

COOK COUNTY ASSESSOR'S OFFICE

# Commercial Property Values Reset in the City of Chicago

February 8, 2023



## Executive Summary

This report seeks to explain why the Cook County Assessor's Office (Assessor's Office) is resetting the assessed values of 559 large commercial properties in the City of Chicago for Tax Year 2022 rather than allowing the values set by the previous administration of the Cook County Board of Review (Board of Review) to remain as-is until 2024 when all properties in the City of Chicago will be reassessed.

Assessments set by the Assessor's Office, based on recent real estate market data, lowered Chicago residents' share of total assessed value for Tax Year 2021 by 5.9% (compared to 2020). This share of assessed value is the basis of residents' share of property taxes.

But the results of the Assessor's work were reversed, in part, by appeal reductions granted at the Board of Review for Tax Year 2021. These results significantly reduced non-residential property assessments and shifted more of the city's assessed value to homeowners. [A previous report by the Cook County Assessor's Office](#), released in November 2022, explained these changes in detail.

This rise in Chicago homeowners' share of the tax burden is a result of large reductions in the share of commercial assessed value by the previous administration of the Board of Review. The largest reductions were in the areas of the City of Chicago with the largest commercial properties (based on market value).

Under the Illinois Property Tax Code, the assessor has the authority to annually revise assessments and correct them "as appears to be just." The Assessor may revise assessments for industrial and commercial property in the years following the triennial reassessment, so long as they are in accordance with other requirements, such as uniform assessments within a class.

When the Assessor's final City of Chicago values are compared with the Board of Review's final values (otherwise known as "County Final"), properties in the North Chicago, South Chicago, and West Chicago Townships received the largest reductions.

These three townships contain both the central business district and areas of the city that saw the largest growth in commercial property value since 2018, which was the last time the City of Chicago was reassessed. These townships are also the areas of Chicago that contain the largest commercial properties with the highest assessed values and are areas of the city which, according to third-party reporting, had been underassessed in previous administrations.

To date, the Assessor's Office has not received the Board of Review's justification for the significant reductions for this small number of PINs which had an extraordinary effect on the base.

Therefore, for Tax Year 2022, the Assessor's Office will reset the value of 559 commercial properties in the central business district to the final assessed values set by its office in 2021.

Appeals granted by the Board of Review to just 559 top-dollar Chicago properties resulted in a reduction of **\$2.7b of taxable value— nearly 3% of Chicago's total tax base**. This reduction drove up Chicago's tax rate higher than it would have been if these appeals had not resulted in reductions.

## Effects of Downtown Commercial Property Appeals at the Board of Review on 2021 Tax Bills in Chicago

At the conclusion of the Assessor's Office's 2021 assessment and appeals processes, the Office determined the 2021 share of residential assessed value in Chicago was 46.2%; while non-residential share of assessed value comprised 53.8% of the total assessed value.

The Board of Review's reduction in non-residential property assessments increased homeowners' share of assessed value to 52.8% and lowered non-residential share of assessed value to 47.2%.

**When compared to 2020, the Board of Review's 2021 changes meant homeowners carried more of the tax burden in 2021 than in 2020.** The Board's appeal reductions to commercial properties were so substantial that most commercial property tax bills went down, and most residential properties went up.<sup>1</sup>

### What the Property Tax Code Says about the Assessor's Office's Authority

Under Illinois law, the assessor has authority to annually revise assessments and correct them "as appears to be just." The Assessor may revise assessments for industrial and commercial property in the years following the triennial reassessment, so long as they are in accordance with other requirements, such as uniform assessments within a property class.<sup>2</sup> The Board of Review maintains its own statutory authority to review and revise assessments.

Values set by the Board of Review on owner occupied residential property, however, must remain in effect for the remainder of the triennial period, unless someone shows "substantial cause" why the assessment should not remain, or "unless the decision of the board is reversed or modified upon review."

The decision to reset the Tax Year 2022 commercial market values using the 2021 Assessor Certified assessed values was guided by three facts:

1. Due to its statutory responsibility to ensure assessments reflect fair market value, the Assessor's Office must have confidence in the basis for any reductions which make large scale reductions to the market value of properties.

