

Note: These minutes are not official until approved by the Economic Development Committee at a subsequent meeting. Please refer to the meeting minutes when these minutes are approved to obtain any changes to these minutes.

DeKalb County Government
Sycamore, Illinois

**Economic Development Committee Minutes
September 5, 2017**

The DeKalb County Economic Development Committee met on Tuesday, September 5, 2017 at 7:00 p.m., in the Administrative Building's Conference Room East in Sycamore, Illinois. Chairman Bagby called the meeting to order. Those Members present were Mr. Brown, Mrs. Emmer, Mr. Osland, and Chairman Bagby. Mr. Faivre and Mrs. Haji-Sheikh were absent. A quorum was established with four Members present and two absent.

Others present were Gary Hanson, Derek Hiland, Christine Johnson, Jolene Willis, Pete Stefan, Robin Brunschon, Karen Cribben, Michelle Christensen, Christopher Kanda, Jeff Whelan, Maureen Little, Dianne Leifheit, Tracy Jones, and Sue Willis.

APPROVAL OF THE MINUTES

It was moved by Mr. Osland, seconded by Mrs. Emmer, and it was carried unanimously to approve the minutes from the August 1, 2017 meeting.

APPROVAL OF THE AGENDA

It was moved by Mr. Brown, seconded by Mrs. Emmer, and it was carried unanimously to approve the meeting agenda.

PUBLIC COMMENTS

There were no public comments.

BUSINESS INCUBATOR UPDATE

The Committee welcomed Ms. Jolene Willis, DeKalb County Economic Development Coordinator, to the table to provide them with an update on the Business Incubator. Ms. Willis shared that she has been very busy getting around the County in her first three months of being in her role. There are currently still four tenants within the Incubator with a potential of a new applicant in Que. The next Business Incubator Advisory Board Meeting is scheduled for September 12th, Ms. Willis shared. She described that at that meeting they will be reviewing and hopefully will be welcoming a new tenant to the Incubator. The remainder of the meeting, they will be focusing on what their impact statement/marketing message may be as an Advisory Board for the Business Incubator.

Ms. Willis additionally shared that she has been reaching out to business consultants and partner agencies in order to generate more presence in DeKalb County. She has also been reaching out to small business development centers that are available and looking at other Counties that are currently not being served and what programs they may be utilizing for their micro and small business communities. Ms. Willis briefly touched on the CEDS project and her involvement in

attending all of those sessions as well as attending all of the Regional Planning Commission Meetings, DCEDC Meetings, and visiting and opening the line of communication with all of the DeKalb County Cities and Villages.

She handed out the Business Incubator's newest flyer and shared she is getting those out to all the surrounding communities and promoting to the Villages that the Incubator is in DeKalb but she also wants the Community Development Department and herself to be known as a "one-stop-shop" for business information and resources. Ms. Willis shared that she is always trying to increase their web and marketing presence and strives to continue to work well with all of the surrounding Chambers to get that referral status established.

The Committee and Ms. Willis lastly touched on partnerships with Kishwaukee and NIU Colleges. The Committee thanked Ms. Willis for the update on the Business Incubator and on stepping into her new role within the County.

EXPLANATION OF PROPERTY TAX PROCESS – CHAPTER 1

County Administrator Mr. Hanson began by sharing that as they write this book on the Property Tax Process, he wanted to begin with an introduction. He explained that he wanted to make two points before they got started: the first was to think about who makes property taxes go up or down and who pays how much. He answered that the only individuals who can make taxes go up or down are Taxing Bodies (ie: County Board, School Boards). When the County Board votes for the Levy in November that number will determine whether the taxes will go up or down. There is nothing that the assessment process does that makes property taxes go up or down, Mr. Hanson explained. He also added that one other way is if a voter referendum were to pass, that can also constitute a change in taxes.

