



COOK COUNTY ASSESSOR'S OFFICE

Joseph Berrios

ABOUT "SALES CHASING"

Reassessment letters are sent after analyzing data from the three previous years between triennials. A *Chicago Tribune* study took sales after their lien dates and compared them to the year of the reassessment letter. That is unfair.

To follow that system would be "sales chasing," which disregards uniformity and establishes a home's market value solely on individual purchase price. "Sales chasing" is prevented by rulings of the United States Supreme Court and the Illinois Supreme Court and Article 9 of the Illinois Constitution.

Again, we are prevented by law from "sales chasing." Therefore, *we cannot and do not assess a property solely on its sale price* when other similarly situated properties are not valued based on *their* sale prices or as a group in a different manor during the regression process.

The two court cases we refer to, which prevent "sales chasing" and prevent valuation of a property solely on its sale price, are:

- 1.) Allegheny-Pittsburgh Coal Company v. County Commission (Pennsylvania, 1989) <https://supreme.justia.com/cases/federal/us/488/336/case.html> .
- 2.) Walsh vs. Property Tax Appeal Board (Illinois, 1998).
<http://caselaw.findlaw.com/il-supreme-court/1220518.html>



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- **Total parcels in Cook County: 1,863,996**
- **Total residential properties: 1,542,153**
- **Total industrial/commercial: 225,213**
- **Total exempt parcels: 96,630**

Cook County is unique in size and complexity



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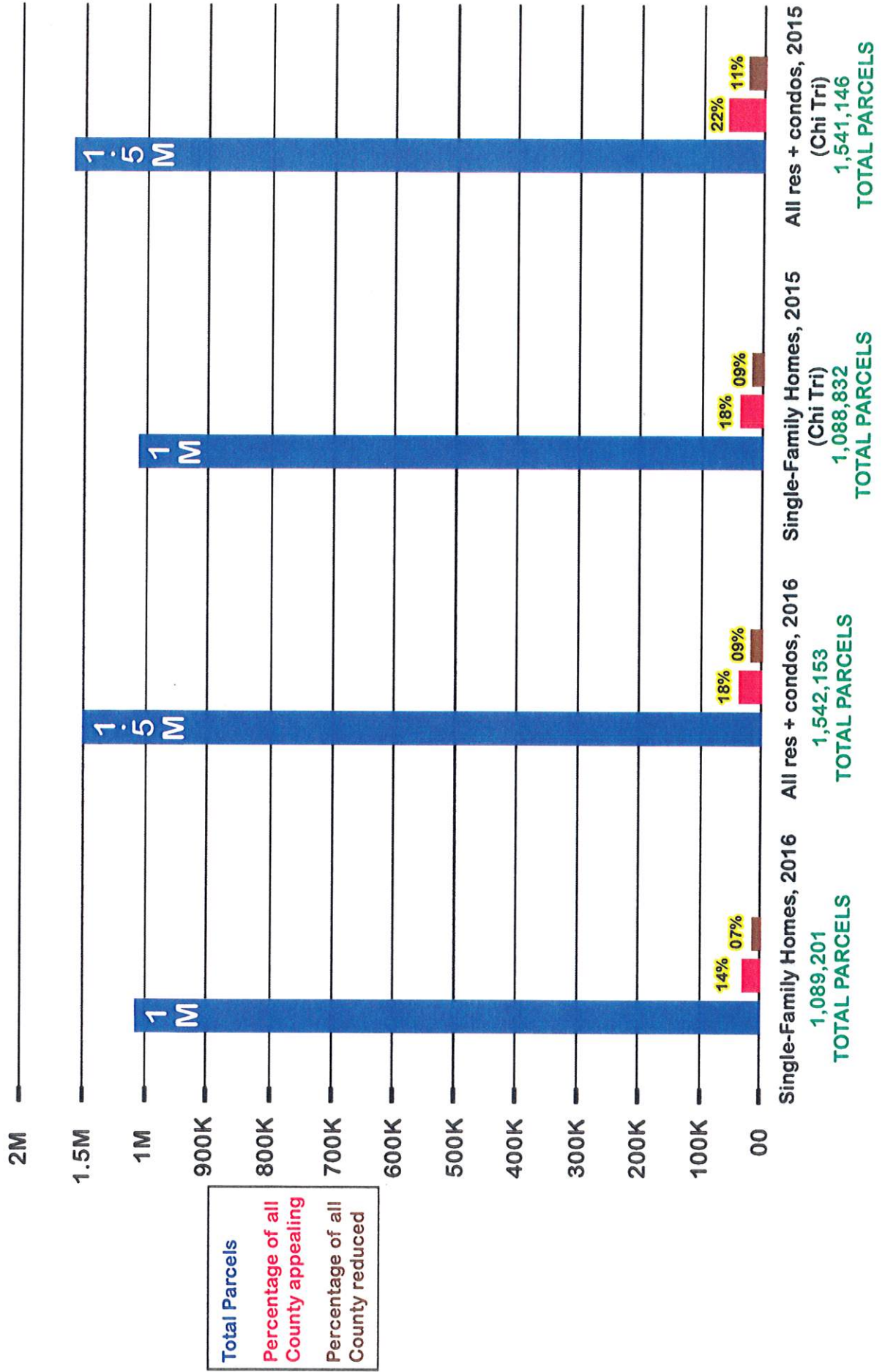
DURING THE BERRIOS ADMINISTRATION

