

CITIZENS' ACTION PROJECT OF GRAYSLAKE

Lake County, Illinois: Assessing the Assessments

A White Paper Inquiry Into the Real Estate Assessment Practices

for

FAIRNESS

ACCOUNTABILITY

TRANSPARENCY

July, 2007

The Citizens' Action Project of Grayslake is a nonprofit organization established to identify taxpayer issues in Lake County, Illinois, and to educate the public and its representatives concerning those issues.

Our website is at www.citizensactionproject.org and we may be contacted at info@citizensactionproject.org . Our spokesperson may be reached at 847-543-1955.

Contents

Executive Summary	3
1. Introduction.....	4
2. What Should The Assessment Process Be?	6
2.1. The Assessor’s Responsibility	6
2.2. The Chief County Assessor’s Responsibility	7
3. Uniformity of Assessment Practices.....	8
3.1 The Use of Sales Data.....	8
3.2 The Use of “Break Points”.....	12
4. Legal Standards Applying to the Assessment Process	13
5. Inconsistencies And Other Issues	16
5.1. Timing of Reassessments.....	16
5.2. Uniformity of Assessed Valuations	20
5.3. Restricting Comparable Property Choices for Appeals.....	25
5.4. Transparency of the Valuation Process.....	26
6. The Reception And Processing Of Complaints And Appeals	28
6.1. Receptivity To Complaints And Due Process	28
6.2. Transparency Of The Complaint And Appeal Process.....	30
6.3. Efforts To Improve The Assessment Process And Its Results	31
6.4. Degree Of Complainant Satisfaction With The Appeal Process	31
7. Recommendations For Change.....	33
8. Conclusion	35
Appendix A - Appeal Letter of Michael Hennessey.....	37
Appendix B - Sample Assessment Calculation	38
Appendix C - Assessment Process Overview.....	39
Appendix D - Round Lake Study Data.....	40
Appendix E - Unrecognized Assessment Techniques	45
Appendix F - Board of Review Request.....	46
Appendix G - Survey Results	47
Appendix H - Data Collection and Analysis Details	51

Executive Summary

What causes Lake County land and home assessments to rise and fall in any given year? Why are some assessed values higher on some homes and lower on others, even though they are similar properties in the same neighborhood? Are taxpayers fairly treated in the assessment process?

These and other questions compelled our group of Lake County homeowners to form the non-profit *Citizens' Action Project*. In six months of research involving volunteers from the information, legal and technical fields, we discovered that the assessment process in Lake County is seriously impaired and in immediate need of reform. Deficient assessment practices evolved from decades of neglect and lack of oversight. We call on the Lake County Board for investigation and legislation that will assure fairness, accountability and transparency in the township assessment process. A summary of our findings:

- Survey data and CAP member experiences over the past decade suggest that the Lake County assessment process is opaque, inconsistent and not uniform. Assessed market value increases ranged from 10 percent to 40 percent within single neighborhoods.
- We discovered through public documents that some assessment practices use arbitrary and varying factors that are inconsistent with authoritative documents, professional assessment standards, and contribute to the lack of uniformity in assessments.
- Our analysis discloses that assessors may use breakpoints that *discount* land values for larger lot sizes. We could not find a legal or equitable justification for why this was done.
- We contend that assessors may be conducting *annual* re-assessments, instead of every four years for which state law provides.
- We were unable to determine how township and county assessors are supervised, if at all. Their methods are not open to comprehensive public scrutiny and are a mystery to the public. The assessment appeal process is unusually bereft of *due* process and is therefore unfair.

For our complete list of recommendations for positive change, see Chapter 7. For the full text of the white paper, see www.citizensactionproject.org.

1. Introduction

The purpose of this document is to illuminate unfair and inconsistent assessment practices in Lake County. Most property taxpayers fail to understand this process because it is opaque and conducted in a manner hidden from public comprehension.

Our citizen group of volunteers finds that there are serious flaws in the system resulting in inaccurate assessment, lack of due process and uneven treatment of similar properties. We are calling for immediate open access to comprehensive information about the system to members of the public and for investigations by the County Board and State Legislature into these practices. Our specific suggestions for reform are listed in chapter seven of the paper.

Because increases in assessed property values almost always result in higher property taxes, we are calling for an immediate review and reform of the assessment system. Assessments are carried out, for the most part, behind closed doors by a veiled bureaucracy. Most homeowners have little or no say in their assessments and don't feel they can even challenge the system. They feel utterly powerless.

We examined the assessment process because it is the collective experience of far too many Lake County property owners that this process is unfair. As we discovered in appealing our personal assessments to the County's Board of Review---most of which were summarily rejected without much examination---assessors were adopting methods that run contrary to Illinois state assessment guidelines.

Like most Lake County taxpayers, we are alarmed by the rate of increases we experience in our assessments, ranging from 10 % to 50 %. Illinois property taxes, according to the Tax Foundation (a national nonprofit organization dedicated to tracking trends and issues in taxes), are among the highest in the country. Homeowners cannot financially adjust to these seemingly arbitrary swings. An alarming number are forced to move out of Lake

County as increases in assessed values result in property taxes that are outpacing salary increases.

In Lake County, the median value for homes with a mortgage increased only 8.8% from 2004 to 2005, according to U.S. Census Bureau data. Yet we found that annual assessment increases of homes in our survey frequently exceeded 20% or more. Why were assessments reported to us so high? The process in some townships is wrongly skewed to a few recent sales, which distorts the market values of homes. The entire county rose 25% in median values from 2000 to 2005, so a *yearly* assessment hike of 20% is excessive and out of line with broad, reliable gauges of real estate values in the county. It is notable that in a falling real estate value market, Avon Township assessed valuations will increase an average of 9.63% and Fremont Township assessed valuations will increase an average of 4.51% in the 2007 reassessments, according to the Chief Lake County Assessment Officer.

We are not arguing against paying our fair share of taxes. We know that about 70% of our property taxes go to schools that are continually being expanded to accommodate the runaway development in the county, and the need for public services. That is another issue. *Our argument is against current assessment practices, which, as revealed by our research, often do not reflect actual property values or the rate of increase for the county as a whole.*

In preparing this study, we brought together the collective talents of citizens from several townships. Our volunteers include individuals from the following professions: law, software engineering and data research. This group created and analyzed databases using county property tax and assessment information. While we hoped to examine countywide patterns, our sample was restricted to a handful of townships, mainly Avon and Fremont, in the central section of the county.

2. What Should The Assessment Process Be?

A major part of the problem---at least in understanding the assessment process in Lake County---is that few assessors can provide a consistent explanation of how they arrive at assessments (the process of valuing a property for tax purposes). When we examined the process over a six-month period beginning in December, 2006, we discovered that there is little or no supervision over how township assessors perform their duties. Few homeowners believe they can challenge the process because it is a mystery to them. Assessors' inconsistent and conflicting responses to requests for information make the process even more of an enigma.

The experience of homeowner Michael Hennessy illustrates the point. When Hennessy challenged his assessment in Wauconda Township, he had to file a Freedom of Information Act request to discover the exact method by which his property was assessed. After receiving several vague and non-detailed responses over a period of several months, he appealed his assessment and still doesn't have the answers he needs. His appeal letter can be found in Appendix A. Citizens like Hennessy attempt to obtain straight answers on the assessment process in Lake County. It is not unusual for citizens to receive different answers to the same question over a period of time.

To discover how assessments should be done, we consulted state manuals and guidelines. A primary source is the Illinois Department of Revenue's *Illinois Property Tax System* (See <http://www.revenue.state.il.us/Publications/LocalGovernment/PTAX1004.pdf> for the complete document.), which states the guidelines for how assessments should work in our state. According to the state's definition, an assessment is "the property value that officially is entered in the county assessment books (sometimes called the 'tax rolls')."

2.1. The Assessor's Responsibility

The Assessor is entrusted with estimating market values for properties, values that serve as a basis for property taxes. In the assessment context, "market value" should not be confused with a property's selling price on the open market. The assessor's *market value*

is purely an estimate. It is not possible to know for certain how much a property is worth until it is sold in an arms-length transaction between two willing parties. (How assessors arrive at their value will be discussed later.)

There are two components to the assessor's market value:

- Land Value
- Building Value

Totaled, these comprise the **Total Assessed Value**. The Total Assessed value is multiplied by a "state multiplier" to produce an **equalized value** that is intended to balance out assessed property valuations and make them comparable throughout Illinois. Next, the Assessor subtracts any homestead, senior citizen, or home improvement exemptions from the Total Assessed Value. The net remainder is multiplied by the county's tax rate, which is all of the taxing bodies' levies added together, to arrive at your real estate tax. (An example of this process is in Appendix B.)

Each levy (rate) is determined by the separate taxing bodies, such as school districts, the Forest Preserve District, and municipalities. Most local levy levels are subject to referendum (including accountability of the decision-makers through the election process). **The assessors' determinations of market value are not subject to referenda, although they represent a significant factor in determining the tax bill.**

2.2. The Chief County Assessor's Responsibility

Eighty-three counties in Illinois elect their chief assessors. The Chief Assessor in Lake County is appointed by the County Board. It's not clear to this group if he has the actual statutory power to supervise township assessors, who largely operate autonomously without oversight by the County Board and state authorities.

What kind of power does the Chief County Assessor have? According to the *Illinois Property Tax System*, "The Chief County Assessor supervises and, if necessary, revises township and multi-township assessors' work." (See Appendix C for a non-detailed description of how the process works.) The current Chief Lake County Assessor, Marty

Paulson, explained his duties at a meeting with subdivision property owners on November 30, 2006 at the Byron Colby Barn in Grayslake:

“In my role as Chief County Assessor, I have two main responsibilities. One is to run the Chief County Assessment Office. And the second role is to be the clerk for the Board of Review, which is a ministerial/clerical role, where I head up a staff and they do all the clerical work for the Board of Review.

My assessment function is very small and in a very small window, literally days. The local assessor does almost all of the assessment work on all the parcels in Avon and Fremont townships. My job starts when the local assessors turn in their work and ends after I turn it to the Lake County Board of Review. That window could be as short as a week or as long as two weeks.”

At the township level, assessors use computer programs to take property information and transform it into assessment valuations. They take into account a number of factors, including:

- *State of the property.* If the property is old or in bad repair, that will result in a lower assessed valuation.
- *Relative values.* Assessments determine how much a property and land is worth relative to similar properties. By law, properties are to be assessed at 33 1/3 of their estimated open market values.
- *Other factors.* Assessors look at square footage, amenities (patios, in-ground swimming pools, finished basements, etc.), the quality of the neighborhood, and other items that might detract from or enhance a property’s value (across from a landfill, factory, etc.)

3. Uniformity of Assessment Practices

This report shows that assessments practices vary widely. They are often arbitrary, especially in the cases of the so-called breakpoints. Much of our analysis will illuminate how inconsistently and distinctly *un*uniformly the assessors in Lake County view properties.

3.1 The Use of Sales Data

Assessors must use the following basic methods to determine property assessment values:

- Market Approach – similar properties that have sold recently are compared to the property or study area being assessed.
- Cost Approach – the cost to reproduce (or rebuild) the property is calculated, allowance for depreciation is made, and then land value is added. This method is applied when there are no comparable sales to draw upon.

There is a right way and a wrong way to use recent sales prices. The date of the sale should neither be too “recent” nor too far back in time, i.e., too “old.”

