



Civic Federation Position Statement

February 13, 2006

Civic Federation Supports Class 3 Assessment Reduction, but Cautions that Fundamental Property Tax Reform is Still Needed

Officers

Scott Saef, *Chairman*
Sarah Garvey, *Vice Chairman*
George Lofton, *Vice Chairman*
Barbara Stewart, *Vice Chairman*
Joseph B. Starshak, *Treasurer*
Laurence J. Msall, *President*

Board of Directors

Catherine M. Adduci*
Bridget M. Anderson*
A.G. Anglum*
Adrienne Archia*
Murray E. Ascher
Alicia Berg
Abel E. Berland☼
Roger Bickel
Aileen Blake*
Douglas H. Cameron
Richard A. Ciccarone *
Jerry Cizek☼
Andrew Davis*
Mark Davis*
Amy Day
Kevork Derderian☼
Julian C. D'Esposito
Martin L. Eisenberg*
Judy Erwin
Brian D. Fabes
Timothy Fair
Theresa M. Fredrick
Stephen Friedman
Charles R. Gardner *
Carol W. Garnant ☼
Anthony Gedeller
Judith A. Gold*
Steven Gouletas*
Patrick Hagan
Albert C. Hanna
Bruce T. Hopple
J. Thomas Johnson
Timothy "Bo" Kemper*
Thomas J. Klutznick
Jim Kranjc*
H. Michael Kurzman
Thomas E. Lanctot
Thomas Livingston
John McCaffrey
Thomas McCracken
Susan McKeever
Thomas J. McNulty*
Eileen Mitchell*
Fred H. Montgomery*
Timothy E. Moran
Michael E. Murphy☼
Bert Nuehring
Holly O'Connor
William Paparella
Robert Pasin
Dorice Pepin
Alexander I. Rorke
James E. Spiotto
Theodore M. Swain*
Thomas C. Vanden Berk
Robert Vihon*
John F. Ward, Jr.☼
Greg Wass
Charles J. Wooding
Philip Zinn*

The Civic Federation supports Assessor Houlihan's proposal to reduce Class 3 assessment levels from 26% to 20% of market value over three years. It is important to note that while this proposal may provide a modest incentive for property owners to maintain affordable rental housing, this proposal does not significantly address the pressing need for basic reform of the property tax system in Cook County.

Based upon a review of figures provided by the Assessor's office, we find that this proposal would cause only a limited shift of tax burden, given that Class 3 comprises only 1.1% of total parcels and represents only 4.9% of total Cook County assessed value.

Our initial projections indicate that countywide, the proposed change in assessment levels would reduce the total tax owed by Class 3 properties by 7% in tax year 2006. All other classes would experience an aggregate increase of 0.4%. In tax year 2007, the proposal would result in 14% reduction for Class 3 and an aggregate increase of 0.4% for other classes, as compared with current levels. In the third and last year of the proposal, Class 3 would fall by 21.1% and all other classes would rise by 1.2%, as compared with current levels. As these figures indicate, the expected impact on other classes would be relatively modest.

It should be noted that this proposal, due to its modest impact, is unlikely to serve as a sufficient incentive to develop, rehabilitate and preserve rental units, especially units that serve renters of low to moderate incomes. However, reducing the gap between the assessment of rental units and owner-owned residential units should diminish one of the multiple factors that currently encourage real estate developers to convert rental properties to condominiums. Therefore, while this proposal may assist slightly in the preservation of affordable rental housing, it in no way offers any longterm, comprehensive solution to the problem of the shrinking availability of affordable housing in much of Cook County.

Despite those cautions, however, the Civic Federation believes this measure will provide some appropriate relief to the owners of Class 3 property, and may eventually yield benefits to their tenants, as well. For that reason, we encourage Cook County Commissioners to vote in favor of Assessor Houlihan's proposal to phase in gradual reductions in the assessment level of Class 3 multifamily properties.

* Executive Committee

☼ Past Chairmen's Council