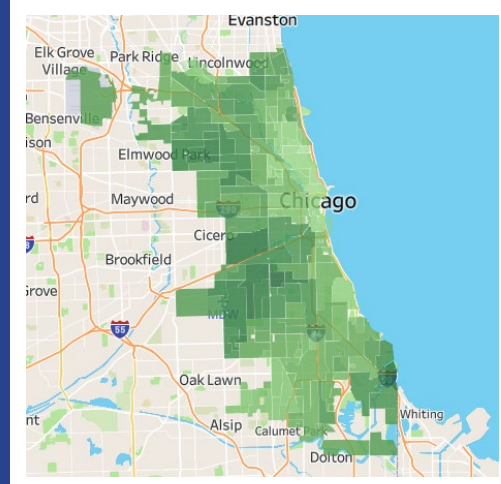
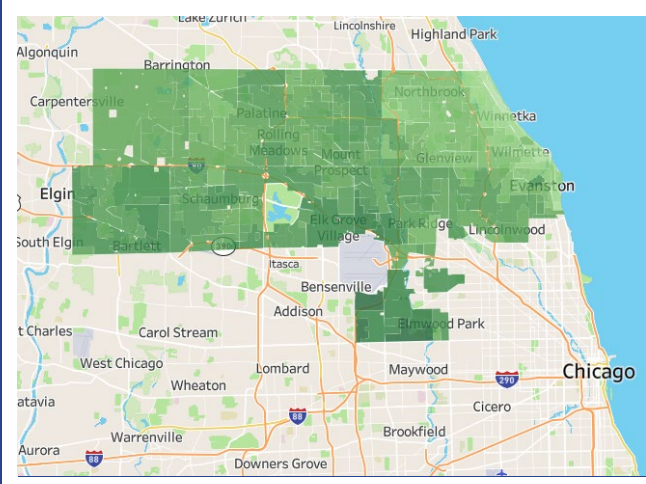


Cook County Assessor's COVID-19 Adjustments to 2020 Property Assessments in the North Suburbs and City of Chicago



Cook County Assessor's Office

January 11th, 2021



Fritz Kaegi
COOK COUNTY
ASSESSOR

Executive Summary

The Cook County Assessor's Office (CCAO) reassesses approximately one-third of the property in Cook County each year. We began in 2020 with the scheduled reassessment of properties in the south and west suburbs, and of specific properties in the north suburbs and Chicago with divisions, permits, or other special applications that indicate changes to the properties. After we began our work, however, the COVID-19 pandemic led to substantial economic, social, and market effects.

An explanation of the Office's initial analysis of these effects was released on May 28, 2020 in the CCAO's report "*Cook County Assessor's COVID-19 Adjustments to Property Assessments in the South and West Suburbs*," available at cookcountyassessor.com/covid19. This initial report contained a summary of the methodologies used by the CCAO to produce COVID-19 adjustments to residential and commercial property values for townships in the south and west suburbs, which were scheduled for reassessment in 2020. This reassessment work is now completed.

This report provides material describing the Assessor's application of COVID-19 adjustments to properties located in the northern suburbs and the City of Chicago in 2020. The methodological approach detailed on pages 5-9 and 11-13 of the previous report remains applicable.

Overall, the same analysis and approach used to adjust residential property assessments in the south and west suburbs was used in the north suburbs and the City of Chicago. [A map of these adjustments can be found on our website.](#)

Details on the approach to value adjustments to commercial properties throughout the county can be found within this report.

Where can I find my property's 2020 COVID-adjusted assessed value?

CCAO certified-final values for 2020 include any applicable COVID adjustment. After certification, these final values were published on the CCAO website, and a letter was mailed to the property's owner.

To view the property's Assessor-finalized value online:

1. Find property by PIN or address at cookcountyassessor.com/address-search.
2. The "Assessed Valuation" section contains the CCAO Certified Final 2020 Valuation. It incorporates any reductions resulting from any appeal and COVID Adjustment.

Scope

This report contains a summary of the methodologies used by the CCAO to produce COVID-19 adjustments for residential and commercial property values for townships in the north suburbs and the City of Chicago.

2020 assessed values affect the second installment property tax bills issued by the Cook County Treasurer in summer of 2021.

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Explaining the Process of COVID-19 Adjustments

As the CCAO made COVID-19 adjustments to market values in Cook County, the Office engaged with the public, elected officials, business groups, and the media to explain the process. The Office released an initial report on the south and west suburban reassessment and posted it, along with maps and other tools, at cookcountyassessor.com/covid19.

To ensure this information was available to the public, Assessor Kaegi and other CCAO staff communicated with people via Zoom and Facebook Live during more than 100 events and also spoke with the *Chicago Tribune*, the *Chicago Sun-Times*, *Crain's Chicago Business*, WBEZ 91.5 FM, WVON, Fox 32, the *Daily Southtown*, and other media outlets.

A few common questions were asked during this public outreach. The following addresses the most asked questions.

- 1. Only parcels in the south and west suburbs were fully reassessed.** Parcels in the northern suburbs and the City of Chicago had their prior market values adjusted based on the office's analysis of COVID effects on certain property types and geographic areas.