The use of a very recent sale to adjust the assessed valuation on an individual property is one example of “sales chasing” and is not acceptable. Illinois case law, in fact, prohibits sales chasing (Walsh vs. PTAB, see <http://www.state.il.us/court/opinions/supremecourt/1998/february/opinions/html/83072.txt>) because it results in assessments that may be inflated and not uniform across a neighborhood or town. The *Standard on Property Tax Policy*, published by the International Association of Assessing Officers, has this to say about the practice of sales chasing:

“Local assessing officials should avoid the practice of sales chasing, and state oversight agencies should monitor and discourage this practice. According to the *Standard on Ratio Studies* (1999, Section 10), “Sales chasing is the practice of using the sale of a property to trigger a reappraisal of that property at or near the selling price. Sales chasing causes invalid uniformity results in a sales ratio study, and causes invalid appraisal level results unless similar unsold parcels are reappraised by a method that produces the same percentage of market value (appraisal level) as on the parcels that sold.” Further, unless similar unsold parcels are reappraised at the same level as sold parcels, sales chasing causes inequitable treatment of taxpayers by shifting the tax burden to taxpayers who have recently purchased property.”

All assessments are merely *estimates* of market value. The *true* market value of an individual home is only known when it is sold on the open market.

On the other hand, “sales ratio” studies also make use of sales data and are used by assessors to maintain a uniform level of assessment within their jurisdictions as well as between jurisdictions. As *The Illinois Property Tax System*, published by the Illinois Department of Revenue, describes it:

“A statistical process called “**assessment/sales ratio study**” is used to find the ratio of property sale prices to their assessed values. The assessment/sales ratio study shows whether or not assessments within a given area actually average 33⅓ % of market value.”

Further, at least 25 parcel sales are to be used in any sales ratio study used in the equalization process (see 35 ILCS 200/16-65) within Illinois counties. Whenever sales ratio studies are mentioned, the data is prescribed to include only the prior three years. For a study done in 2005, this means sales data should be restricted to the years 2002, 2003, and 2004. Including sales further back than three years would unduly bias results since they do not reflect current market conditions.

The equalization process and the associated sales ratio studies refer to the total assessed value of the property. However, as stated in the state statutes;

35 ILCS 200/9-155: Valuation in General Assessment Years
 “...The assessor or deputy shall set down, in the books furnished for that purpose the assessed valuation of properties in one column, the assessed value of improvements in another, and the total valuation in a separate column.”

In short, the land must be assessed separately from the improvements built upon such land.

In contrast to sales ratio studies used to equalize total assessment valuations (land plus buildings), sales data were also used by Avon Township assessors for another purpose.

In 2005, Avon used sales data to revalue the land assessment rates for lakefront properties of all township lakes. (The data were included in a letter to the Lake County Board of Review, dated November 30, 2005, from the Avon Township assessor concerning complaint #5785. No direct reference to the data was made in the letter, nor was there any explanation of its use or significance.)

For Round Lake, in particular, 19 sale transactions were used. The net result of the Round Lake study performed by the assessor's office resulted in land valuations, before equalization, of \$2.667 / sq. ft. for lake front property at Round Lake.

We have examined in detail the data used to make this land revaluation at Round Lake and found a number of disturbing aspects of the study that merit disclosing.

1. The study was performed in 2005, yet several sales as far back as 2001 were included in the study. This is contrary to the convention of a three-year period used for sales ratio studies. While not strictly a "sales ratio study", the same factors which dictate only a 3-year window for sales ratio studies also would logically apply to a land valuation study.
2. The study data released by the township assessor's office inexplicably omitted one of the PIN numbers actually used in the study.
3. The study used multipliers of 30% and 35% times the sales price as the value of the land associated with the sale. Yet there is no evidence to support or justify the use of these factors or this technique for land valuation.
4. Some sale data included in the study are not recorded in the county assessment database. In short, the study included "sales" for which there is no recorded sale!
5. Fully one-third of the sales included in the study are listed as "nonqualified" sales. This means, to quote the Lake County individual tax parcel report, "This sale is not valid for assessment purposes". Nonetheless, they were included in a study used to establish assessed land valuations.
6. There are a number of other "qualified" lake front sales within the Round Lake that were completed in the 2002-2003 time frame, yet they were not included in the study data. Why not?

More details of our investigation of this Round Lake land valuation study are provided in Appendix D.

CAP CONCLUSION

There may be valid reasons for some of these inconsistencies, but the general conclusion is that they demonstrate a very casual and inconsistent, if not haphazard, approach to the determination of land valuations. We can only assume that other studies to determine land valuations are equally casual in their selection and use of data.

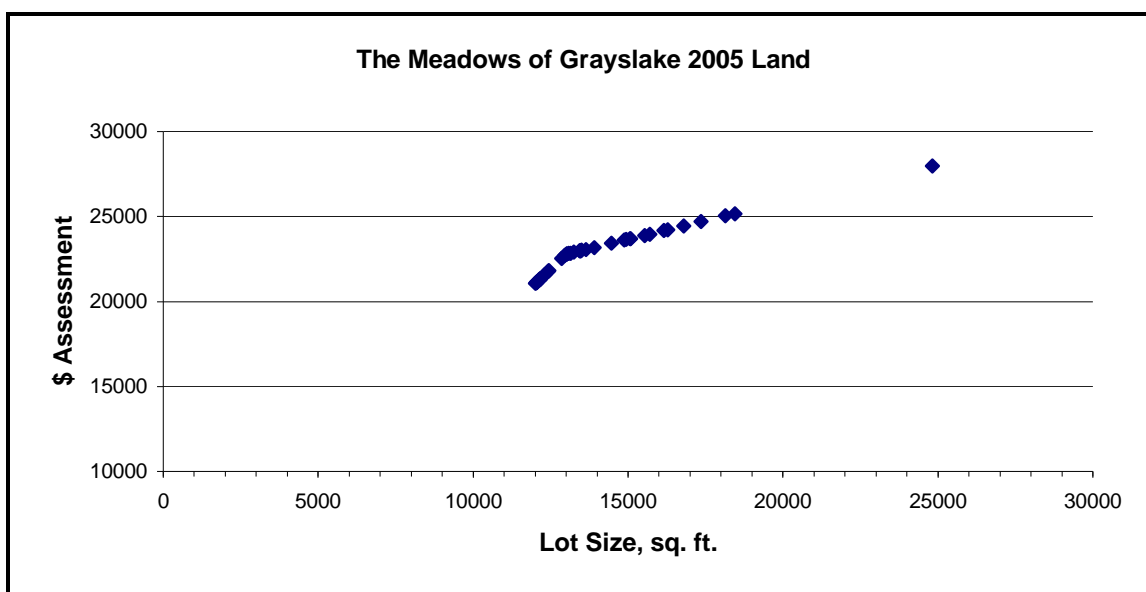
3.2 The Use of “Break Points”

Some of the assessment practices we uncovered lead to seemingly arbitrary and disparate treatments that are unexplained by the assessors. For example, in a deposition from a lawsuit (*Slovick v. Skidmore*, 12/2/05), Avon Assessor Rick Dishman stated under oath that he applied three different assessment rates for the land portion of Third Lake properties;

- \$11.73 / sq. ft. for the first 11,250 (total) square feet of land;
- for properties larger than 11,250 square feet, \$5.87 / sq. ft. for that area of land between 11,250 and 16,875 square feet;
- for properties larger than 16,875 square feet, \$2.94 / sq. ft. for that area of land above 16,875 square feet.

Existence of these so-called “break points” was uncovered in our analysis, although Mr. Dishman didn’t call them that, nor did he clearly explain his reason for them, other than assigning “median values” by lot size. In the same lawsuit, Penelope Heckel, the deputy Avon Assessor, said that she used as little as *one sale* to determine market value. Her reason? “Years of experience,” she said in her deposition. When asked if there is any basis in state law or guidelines to support her assessment technique, she responded, “None whatsoever.”

As a graphic example of the existence of break points we offer the following figure from one subdivision in the Grayslake area. We plot the 2005 assessed land values versus the property lot size for a group of 39 homes and see a discontinuity, or “break”, at the 13,000 sq. ft. “point” - hence the term “break point”. Property owners are assessed at a different, lower, rate for that portion of their lot size that is above 13,000 sq. ft. The median lot size in this subdivision is 13,448 sq. ft. Hence, about half the people pay at the “full” rate and the other half pay a reduced rate.



We examine further the variation of break points from neighborhood to neighborhood in Section 5.2 and we shall see that they change over time and they may, or may not, correlate with the median lot sizes.

4. Legal Standards Applying to the Assessment Process

Our examination of the process of assessing property values includes inquiry into whether the process is faithful to the state statutes under which it is conducted, and to the Illinois Supreme Court and Appellate Court decisions that have construed those statutes to determine how the process should operate.

The Illinois assessment process is governed at the highest level by the Illinois Constitution, and then by applicable state statutes that define the actual process.

The Illinois Constitution refers only once to property taxation. It provides, in Article 9, Section 4, that “taxes upon real property shall be levied *uniformly* by valuation ascertained as the General Assembly shall provide...” (emphasis added). As the supreme law in our state, the Constitution clearly states what the authors believed should be the primary concern in this tax assessment---that it be uniform. In practical terms, this means that it should have an equal impact on any two Lake County homeowners with substantially similar property values, regardless of where they are located within the county.

Responding to this general mandate in our Constitution, the Illinois legislature has enacted three key statutory provisions that affect the assessments of residential property. The crucial parts are excerpted below, with emphasis added:

35 ILCS 200/9-145: Statutory Level of Assessment:

“...(a) Each tract or lot of property shall be valued at 33 1/3% of its *fair cash value*;”

35 ILCS 200/1-50: Fair Cash Value

“Fair Cash value. The amount for which a property can be sold in the *due course of business and trade, not under duress, between a willing buyer and a willing seller.*”

35 ILCS 200/9-75: Revisions of Assessments: Counties of less than 3,000,000:

“...the township or multi-township assessor...*may* in any year revise *and* correct an assessment as appears to be just.”

Illinois statutes also provide that for counties like Lake County (less than 3,000,000 inhabitants), assessments are to be performed only **once every four years**. 35ILCS 200/9-215. A fixed schedule is required for performing the assessments in each

“quadrennial” year. The statutes indicate that in the other, “nonquadrennial” years, the assessments may only be affected in certain specific ways.

- Section 35 ILCS 200/9-75 provides that the chief county assessment officer may in any year “revise **and** correct (emphasis added) an individual assessment that was previously incorrect or mistaken. In other words, the change must be a revision that is also a correction of an earlier mistake or injustice; the assessor may *not* choose to revise *or* correct a particular value.
- Section 35 ILCS 200/9-210 provides that annual equalizations [of total value] must be performed uniformly to all properties in the county, to ensure that assessments are consistent statewide.

Over time, the laws have been interpreted by different Illinois courts as they have decided specific assessment disputes, and the written legal opinions the courts have produced provide us with either broad or specific guidance as to how the assessment process should operate in Illinois. For our purpose, we have focused on those cases that have considered how to make the process in Illinois a fair one. Several key concepts from these decisions are described below (emphasis added), along with citations to representative cases in which they were discussed:

Under the Illinois Constitution (See Const. 1970, Art 9, Section 1,2,4,5), requiring uniformity of taxation, and the statutes enacted to carry it into effect, *every person and corporation is entitled to the protection* of the constitutional provision, and to have his or its tax levied by valuation so that each pays in proportion to the value of his or its property. Tuttle v. Bell, 377 Ill. 510 (1941).