- Assessment cycle completed on-time or early, six years-in-a-row
- On-time tax bills mean school districts, etc. need not borrow money. Millions of dollars in interest payments saved.
- \$22.5 million in would-be lost revenue recovered from erroneous exemptions (Berrios conceived and helped pass legislation)
- Greatly increased community outreach, especially in neighborhoods with lower market homes
- State of Illinois Equalization Factor has been dramatically lowered
- Reached IDOR goal for three-year median average ratio
- More transparent and convenient appeal process, improved website, less waiting time for general taxpayer service

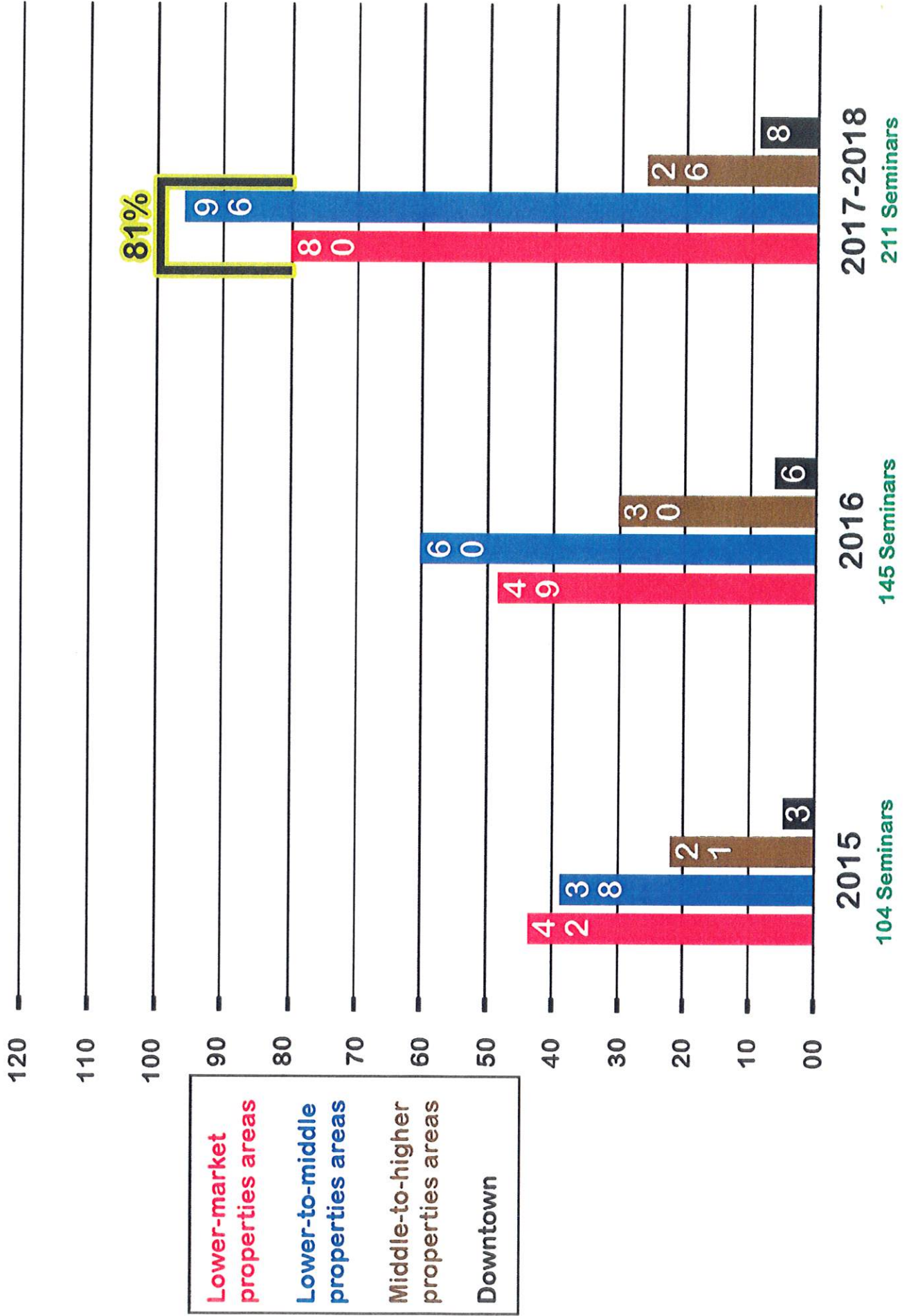


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RESIDENTIAL PROPERTY ASSESSMENT APPEALS IN COOK COUNTY



Community Outreach Assessment Seminars



RECENT MEDIA COVERAGE

- Flawed sales ratio study
- Disregards estate sales
- Incomplete and grossly misleading information about appeals
- Advocacy of one particular assessment model
- Apples-to-oranges comparisons
- Little or no use of Assessor's Office responses and comments



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Issues in Appraisal & Assessment

A SUBSCRIPTION SERIES OF THE
INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS

COPIES OF THIS JOURNAL ARE AVAILABLE TO THE PUBLIC AT THE FOLLOWING PRICE:
2000 JUN 27 PM 2:00
OFFICE OF THE ASSESSING OFFICER

Standard on Ratio Studies

STANDARD ON RATIO STUDIES – 1990

6. *Sales settling an estate.* A conveyance by an executor or trustee under powers granted in a will may not represent an arm's-length transaction, particularly if the sale takes place soon after the will has been filed and admitted to probate in order to satisfy the decedent's debts or the wishes of an heir. If, however, the sale is not forced and meets the other conditions of market value, estate sales can be regarded as valid.



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HOW RESIDENTIAL (non-condo) PROPERTY IS ASSESSED IN COOK COUNTY

FACTORS

Computer-Assisted Mass Appraisal (CAMA)

Three-year analysis of sales preceding reassessment letter year

Divided by types of homes within neighborhood

Market conditions, trends and preferences – as adjusted

30-35 other factors

Overriding principle: uniformity of assessment



PERSONNEL

Numerous experienced professionals

Various internal reviews and steps

Broken down by neighborhood and

minor class

Results presented to Deputies

and Assessor for finalizing



PRODUCES

Estimated Market Value by neighborhood

and property class

Assessed value (10% of market value)

FAILURES OF PRICE-WEIGHTED REGRESSION MODEL (A.K.A. "PROBIT")

