

# Kaegi's COVID trick

Your assessments will shrink, but don't get too excited, homeowners

BY ALBY GALLUN

Among the overwhelmingly bad news about rising coronavirus cases, homeowners across Cook County have been receiving letters bearing good news from Assessor Fritz Kaegi: Due to the pandemic, his office has cut their assessments.

Residential assessments declined 10 percent or more in Arlington Heights this year, around 8 percent in parts of Wilmette and Winnetka. In the Back of the Yards neighborhood on Chicago's South Side, they're down 12 percent.

Bracing for an economic catastrophe, Kaegi's office set out in April to account for the impact of the coronavirus on all of the 1.8 million parcels in Cook County. But the decision underscores the perils of trying to value property amid chaos and uncertainty: Rather than falling, home values in many parts of the county, especially in the suburbs, are rising, or at least holding steady. The assessor's office expected the residential market to zig, but it zagged instead.

"I've got a daughter looking to buy a home in the suburbs, and she can't find one to save her soul," says property tax appeals attorney Michael Elliott of Des Plaines-based Elliott & Associates.

Another irony: Many homeowners who received letters from Kaegi about a reduction in their assessments could be surprised when they receive their property tax bills next year. If they're counting on a tax cut, some will

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be disappointed. A reduction in a property's assessed value doesn't automatically result in a tax cut, especially when everyone else's assessments are falling by roughly the same amount.

"If everyone in your taxing district goes down at the same rate, you'll be paying the same taxes," says Laurence Msall, president of the Civic Federation, a tax policy and government research organization.

Property tax math is complicated and widely misunderstood, but it really boils down to two key variables: the levy, or the total amount of money local governments need to collect in property taxes, and assessments, or what the assessor estimates a property is worth. To calculate tax bills, the county determines a tax rate based on the size of the levy and the total tax base, then multiplies assessed values by the rate.

Assessments determine how the total levy is distributed among property owners. When it comes to taxes, what matters is the relative change in assessed values between properties. If a property's assessed value falls by less than everyone else's, its tax bill theoretically could increase.

But if homeowners' assessments fall by about the same amount, as they have in many parts of Cook County, their tax bills won't change much at all. The county will increase the tax rate to account for the overall decline in value. In other words, Kaegi's move may create the illusion that he's providing tax relief to homeowners, but it might not amount to much next year, when tax bills based on this year's assessments go out.

"If everybody gets a reduction, nobody gets a reduction," Elliott says.

Every residential neighborhood in every Cook County township re-

ceived a COVID-19 reduction this year. Kaegi's office cut assessed residential values the most, 12.3 percent, in Franklin Park. Lincoln Park homeowners received the smallest cut, 7.5 percent.

## EQUITABLE APPROACH

Kaegi acknowledges that his assessment cuts might not result in a widespread reduction in residential property taxes, but that's not his goal. He was concerned that some homeowners would receive a cut by appealing their assessments, but many wouldn't even try. It would be more equitable to lower values for everyone from the start, rather than waiting until the appeals process, he says.

"We could have one subset of the (tax) base getting a COVID adjustment and nobody else," he says. He wanted to "serve the average person who doesn't necessarily know the ins and the outs" of the system.

Kaegi's job is more complicated when it comes to commercial properties, which are feeling the effects of the coronavirus in different ways. The pandemic and recession have pummeled hotels and shopping centers, but apartment and office occupancies and rents are falling, too.

Kaegi's office has reduced assessments on two- to six-unit apartment buildings in the county by 9.3 to 15.4 percent. The assessor's office hasn't provided aggregate data for other sectors, but some of the county's biggest and most valuable properties aren't getting a break.

The assessor's value of the Water Tower Place shopping center on North Michigan Avenue remains unchanged, at \$318 million. Same goes for Willis Tower, which is assessed at \$697 million. Though downtown hotels are bleeding, the assessor valued TheWit Hotel in the

# Fourth private-equity owner ha

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acquisitions, that help drivers and companies operate and keep track of their fleets. Roark says it's not an overhaul of the previous strategy as much as an acceleration.

Rand McNally competes pri-

spot: lower-tech users and late adopters," she says.

Although Rand McNally started making navigation devices for trucks 11 years ago, Teleo is banking on the company's legacy in printed maps to help propel its digital ambitions. "We are the No. 1 brand in

# Assessments are set to go down, but taxes may not

Loop at \$30.1 million, up slightly from \$29.4 million last year.

Kaegi already has come under heavy fire from commercial landlords and their attorneys for hiking their assessments since he took office in 2018, shifting more of the property tax burden onto them. Contending that his predecessor, Joe Berrios, undervalued commercial properties, Kaegi says he's correcting those mistakes by using a more accurate assessment process.

Kaegi doesn't dispute that a lot of big commercial buildings in Chicago are worth less now than they were last year. But he says he's not cutting them any slack because so many of them remain underassessed.