Every property owner should pay a tax based on the value of his property so that the cost of government may be borne ratably and proportionately and any different system fails to meet the uniformity requirements of the Constitution. People ex rel. Hellyer v. Hendrickson, 373 Ill. 99 (1940).

Assessment officers must assess all property for taxation purposes at its fair value, and *must make all valuations of the same type of property in a uniform manner* so that each taxpayer pays their proper share of the tax burden. People ex rel. Johnson v. Robinson, 406 Ill. 280 (1950)

In summary, these judicial opinions, and others just like them, emphasize that all Illinois residential property owners are entitled to an assessment process that treats them in an equal, uniform manner. Although properties with different values still will obviously be assessed in different amounts, these amounts should result from consistent standards being applied to each property.

5. Inconsistencies And Other Issues

5.1. Timing of Reassessments

The law requires that Lake County properties be reassessed every four years (called the “General Assessment Year”), not in the interim. See the discussion in the preceding Chapter. The case of *Albee v. Soat*, 315 Ill. App. 3rd 888 (2000) clarifies this further, emphasizing that annual *equalizations* must be different from the *reassessments* conducted every *four* years. The court stated,

“...the assessor does have the authority to annually change the quadrennial assessment to achieve a 33% fair cash value assessment; however, when doing so the new ratio must be applied uniformly to the entire county, township or district and not to just some of the properties therein.”

In short, equalizations must have a uniform effect on all property owners; they should not result in the type of individualized assessment increases that the legislature states should only be made every four years.

In contrast, Lake County valuations are reassessed every year, across the board. In a reassessment, land valuations are adjusted independently from the building valuations. In an equalization, which may be performed in any year, land valuations and building valuations are adjusted uniformly using the same equalization factor. *Therefore, any adjustment of building values independent from land values is evidence of a reassessment.* Evidence that annual reassessment is practiced by the Avon Township Assessors office can be found in legal depositions.

“Is there a difference in your approach in assessing in quadrennial and nonquadrennial years?”

“You treat everyone in the same way every year.” – Penelope Heckel, Deputy Assessor, Avon Township

“What is your understanding of your ability to change assessments during a nonquadrennial year?”

“That it can be done.” – Penelope Heckel

“To your knowledge, are there any limitations on your ability to reassess properties on nonquadrennial years?”

“Not to my knowledge.” – Penelope Heckel

(Depositions for the Purpose of Discovery, Slovic v. Skidmore, 12/2/05)

West Deerfield Township Assessor Steven W. Stanger told the Lake County Board (April 4, 2007) that annual reassessments are ideal and are done:

“Statutorily, we are required to [reassess] once every four years... Ideally, we would do it every year... When I first started reassessing every year, taxpayers seemed to have some resistance toward that, but now they have come to accept it and actually prefer it... because it allows assessors to go in on an annual basis and make adjustments on a neighborhood by neighborhood basis...”

Chief Lake County Assessor Paulson is also forthright on this issue. On November 30th, 2006, he told a meeting of homeowners in Grayslake, “Getting back to the reassessment process that did take place in Avon Township (in 2006)... the Chief County Assessor did not override any assessments made by the local assessor (in Avon).” (The General Assessment Year was 2003.) In fact, the figures below show widely differing patterns of treatment in Avon Township.

Figure 1 illustrates that all 111 properties (with 6 exceptions) in an Avon Township neighborhood received a uniform increase of 6.9% in their assessed building valuations for the 2006 assessment year.

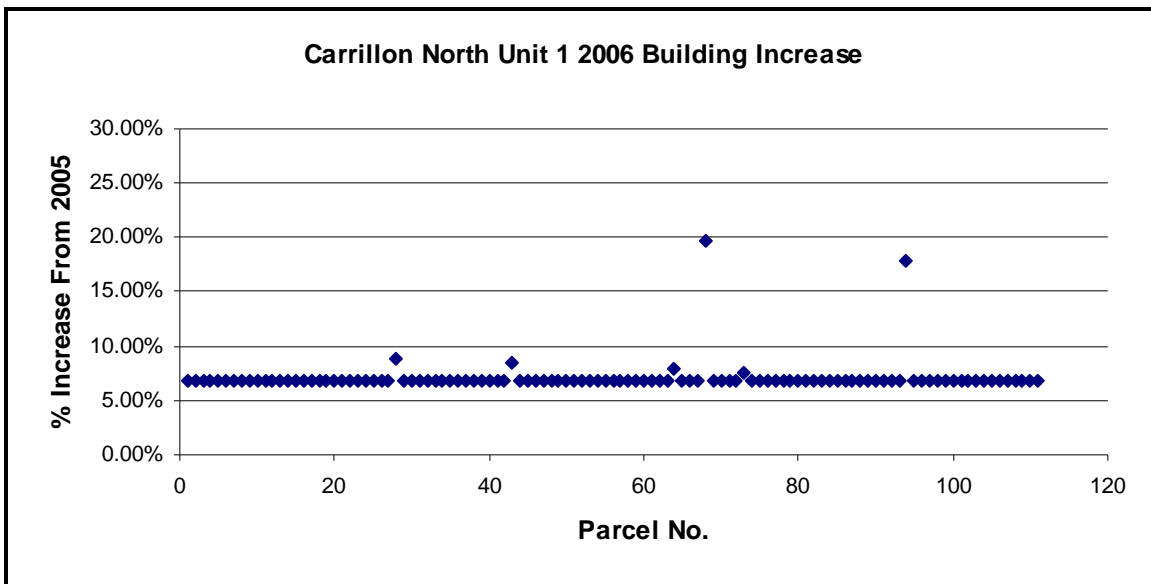


Figure 1

If we look at the increase in assessed land valuations for these same 111 parcels, shown in Figure 2, we also see a uniform increase of 6.9 %.

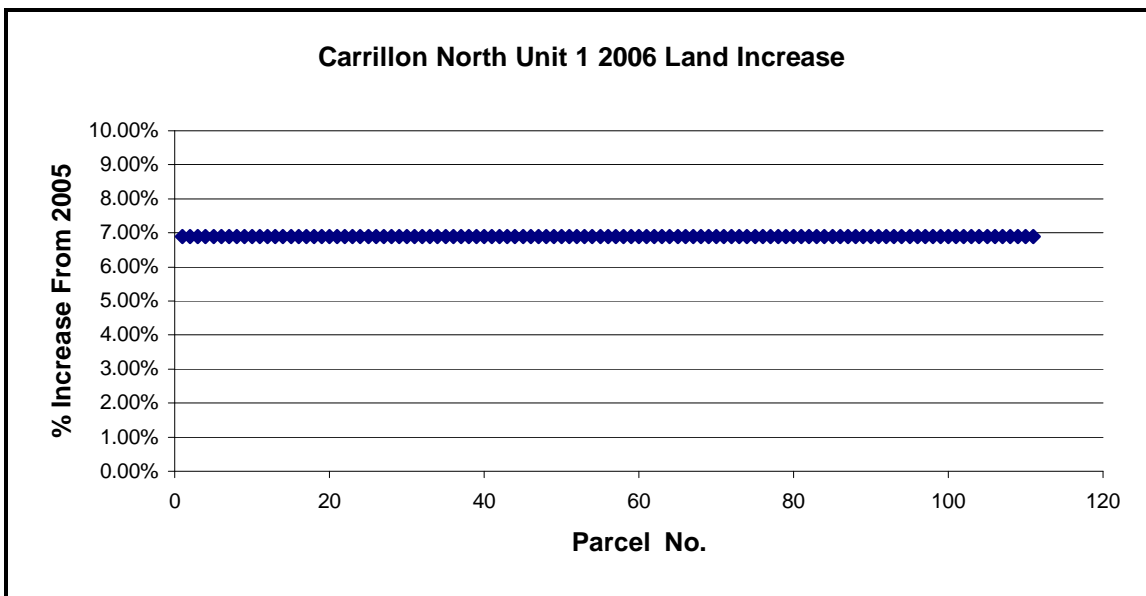


Figure 2

This is the pattern we would expect to find when an “equalization” is performed. All properties are affected in equal measure. Interestingly enough, the 2006 equalization factor for Avon Township was 1.0689. In other words, an increase of 6.89% in total assessed valuation.

Looking at comparable homes (that is, a similar range of lot size, living areas, and construction dates) in the Prairie Crossing subdivision, Avon Township homes only, we find a completely different pattern. Figure 3 shows the percent increase in assessed building valuations in 2006 range from a *decrease* of 15% to an *increase* of almost 40%.

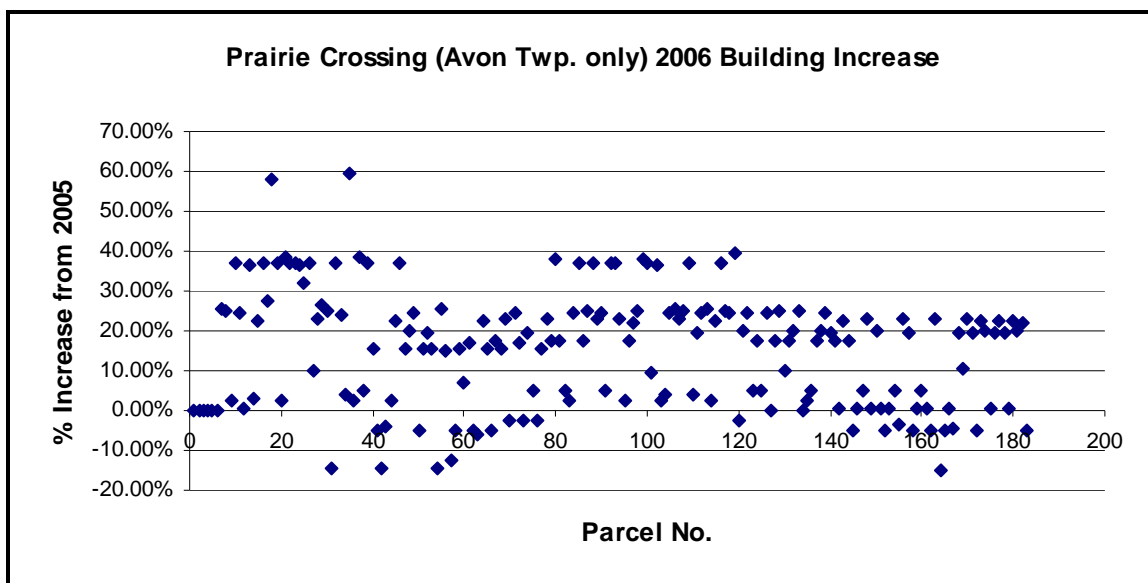


Figure 3

A dramatic difference from the treatment Carrillon North homeowners received. Looking at the assessed land valuations for these same properties, illustrated in Figure 4, we find

