

Memorandum

To: Clients and Other Interested Taxpayers
From: O'Keefe Lyons & Hynes, LLC
Date: **April 13, 2020**
Re: **Takeaways from Zoom meeting with Assessor Kaegi re: 2020 reassessment.**

On April 3, Assessor Kaegi began speaking to the press about his plans for the 2020 reassessment. But, it was not until last Thursday, April 9, that he updated his official website. On that same day, several of us at O'Keefe Lyons & Hynes, LLC (and a couple hundred others), attended a Zoom meeting with Assessor Kaegi and his Chief Valuation Officer, Don Meyer. The meeting was hosted by the Neighborhood Building Owners' Alliance, an association of the owners of multi-family properties. It gave us an idea of the Assessor's current thinking.

The bottom line is that we recommend using the next couple months to gather evidence of the impact of the Coronavirus and the government order to stay at home on the economics of owning and operating real estate – in preparation for appealing to the Board of Review.

The Assessor's messages boiled down to:

- Assessor Kaegi recognizes that the current health and economic crises will impact real estate value. However, it was readily apparent that the actual ability of the Assessor and his staff to discover and accurately measure this impact within the strict timeframe of the assessment cycle is extremely limited or, even, nonexistent.
- **Assessor Kaegi and his staff maintain that “April 2020 is not the new permanent normal.”** We took this to mean that any reductions in market value and assessments will be modest.
 - Mr. Meyer compared this situation to Assessor Kaegi's controversial position on relief for vacancy. From the time he was campaigning for office, Mr. Kaegi has been suspicious of vacancy and critical of the relief granted by his predecessor. Under the prior practice, a “partial occupancy” factor was applied to the market value of the building (i.e., not the land) one year at a time. While this practice was not mathematically precise or consistently applied, it was roughly based upon comparison of a property's actual occupancy with stabilized market levels. So, for

example, if a property was only 75% occupied while market occupancy was 90%, the prior assessor might have applied a factor of approximately 83% ($75\% \div 90\%$). Assessor Kaegi maintains that practice overstated the discount that a purchaser would allow for such vacancy. In 2019, he denied vacancy relief except in extreme cases such as a gut rehab. If Assessor Kaegi and his staff approach relief for the current economic crisis with the same attitude, any discount in value will be modest.

- They continue to require the same evidence in appeals as previously:
 - 2016 – 2019 income and expenses. It was in the context of affirming this requirement that Mr. Meyer reiterated “April 2020 is not the new permanent normal.”
 - The Assessor’s Real Property Income and Expense (“RPIE”) form requires entries from particular lines on Schedule E or Form 8825 of a 2019 IRS Tax Return. It also requires a copy of the completed IRS form. Even though the federal income tax filing deadline has been postponed to July 15, the Assessor has not yet backed off this requirement.
 - Appraisal evidence must be as of the statutory lien date, i.e., January 1. Such evidence cannot capture the impact of the economic crisis on value.
 - Appraisal evidence must comply with USPAP regulations including an interior inspection or its functional equivalent. If the stay at home order precludes an appraiser from such an inspection, s/he will not be able to complete the report.
- They plan to introduce a new form to capture COVID-19 data. But, they have “no specific time for release” of that form.
- **The Assessor is pressed for time and must proceed regardless whether the effects of COVID-19 are captured in his assessments.** In order for the 2020 tax bills to go out in time for payment on August 1, 2021, the process of reassessment and appeal must get back on track. Consequently,
 - Mailing of notices and deadlines for appeal.
 - South Suburban townships subject to triennial reassessment,

- **4 South Suburban townships (River Forest, Riverside, Oak Park, Palos)** that previously received assessment notices.
 - **The Assessor will NOT be starting over and mailing replacement assessment notices.** This is contrary to the plan they floated a week ago.
 - **May 1, 2020** (2 weeks from Friday) is the deadline for appeals.
 - Subsequently, after appeals are completed, the Assessor will issue new notices to *all* properties indicating assessments with “COVID-19 adjustments.” These post-appeal overall adjustments may be “factor” adjustments in which all assessments are reduced by the same factor, e.g., 10%. **These assessments may be appealed to the Board of Review.**

- **13 remaining South Suburban townships** will receive assessment notices based upon the Assessor’s estimate of the impact of COVID – 19. Dates for mailing of those notices and for appealing those assessments will be posted to the Assessor’s website. Whether or not they are appealed to the Assessor, **these assessments may be appealed to the Board of Review.**

- North Suburban and Chicago townships.
 - **5 townships in Chicago (Rogers Park) and North Suburban (Evanston, Norwood Park, New Trier and Barrington)** that were open for appeal before the Order to Stay at Home.
 - **May 1, 2020** (2 weeks from Friday) is the deadline for appeals.
 - Subsequently, after appeals are completed, the Assessor will issue new notices to *all* properties indicating assessments with “COVID-19 adjustments.” These post-appeal overall adjustments may be “factor” adjustments in which all assessments are reduced by the same factor, e.g.,

10%. These assessments may be appealed to the Board of Review.

- **18 remaining townships in Chicago and the Northern suburbs.**
 - Initially, assessment notices will be mailed only to those few properties that have undergone change, e.g., new construction or demolition.
 - Deadlines for appeals will be posted to the Assessor's website.
 - Subsequently, after appeals are completed, the Assessor will issue new notices to *all* properties indicating assessments with "COVID-19 adjustments." These post-appeal overall adjustments may be "factor" adjustments in which all assessments are reduced by the same factor, e.g., 10%. **These assessments may be appealed to the Board of Review.**

While the Assessor presses ahead (as he must) with limited information, we continue to recommend that taxpayers await notice indicating his "COVID-19 adjustments." In the meanwhile, we recommend gathering evidence of the impact on particular properties:

- Monthly Rent Rolls;
- Monthly Income and Expense Statements;
- Communications from tenants seeking rent relief and any resulting written agreements;
- Documentation of any stalled lease negotiations;
- Documentation of any stalled purchase and sales transactions;
- Documentation of any other event impacting market value.

Once we know the Assessor's opinion of market value for 2020 and gather actual data, we will be poised to determine whether and how best to appeal the 2020 assessments to the Board of Review. Any reductions will impact the 2020 second installment tax bill which will be due on August 1, 2021.