"You can't argue for a COVID adjustment of 30 percent for a property that's 50 percent undervalued," he says.

The story is different when it comes to the residential market. With many people seeking space and safety in the suburbs, suburban home values have risen, not fallen, as Kaegi's office expected. An index of Chicago single-family home values from S&P CoreLogic Case-Shiller rose by 1.2 percent in August compared with the year-earlier period—a small increase, to be sure, but not a decline.

"I really thought when this whole thing started, it was going to be 2008 all over again," says Patricia Lennon, an @properties broker who works in the northwest suburbs.

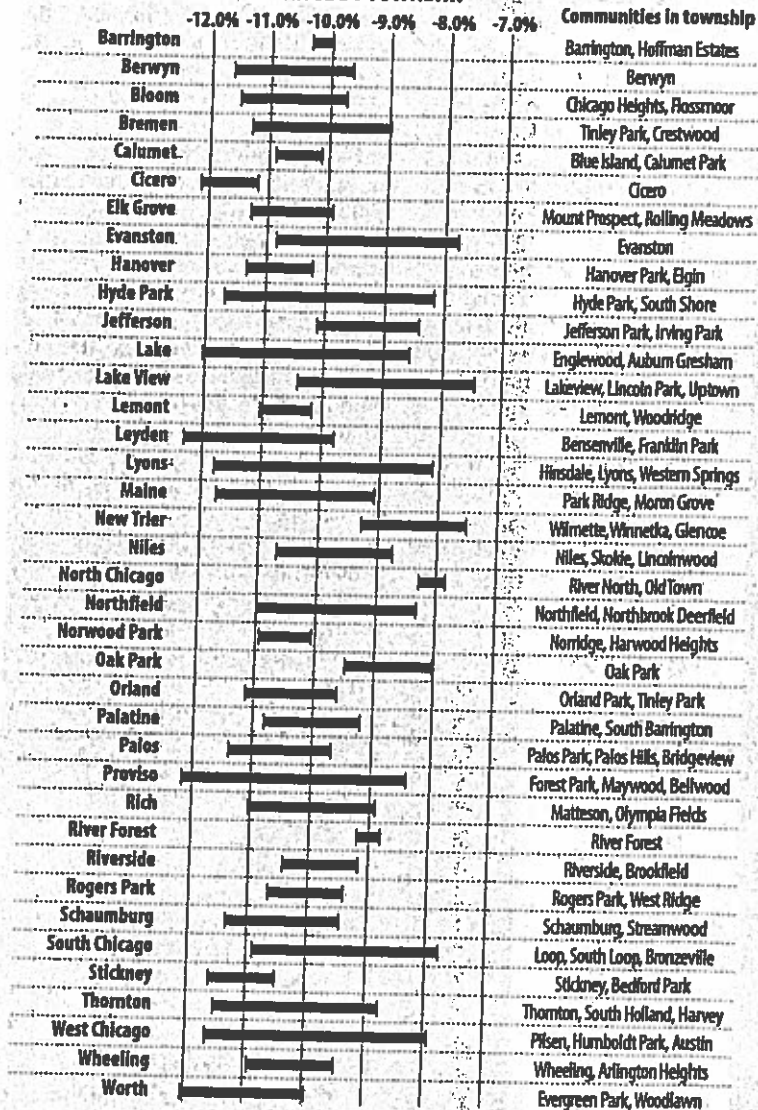
But it hasn't turned out that way. Boosted by ultralow mortgage rates, the market is still going strong, she says.

Kaegi's office based its home value estimates largely on unemployment rates: The higher the unemployment rate, the bigger the decline in value. The assessor's office didn't account for interest rates and other factors.

## ► PANDEMIC PRICING

Homeowners in every Cook County township received a COVID-19 assessment reduction this year.

### RANGE OF ASSESSMENT CHANGE BY TOWNSHIP



Source: Cook County assessor

Note: List of township communities isn't comprehensive.

Kaegi has an answer for the Monday-morning quarterback asking how he could get it so wrong: He faced time constraints. His office had to wrap up its COVID-19 analy-

sis by the end of April, when the residential market still looked shaky.

"We can't shift the goal posts after that date," he says. "We had to pick a moment in time."

## is familiar plan for Rand McNally

The digital transition in trucking got a huge boost four years ago, when the federal government required that trucks have electronic devices to log the hours drivers spend behind the wheel. Rand McNally's devices include logging functionality with its maps, which have truck-specific content, such as

Nally during the sale process said the company faced liquidity pressure after maxing out its borrowing capacity. It hasn't hit its financial targets this year or last year, according to court documents.

Teleo won't say how much it paid for Rand McNally, but court filings say it offered \$40 million

## ► TIMELINE

1856: William Rand starts a printing company in Chicago

1904: First Rand McNally road map is published

1997: AEA Investors acquires the company from the McNally family