The Assessor's Office provided data on its website for every 2021 commercial property assessment in the City of Chicago. The data include assumptions about rents, expenses, and capitalization rates used by the Assessor's Office to determine commercial property assessments, including offices, hotels, industrial, and large multi-family apartments.

To date, the Assessor's Office has not received the Board of Review's evidence or justification for significant reductions for this small number of PINs which had an extraordinary effect on the assessment base.

2. These market value reductions resulted in changes to the tax bills of every taxpayer within Cook County and significantly increased the residential tax burden of the City of Chicago for 2021. Even when the economic effects of COVID-19 are accounted for, the conclusion

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<sup>1</sup> <https://cookcountytreasurer.com/pdfs/taxbillanalysisandstatistics/taxyear2021analysis.pdf>. See pg 1, "City of Chicago", 2nd bullet.

<sup>2</sup> 35 ILCS 200/9-85; Ill. Const. of 1970 Art. IX Sec. 4(b).

that Chicago's central business district is worth less in market value than in 2020 has not been adequately documented.

The decision to reset the 2022 initial assessed values of these 559 PINs to the CCAO's 2021 Assessor Certified values **does not** affect the 2021 final assessed values or 2021 tax bills. Effects of these changes on 2022 tax bills have yet to be determined but could mean hundreds of dollars in savings, depending on property type and location.

Additionally, the taxpayers of the 559 properties affected by this decision have the same mechanisms to appeal their property's assessed value as every other taxpayer in 2022: They can appeal: 1) directly to the CCAO; 2) to the Board of Review; and 3) to PTAB or the court system.

3. As Chicago is not set to be reassessed until 2024, the tax bills of property owners throughout Chicago would remain largely as-is for the next three years absent significant changes in local tax levies or significant changes in assessed value. Furthermore, two-thirds of the newly elected Board of Review commissioners should have a voice in the values set by their office for the balance of this triennial cycle.

The following data explains the impact of this decision on assessed values and, potentially, on tax bills.

### How the **Assessor's Office's** 2022 Reset Affects Assessed Values

For the 2022 Tax Year, the Assessor's Office took the action of resetting the market values of 559 PINs to the original 2021 Assessor Certified values instead of carrying forward the 2021 Final values, which were set by the Board of Review.

The PINs affected by this decision are all located within the North, South, and West Chicago Townships (all of which are located within the City of Chicago).

The Board of Review reduced the 2021 Assessor Certified Assessed Value from \$78,313 million to \$70,772 million for a total reduction of \$7,540 million (9.63% decrease). Of the \$7,540 million in assessed value reductions, 86.39% (\$6,513 million) occurred within the City of Chicago. The rest occurred in the North and South/West suburban triads, which were not reassessed in 2021.

The assessed value reductions by property classes within the City of Chicago are shown in the chart below.

<b>City of Chicago Assessed Value Reduction by Property Type</b>				
	2021 Assessor Certified Assessed Value (in Millions)	2021 County Final Assessed Value (in Millions)	Percentage Change	Assessed Value Change (in Millions)
Residential (Class 2)	\$21,746	\$21,382	-1.67%	(\$364)
Large Multifamily (Class 3)	\$4,074	\$3,218	-21.01%	(\$856)
Commercial (Class 5A)	\$18,098	\$13,651	-24.57%	(\$4,447)
Industrial (Class 5B)	\$2,096	\$1,464	-30.15%	(\$632)
Not-For-Profit (Class 4)	\$95	\$72	-24.21%	(\$23)
All Others	\$933	\$742	-20.47%	(\$191)
<b>TOTAL</b>	<b>\$47,042</b>	<b>\$40,529</b>	<b>-13.85%</b>	<b>(\$6,513)</b>

The chart on the prior page shows that the largest assessed value decreases were given to Commercial Class 5A (\$4,447 million reduction), Large Multifamily Class 3 (\$856 million reduction), and Industrial Class 5B (\$632 million reduction).

