

February 18, 2019 06:08 PM
UPDATED 29 HOURS AGO

It's time to modernize the assessor's office

With one simple law, Springfield can decrease risks and costs to real estate participants while boosting transparency, creating valuable market data, and improving our state's investment climate and reputation.

FRITZ KAEGI



Getty Images

With one simple law, Springfield can decrease risks and costs to real estate participants while boosting transparency, creating valuable market data, and improving our state's investment climate and reputation, Cook County Assessor Fritz Kaegi writes in this op-ed.

Since being sworn into office in December, I have talked with some of the biggest real estate investors in the world, the CEOs of banks, small business groups and neighborhood

economic development organizations. They all share one common refrain about our assessment system: Transparency means predictability. It reduces uncertainty. It brings down the cost of doing business.

The world's leading institutional investors view the commercial assessment system in Cook County as full of risk and uncertainty. The globalizing real estate market is deterred by the idiosyncrasies and opacity of our system.

This has real economic consequences. Uncertainty hurts lending and leasing terms, resale prices, and investment activity. As a result, investing in Cook County requires a higher premium to enter our market due to this additional risk. This is why investors pass us by time and again.

The solution? Achieve predictable, fair and transparent assessments by requiring property owners to submit basic rent and real estate operating income information at the start of the assessment process.

This would require a legislative change: the passing of H.B. 2217, a bill sponsored by House Assistant Majority Leader Will Davis and Senate Revenue Chair Toi Hutchinson, with co-sponsors from leaders in both houses of the General Assembly. H.B. 2217 would give the Cook County Assessor's Office—and other Illinois counties that choose to opt in—the ability to require owners of income-earning properties to disclose basic rent, real estate income, and expense information. Those who do not comply would be subject to a fine.

Many smaller properties are exempted, including commercial properties with a market value under \$400,000; and residential properties with six or fewer units, or with a market value under \$1 million.

Currently, income and expense information is required at the point of appeal. The Board of Review takes in this data and uses it to determine a property's value, one appeal at a time.

The Assessor's Office is in the business of mass appraisal. If we were equipped to require this data up front, at the start of the assessment process, we would be able to determine market-level rents for every part of the County.

In many other parts of the country—New York, Virginia, Massachusetts, and Washington D.C.—commercial properties are required to disclose their income and expenses. Not coincidentally, real estate participants tell us that these are among the best assessment systems to emulate.

Enacting this legislation will allow for richer data, unprecedented transparency, and more predictability for everyone. Developers could require less of a margin of error when deciding whether to invest. Lenders could lend more against a property's value. Potential buyers could have more confidence in the future path of assessments, and current owners could generate more resale value for their buildings.

The legislation also protects privacy by requiring that sensitive data submitted to the Assessor's Office not be subject to Freedom of Information requests; it can only be published on an aggregated and anonymized basis.

Once aggregated and anonymized, the data that the Assessor's Office receives will be of tremendous value throughout Cook County. Chicagoans concerned about the recent closure of retail stores on the South Side, for example, could compare year-to-year retail rent, occupancy, and valuation trends to determine the best plans for development.

For a county the size of Cook, a paper-driven, ad-hoc method of data collection goes against the efficiency taxpayers expect and deserve. With one simple law modernizing our assessment system, Springfield can decrease risks and costs to real estate participants while boosting transparency, creating valuable market data, and improving our state's investment climate and reputation.

Fritz Kaegi is Cook County assessor.

Inline Play

Source URL: <https://www.chicagobusiness.com/opinion/its-time-modernize-assessors-office>