A reassessment of properties in a particular area involves several steps, inclusive of, but not limited to, extensive research on the real estate market, permit collection, residential data modeling, estimation of commercial capitalization rates across building types and classes, in-person field checks to verify data integrity, and review of final values.

A full reassessment of Cook County's nearly 1.9 million parcels during 2020 was not possible given the CCAO's current staff and resource limitations, not to mention the difficulties of working remotely during a pandemic.

- 2. This analysis was conducted in March and April of 2020.** To ensure fair and uniform assessments, the Office did not revise this analysis as more market data became available throughout the year. The same methodology was used to determine whether adjustments to market values were necessary for different property types, regardless of when a township's assessment and appeal period fell throughout the year.
- 3. All parcels were examined for COVID-19 adjustments and, when warranted, an adjustment was applied to the market value of a property.** This adjustment was applied regardless of whether an appeal was filed on the property. If additional information about a parcel was presented to the office through the 2020 appeal process, this information was also considered for adjustments to the property's market value. In addition, the Assessor's Office reached out directly to property owners to solicit information about the economic impact to their properties due to COVID-19; any information presented to the office was considered in our analysis.

As the CCAO began its 2020 assessment work, different property types and locations experienced different economic impacts of COVID-19. Thus, COVID19 adjustments throughout the county reflect these various impacts.

Residential (Class 2) property value adjustments

The Office's initial report on the south and western suburbs described the calculation of COVID-19 adjustments for residential properties. These calculations were based on data from real estate investment trusts, unemployment within particular areas, and historic trends in the Case-Schiller Chicago-Area Home Price Index. The same methodology for determining COVID-19 adjustments applied to residential properties in the north suburbs and City of Chicago.

Based on this methodology, we created two COVID-19 Adjustments for each neighborhood: one for single-family homes and condominiums, the other for multi-family homes. For tax year 2020, the Office applied the following reductions of estimated property values for Class 2 residences (excluding garages) in neighborhoods throughout Cook County:

- -7.5%% to -12.3% (average: 9.9%) for 602,044 single-family homes and condominiums.
- -9.3% to -15.4% (average: 12.3%) for 141,074 multi-family (2 - 6 unit) apartment buildings.

More Data about each Community

Explore the interactive map and data: <https://public.tableau.com/profile/ccao#!/>

Repository of data, code, and technical documentation for this analysis: <https://gitlab.com/ccao-data-science---modeling/covid-impact-on-residential-homevalues>

Commercial and other Non-residential property value adjustments

Our research indicates that non-residential properties have experienced different impacts of COVID-19 that depend on their location, use, and investment class. In commercial assessment, the Office primarily uses the income approach to value property. Certain commercial property types saw more significant market effects due to COVID-19 (hotels, retail, theaters) than others (gas stations, apartments, supermarkets).

In the office's initial report on the south and west suburban reassessments and COVID adjustments, various market-based data sets, including real estate investment trusts, factored into our analysis. Those assumptions and datasets continued to guide the office's thinking when making adjustments to commercial properties in the northern suburbs and Chicago.

We reviewed numerous market reports for each of the property sectors from a variety of sources. We assembled market data and analyzed trends of critical assumptions used in commercial property valuation in order to estimate COVID-19's impact on commercial property values. Analyses included publicly traded Real Estate Investment Trusts (REITs).

Impact Analysis Summary

Based on numerous market reports and data, COVID-19's market effects were felt significantly by offices, retail properties, hotels, theaters, and some industrial properties.

Other properties, such as grocery stores, medical use/office, banks, and self-storage, among others, were not directly impacted by the Governor's shutdown orders because such properties were determined to be essential to serving their users.

Impact Analysis Based on Share Prices of Commercial REITs

For some commercial property classes, our research included an analysis of publicly traded Real Estate Investment Trusts (REITs). Virtually all main classes of commercial real estate have REITs dedicated to them. A change in the Enterprise Value (EV) of these REITs is one of many useful indicators of changes in the values of the properties the REITs own.

The summary of this analysis is below.ⁱ

	# of REITs	% Change in EV divided by Common share			% Change in EV		
		Unweighted mean % change	Smallest change	Biggest change	Unweighted mean % change	Smallest change	Biggest change
Office	17	-10%	+10%	-21%	-10%	+8%	-22%
Multi-family	14	-12%	-4%	-15%	-11%	-3%	-15%
Malls & shopping centers	20	-23%	+15%	-38%	-23%	+ 15%	-38%
Malls	3*	-29%*	-20%	-38%	-28%*	-20%	-38%

Power centers	10	-25%	-23%	-33%	-26%		
Urban street	2	-23%	-21%	-26%	-23%	-21%	-25%
Neighborhood centers	4	-19%	-13%	-23%	-19%	-13%	-23%
Retail Triple Net	9	-20%	-2%	-33%	-19%	-5%	-30%
Gas stations, convenience	1	-8%	n/m	n/m	-8%	n/m	n/m
Industrial	12	-6%	+ 3%	-19%	-5%*	+ 7%*	-19%
Storage	5	-11%	-3%	-15%	-11%	-3%	-15%
Data centers	5	+ 12%	+ 8%	+16%	+ 19%	+ 8%	+46%
Medical & Healthcare	7	-15%	-3%	-24%	-14%	-3%	-24%
Life Science	1	+ 0%	n/m	n/m	+ 3%	n/m	n/m
Lodging	11	-27%	-17%	-37%	-27%	-17%	-38%
Cinema & Leisure	1	-25%	n/m	n/m	-25%	n/a	n/a

* Excludes Taubman, where cash takeover offer led to +15%, and 3 microcaps on verge of bankruptcy

Estimated COVID Reduction by Property Class

The results of our research are summarized in the following table, which reflects our estimate of COVID-19's value reduction by property class.

