the actual tax impact of the assessment increases that occurred in Assessor Kaegi's first reassessment – the 2019 Triennial Reassessment of the northern Cook County suburbs. We have focused on Evanston because its relative diversity approximates that of Chicago. Until the recent economic and social upheavals, we thought that the Evanston experience would presage the experience of Chicago in the 2021 Triennial Reassessment.

Beginning in the spring of 2019, Assessor Kaegi adopted a new methodology that caused him to increase assessments dramatically. Since then, he has tried to allay the consternation of taxpayers by insisting that most of the increases will be offset by declines in tax rates. He has pointed to a report published by Cushman & Wakefield early in 2020 as affirmation of his reassessment methodology and confirmation that it will have minimal impact on taxes. See the Sun Times story from February 5, 2020, "Property tax hikes won't be that bad, new report says" and the C&W report at https://chicago.suntimes.com/politics/2020/2/5/21125181/cook-county-property-tax-hikes-assessment-techniques-cushman-wakefield-report.

The C&W report cites to information it obtained from the Cook County Assessor's Office (July 2019). It also cites The City of Evanston (August 2019) as the source for its projection of the tax rate. The C&W report was flawed in at least two respects:

- Failure to account for exemptions. While it was elegant in its simplicity, the Evanston model did not attempt to account for exemptions on single family homes. As a result, the model overestimated the equalized assessment base and underestimated the tax rate.

- Failure to update for assessment reductions granted by Board of Review. By early 2020, the Evanston model (prepared in August 2019) was out of date because appeals to the Board of Review had greatly reduced the assessment base. Again, overestimating the equalized assessment base led to underestimating the tax rate.

The C&W report quoted Assessor Kaegi saying, "The [Evanston] tax rate is going to go from 9% to 5.6%, so for an average property whose assessed value increased 100%, actual tax paid will rise in the neighborhood of 20%. Based upon that 5.6% tax rate, the C&W report maintained that individual Evanston assessments could increase 66% without causing taxes to increase at all.[1]

In reality, the tax rate only declined to approximately 8% and taxes have increased to a much greater degree than projected by C&W and implied by Assessor Kaegi. Far from the projected neutral tax impact, an assessment increase of 66% produced a tax increase of 48%. The tipping point at which taxes begin to increase is actually an assessment increase of 13%. The table below updates the table in the C&W report with actual values.

Kaegi (per C&W and Evanston)		**Actual**	
Increase in Assessed Value	Estimated Change in Taxes	Increase in Assessed Value	Change in Taxes*
150%	50%	150%	122%
100%	20%	100%	78%
66%	0%	66%	48%
50%	-10%	50%	33%
		27%	12%
		13%	0%
0%	-40%	0%	-11%

* Calculated using tax rate for Tax Code 17001.

On average, assessments in Evanston increased 27% and taxes increased an average of 12%. However, the averages obscure the disparate impact on various classes of property. The following table breaks down the assessment base by class and indicates the degree of increase in assessment and taxes.

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[1] This out-of-date statement was repeated as recently as June 12, 2020, in a Crain's Chicago Business article titled, *"They helped kill the soda tax. Can they get their way on commercial real estate taxes? Renew Cook County, started by public affairs firm Resolute Consulting, appears as a grassroots plea from small-business owners against Assessor Fritz Kaegi's valuations."*

Class	Assessed Valuations 2018	Assessed Valuations 2019	Increase	Taxes* 2018	Taxes* 2019	Increase
Homes	739,641,913	873,484,968	**18%**	202,642,585	212,681,361	**5%**
Apartments	77,862,467	121,229,120	**56%**	21,332,284	29,517,594	**38%**
Commercial	174,042,121	260,275,190	**50%**	47,683,000	63,373,365	**33%**
Industrial	9,411,434	13,307,864	**41%**	2,578,487	3,240,279	**26%**
Other	7,233,932	7,584,766	**5%**	1,981,909	1,846,784	**-7%**
Total	1,008,191,867	1,275,881,908	**27%**	276,218,266	310,659,382	**12%**

* Calculated using tax rate for Tax Code 17001.

The assessments of single family homes increased only 18%; so, as a class, their taxes increased 5%. Meanwhile the assessments of apartment buildings and commercial property increased 56% and 50%, respectively, and their taxes increased 38% and 33%, respectively. The attached spreadsheet summarizes the experience of 5 commercial office buildings and 6 apartment buildings. As you will see, there is wide variety within each class.[2]

The disparate degree of change in assessments has shifted the property tax burden from single family homes onto apartments and commercial properties. The table below indicates the share of the assessment burden borne by each class in 2018 and in 2019.

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[2] Please note that the C&W model was based upon the tax rate generally applied in Evanston. For comparison, this memo is based upon the general rate. Evanston's central business district, however, is taxed at a slightly different rate. The attached spreadsheet uses the CBD tax rate actually applied to the properties cited.

Class	Share of Assessment Burden*	
	2018	2019
Homes	73%	68%
Apartments	8%	10%
Commercial	17%	20%
Industrial	1%	1%
Other	1%	1%
Total	100%	100%

* The tax burden will be shifted further away from homes when the exemptions are applied.

The bottom line is that, now that the tax rates are known, the magnitude of the impact of Assessor Kaegi's reassessment is also known. There is objective proof that (1) Assessor Kaegi's reassessment shifts the tax burden from single family homes onto apartments and commercial property and (2) tax rates will not decline enough to prevent dramatic tax increases on the latter classes of property.