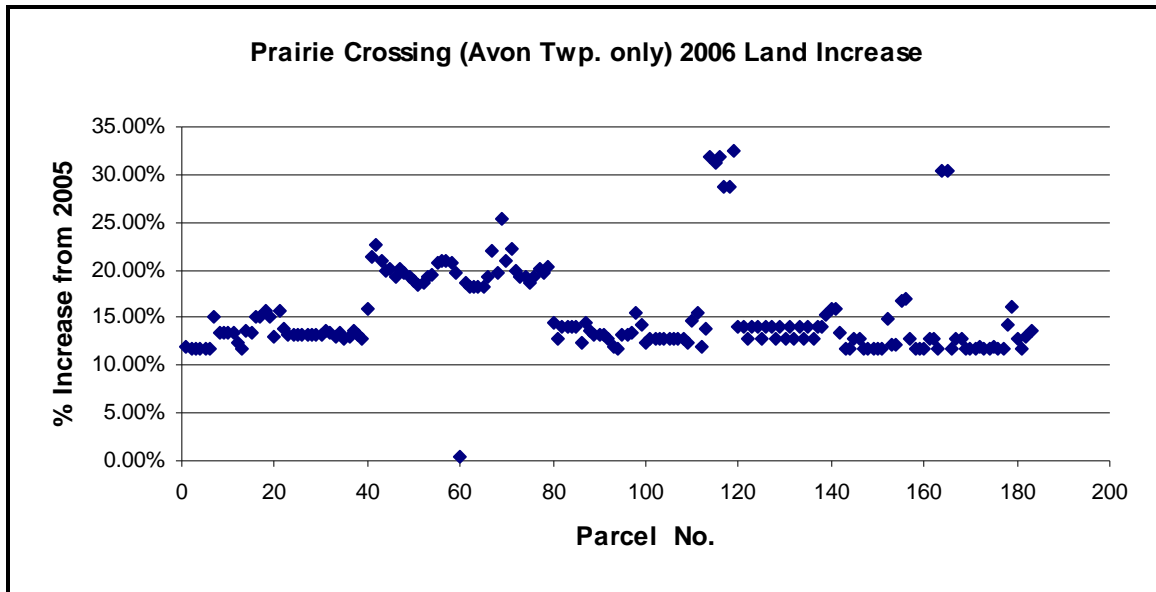


Figure 4

that assessed land valuations increase from 13% to over 30%. Clearly, land valuations are changing independently from building valuations. *This is, by definition, a reassessment in a non-General Assessment year.* If both Prairie Crossing and Carrillon North Unit 1 subdivisions were properly and fairly assessed in 2005, how can such widely varying assessment treatment in 2006 be accounted for?

CAP CONCLUSION

Illinois statute provides for individual property corrections, but does not provide for annual reassessments of all of a district's properties. Based on the law's language, the practice of reassessing every year does not appear to be compliant to us. (See discussion in Chapter 4.)

5.2. Uniformity of Assessed Valuations

The practice of using break points does not appear to be supported within the state guidelines, as disclosed by court deposition documents.

“Are you aware of anything that the state publishes that says [the use of break points] is an appropriate method to use?”

“No.” –Avon Township Assessor Rick Dishman.

“In any of the materials that you have available to you in your library or elsewhere, have you ever seen that (the use of break points) written out anywhere?”

“No.” – Rick Dishman

“So what is the (breakpoint of) 11,250 (square feet) supposed to actually represent?”

“The typical size of a subdivision lot in that area.” –Penelope Heckel

(Depositions for the Purpose of Discovery, Slovick v. Skidmore, 12/2/05)

The meaning we extract from this interchange is that people with lots larger than 11,250 square feet are being assessed at less per square foot than those with lots smaller than that typical size. This does not appear to us as compliant with the statutory requirement that “Each track or lot of property should be valued at 33 1/3% of its fair cash value.”

Compliance with state statutory requirements for uniformity of proportional valuations leads us to expect that **the ratio of assessed value to full market value should remain a stable 1/3 universally throughout the taxing district.** Instead, in land valuations alone, we found considerable disparity on a per square foot basis (see the earlier discussion of break points, based on depositions). The graphs below demonstrate this disparity.

In Figure 5, for example, we plot the actual dollar amount of the land valuations versus the size of the lot for a specific neighborhood within Fremont Township. We find the homeowners with lot sizes larger than 8,000 sq. ft. are assessed less per square foot of land area.

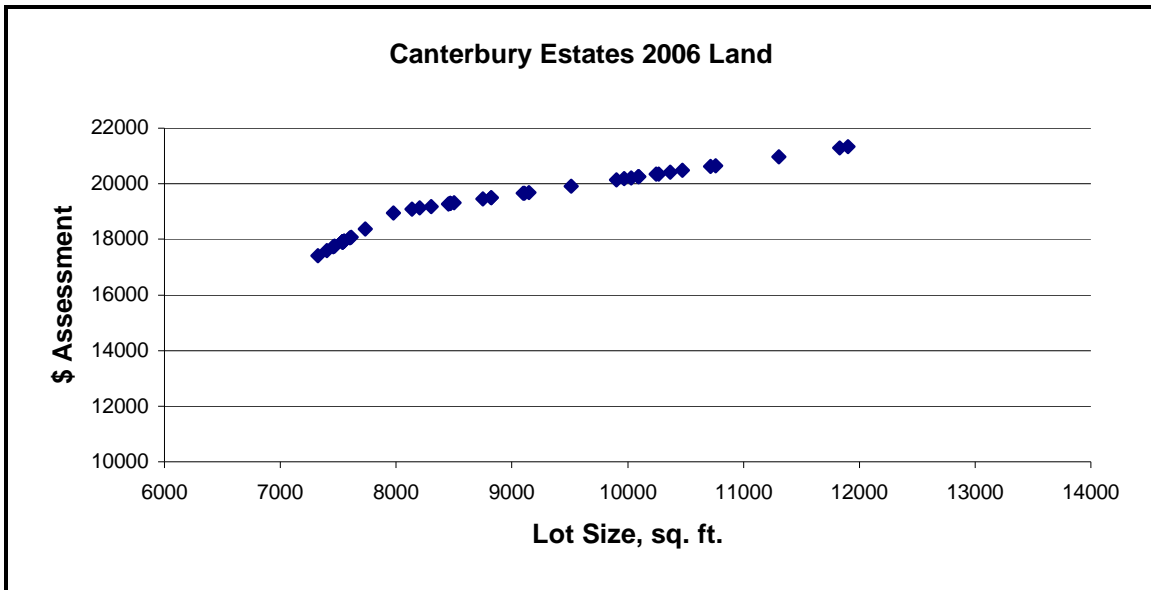


Figure 5

The “break point” is 8,000 sq. ft. at which “point” homeowners start to receive a “break” in land valuation. For comparison, the median lot size in this subdivision is 8301 sq. ft., which is reasonably close to the observed break point. Looking at another, still comparable, neighborhood in Fremont Township, shown in Figure 6,

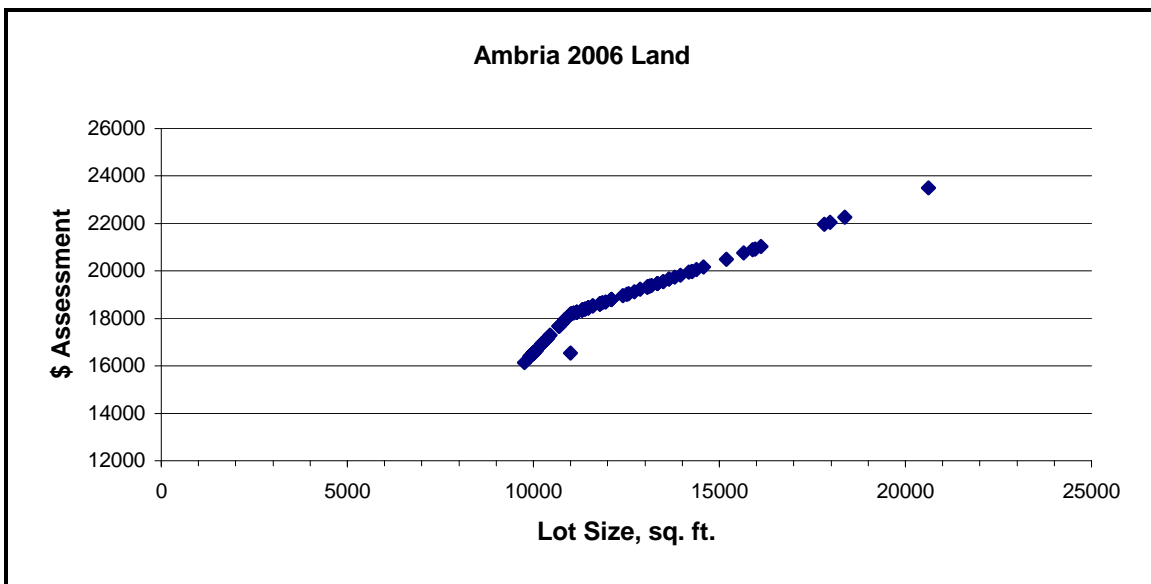


Figure 6

we find only those homeowners whose lots are larger than 11,000 sq. ft. enjoy a reduced rate of assessed valuations. The median lot size in the Ambria subdivision is 11,250 sq. ft. Again, close to the observed break point. As a final exhibit from Fremont Township, the neighborhood shown in Figure 7 appears to have two distinct “break points”.

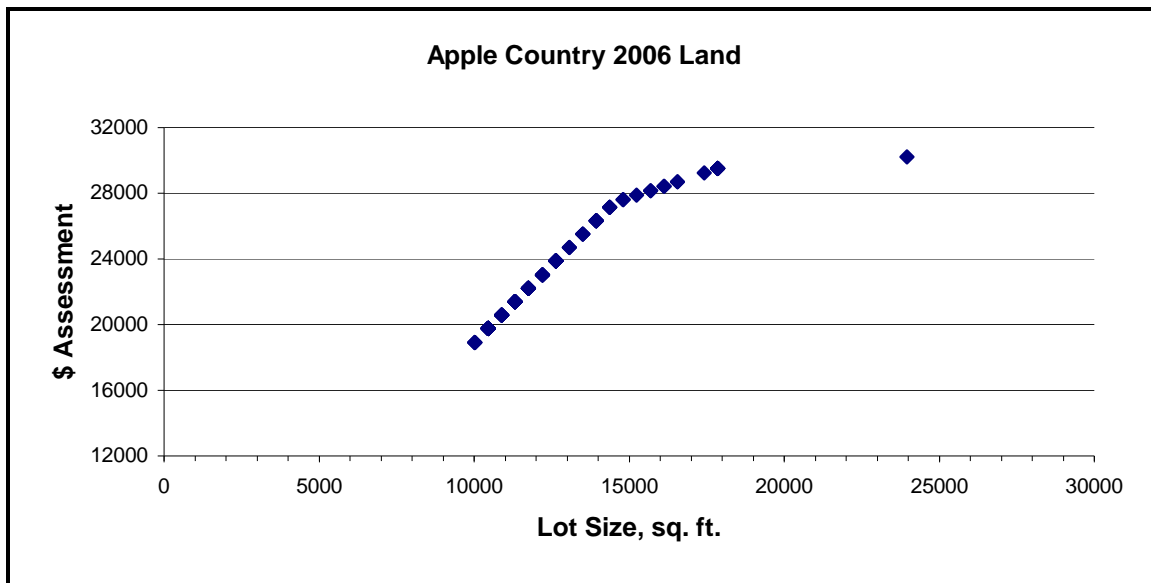


Figure 7

Clearly, there is a break point at about 14,000 sq. ft, but there is yet another break point above 18,000 sq. ft. since the homeowner with a lot size around 24,000 sq. ft. is assessed proportionally less per square foot than others in the same neighborhood. However, neither of these break points corresponds to the median lot size of 11,761 sq. ft. for this subdivision.