Class Code	Class Description	Estimated COVID Reduction
5-17	Commercial: retail/office	20%
5-29	Hotel	25%
5-31	Shopping Center	20%
5-27/5-32	Theater/Bowling alley	25%
5-33	Quonset hut	15%
5-89	Industrial condo	10%
5-91/5-92	Office	12%
5-81/5-83/5-87/5-93	Industrial	5%
5-97	Special use structure	12%
5-99	Commercial condo	10%

It is important to note that not every property included in these classifications was adjusted for COVID-19 impacts. Adjustments were not made automatically to property types for which the data did not reflect significant market effects of COVID-19.

Considerations for adjustment include class, location/geography, contributory value of the improvements, and make-up of properties consisting of multiple PINs. For properties consisting of multiple PINs, the analysis was performed on a PIN by PIN basis as opposed to the property level or economic unit, with primary consideration of the PIN's classification.

In addition to the considerations listed above, we also grouped qualifying PINs by those with an active 2020 appeal and those without an appeal. PINs with an active appeal required an additional step to compare the appeal result to the COVID-19 analysis. If the appeal result, which considers property level and market level impacts, including those from COVID-19, was greater than just the COVID-19 adjustment model, then the appeal result was recorded.

Land was also not adjusted because no economic impact could be determined that immediately impacted its value.

Further, we found numerous properties that might have otherwise qualified for a COVID-19 adjustment given the class and geography; however, since much of the value was in the land, the remaining improvement value did not support the estimated decrease to the overall value.

Northern Suburbs

In the north suburbs, there are approximately 18,000 commercial PINs in the commercial classes (excluding multifamily class parcels).

For parcels subject to COVID adjustment, the adjustment percentage varied depending on the sector of the property. For industrial properties included in the analysis, COVID adjustments were 5%. For adjusted hotels and theaters/bowling alleys, heavily impacted by COVID-19, adjustments were 25%. Parcels in other commercial classes were considered for more moderate adjustments, such as commercial condominiums (10%), commercial retail/office (20%), and shopping centers (20%).

City of Chicago

The adjustment process for the City of Chicago started with an understanding of where current market values stand relative to recent sales. In a sales ratio study of 2018 estimated market values conducted by the [International Association of Assessing Officers](#), many commercial properties were already under assessed when compared to 2018 market sales and therefore further decreases to reflect the effects of COVID-19 were not needed.

In re-examining the assessed values of the City of Chicago, we found that that most apartment properties had previously been valued at a level below market value; therefore, we decided not to reduce Class 3 levels further.

For Class 5 commercial properties in the City of Chicago, the COVID adjustment analysis included one-story commercial building parcels (5-17 class) in Lake and Jefferson. In addition, commercial condominium (5-99 class) parcels in Jefferson and West Chicago were included in the analysis. Based on the 2018 sales ratio study, these property classes, located in these townships were most closely correlated with market value. As such, they were included in the COVID-19 analysis in order to reflect reductions in market value as a result of the COVID-19 impacts.

Notification of COVID Adjustments

For townships in the northern suburbs and the City of Chicago, any COVID adjustments made to residential and non-residential commercial property values were applied during the appeals process.

1. For properties with an associated appeal, an appeal result letter was mailed.
2. Then, for properties subject to COVID adjustments outside of an appeal, a COVID-19 adjustment letter was sent to each property owner confirming the property's adjusted 2020 Assessed Value, as finalized by the Assessor.

Final values for all properties were published to the CCAO's website at the conclusion of the appeals process for each township. These values were also certified to the Board of Review.

2020 assessed values affect the second installment property tax bills issued by the Cook County Treasurer in summer of 2021.

ⁱ Changes in values were determined as follows:

- (1) Calculate the enterprise values for each REIT, by adding market capitalization of common shares, the market capitalization of preferred shares (if applicable), and their debt as of the most recent reporting period. Using enterprise value instead of market capitalization better adjusts for each REITs use of debt, and the differences in their financing structures.
- (2) Divide enterprise value by the number of common shares, so that companies that raised money during the period by selling shares can have enterprise values calculated before and after compared on an apple to apples basis. (Per-share enterprise values and absolute enterprise values are shown in the table).
- (3) Calculate the percentage change in values from January 1, 2020 to the reference date of April 30, 2020.

Sources for the data are Morningstar (for stock prices) and the most recent 10-Q or 10-K filings at Securities & Exchange Commission by each of the REITs (for other financial information).