These three commercial categories account for \$5,935 million or 91.12% of the value reductions granted in the City of Chicago by the Board of Review. The rest of the reductions (approximately 8.9%) were given to residential, not-for-profit, and other property classes.

Of those commercial reductions granted to City of Chicago properties, the majority of the assessed value reductions occurred in three townships (North Chicago Township, South Chicago Township, and West Chicago Township), as shown in the chart below.

<b>Assessed Value by Township in the City of Chicago</b>				
<i>Excluding Residential Class 2 Properties</i>				
Township	2021 Assessor Certified Assessed Value (in Millions)	2021 County Final Assessed Value (in Millions)	Percentage Change	Assessed Value Change (in Millions)
Hyde Park	\$894	\$799	-10.63%	(\$95)
Jefferson	\$1,920	\$1,523	-20.68%	(\$397)
Lake	\$1,317	\$1,074	-18.45%	(\$243)
Lake View	\$1,598	\$1,402	-12.27%	(\$196)
North Chicago	\$5,163	\$3,904	-24.39%	(\$1,259)
Rogers Park	\$319	\$256	-19.75%	(\$63)
South Chicago	\$8,821	\$6,293	-28.66%	(\$2,528)
West Chicago	\$5,262	\$3,896	-25.96%	(\$1,366)
<b>TOTAL</b>	<b>\$25,294</b>	<b>\$19,147</b>	<b>-24.30%</b>	<b>(\$6,147)</b>

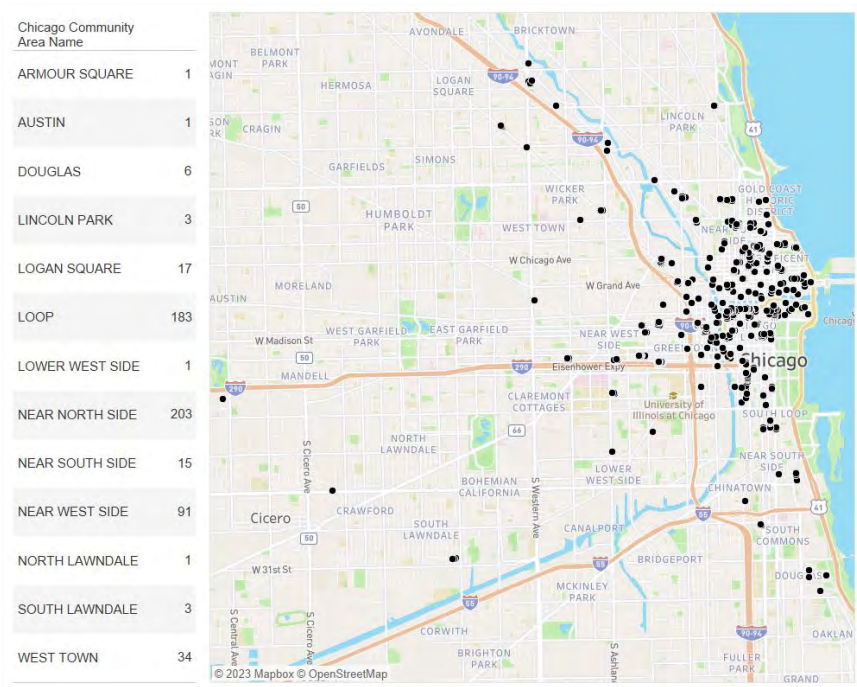
After analyzing the commercial and industrial properties in the North Chicago, South Chicago, and West Chicago townships, the data showed that four groups of properties received the largest reduction in assessed values. These four groups are shown below.

- Class A Multifamily
- Class A/AA Office
- Self-Storage Facilities
- Class A Hotels

The chart below shows the reductions that were granted by the Board of Review in each property group.