While it is clear that break point values differ from neighborhood to neighborhood, they also may change from one year to the next year in the very same neighborhood. This is what happened to the homeowners in Fremont Township who live in the Prairie Crossing subdivision. Figure 8 shows the assessed land valuations for 2006 versus the lot size.

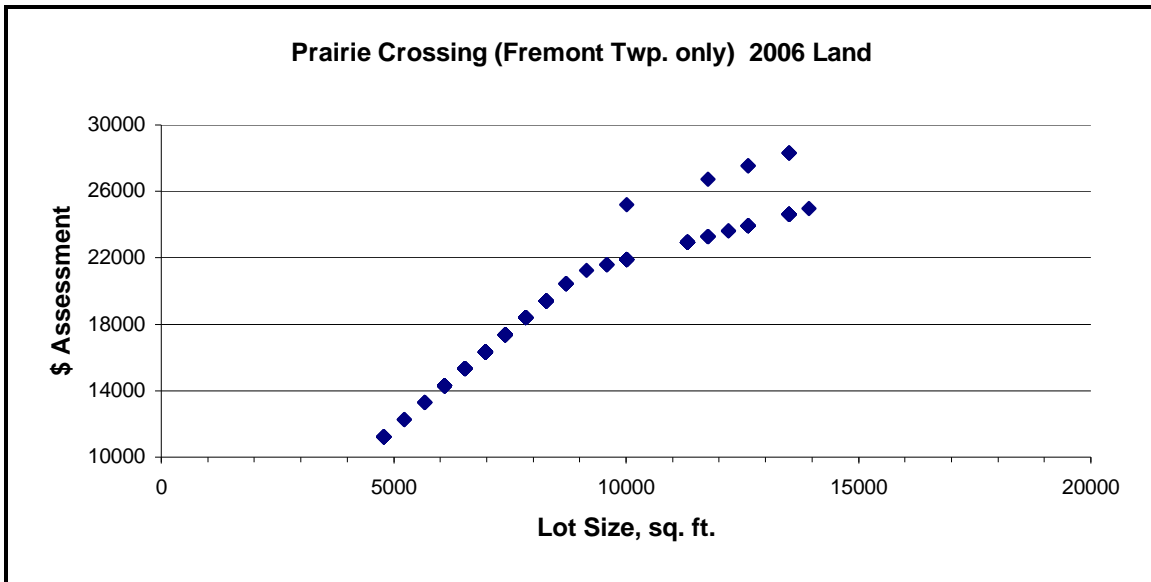


Figure 8

It is clear that the break point is at 9,000 sq. ft. However, if we look at the assessed land valuations for the prior year, 2005, we find a different situation, shown in Figure 9.

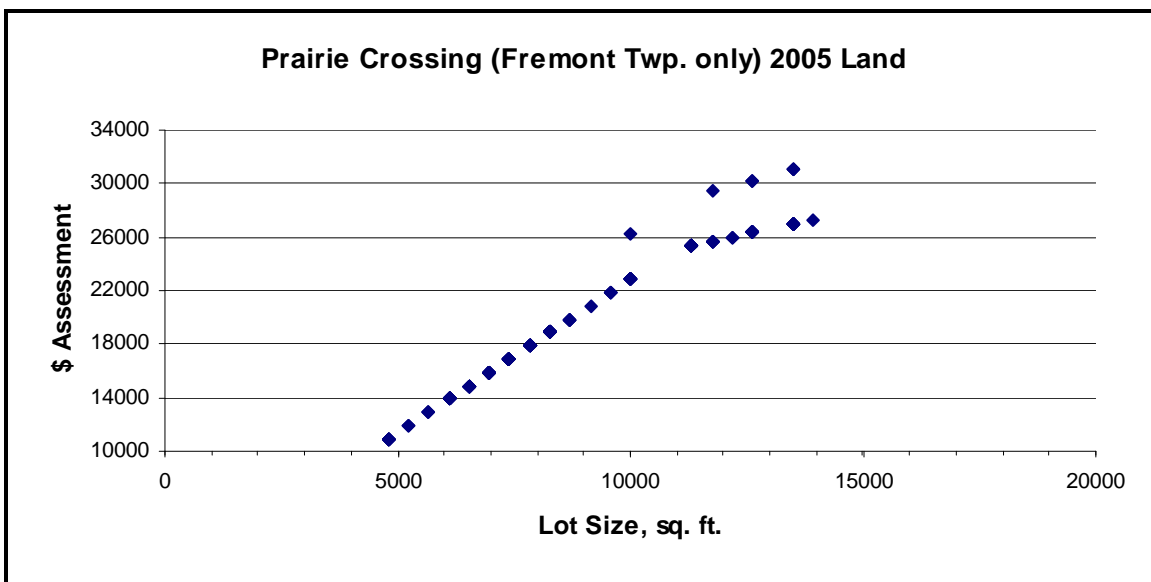


Figure 9

In 2005 the break point for these properties was at 11,000 sq. ft. while in 2006 it was 9,000 sq. ft. Since the median lot size for these homes is about 7,840 sq. ft., we see that neither the 2005 nor the 2006 break points correspond to the median lot size.

CAP CONCLUSION

These “break points”, which may, or may not, relate to median lot sizes, deliver reductions in assessed value to the owners of larger properties. As a result, taxation to cover district expenses spreads the load *dis*proportionately to property owners whose valuations are below the break point.

5.3. Restricting Comparable Property Choices for Appeals

Some Lake County property owners find that comparable properties they select to support their assessed valuation appeals are summarily rejected by the Board of Review. We believe that this pattern of restricting truly comparable properties demonstrates the arbitrary character of the appeal adjudication. And it is contrary to established legal definition of “fair cash value.” Case law cited in Chapter 4 defines “fair cash value” as the amount that the property would bring at a voluntary sale when the owner is willing to sell and the buyer is willing to buy, both without compulsion.

Some assessors arbitrarily prevent the owners of certain properties from effectively appealing an excessive valuation by only allowing them to compare their property to other properties that have nearly exactly the same characteristics. In some cases, as evidenced by appeals filed by homeowners in the Prairie Crossing subdivision of Grayslake, assessors have actually restricted the comparison to *other identical home models, and only within the same small subdivision*. No potential voluntary buyer would ever be restricted in this way. As a result, these homeowners are prevented from showing their properties’ “fair market value” and from showing why their assessments are unfair or incorrect. It is worth noting that these homeowners were not informed prior to submitting their appeal that they would be restricted to comparing their homes to such a small sample. Comparable property data from outside their subdivision were summarily

ignored in the hearings. This is an example of the lack of transparency in the appeal process, discussed further in Chapter 6.

In summary, the effect is one of restricting sellers who want to sell and buyers who want to buy to a particular neighborhood, subdivision, or home model.

CAP CONCLUSION

We have been unable to find any statutory support for this practice of seemingly arbitrary restrictions on properties used for comparisons and, as already mentioned, this practice gives every appearance of contravening existing case law (emphasis added):

“Ordinarily, property is valued based on its fair cash value, or fair market value, meaning the amount that the property would bring at a *voluntary sale where the owner is ready, willing, and able to sell, the buyer is ready, willing, and able to buy, and neither is under a compulsion to do so.*” Consumers Illinois Water Co. v. Vermilion County Bd. Of Review, 363 App. 3d 646 (4th App. Dist. 2006)

5.4. Transparency of the Valuation Process

Property taxes represent a significant economic factor for most Lake County property owners. Case law cited in Chapter 4 requires assessment officers to make all valuations of the same type of property in a uniform manner *so that each taxpayer pays his or her proper share of the tax burden.* This and other statutes certainly imply the need for understandable explanations of valuation processes that are accessible to the populace. In other words, each property owner should easily be able to determine how assessments are calculated and how that translates into his or her share of taxes. If the current system is not achieving this intent of the law, then any citizen seeking to remedy this will need to begin with adequate information about the process and criteria used by local assessors.

Our group’s research to determine the details of the system used has yielded little in the way of hard facts and clear processes.

Here is how Chief Lake County Assessor Paulson explained it in the November 30, 2006 meeting with homeowners at the Byron Colby Barn in Grayslake:

“...We run what is called the local equalization function. We look at what reassessment activity has occurred in each township and put it through a series of formulas that are rather complex. We determine whether, in the aggregate, if the township has reached the theoretical one-third of market value. When Avon Township turned in their work, to the Chief County Assessment Office, I did the analysis for the local equalization factor, and determined that the local equalization factor for Avon Township for all 25,000 parcels was going to be just short of 7%. With that, we have had these two townships together, and in particular, on their land values from one township to another, it seemed rather silly to me, when they had things rather even, to have them become uneven as a result of the local equalization factor. But in Avon I did. And with knowing that was going to occur, prior to doing the equalization, I actually lowered the land values in Prairie Crossing by whatever that factor was going to be. I lowered what was turned in by my assessor and then when I applied the factor, it went back to the level of what the assessor turned in. Now looking at that, you might say, ‘Why didn’t you do that with the improvement values?’ As much as we wanted those two townships to get together improvement-wise, there was going to be a 7% factor applied to the building values. I told the Board of Review there was no action required as that factor is going to bring things closer.”

Could there be any clearer evidence that a fair and transparent process does not exist?

For a similar example of lack of transparency, see Appendix E, where in a court action, an attorney unsuccessfully tried to learn the basis for the practice of determining land value by taking a fixed percentage of comparable vacant property sales pricing.

Lake County assessors may have justification for the inaccessibility of this information, but we have not heard it. Within the past year, even the Board of Review appeared to be flummoxed by it. (See Appendix F.)

CAP CONCLUSION

The fact that details regarding how assessments are derived require court depositions (and even then, meet with no success) speaks to the lack of transparency of the valuation process. We believe that one reason for this is that the assessment “process” is not a process at all, but is rather an incoherent pattern of inconsistent approaches and discontinuities between townships that are often arbitrary in their application.

6. The Reception And Processing Of Complaints And Appeals

Ideally, the complaint and appeal process should be as transparent and accessible to taxpayers as the initial valuation process should be. Property owners should be aware of their options and the process for initiating an appeal, as well as what necessary documentation to provide in support. Complaints should be received and evaluated without bias. Due process should be followed in determining adjustments, if any, in valuations, based on examination of relevant facts. At the conclusion, the appealing property owners should feel that whether the results are in their favor or not, they were the product of a fair and equitable process, based on uniformly-applied criteria. We failed to find evidence that these expectations are satisfied.

6.1. Receptivity To Complaints And Due Process

CAP’s research strongly suggests that officials involved in the complaint and appeal process in Lake County are neither open nor receptive to property owners’ complaints. Several comments from property owners who appealed include:

“In fact, I was treated quite rudely.”

“My overall assessment is that they are all doing the same thing and none of them knows what it is. No coherent answers. Plenty of babbling about unrelated facts and figures. They came into this with their minds made up. That much was obvious.”

“Basically, the Board said I should call Penny’s office (she had a mean frown on the entire time and was less than pleasant) and arrange for one of her evaluators....to come out and take a closer look....”