- Disregards location of properties.
- Townships divided into two or three models based on price alone.
- Inconsistent with theory and practice of mass appraisal
- Side-by-side properties valued by different models – leads to lack of transparency in the remainder of process
- Breaks down in the late stages ("micro phase") and produces flawed data
- Sampling bias, i.e. sales sample doesn't match subject property profile
- Likely inconsistent with national, international mass-appraisal standards
- It offers no statistical advantage over existing mass appraisal methodology
- Not suitable for exclusive, primary or even somewhat primary use

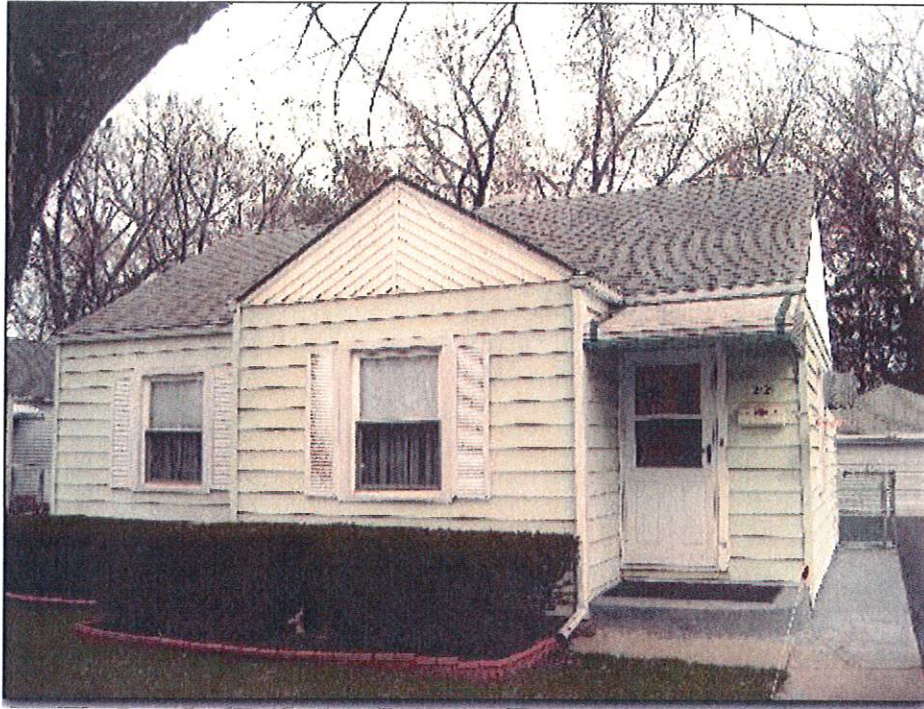
Commissioners will today receive a copy of Dr. Borst's 22-page analysis of the method. This analysis supports and elaborates on his points.



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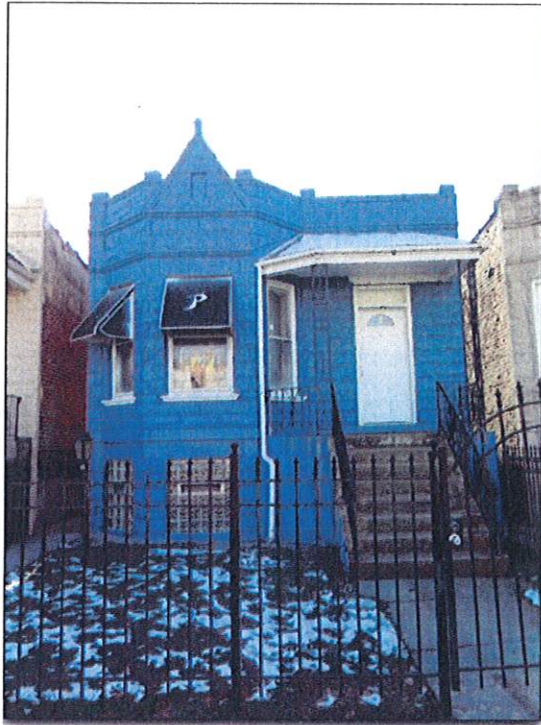
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2121 Emerson Ave., Melrose Park, IL