Assessed Value Reductions				
	2021 Assessor Certified Assessed Value (in Millions)	2021 County Final Assessed Value (in Millions)	Percentage Change	Assessed Value Change (in Millions)
Class A Large Multifamily	1,101	796	-27.68%	(305)
Class A Hotel	79	50	-37.25%	(29)
Self Storage	28	19	-32.11%	(9)
Class A Office	3,419	2,589	-24.27%	(830)
<b>TOTAL</b>	<b>4,627</b>	<b>3,454</b>	<b>-25.35%</b>	<b>(1,173)</b>

A total of 559 PINs comprised the four property groups shown above. In total, the 559 PINs received a value reduction of \$1,173 million, accounting for 19.1 percent of the total reductions the BOR granted to City of Chicago commercial properties (all classes excluding residential properties).





## How the CCAO's 2021 Assessments Could Have Lowered 2021 Residential Tax Bills

Typically, property owners file assessment appeals to reduce their assessment. Property owners can appeal assessments with two offices – the Assessor and the Board of Review, and an administrative agency, PTAB, or the Circuit Court.

But what's less understood is another effect of appeals. If your neighbor's appeal is successful, it may reduce their bill, but it may also cause everyone else's bill – like yours – to increase. In the domain of Chicago property taxes, all neighborhoods are interconnected: assessments in the Loop affect tax bills throughout the entire City.

Impacts of assessment appeals can be surprisingly large. Appeals granted by the Board of Review to just 559 top-dollar Chicago properties for example, resulted in a reduction of **\$2.7b of taxable value – nearly 3% of Chicago's total tax base**. This reduction drove up Chicago's tax rate higher than it would have been had these appeals not resulted in reductions.

**What could have happened if the Board of Review had not granted appeals on the 559 large Chicago properties in North, South and West Townships in Tax Year 2021?** We used the Assessor's Office's [PTAXSIM](#) tool to calculate what could have happened if this \$2.7b of EAV was returned to Chicago's tax base.

- While this is an estimated calculation, the cumulative property tax rate for most Chicago property owners would have been reduced by 2.6%, from 6.697% in reality to 6.523% in this counterfactual scenario.
- This would have reduced the tax bills of every other typical property owner by approximately 2.6%.

Below are the *counterfactual* average property tax savings for some of Chicago's most common property types using the median property values throughout the City of Chicago.

Example property	Median property value	Median EAV <sup>3</sup>	True 2021 Taxes (6.697% rate)	Scenario 2021 taxes (6.523% rate)	Scenario Savings
Condo (class 299)	\$200k	\$50,054	\$3,352	\$3,265	<b>\$87</b>
Small one-story home (class 203)	\$200k	\$50,054	\$3,352	\$3,265	<b>\$87</b>
2+ story home (class 206)	\$518k	\$145,765	\$9,762	\$9,508	<b>\$254</b>
Apartments, 2-6 units (class 211)	\$280k	\$74,076	\$4,961	\$4,832	<b>\$129</b>
Apartments, two to three stories (class 315)	\$1.02m	\$307,534	\$20,596	\$20,060	<b>\$535</b>
One-story commercial building (class 517)	\$215k	\$161,539	\$10,818	\$10,537	<b>\$281</b>

The above uses media values for various property types but savings could be higher or lower, depending on the neighborhood. For example, a typical 2-flat in Pilsen could have seen its bill reduced by \$277, from \$10,658 to \$10,381 as property values there have gone up more than in other parts of the city.

### **Data Methods**

This is a counterfactual property tax scenario for Tax Year 2021 property tax bills in the City of Chicago. This scenario modifies the assessed values of 559 properties. Specifically, instead of using the finalized assessments that were reduced by the Board of Review, this scenario uses the assessments determined by the Assessor, as if these 559 properties were not granted appeal reductions by the Board of Review. All other property tax inputs – assessments of other properties, exemptions, levies, TIFs, and so on – used historical, non-counterfactual data.

We then compare the scenario tax bills to actual tax bills.

It is important to note that the 2022 assessed value reset process **does not** retroactively affect the 2021 tax year. The above counterfactual scenario simply takes these properties subject to the reset value and constructs a scenario: an alternative 2021 in which the appeal reductions never happened in the first place.