“Due Process” is a broad term. Black’s Law Dictionary (Abridged Sixth Edition, 1991) defines due process as having two aspects:

- *Procedural*, in which a person is guaranteed [by the U.S. Constitution] fair procedures, and
- *Substantive*, which protects a person’s property from unfair governmental interference or taking.

By this definition, we should expect the appeal process to include steps to protect the property owner’s right to present data establishing a closer valuation of the property to 1/3 of its fair cash value. The experiences noted above appear to be in conflict with this notion. Some more:

“We felt that the appeal process was a circus. The court did not seem to listen to the arguments or justification.”

I felt misled in the appeal. I was under the impression I could first file an informal appeal to Fremont Assessor. After four letters, I received no other explanation than a list of all similar model homes in Prairie Crossing and their assessment values. I explicitly requested a written explanation as to the process...my letters were ignored.”

These experiences do not present a portrait of due process.

CAP CONCLUSION

Lake County property owners who disagree with their assessed valuations ought to be able to present their disagreements based on a knowledge of how the valuations were determined, the criteria used, and with confidence that they have knowledge of (see below) and **access to** the legal steps and measures to which a person is entitled to protect himself and his interests. In Lake County, this expectation is rarely met.

6.2. Transparency Of The Complaint And Appeal Process

Lake County provides adequate written instructions to homeowners on what steps they should take to file an appeal. But then the Board of Review experience that follows the filing is arbitrary and clearly biased toward assessors' judgments and against the property owner's argument. Since they don't know how the valuation was derived, individual property owners cannot know the basis on which to appeal, nor can they develop any expectation of what adjudication to request. Experiences related to CAP include:

"I feel as if the county meets its fiscal needs by arbitrarily assessing areas as they see fit."

"I'd like to know why they don't consider comps from areas outside [our subdivision] as the basis for their assessment increases."

Another issue concerns the role of the Chief Lake County Assessor and his interplay with the Board of Review. As he indicated (see Section 2.2) the Chief Lake County Assessor also works as a clerk for the Board of Review during the appeal hearings. In many cases, the appeals are triggered by adjustments required by the Chief County Assessor.

The Chief Lake County Assessor's role as clerk of the Board of Review creates the appearance of a conflict of interest.

CAP CONCLUSION

Transparency of the complaint and appeal process is critical to assuring public confidence in the results of that process and to enable due process in responding to assessments. It is a matter of perception. The perceptions reported above, with many more in Appendix G, clearly describe an approach that is inconsistent, unpublished, haphazard, unfocused, distracted from appellant argument, and arbitrary in results. By all considerations, this is a *lack* of transparency and should be unacceptable for Lake County.

6.3. Efforts To Improve The Assessment Process And Its Results

Any agency serving the public should include within its mission and operations steps for evaluating its effectiveness and for correcting deficiencies. CAP looked for evidence of improvement efforts and we were unable to find it. The Lake County Board initiated a new program, to be undertaken in November, 2007, for “Taxpayer Assistance Centers” to assist taxpayers with the gathering of information for tax assessment appeals. The estimated cost of this program to those taxpayers will be \$10,000.

CAP CONCLUSION

We applaud the County Board’s effort to start to address taxpayer complaints. But to our knowledge, the Taxpayer Assistance Center approach still does not address the systemic issues described in this paper, including:

- The issue of reassessments in non-General Assessment years;
- Restrictions on the use of comparables outside a property owner’s subdivision;
- Lack of transparency of process in developing assessments and handling complaints;
- Inconsistency and non-uniformity of process;
- Lack of due process in dealing with appeals and complaints;
- Potential conflicts of interest between the Board of Review, assessors, and the Chief Lake County Assessor.

This situation requires a sustained effort to make improvements. It does not appear that we can expect the Lake County assessment functions to take this initiative.

6.4. Degree Of Complainant Satisfaction With The Appeal Process

Regardless of outcome, Lake County property owners should know that their complaints were reviewed through a fair and equitable process based on criteria relevant to the goal of uniformity and equitability (1/3 of fair cash value, whatever the property). We believe

that most are willing to carry their fair share of the tax burden, but they want assurance that their share *is* fair.

CAP surveyed the residents of one subdivision (Prairie Crossing) that straddles two townships (Avon and Fremont) in Lake County. The overall survey results can be found in Appendix G. Here is a digest of respondent replies:

- 87% said they received no guidance (beyond the initial steps for how to file) on how to conduct their appeal;
- The appeals process received a fairness/objectivity rating of 2 (of a possible 10, with 10 being the highest approval);
- They perceived “due process” with a rating of 2 (of a possible 10);
- Their rating of how well they understand the assessment process: 3 (of 10);
- Their satisfaction with the appeal decision reasoning: 3 (of 10);
- Their perception of fairness of the overall assessment process: 1 (of 10).

These are the perceptions of homeowners in at least one area of Lake County. From our ongoing research, it appears that they would be echoed in many other parts of the county. Unfortunately, from the responses we have received so far from assessors, we doubt that these perceptions are a matter of concern within the assessment function. It is not that any part of the process broken, it is that a consistent process *just does not exist*.

CAP CONCLUSION

The public perceptions are damning in their views of our public servants, particularly given the sensitivity of the role of the assessors in the financing of public endeavors. Examination of the comments collected and presented in Appendix G shows the complete absence of **any** positive comments or support, unusual for a survey of this type. We believe that public trust has eroded to the point that the only salvage strategy would be for the Lake County Board and/or the Illinois State Legislature to conduct their own investigations and to consider remedies.

7. Recommendations For Change

The goal and legal requirement of the assessment process in Lake County is to value, every four years, each parcel of property at 1/3 of its selling price on the open market between a seller who wants to sell and a buyer who wants to buy. It is that simple.

We recognize that this goal and requirement will never be met with perfect mathematical accuracy. All the assessing authorities can do is come as close as possible to some reasonable definition of accuracy. This requires:

1. Use of valuation processes that are uniform in application to all properties, communicated clearly, and aimed at achieving the goal and requirement;
2. Use of valuation criteria that are universal in application to all properties, communicated clearly, and focused on achieving the goal and requirement;
3. Testing with intellectual rigor the valuations for fairness and equitability with willingness to adjust any aberrations;
4. Accountability to the public directly or to its representatives.

This list of requirements carries several implications:

- **Transparency** of process and criteria;
- **A Continuous Improvement** initiative;
- **A review process separate from complaints and appeals;**
- **Examination of complaints by entities separate from the assessor function;**
- **Due process** in making adjustments;
- **Property owner satisfaction** that they have been treated equitably and fairly.

We believe that any effort to describe a deficiency within the public service of Lake County is incomplete without suggestions and recommendations for improvement. We offer these recommendations for consideration.

- 1. The Lake County Board should undertake an immediate review of the assessment process and practices in Lake County and an audit of their results.***

This step would be a very first signal to the property owners in this county that the Board acknowledges problems within the system and intends to do something about it.

- 2. The Lake County Board should review the performance of the Chief County Assessor and should consider making it an elected position.***

This step, along with the one above, would begin to establish accountability that currently is not evident to the public.

- 3. The State of Illinois should review assessment practices statewide, and consider legislation to control and reduce the opportunity for rogue assessment practices.***

This legislation should include a mechanism for monitoring assessment methods and practices throughout the state. Real estate taxes are too significant an expense item for Illinois property owners to leave exposed to arbitrary practices such as those disclosed in this paper.

- 4. Require all Lake County Assessors to follow the process, criteria, and guidelines presented in IRPAM (The Illinois Real Property Appraisal Manual).***

This would, in one step, remove the inconsistency and transparency issues from the assessment process in Lake County. It would make the process both proper and uniform. Doing so, Lake County would adopt many of the well-thought-out and tested

philosophies and techniques used elsewhere in the state. It would also create a written and publicly available document.

5. Assessors in Lake County should consider adopting the West Deerfield Township Assessor's approach of defining "neighborhoods" not by geography, but by similarities in property (including buildings) characteristics.

This approach would more closely fit the concept of "comparable" properties and would avoid some of the discontinuities disclosed by this paper. We believe that adoption of this approach as a countywide standard would be consistent with the standards in IRPAM.

6. The County Board should consider establishment of an independent ombudsman to act as property owner advocate in the case of assessment and board of review complaints.

While easier access to well-documented information will be helpful to many residents, the current process will remain intimidating to many others. An ombudsman would help to explain the seemingly inexplicable and simplify the seemingly overwhelming steps to take.

8. Conclusion

CAP began this study with the intent to find out what the assessment process is and how well it achieves the goal and requirement stated above. However, the more information we gathered, the more knowledge we gained of what is done and, especially, what is NOT done, the more we came to feel distress and even anger. We think that our governing bodies will experience a parallel sense of outrage. Therefore, we ask for your earnest consideration of our facts and findings and our recommendations for

improvement---and, in fact, to begin now in taking **any** steps that would bring fairness, accountability and transparency to this situation.

CAP members participating in this project and the preparation of this paper include:

John Bigelow
Richard Hosteny
Betsy Lewin
Thor Madsen
Steven Minsky
Maryanne Natarajan
John Wasik

Appendix A - Appeal Letter of Michael Hennessey

The following is an appeal letter written by Michael Hennessey to the State of Illinois Attorney General (Public Access and Opinions Division), and copied to the Wauconda Township Supervisor and Wauconda Township Tax Assessor, Patricia Oaks, dated April 5, 2007:

“The FOIA requested very specific definitions and factual information. The Office did respond to my request, but did not answer to the detailed fabric of the request fully or candidly. The reply I received was in generalities and covered other information, not requested in the FOIA. The information I requested was to assist in my appeal of the 2006 tax year (due in Springfield 2/25/07). The WTA office exhausted more than 15 days to respond to the FOIA request without a written detailed reason for the delay; this postponement and lack of applicable information provided put an unreasonable burden on me, in my opinion, during the property tax appeal process. The FOIA request was generated because WTA and the field personnel were unable to answer what defined typical structure grades and they were unable to provide a recognized reference source of structure definitions at my Lake County Chief Assessors (LCCA) Appeal Board Hearing. I had posed repeated, subsequent requests for the information over a 30+ day period to WTA and LCCA before filing the formal FOIA. “

Appendix B - Sample Assessment Calculation

Example of how an assessment calculation is made:

Land Value		\$21,942.00
Building Value		\$107,378.00
X State Multiplier	1	
= Equalized Value		\$129,320.00
+ Farm Land and Bldg Value		
+ State Assessed Pollution Cntrl		
+ State Assessed Railroads		
= Total Assessed Value		\$129,320.00
- Fully Exempt		
- Senior Freeze		
- Home Improvement		
- Limited Homestead		\$5,000.00
- Senior Homestead		
- Veterans		
= Taxable Valuation		\$124,320.00
X Tax Rate*	8.9810	
TOTAL TAX BILLED		\$11,165.18

*(aggregate of rates from 20+ taxing bodies)

Appendix C - Assessment Process Overview

How The Assessment Process Works In Lake County

(According to the Lake County Web Site)

Chief County Assessment Office

Meets with Township Assessors before January 1st and establishes guidelines. Delivers one set of books to township assessors. Annual instructional meeting scheduled in December.

Township Assessor

Values real estate as of January 1st and returns books to Chief County Assessment Office typically in late summer to early fall.

Chief County Assessment Office

Reviews assessments made by township assessors; makes changes when deemed necessary.
Equalizes assessments within county by class and/or township.