- 2010 market value by Assessor's Office: \$164K
- 2010 sale price: \$75K
- **Unreported Key Fact:** This was an **estate sale**, not a normal market-value transaction.
- **Unreported Key Fact:** *Comparable home* in same neighborhood sold for \$160K in 2009
- **Unreported Key Fact:** *Comparable home* in same neighborhood sold for \$150K in 2008

4043 W. Cullerton St., Chicago, IL 60623



- 2016 market value by Assessor's Office: \$133K
- February 2017 sale price: \$53K
- **Key Fact:** Not a normal, market-value transaction
- **Key Fact:** Home was sold by a "quick Flip Company, Flash ACQ, LLC. , Jerry Stoev [pictured] ("Specializing: DISTRESSED RES. PROPTERTIES)



- **Key Fact:** Home was owned by Flash ACQ, LLC through a Judicial Sale.
- **Key Fact:** Home advertised as "wholesale pricing"

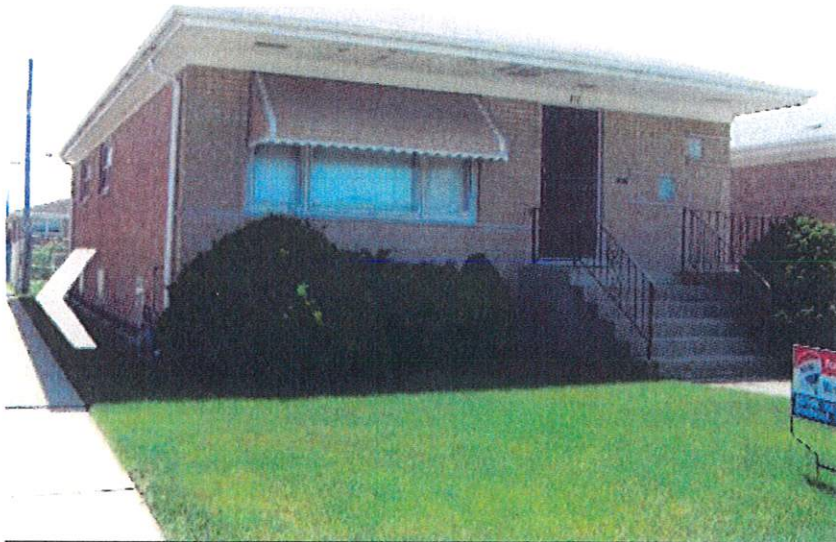
4033 W. Cullerton St., Chicago, IL 60623

- 2015 market value by Assessor's Office: \$105K
- 2015 sale price: \$75K
- This was an estate Sale



- Unreported **Key Fact**: Estate sales result in lower prices
- Unreported **Key Fact**: Heirs wanted quick sale for cash payout
- Unreported **Key Fact**: Family chose to list far below market value

357 Marquette Ave., Calumet City, IL



- 2010 market value by Assessor's Office: \$147K
- 2010 sale price: \$82K
- **Unreported Key Fact:** This was an estate sale
- **Unreported Key Fact:** Not a fair-market-value listing or sale
- Comparable home in same neighborhood sold for \$155K in 2010
- Comparable home in same neighborhood sold for \$ 165K in 2009
- Comparable home in same neighborhood sold for \$150K in 2008



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ASSESSOR'S OFFICE INFORMED DEVELOPERS OF PROBLEMS WITH NEW ASSESSMENT MODEL, YEARS AGO

Emails from 2012-2015 show the Assessor's staff pointed out:

- 2012: “ ...**glaring deficiencies**”
- 2012: “ ...at a loss to explain the divergence”
- 2012: “ ...[large] differences by any measure
- 2012: “ ...**properties forcibly dropped**...”
- 2012: “ ...comparisons *still looked off*...”
- 2013: Value **disparities**. “8.1 and 8.2 (vs. your 6.4 and 6.5)...discrepancies...”
- 2015: “ ...issue...variables consistently excluded...**didn't fix the problem**...consistent issue...”

