

RESIDENTIAL PROPERTY ASSESSMENT IN COOK COUNTY

ASSESSMENT TRANSPARENCY

A COMPANION APPENDIX TO:

*RESIDENTIAL PROPERTY ASSESSMENT IN COOK COUNTY
SUMMARY OF ANALYTICAL FINDINGS*

A REPORT DEVELOPED BY THE CIVIC CONSULTING ALLIANCE FOR THE COOK COUNTY BOARD OF COMMISSIONERS AND THE COOK COUNTY ASSESSOR

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Abstract

At the request of the President of the Cook County Board of Commissioners and the Cook County Assessor, Civic Consulting Alliance and a nationally-recognized expert analyzed Cook County's residential real estate assessment processes and outcomes on a pro bono basis. Working together along with the Board of Review Commissioners, we collectively identified four goals for conducting residential assessments: Uniformity, Timeliness, Compliance, and Transparency. We also agreed on accompanying measures and targets for the first three of the four goals.

On February 14th, 2018, Civic Consulting Alliance issued a report summarizing the performance of the offices of Assessor and Board of Review with respect to the first three of the four goals: Uniformity, Timeliness, and Compliance. The report stated that the residential assessment system met the agreed upon targets of Timeliness and Compliance, but fell short on Uniformity. Analysis showed that the residential assessment system was more variable and more regressive than agreed upon targets and industry standards.

This document addresses the fourth goal: Transparency, which is critical for building public trust in the process and outcomes. The report follows the same procedure used in the previous report by identifying key components of Transparency, making recommendations for meeting the agreed upon Transparency goal, and evaluating current performance.

Beyond increased transparency, Civic Consulting Alliance emphasizes that bringing the whole system into compliance with industry standards will require fundamental changes in modeling, review processes, and data collection, and a shift away from reliance on appeals. Achieving this will be a multi-year effort for the new Assessor who assumed office in December of 2018, working with the Board of Review and other stakeholder Cook County Offices.

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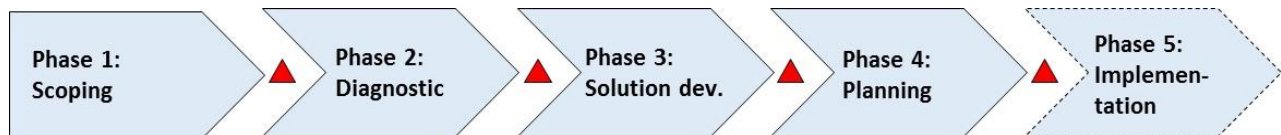
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Project Overview: Five-Phase Approach

In July of 2017, Cook County Board President Toni Preckwinkle and Cook County Assessor Joe Berrios asked Civic Consulting Alliance (CCA), a non-profit, non-partisan consulting firm, to conduct an independent, pro bono evaluation of Cook County's property tax assessment system, with a focus on residential properties.¹ The goal of this evaluation was not only to evaluate, but to work alongside the Assessor's Office and Board of Review to understand the details of the entire assessment process so that required changes could be identified and implemented.

Working in close collaboration with the President's and Assessor's Offices, and with regular input from the Board of Review Commissioners – collectively serving as a Steering Committee for the work – the CCA team and the Steering Committee agreed in August 2017 on a five-phase approach (Figure 1) with go/no-go decisions between each phase:

Figure 1: Five-Phase Approach



- Phase 1: Scoping: Define the goals, associated measures, and target ranges for the end-to-end residential assessment process based on industry standards.
- Phase 2: Diagnostic: Analyze the outcomes produced by the current end-to-end process for one triennial assessment cycle (covering the three years 2014-2016).
- Phase 3: Solutions Development: Develop solutions through workshops with cross-functional teams comprised of external expertise and staff from the Assessor's Office and the Board of Review.
- Phase 4: Planning: Develop an implementation plan for all changes by sequencing initiatives appropriately, ensuring adequate resourcing, and developing oversight and public reporting structures to ensure progress.
- Phase 5: Implementation: Implement initiatives and monitor outcomes, likely over multiple years.

¹ The focus of the work was on residential properties up to 6 units, excluding condominiums (which are assessed using a different methodology). The CCA team examined more than 1 million parcels in its analysis. See examples of residential properties: www.cookcountyassessor.com/Appeals/ResidentialExamples.aspx

Initial Results of Phase 2: Goals, Measures, and Targets

The Steering Committee agreed on four comprehensive goals that the County’s end-to-end assessment process must meet:

- Uniformity of assessment: ensure all property owners pay their fair share of property taxes.
- Timeliness of assessment and property tax bills: avoid issuing tax anticipation notes to finance municipal operations while waiting for required property tax revenue.
- Compliance with regulatory framework: meet the 10 percent residential assessment ratio (assessed value to market value) per Cook County ordinance
- Transparency of the process: regain and sustain public trust in a system collecting more than \$13 billion in revenue per year through transparency of data, processes, and outcomes.