Mr. Hanson posed the next questions of who pays, how much. He explained that question is really the essence of what this discussion tonight and in the coming months will be about. For property taxes it was decided years ago that property taxes should be determined based on the value of the property. It could have been determined by how many people live in the house, the number of windows were in the house and that would have been easy but for whatever reason it was decided to be done by value. The next question that poses is how does one determine the value of their property because it is so subjective; it is not a mathematical science. Mr. Hanson noted that two people can look at the exact same house and one may think it is worth \$200,000 because they like the location and the other may think it is worth \$150,000 because they can't stand the neighborhood. The Legislation tries to take the subjectivity out of it and tries to make the process more of a science. Although, that science then becomes complicated and people don't always like the answer and want special exceptions. Mr. Hanson added that this is the setting he wanted everyone to think about as they listen to the property tax process. Property Taxes don't go up or down because of assessments, it is because of referendums or Public Taxing Bodies and then the determination needs to be made of what is your "fair share" of what you should pay.

Chief County Assessment Officer Robin Brunschon joined the Committee to explain what “Chapter 1” is of the Property Tax Process and provide information detailing what the duties and responsibilities are of township assessors. Mr. Brunschon explained that property is divided into two classes, real and personal. Real property in Illinois is assessed according to value, therefore it is an ad valorem tax. Market value is the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Mr. Brunschon shared that the three approaches to value are the Cost Approach, the Sales Comparison Approach and the Income Approach. Property is assessed according to its condition on January 1 of each year.

Ms. Brunschon continued explaining that there are four main steps in the job of a township assessor. They are to: Discover, Identify, Value, and List all real property within his or her jurisdiction as of January 1st. Real property is defined as land and any permanent structures attached to it. Discover is to find and inventory all real property using tax maps and property index numbers (parcel numbers or PIN numbers) and find new construction by observation, reviewing building permits, and other methods. List is to describe the characteristics of land and improvements on property record cards, including measurements and improvements. Value is to estimate the value of all real property in the jurisdiction and ensure uniformity and equality in the methods used and the market values produced. Assess is to apply an assessment level to these market values, arriving at an assessed value for each of the properties in the jurisdiction. Ensure that the assessed values reflect a uniform level of assessments, and that these assessed values are derived from current market values. All property except farm buildings and farmland is assessed at 33.33% of market value by the assessor annually. Farm buildings are assessed based on their contribution to the farm. Farmland is assessed on the productivity of the soil as certified by the IDOR to the County Assessor.

The actual value of real property is determined by actions in the marketplace; the buying and selling of property by the public. The assessor has not created the value of your property. The assessor simply has the legal responsibility to study those transactions and appraise your property accordingly. Three years of sales are tracked by the assessor and the IDOR to produce sales ratios studies, which indicate the level of assessments in the township and county. If the level of assessments as certified by the assessors is above or below 33.33% of market value the Chief County Assessment Officer may apply township multipliers to adjust the value levels within the county.

Ms. Brunschon continued to share that the township assessor’s main goal should be establishing and maintaining equitable assessments to ensure that the tax burden is distributed fairly among property owners. They additionally often communicate with the public, answer questions, deal with concerns raised by property owners. The township assessors maintain property record cards with past and current information about each parcel in their jurisdiction. The information includes a brief legal description, land size, dimensions of all the buildings and building types. The property record card also lists the sales history and any building permits that have been taken out. Property record cards are public information and are available for inspection during

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regular business hours. Taxpayers, realtors, appraisers and reporters are all entitled to view and copy the assessment records. Ms. Brunschon noted that an assessor's job *is not* to keep an assessment as high as possibly or at its current level. Their job is to accurately value property and they should be willing and able to explain their assessments.

Mr. Jones laid out a scenario that if an individual were to go through the Board of Review process to appeal their property taxes and ends up getting their assessment lowered substantially, is it the neighbors job to do the same thing or will the township assessor carry that lower assessment throughout the neighborhood equally. Ms. Brunschon is supposed to keep track of the lower assessments but that is when they use the quadrennial assessment year to go back through and bring all of the properties back to a uniform assessment. She also noted that sometimes that does not happen and if she notices a large difference she will call the township assessors but that there may be different responses depending on which assessor she may talk to.

The Committee briefly discussed the qualifications and/or training that is required to be a township assessor. All candidates for township or multi-township assessor must file a certificate of qualifications with their nomination papers under Section 2-45 of the Property Tax Code (35 ILCS 200/2-45). The requirements for township or multi-township assessors are generally based upon the equalized assessed value (EAV) of the assessment jurisdiction. The courses to achieve the requirements are offered by the Illinois Department of Revenue (IDOR) at no cost. The assessor must also meet the continuing education requirements mandated by the IDOR to maintain the Certified Illinois Assessment Officer designation.