FLAWS IN CHICAGO TRIBUNE SALES RATIO STUDY

- Not County-wide, as required by Illinois court decisions
- Private sales ratio studies have not been accepted by Illinois Illinois
- This study included “estate sales.” Estate sales *lower* home prices by \$20-plus per square foot
- Uses sales from the year *after* the triennial reassessment period. Would be more accurate to use *year-before* sales data
- In volatile real estate markets, year-after sales can be misleading because they are not from the triennial years
- Opinions are based on the flawed year-after vs. year-before approach
- Almost certainly overstates Coefficient of Dispersion (COD)



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EQUALIZATION FACTOR

<u>YEAR</u>	<u>FACTOR</u>
1973	1.4813
1974	1.4453
1975	1.4483
1976	1.4153
1977	1.4153
1978	1.4966
1979	1.6016
1980	1.7432
1981	1.8548
1982	1.9288
1983	1.9122
1984	1.8445
1985	1.8885
1986	1.8486
1987	1.8916
1988	1.9266
1989	1.9133
1990	1.9946
1991	2.0523
1992	2.0897
1993	2.1407
1994	2.1135
1995	2.1243
1996	2.1517
1997	2.1489
1998	2.1799
1999	2.2505
2000	2.2235
2001	2.3098
2002	2.4689
2003	2.4598
2004	2.5757
2005	2.7320
2006	2.7076
2007	2.8439
2008	2.9786
2009	3.3701
2010	3.3000
2011	2.9708
2012	2.8056
2013	2.6621
2014	2.7233
2015	2.6685
2016	2.8032

Joe Berrios' first assessment year was 2011. Equalization Factor is set 4-5 months after an assessment year.

Pre-Berrios - 3.30

Post-Berrios Yearly Reductions - .33 to .63

Post-Berrios current net reduction - .50 (.468 rounded)

Please see Page 2

Illinois Department of Revenue

For Immediate Release

April 28, 2016

Contact: Terry Horstman
217.558.2953

next 3-yr. Avg. due in April 2018.

Cook County Final Multiplier Announced

SPRINGFIELD – The Illinois Department of Revenue announces the final 2015 equalization factor of 2.6685 for Cook County. The department is required by law to calculate the factor, also called the multiplier, to achieve uniform property assessment throughout the state. The 2014 final equalization factor was 2.7253.

The department determines the final equalization factor for each county by comparing the actual selling price of individual properties, over a three-year period, with the assessed value placed on those properties by the county assessor and adjusted by the board of review. If the median level of assessment for all property in the county varies from the 33 1/3 percent level required by law, an equalization factor is assigned to bring assessments to the legally mandated level.

A tentative equalization factor of 2.6059 was issued on February 25, 2016. The final factor is different than the tentative factor because of assessment reductions by the Cook County Board of Review.

The three-year average level of assessments (weighted by class) for Cook County property is 12.49 percent. The department calculated the multiplier to bring the average level of assessments to the required 33 1/3 percent level by dividing Cook County's three-year average of 12.49 into 33.33.

After taking into account the assessment changes by the board of review, the levels of assessment are as follows:

(more)

	Class	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>3-Year Average</u>
1	(Vacant Lots)	7.33	6.52	6.81	6.89
2	(Residential)	11.09	10.18	9.21	10.16
3	(Apartments)	11.22	10.05	6.71	9.33
5a	(Commercial)	26.64	24.22	25.26	25.37
5b	(Industrial)	22.05	22.62	20.98	21.88
COUNTYWIDE					
	(Weighted average)	13.59	12.49	11.39	12.49

The equalization factor does not cause individual tax bills to go up. Local taxing bodies determine tax bills when they request the dollars needed to provide services to citizens. The assessment process simply determines how the bill will be divided among taxpayers.

A Cook County ordinance requires that residential property (homes, condominiums, apartment buildings of six units or less) be assessed at 10 percent of market value; all other residential property (apartments with more than six units), 10 percent; vacant lots, 10 percent; property owned by not-for-profit corporations, 25 percent; commercial property, 25 percent; industrial property, 25 percent; and commercial or industrial property being developed in economically deprived areas, usually 10 percent.