For the first of the three goals, review of industry standards led to the development of metrics and target ranges, and made public in Civic Consulting Alliance’s February 14th, 2018 report. Those measures and targets for performance are summarized in Table 1.

Table 1: Goals, Metrics, and Target Ranges for the Cook County Assessment System

Goals	Description	Metrics	Target Range
Uniformity	▪ As low variability as possible	▪ Coefficient of Dispersion ²	5 - 15
	▪ As low progressivity or regressivity as possible	▪ Price-related Differential ³ Price Related Bias ⁴	0.98 - 1.03 -0.05 - 0.05
Timeliness	▪ Assessment process on-time	▪ Timely 2 nd installment property tax bills	100%
Compliance	▪ Assessment levels in line with Cook County ordinance	▪ Residential assessment ratio ⁵	10%

This report formally complements and finalizes the February 14th, 2018 report by providing an analysis and recommendations for the agreed upon goal of Transparency.

² Coefficient of Dispersion (COD). From the International Association of Assessing Officers’ (IAAO) standard on ratio studies: “The most generally useful measure of variability or uniformity is the COD. The COD measures the average percentage deviation of the ratios from the median ratio.”
³ Price-related Differential (PRD). From the same standard: “An index statistic for measuring vertical equity is the PRD, which is calculated by dividing the mean ratio by the weighted mean ratio.”
⁴ Price-related Bias (PRB). From the same standard: “The coefficient of price-related bias (PRB) [...] is obtained by regressing percentage difference from the median ratio on percentage differences in value.”
⁵ Ratio of market value to assessed value for residential properties.

Framework for Evaluating Transparency

Measures and targets for the goal of Transparency were developed by reference to the recommendations of the International Association of Assessing officers, as well as two regional non-profit organizations that have issued recommendations for the Cook County Assessor's office. These measures were used by the CCA to evaluate current performance of the Assessor's office and the Board of Review.

International Association of Assessing Officers (IAAO)

The IAAO establishes industry standards for performing sales ratio studies in the "Standard on Ratio Studies."⁶ The standards outline rationale, audiences and minimum frequency for such studies:

- **Applicability (Part 1, section 2.4)**
"Local jurisdictions should use ratio studies as a primary mass appraisal testing procedure and their most important performance analysis tool. The ratio study can assist such jurisdictions in providing fair and equitable assessment of all property. Ratio studies provide a means for testing and evaluating mass appraisal valuation models to ensure that value estimates meet attainable standards of accuracy."
- **Frequency of ratio studies (Part 1, section 4.2)**
"The purpose of a ratio study dictates how often it should be conducted. Regardless of the reappraisal cycle, ratio studies made by assessors should be conducted at least annually. This frequency enables potential problems to be recognized and corrected before they become serious."

In addition, IAAO has published a "Standard on Public Relations" that identify that Assessor's Offices should release annual reports on a broader set of topics.⁷

- **Public records (section 5)**
"Public access to assessment records is crucial to good public relations. Measures should be taken to ensure a climate of openness and transparency. Assessment office personnel must understand policies and statutes pertaining to open records, public disclosure, and confidentiality, including an awareness of compliance timelines."

⁶ https://www.iaao.org/media/standards/Standard_on_Ratio_Studies.pdf

⁷ https://www.iaao.org/media/standards/Standard_on_Public_Relations.pdf

- **Annual reports (Section 6.5)**
“Local, state, and provincial agencies should prepare annual reports summarizing activities and accomplishments and providing statistical information. These reports can be used to maintain an historical record of property and property tax data.”
- **Information to be included (Section 6.5.1)**
“Some of the information that should be included in the local annual report is:
 - Total number of parcels
 - Total value
 - Uses of property
 - Types of property
 - Exemption data
 - Appeal data
 - Ratio study analysis
 - New construction
 - Legislative changes”

Finally, in the standard on mass appraisal of real property, “Standard on Mass Appraisal of Real Property,”⁸ IAAO outlines additional recommendations.

- **Documentation I (Section 5.4)**
“Valuation procedures and models should be documented. Appraisal staff should have at least a general understanding of how the models work and the various rates and adjustments made by the models [...] MRA⁹ models and other sales comparison algorithms should document final equations and should be reproducible, so that rerunning the model produces the same value.”
- **Documentation II (Section 5.4)**
[...] It can be particularly helpful to prepare a manual, booklet, or report for each major property type that provides a narrative summary of the valuation approach and methodology and contains at least the more common rates and adjustments. Examples of how values were computed for sample properties can be particularly helpful. The manuals serve as a resource for current staff and can be helpful in training new staff or explaining the valuation process to other interested parties.”

Civic Federation

The Civic Federation, an Illinois-based, independent, non-partisan government research organization, has performed several evaluations of the Cook County property tax system,

⁸ <https://www.iaao.org/media/standards/StandardOnMassAppraisal.pdf>

⁹ Multiple Regression Analysis models

including the assessment practices. In the 2010 “Recommendations for Reform,”¹⁰ the Civic Federation proposed a high standard for transparency within the property tax system:

“The Civic Federation believes that public access to information from all of the offices in the property tax system is essential to allowing the public to understand the system and to guard against abuses. The Civic Federation urges tax officials to enhance public access to data, processes, methods, practices, evaluations, reviews and other procedures used in any aspect of property tax assessment or administration, limited only by privacy interests of individual taxpayers.”

