

WHY DIDN'T MY ASSESSMENT GO DOWN MORE??

Vernon Township Assessor's Office – Fall of 2009

2009 Assessments = Real Estate Activity from 2006, 2007, & 2008

After months of non-stop news about the downturn in the real estate market, many property owners believe there has been a severe loss of value in their properties. Yet the 2009 assessments generally are staying similar to the 2008 assessments throughout the entire Chicago area. Despite the reports of housing values plunging downward, foreclosures at an all time high, and homes simply not selling at seemingly any price, assessments are not declining at a high rate – how can this be ?

The explanation lies in the methodology that assessment officials are **required** to use. In Illinois, we must use sales transactions from the 3 years **PRIOR TO** the assessment year to determine our assessed values (2006, 2007, & 2008 sales for 2009 values). The 2009 values (assessments) are based on the actions of the real estate market in 2006, 2007, & 2008.

Both the County and the State use this same methodology to monitor and adjust township assessments so that values throughout the state are equitable. The formulas they use to measure accuracy and equity **always** include the actual sales over a three-year period, **as required by law**. We are not permitted to look only at the market place that existed on January 1st, 2009 and we do not consider 2009 sales until we make our 2010 values. Obviously the methodology was designed for an appreciating market and has some serious flaws in a declining market.

In Vernon Township as a whole, the current market is sluggish and showing decline. The data below shows the Single-Family and Multi-Family Sales Activity since 2005. As you can see, the median level of the market for single family was strong and rising in 2006 and 2007. In 2008, the sales volume dropped off significantly and prices began to decline. The median level of the market for Multi-Family was also strong and rising in 2006. In 2007 and 2008, the sales volume dropped off significantly and prices began to decline. It is obvious that the decline will continue for 2009.

YEAR	# of SALES	SINGLE FAMILY		
		MEDIAN PRICE	CHANGE	PRICE RANGE
2005	879	490,970		99,500 to 2,500,000
2006	700	535,000	+ 9.0%	137,600 to 3,375,000
2007	529	548,000	+ 2.4%	150,000 to 2,860,000
2008	392	422,250	- 23.0%	158,000 to 2,415,000

YEAR	# of SALES	MULTI-FAMILY		
		MEDIAN PRICE	CHANGE	PRICE RANGE
2005	833	259,000		70,000 to 1,633,000
2006	607	275,000	+ 6.2%	97,000 to 860,000
2007	500	273,750	- 0.5%	90,000 to 1,398,000
2008	294	239,000	-12.7%	92,000 to 1,602,000

WHAT DOES ALL THIS MEAN?

Simply that there can be no immediate significant reduction of assessments based on all the available data and the current laws that govern the process. The market has slowed substantially, most segments of the market are declining, but it will take a consistent pattern of decline for more than one year before assessments can be adjusted downward at a significant rate. And that will happen in 2010 and, most likely, again in 2011.

But when it does happen – and this is the most significant thing to understand – **it does not mean that property taxes will go down!** Property taxes pay for our local services, including schools, city services, parks, forest preserves, etc. and if these local taxing bodies continue to increase spending, property taxes will increase regardless of what assessments do. Why? Because **ASSESSMENTS DO NOT CREATE THE TAX BURDEN, THEY ONLY DISTRIBUTE IT.**