Mr. Brunschon additionally took the Committee through the cost approach and estimating the cost of depreciation which can be very subjective. She additionally reviewed sales comparison or market approach and the income approach for determining the value of property.

The four parts of the farm were identified as the Farm Homesite, Farm Residence, Farm Buildings, and Farmland. The Homesite is defined as the land on a farm parcel used for residential purposes, including land for non-commercial gardens and orchards. Like other residential land, it is assessed at 33.33% of its market value and is subject to Equalization. The Farm Residence is like other residential improvements and is assessed at 33.33% of its market value. The Farm Building are assess at 33.33% of their contributory value to the farming operation. Contributory value is the same concept as value in use and farm buildings are not subject to Equalization. Farmland is assessed according to soil type and productivity, factors that detract from productivity, such as slope, erosion, and flooding, and land use. Farmland is not subject to Equalization.

Ms. Brunschon reiterated that reasons property assessment may increase are: the property values in the area or the tax rate of one or more taxing districts is increasing, improvements were made to the property (e.g., an addition to your home; extensive remodeling; a new deck, porch, or patio; a new in-ground swimming pool), the property was under-assessed in relation to other properties and this error has been corrected, the property had a homestead exemption or other preferential assessment that has been removed.

It was also reiterated that property record cards are public record and that if you feel there is a discrepancy in your assessment as compared to your neighbors, the first place you would start is contacting your local township assessor and reviewing your property record card to identify what may be different or if any of the information on there may be incorrect.

The Committee discussed the possibility of putting all of the property record cards online for public inspection as well as what, if any, computer programs that the 11 DeKalb County Township Assessors utilize.

Assessments are generally published around the first of October. If you are not satisfied with your assessment, you can appeal it. The appeal form must be completed and signed and brought into the County Assessments Office on or within the 30 days after the date of publication, or must be post-marked within the 30 days after the date of publication.

Only individuals who have received a change from their township assessor will receive letters in the mail. The same goes for publication notices. The only individuals listed are the ones with properties who have received changes from their township assessors.

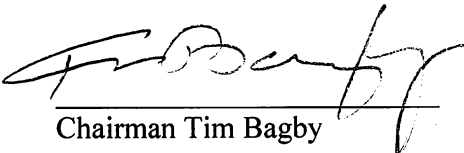
ECONOMIC DEVELOPMENT TOOLS

Chairman Bagby noted that he wanted this item added to the agenda to begin brainstorming about what tools/assets the Committee or County Board may have at their disposal to hence their attractiveness to businesses that want to come into DeKalb County. Some of the initial items that they have already addressed were property tax abatements and the Enterprise Zone. Other items that were mentioned was mass public transportation, the fiber optic network, expansions and revamping of the County's website, renewable energy and zoning amendments, DeKalb Municipal Airport. Chairman Bagby noted that this is just the start of this discussion and hopes that it will continue throughout future meetings.

ADJOURNMENT

It was moved by Mr. Brown, seconded by Mrs. Emmer and it was carried unanimously to adjourn the meeting.

Respectfully submitted,


Chairman Tim Bagby


Tasha Sims, Recording Secretary

TOWNSHIP ASSESSOR'S

Property is divided into two classes—**real** and **personal**.

Ad valorem means according to value. Real property in Illinois is assessed according to value, therefore it is an ad valorem tax.

Market value is the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

The three approaches to value are the **Cost Approach**, the **Sales Comparison Approach** and the **Income Approach**.

Property is assessed according to its condition on **January 1** of each year.

The Duties of a Township Assessor

There are 4 main steps in the job of the assessor. They are to

1. Discover
2. Identify
3. Value
4. List

all real property within his or her jurisdiction as of January 1st. Real property is defined as land and any permanent structures attached to it. Some examples of real property are houses, retail stores, apartment buildings, factories, vacant land, and natural resources such as oil and timber.

All property except farm buildings and farmland is assessed at 33.33% of market value by the assessor annually. Farm buildings are assessed based on their contribution to the farm. Farmland is assessed on the productivity of the soil as certified by values provided by IDOR to the County Assessor.

The actual value of real property is determined by actions in the marketplace; the buying and selling of property by the public. The assessor does not create the value of your property. The assessor simply has the statutory responsibility to accurately value property.