3. Mails Change of Assessment Notices to taxpayers (blue cards).
4. Publishes changes in newspaper of general circulation.
5. Delivers books to Board of Review.
6. Prepares tentative abstract of assessment books; mails to Illinois Department of Revenue.

From: <http://www.co.lake.il.us/assessor/taxinfo/taxadmin.asp>

Property Tax Overview

- [Property Tax](#)
- [Assessment](#)
- [Equalization](#)
- [Review](#)
- [Board of Review](#)
- [State Property Tax Appeal Board](#)
- [Seven Steps to Appeal an Assessment](#)
- [Reasons for an Appeal](#)
- [Evidence Needed](#)
- [Informal Appeal](#)
- [Levies and Tax Rates](#)
- [Extension](#)
- [Collection and Distribution](#)
- [Assessment Administration](#)
- [Budget and Levy Cycle](#)
- [Definitions of Property Tax Terms](#)

Appendix D - Round Lake Study Data

In 2001 and again in 2005 a comprehensive study was undertaken by the Avon Township Assessor's office to revalue the land assessment rates for the properties surrounding each of the lakes in Avon Township, i.e., lakefront property. The revaluation was done through the examination of property sales to determine the value of the land, on a dollars per square foot basis.

In 2001 the study information was requested from the Assessor's office, but was never provided. The data for the 2005 revaluation, however, was freely provided, without a specific request, at a meeting in the Village of Third Lake.

Table 1. Raw Round Lake Study Data

06-21-301-038	6/1/2002	135,000	WD	3.86	1.02
06-21-301-039	8/27/2002	267,900	WD	15.16	2.19
06-21-301-046	6/18/2004	420,000		24.11	3.22
06-21-301-041	9/3/2004	175,000		9.9	3.74
06-21-301-051 & 052	7/1/2001	135,000		3.74	3.86
06-21-102-012	7/1/2001	128,000		8	6.27
06-21-102-060	9/1/2001	160,000		3.22	6.52
06-21-301-011	12/1/2001	120,000		7.12	7.12
06-21-204-054	5/1/2002	510,000		2.19	7.64
06-21-301-057 & 058	8/1/2002	285,000		10.08	8
06-21-204-058	10/15/2002	260,000		1.02	8.1
06-21-301-003	7/1/2002	278,000		11.84	8.4
06-20-208-054	1/7/2003	345,000		8.4	8.42
06-21-101-068	3/31/2003	179,000		7.64	9.25
06-20-406-052	9/5/2003	130,000		6.52	9.9
06-21-301-021	6/3/2004	118,000		8.42	10.08
06-21-101-071	6/25/2004	249,900		8.1	11.84
06-21-301-068	8/31/2004	267,000		9.25	15.16
06-21-102-014	8/20/2004	86,000		6.27	24.11

The data were provided laid out exactly as shown, without column headings and without explanation as to the meaning of the data. Hence, the authors had no choice but to determine the significance of the data through their own research.

The results of these investigations provide a detailed understanding of the data but raised many troubling questions. An expanded version of the original data is shown in Table 2, complete with appropriate column headings. Note we have discarded the "WD" column that was present in Table 1, but no longer appears in Table 2. "WD" stands for "warranty deed" and hence that column represented the type of deed conveyed in the sale. We have also identified each specific sale with a reference number – the first column of data. Hence, we see there are 19 sales included in the study.

Table 2. Expanded Round Lake Study Data

Sale No.	PIN Numbers	Sale Date	\$ Sale Amount	Lot Size, sq. ft.	Land Factor %	Calculated Land Value, \$	Land Value, \$ / sq. ft.	Ordered Values, \$ / sq. ft.
1	06-21-301-038 & 037	6/1/2002	135,000	5300 & 5200	30	40,500	3.86	1.02
2	06-21-301-039	8/27/2002	267,900	5300	30	80,370	15.16	2.19
3	06-21-301-046	6/18/2004	420,000	5227	30	126,000	24.11	3.22
4	06-21-301-041	9/3/2004	175,000	5300	30	52,500	9.9	3.74
5	06-21-301-051 & 052	7/1/2001	135,000	7520 & 5100	35	47,250	3.74	3.86
6	06-21-102-012	7/1/2001	128,000	5600	35	44,800	8	6.27
7	06-21-102-060	9/1/2001	160,000	?			3.22	6.52
8	06-21-301-011	12/1/2001	120,000	5900	35	42,000	7.12	7.12
9	06-21-204-054	5/1/2002	510,000	81,600	35	178,500	2.19	7.64
10	06-21-301-057 & 058	8/1/2002	285,000	4900 & 5000	35	99,750	10.08	8
11	06-21-204-058	10/15/2002	260,000	88,600	35	91,000	1.02	8.1
12	06-21-301-003	7/1/2002	278,000	8217	35	97,300	11.84	8.4
13	06-20-208-054	1/7/2003	345,000	14,375	35	120,750	8.4	8.42
14	06-21-101-068	3/31/2003	179,000	8200	35	62,650	7.64	9.25
15	06-20-406-052	9/5/2003	130,000	6970	35	45,500	6.52	9.9
16	06-21-301-021	6/3/2004	118,000	4900	35	41,300	8.42	10.08
17	06-21-101-071	6/25/2004	249,900	10,800	35	87,465	8.1	11.84
18	06-21-301-068	8/31/2004	267,000	10,100	35	93,450	9.25	15.16
19	06-21-102-014	8/20/2004	86,000	4800	35	30,100	6.27	24.11

? = Information not available from county assessor's online data.

The net result of the study performed by the assessor's office resulted in a land valuation, before equalization, of \$2.667/ sq. ft. for lake front property at Round Lake. This figure was arrived at through the following steps;

1. The total sale amount is multiplied by a factor – 0.30 for lake view parcels and 0.35 for lake front parcels – to arrive at the “calculated land value”.
2. The calculated land value is then divided by the total area of the lot(s) in the transaction to give the land value per square foot.

If we take sale number 4 as an example, the calculation would be as follows;
 $\$175,000 \times 0.30 = \$52,500$ as the calculated land value for that parcel.
 $52,500 / 5,300 \text{ sq. ft.} = \$9.90 / \text{sq. ft.}$

3. The land value per square foot numbers computed for each sale are then reordered from smallest to largest value to produce the rightmost column in Table 2 - the final “ordered values per square foot” column.
4. Referring only to the rightmost column, the median of the “ordered value per square foot” is the one exactly in the middle, i.e., row number 10. This gives 9 sales with a smaller land value and 9 sales with a larger land value. The row 10 land value is \$8/sq. ft. Since we have reordered the data in the rightmost column,

compared with the rest of the table, it is important to remember that the \$8 / sq. ft. land value actually belongs to sale number 6.

5. Since assessed values are to be at 1/3 of the market value, the net assessed land rate becomes \$8 divided by 3 or \$2.6667 / sq. ft.

Having determined the land valuation through the above process as \$2.6667 / sq. ft., one must then also multiply by the Avon Township 2005 “equalization factor” of 1.0437 to get the final land valuation rate of $\$2.6667 \times 1.0437 = \2.783 / sq. ft. for 2005 taxes (payable in 2006).

Recall that the original data of Table 1 was provided in support of the Assessor’s position, yet was totally with explanation or computational details. How can anyone be expected to “decode” the data to understand what the assessors are doing? In short, they can’t. This is yet another example of the lack of transparency in the assessment practices of Lake County officers.

Now that we have the complete data and understand how it was actually used by the assessor’s office, we find a number of disturbing things about this data set.

1. There is no legal requirement as to how many years worth of data are to be included in a study such as this one. However, whenever sales ratio studies are mentioned, the data is limited to include only the prior three years. For a study done in 2005, this means sales data should be restricted to the years 2002, 2003, and 2004.

See, for example; “Quadrennial Reassessment” in <http://www.co.lake.il.us/assessor/taxinfo/taxterms.asp> or see section b) of <http://www.revenue.state.il.us/legalinformation/regs/part110/110-170.pdf> or, see “Notice of Revision”, pg. 29 of <http://tax.illinois.gov/Publications/LocalGovernment/PTAX1004.pdf> or see the Illinois Property Tax Code 35 ILCS 200/1-55 at <http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=596&ChapAct=35%26nbsp%3BILCS%26nbsp%3B200%2F&ChapterID=8&ChapterName=REVENUE&ActName=Property+Tax+Code%2E>

Table 2 shows that 4 of the 19 sales are from the year 2001, i.e., one year older than the guidelines would suggest. Including older sales bias the results since they do not reflect current market conditions. However, the *Illinois Department of Revenue Regulations*, Section 110.170 cited above, points out; “As an alternate to appraisals in cases where there is an insufficient number of sales for any of the applicable years in the assessment/sales ratio study, a trending technique may be used to adjust the sales price for time.” In other words, an older sale may be properly compensated for age by projecting the sale value forward using appropriate techniques. As can be inferred from the data of Table 2, such projections were not used.

2. Note in Table 2, sale number 1, we have included another PIN number not contained in the originally provided data of Table 1. The knowledge of this additional parcel, and its associated land area, is essential to obtain the final sale land rate of \$3.86 / sq. ft. Yet this PIN was not included in the original data offered to explain the process of arriving at land rates for Round Lake.
3. We can see from the data in column 6 of Table 2 that 30% of the sales price is used to determine the land value of "lake view" property and 35% for "lake front" property. Where do the figures of 30% and 35% come from? The Avon Township Assessor, Mr. Dishman, was asked that very question in a legal deposition...

"Lake front was 35 and lake view was 30." – Mr. Dishman

"Do you know where those numbers came from, that percentage?"

"After talking to Penny – and it was something that was done in my first year that I was the assessor – I talked to her and consulted with her about what they had previously done at her other office, which is up in Antioch, and with her twenty years of experience, and that's what they had determined where the numbers they had been using. So to be consistent with the other townships, those are the numbers that we used." – Mr. Dishman

"Are you aware of any standard publication the assessors use on a regular basis that suggests that applying a fixed ratio to the value of land to the overall sale somehow calculates out the value of land across the board, that that's appropriate?"

"Do I have books that tell me that?" – Mr. Dishman

"Yes."

"Not that I am aware of, no." – Mr. Dishman

"Is there anyplace anywhere out there that you could tell me about that says that using a rule of thumb figure across the board on something like this to figure land value out of the total sale price is appropriate?"

"No, but the vacant land sales that we did have when we priced those out were within pennies of our numbers that we came out with." – Mr. Dishman

Thus, we conclude, the use of 30% or 35% of a sales price to determine land values is a technique not supported by substantive evidence and not a generally recognized procedure within the real estate assessment community.

The building value, on the other hand, can be determined accurately and rigorously through, for example, the use of the Illinois Real Property Appraisal

Manual issued by the Illinois Department of Revenue. See <http://tax.illinois.gov/Publications/LocalGovernment/ptax1022.pdf>
Once the building value has been determined, the land value is then the sales price minus the building value. It is that simple.

4. The sale identified in row 6, which turns out to be the median parcel in this study, is associated with PIN 06-21-102-012. However, the Lake County assessment records database we examined shows no sale of this property! Where did this sale data come from? Why is it not listed in the county assessment database? Similarly, there is no sale listed in the county database for sale number 5 of Table 2, which actually involves two separate parcels.

In short, this lake property sales study includes parcels for which no sale is listed in the records. Did these sales actually occur? If so, why are they not listed in the database? If they did not occur, why are they included in the study?