Illinois Campaign for Political Reform

The Illinois Campaign for Political Reform (ICPR), is an Illinois-based non-profit that advocates for a variety of government reforms. ICPR has recommended the following five ways to improve the transparency of the Cook County property assessment system.¹¹

- Implementation of internal studies on equity within the assessment process
- Publication of summary reports on these internal studies
- Explanation of assessment methods for Cook County properties
- Acknowledgement of current inequity issues, and establishment of plans to address them
- Cooperation with the Inspector General's oversight measures

¹⁰ https://www.civiced.org/sites/default/files/101220_CookCountyPropertyTaxPosition.pdf

¹¹ <https://www.reformforillinois.org/blog/icprs-2018-reform-resolutions/> 4. Establish Oversight for the Cook County Assessor

Recommendations to Improve Transparency

Taking into account the recommendations from the IAAO, Civic Federation, Illinois Campaign for Political Reform, Civic Consulting Alliance recommends that the Cook County assessment system takes the following steps to meet the goal of Transparency for the residential assessment process:

- Perform and publish sales ratio studies for each township at each step of the process (model, notice, CCAO appeals, and BOR appeals), at least annually.
- Prepare and publish an annual report with all pertinent information to the Office of the Assessor and the Board of Review.
- Develop and publish guidelines for valuation approach and methodology for each major property type. These include detailed documentation of how values are derived at each of the process steps (model, notice, CCAO appeals, and BOR appeals), including statistical code, data to develop model, guidelines for post-model adjustments and appeals at both Assessor's Office and Board of Review.
- In addition, until there is clear improvement in the level of public trust in the process and its results (for at least the next two triennial reassessments) commission a neutral, third party to conduct an annual independent review and certification of the outcomes of the system and make the results public.

Evaluation of 2018 performance

There is considerable room for improvement to achieve compliance with transparency recommendations in the end-to-end property assessment system in Cook County. Evaluation of compliance with the recommendations reflects performance prior to December 2018. As of that date, the recommended transparency measures are not a current practice at the Assessor’s Office. The Board of Review has been publishing an annual report for the past 7 years, with statistics relevant specifically to the BOR Appeal process. This report includes some of the metrics recommended by the IAAO. The table below outlines the transparency recommendations for the Assessor’s Office and the Board of Review.

Table 2: Evaluation of transparency
in the Office of the Assessor’s and the Board of Review

Transparency Measures	Office of the Assessor	Board of Review
Perform and publish sales ratio studies for each township at each step of the process	Not a current practice (as of December 2018)	Not applicable
Prepare and publish annual report with all pertinent information	Not a current practice (as of December 2018)	Annual Report published and includes some IAAO Section 6.5.1 metrics
Develop and publish guidelines for valuation approach and methodology for each major property type	Not a current practice (as of December 2018)	Not a current practice (as of December 2018)
Commission a neutral, third party to conduct an annual independent review and certification of the outcomes of the system and make the results public	Not a current practice (as of December 2018)	Not a current practice (as of December 2018)

Conclusion

The transparency of the end-to-end property assessment system in Cook County showed considerable room for improvement. Although some elements, such as the online availability of property information, add to transparency, many improvements can be made to meet industry standards and satisfy the public's rightful expectation of transparent government.

In Cook County, the public opinion of the process surrounding assessment practices – evidenced for example by the unusually high appeal rates for newly reassessed properties – has suggested that even higher levels of transparency will be required to reinstate full confidence in the process. It will be up to the elected officials in the end-to-end assessment process to guide the planning and execution of the recommendations and improve the performance of the system.

Finally, Civic Consulting Alliance emphasizes that bringing the whole system into compliance with industry standards will require fundamental changes in modeling, review processes, transparency, and data collection, and a shift away from reliance on appeals. Achieving this will be a multi-year effort for the new Assessor who assumed office in December of 2018, working with the Board of Review and other stakeholder Cook County Offices.

About Civic Consulting Alliance

Civic Consulting Alliance's mission is to make the Chicago region a great place for everyone to work and live in.

By leveraging the support of the Civic Committee of the Commercial Club of Chicago (collectively the major private employers in the region) with incomparable professional resources and committed leaders, CCA provides consulting services to clients to help address the region's most pressing problems and greatest opportunities in four areas: Education; Criminal Justice and Public Safety; Economic Vitality; and inclusive Civic Leadership.

At no cost to the taxpayer, CCA works on a pro bono basis with governmental and not-for-profit clients who commit to collaborate on important strategic and operational change and achieve significant reforms. In Fiscal Year 2017, 37 partner firms provided pro bono support for 54 cross-sector projects. Together, CCA, its partners, and its clients accomplish more than any one firm or sector can on its own.