

## Building owners want a transparent and equitable system

Property taxes are not a zero-sum game. The system must strike a balance that promotes commercial investment and makes taxes more manageable for everyone.

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By FARZIN PARANG

As Chicago attempts to recover from COVID, our county assessor is determining assessments through political ploys that are rocking our local businesses. How else can you explain giving homeowners an across-the-board "COVID" reduction while the pandemic created a surge in home values? The tactic was extraordinary—though national

assessment-standards organizations cautioned against guessing the pandemic's impact on real estate, the assessor made up an entirely new, unsanctioned assessment system to benefit homeowners, followed swiftly by campaign-style mailers. We are unaware of anything similar across the nation.

The assessor is dramatically increasing assessments on commercial properties throughout Chicago—many by triple digits, despite record vacancy levels and the well-known struggles businesses have endured. Even buildings that surrendered keys to the bank saw drastic increases, all in service of the assessor's divisive rhetoric to pit homeowners against their own business community.



Property taxes are not a zero-sum game. While homeowners may think they're avoiding tax increases at commercial buildings' expense, closed or underperforming businesses mean lost jobs and lost tax revenue—and homeowners ultimately pay the difference.

Homeowners and businesses need to recognize that we are in this together, and both must thrive for our communities to prosper. Commercial buildings subsidize homeowner property taxes with a higher assessment rate, so we need to strike a balance that promotes commercial investment and makes taxes more manageable for everyone.

Finding that balance would benefit from several tasks. First, we should evaluate whether we can simplify Cook County's property tax process. Between our unique classification system, the equalizer, tax-increment financing districts and the many government agencies involved, it's nearly impossible for the public to understand property tax policies. Without clarity, there are too many opportunities for officials like the assessor to develop dubious policies without any accountability.

We also need greater transparency into the assessment process. The average taxpayer would be surprised to learn how much subjectivity the assessor has to determine commercial property tax assessments, especially in down markets with few transactions like the current market. We cannot achieve an objective assessment process if assessors are allowed to unilaterally fabricate new assessment methods, like Assessor Fritz Kaegi's "COVID" reduction. We should design a robust system, with necessary oversight, to ensure assessment policies meet national standards, use quality data and are free of political motivation.

Finally, we should review the disproportionate distribution of the property tax, through which businesses pay more than their fair share of the burden and subsidize residential taxpayers. Every dollar of commercial property value relieves \$2.50 of tax burden from residential properties, but we cannot optimize that subsidy without understanding how it limits business growth. Remember that tenant businesses pay a commercial building's property taxes, and 90% of them are small businesses—even downtown. As that burden increases, those tenants leave or stop growing, reducing the benefit of the subsidy for all taxpayers.

Chicago's commercial property taxes are now the second highest in the nation, behind only Detroit, and are a prominent weakness for Cook County's investment pitch. Rather than shying away from property taxes for politics' sake, we should review the business subsidy of the property tax system regularly and make periodic adjustments to ensure strong economic growth. Though property taxes have become a hotbed of political drama, we conduct similar exercises for other industries without too much fuss. The state's tax credits to lure extra film production here, for example, create new jobs and investment that we would not have otherwise had.

Most importantly, we need to move beyond political rhetoric that seeks to turn us against ourselves. At BOMA/Chicago, we can speak for downtown's office buildings: Our industry members go to work every day to recruit investment and grow jobs for our entire region. They do not ask for special treatment, only that we create a property tax system that's transparent, equitable and designed with intention to promote growth.

*Farzin Parang is executive director of the Building Owners & Managers Association of Chicago (BOMA/Chicago).*

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