5. At least 7 of the 19 sales included in the study are listed as “nonqualified” sales. What does this mean? A nonqualified sale is a sale that is not free of duress and/or not between a “willing buyer and a willing seller”. The Individual Tax Property Reports that are available for Lake County parcels at <http://gis2.co.lake.il.us/maps> show data for the last two sales for every parcel. If the sale is identified as “nonqualified” it will show that and state “This sale is not valid for assessment purposes.”

If nonqualified sales are not suitable for assessment purposes, why have 7 of them been included in the above study?

6. Many nonqualified sales were included in the study, yet other qualified sales were omitted. For example, parcel 06-21-101-057 was sold 09/04/2003, within the 3-year time frame of 2002-2004, is listed as a qualified sale, but was not included in the study. Similarly, parcels 06-21-406-007, -006, & -012 are listed as qualified sales, sold within the same 3-year time frame, and omitted from the original study. Why were these sales not included in the 2005 study?

In conclusion, there are many irregularities with the basic data used to conduct this particular study to establish land valuation rates for Round Lake properties. Established guidelines or parameters are not followed and seemingly arbitrary factors combined with invalid data can not be considered to produce meaningful results. *We can only assume that other studies are equally casual in their selection and use of data.*

Appendix E - Unrecognized Assessment Techniques

Examples of Formally Unrecognized Assessment Techniques

It is the practice of determining land value by taking a fixed percentage (35%) of comparable vacant property sales price. No one appears to know where the 35% figure was derived:

“Is there anything contained in any statutes, regulations or manuals of the Department of Revenue or any other written source that comes from the state that tells you that kind of experiential basis to derive a percentage of value?”

“No.”—Penny Heckel, Deputy Assessor, Avon Township

“Is there any documentation anyplace out there that establishes this rule of thumb (35% of sales price divided by the square foot) other than just utilization of it?”

“No.”—Penny Heckel

“Do you do any adjustment prior to applying this 30 or 35% figure based on the age of the house or its physical condition?”

“No, we do not but that’s why we come up with the median value.” --Avon Township Assessor Rick Dishman.

Similarly, the minimum number of sales suggested by the Illinois Department of Revenue as the minimum number of samples in a Sales Ratio study (25) appears to be honored in the breach--- and we are not sure why.

“So how many sales do you need in your profession to do the median calculation?”

“It’s never written on how many you need, but we would like more than three.” – Penny Heckel.

The assessors may justly maintain that the use of the 35% figure---or the number of sales used in sales ratio studies, is indeed transparent (e.g. not hidden) to the taxpaying public. But the assessors cannot point to any source justifying its use.

Appendix F - Board of Review Request

Example: Lake County Board of Review Confusion over Assessments

Lake County Chief Assessing Officer Paulson (at a meeting with property owners on November 30, 2006):

“The Board of Review asked the assessor in Avon Township and the Assessor in Fremont Township to evaluate the assessments in the Prairie Crossing subdivision. There was a very simple reason. They saw a lot of taxpayers come in consistently over the last few years from the Fremont side and appealed their assessment based upon the assessments in the Avon Township. So, back in February, the Board of Review sent a letter to both assessors and said, ‘Hey, look guys, take a look at this. If you don’t take a look at it, it’s possible that the Board of Review will review the assessments and make changes.’”

Appendix G - Survey Results

The following is a summary of relevant questions from our CAP survey of homeowners in Prairie Crossing regarding the assessment, complaint, and appeal processes (51 respondents). The respondents asked to remain anonymous because they were fearful of receiving higher assessments if they spoke out.

Did the Assessor's Office, or any Lake County Official, provide you with any guidance on how to do the appeal?

86.7% said no.

One respondent who said received guidance said, "Information provided by Rick Dishman was contradicted by Marty Paulson, and vice versa. At least one of them was providing inaccurate information."

Residents were asked to rate using a scale of 0 to 10, with 0 = not applicable; 1 = not at all; and 10 = fully.

Objectivity and fairness with which the appeals process was considered - average response: 2.

Objectivity and fairness of the appeals decision: average response was 1

Perception of "due process" based upon your experience - average response: 2

Degree of understanding you have as you to how your property is assessed: average response – 3

Your satisfaction concerning the reasoning behind the appeals decision: average response - 1

Your perception of the fairness of the overall assessment process and its Result - average response: 1

Specific comments regarding personal experience with the appeal process.

1. "I've appealed in the last neighborhood we lived in and gotten nowhere. In fact was treated quite rudely. It probably is a thankless job as everyone who comes in wants a reduction--no one goes in and asks for more taxes!"

2. "I confronted the assessor directly and in two cases in the past 9 years got my assessment lowered. This is in Fremont Township."

3. "We felt that the appeal process was a circus. The court did not seem to listen to the arguments or justification."
4. "The system is a joke. There does not appear to be any set guidelines at all. I attended several meetings & left with more questions than answers."
5. "Clearly the land assessment is arbitrary. My land is valued higher than land on Lake Leopold. My land value went up and up and this year it went down while other plats did the opposite. All land in the neighborhood should go up or down together. The building assessment is also wrong. My house is the most expensive Kennicott in Fremont - we don't have a front porch or a deck or screen porch like the others. We aren't on the lake. I could easily argue that our Kennicott is the least desirable of the 4 cul-de-sacs so our market value should be less; but that is not the case. I have appealed 3 times. I won the first time and lost the next 2 so I gave up and didn't even try this year. I also find it interesting that Fremont's appeal was due right before Avon's blue cards came out. I know that was intentional."
6. "When I reviewed my property assessment on the website, I found that my house description was incorrect. I contacted the Assessors office, they came out and did a spot verification/inspection of my home versus their records. After review at the assessor's office level, my increase in assessed value was reduced by almost half of the increase. From 2005 to 2006, my assessed value went from roughly \$90,000 to roughly \$108,000, a 20% increase; but after the assessor review, the \$108,000 was reduced to roughly \$101,000."
7. "I did not appeal the 2006 assessment due to the poor experience we got from the 2005 process. The Fremont Assessor and the County Assessor review were at best some of the worst public servants I have run into."
8. "I felt misled in the appeal. I was under the impression I could first file an informal appeal to Fremont Assessor. After 4 letters I received no other explanation than a list of all similar model homes in Prairie Crossing and their assessment values. I explicitly requested a written explanation as to the process and had specific concerns to the fairness of my assessment. Again, I never received a written response from the assessor's office. My letters were ignored."
9. "I have not appealed since moving to Prairie Crossing. I appealed twice while living in Deerfield. The first time, the assessed value was adjusted because a front porch had been counted as living space. The second appeal (based on comparables AND a refinancing-required appraisal) was rejected (because "you got an adjustment last year"---a justification which had no logic to it at all."
10. "It's arbitrary and unfair."
11. "The board consisted of Tom Coopridger, Gupta Hadac, and Penny Heckel. They

ignored the evidence and arguments that I presented at the hearing. They then concluded that, based on the comparables provided by the assessor, my property was slightly over-assessed. They lowered my assessment from \$48.61 per square foot to \$48.00. It is interesting that they didn't arrive at this figure by plugging the numbers into a program or using any kind of algorithms or charts of data. They argued for a few moments about what the number should be, and then Coopriider pulled the round figure of \$48 out of the air. Heckel said she thought it should be more. In fact, this figure had no more validity than the original assessment. I stated that they were still failing to address the real issue, which is that the assessment process is arbitrary, and therefore unfair. To which Coopriider simply said "Duly noted". I guess he expected me to show some gratitude since they reduced my assessment by a few cents."

12. "As a resident in Prairie Crossing for over ten years I have found the information regarding the appeal process seems to change year-to-year. To date, I have not filed a formal appeal but I did gather information to begin the process."

Overall feeling about the property assessment process and any other thoughts you would like us to consider.

1. "As you know, there are many discrepancies between similar houses within PC. We are aware of other Gages that pay significantly less taxes than we do. However, by doing an appeal and pointing this out, will we only be successful in increasing their taxes (rather than decreasing ours)?"
2. "My husband spent several hours speaking to the assessor and he told him that there was an across the board increase put on at the county level after he turned in his honest assessments."
3. "Assessments are directly related to money demands of schools and lack of funding from State. The teachers union is also a source of the problem as I see it."
4. "Our taxes came up to their full amount only this year, but I've read and heard a lot about the concerns and share them, although I haven't had first hand experience with the process. My survey may not be valuable in what you're putting together, but it's meant to show my support for your efforts."
5. "I feel as if the county meets it's fiscal needs by arbitrarily assessing areas as they see fit."
6. "It is clearly unfair. I don't like the argument that Prairie Crossing is unique so we should pay more. We DO pay more in our association fees. We are paying for the trail and beach upkeep we shouldn't be assessed higher for things our taxing body doesn't even maintain."
7. "I believe the entire process is completely arbitrary; but also not an easy task for the few people assigned to the assessor office. Too few people to effectively and objectively complete the thorough reviews necessary for each property."

8. "I agree that group pressure on the process is a must and a handbook for residents to follow would be helpful."
9. "I believe the process shows complete lack of fairness and a denial of due process. I also believe there is an outrageous conflict of interest since the local assessor also serves as an elected official in state government. In other states this is unconstitutional."
10. "We put on an addition to our house in 2005 so a portion of our increase has to do with that addition"
11. "It seems to be arbitrary and haphazard. I cannot understand why my assessed valuation should be increased by 21% in a depressed real estate market, and particularly why the building value was increased by more than \$20,000 when depreciation is supposed to be factored in."
12. "Property taxes should be based on the market value of the property and should be uniform through out the taxing area and not reflect opinions of the assessors that PC is more desirable than another area because of the open space or other amenities. A straight forward assessment based on market value is the only fair way to appraise."
13. "My husband is a real estate appraiser, so I have some knowledge of assessment and access to the MLS. It seems to me that neighboring homes are not assessed at the same value as PC homes. We looked at one the other day. The house was purchased for almost the same amount as our home, two months before our home was purchased. Their taxes are over \$2000/per year less than ours."
14. "I'd like to know why they don't consider comps from areas outside Prairie Crossing and the basis for their assessment increases."
15. "The assessment that residents in Lake County receive has less to do with the market value of the property and more to do with who the assessor is. When an assessment is increased some 30% more than the increase in the housing market in the area, it demonstrates that the Lake County assessment process is subjective and arbitrary."
16. "My house was one of the first built in Prairie Crossing and since that time homes with the same name have different features i.e. my house has much less square feet (outside side porch - discontinued in subsequent models). Therefore there is no real comparable house that I can compare mine too."
17. "I am baffled on how the whole process works. Like everyone else I think the taxes assessed are way high."

Appendix H - Data Collection and Analysis Details

For those interested in the technical aspects of our data collection and analysis techniques: We retrieved raw assessment data from the Lake County GIS database accessible at <http://gis2.co.lake.il.us/maps/> and stored it in an Oracle Express database. This information was retrieved in January 2007. Each individual Property Identification Number (PIN) had almost 90 separate pieces of data associated with it. We retrieved data on over 50,000 PINs, primarily located in Avon and Fremont Townships. The Oracle Express database was then queried to retrieve the specific data desired for our analyses and transferred to the Microsoft Excel spreadsheet tool for detailed analyses. The Excel program was used to produce the graphs contained in this report.