Sales, new construction, use and building permits, independent appraisals, etc., are tracked by the assessor and the Illinois Department of Revenue (IDOR) to produce sales ratios studies, which indicate the levels of assessments in each township and county. Establishing and maintaining equitable assessments is extremely important to ensure that the tax burden is distributed fairly among property owners.

What else might the assessor do?

The assessor is often communicating with the public, answering questions, and dealing with concerns raised by property owners. Other local government officials who have an interest in the annual EAV also depend on information provided by the assessor.

The assessor's office is a source of information utilized by realtors, appraisers, property investors, and taxpayers. The township assessor maintains property record cards with past and current information about each parcel in their jurisdiction. The information includes a brief legal description, land size, dimensions of all the buildings and building

types. The property record card also lists the sales history and any building permits that have been taken out. Property record cards are public information and are available for inspection during regular business hours. Taxpayers, realtors, appraisers and reporters are all entitled to view and copy the assessment records.

The assessor tracks and follows up on the building permits taken out at the City and County Building Departments and notifies property owners of eligibility for the Home Improvement Exemption (HIE). This is the only exemption that the assessor's office determines eligibility for and calculates the amount. All other exemptions are filed at the county or state level.

Remember:

The assessor's job *is not* to keep an assessment as high as possible or at its current level. Your duty is to accurately value property. You should be willing and able to explain your assessments.

The Responsibility of the Assessor

Simply stated, the job or responsibility of the assessor is to place an assessed value in his or her column of the assessment books for each of the properties in the jurisdiction. There are four steps the assessor must complete for each property in the jurisdiction. The assessor must

- 1. Discover** find and inventory all real property using tax maps and property index numbers; find new construction by observation, reviewing building permits, and other methods.
- 2. List** describe the characteristics of land and improvements on property record cards, including measurements of improvements.
- 3. Value** estimate the value of all real property in the jurisdiction and ensure uniformity and equity in the methods used and the market values produced.
- 4. Assess** apply an assessment level to these market values, arriving at an assessed value for each of the properties in the jurisdiction. Ensure that the assessed values reflect a uniform level of assessments, and that these assessed values are derived from current market values.

Unlike an independent appraiser, who has the time to carefully analyze the various approaches to value before arriving at an estimate of value for one property, the assessor must estimate values within a relatively short period of time. The assessor is a mass appraiser.

The Appraisal Publications are designed for mass appraisal. The cost schedules are used to apply the cost approach to value in a mass appraisal system. It is unreasonable to expect that every building value obtained through the use of these schedules will be exact. However, it is expected that the value estimates produced be well within tolerable limits. The outcome of this system still depends greatly on the professional judgment of the assessor. This is especially true when the assessor must use factors that will adjust various values before arriving at the final value of the subject property. There are guidelines that can be used to establish factors, but the assessor must continually rely on his or her skill and experience when assigning individual factors to each property.

Mass Appraisal

Mass Appraisal is the valuation of many properties as of January 1 of the assessment year, using standard procedures that provide uniformity.

Unlike an independent appraiser, who has the time to carefully analyze the various approaches to value for a single property, the assessor may have hundreds or thousands of properties to value in a short period of time.

The purpose of mass appraisal is produce equitable and efficient appraisals of all property in a jurisdiction for *ad valorem* tax purposes. A mass appraisal system should incorporate all three approaches to value, but most systems are primarily based on the cost approach.

The Cost Approach

The Cost Approach is the most accurate method of valuing new construction because no depreciation has yet occurred. This method consists of using known values for construction materials and labor (using IDOR publication 123) for the central Illinois area, and adjusting those values for various features of the structure.

The market value of a property can be estimated using the **Cost Approach** by calculating the **Replacement Cost New (RCN)** of the improvements, subtracting the depreciation, and adding the land value.

An **improvement** is any structure attached to, lying upon or within the land that may not be removed without physical stress.

The formula for the cost approach is:

$$\text{Market Value} = (\text{RCN} - \text{Depreciation}) + \text{Land Value}$$

The purpose of **mass appraisal** is to produce equitable and efficient appraisals of all property in a jurisdiction for *ad valorem* tax purposes.

Mass appraisal systems provide quickly obtainable value estimates with reasonable substantiation in the records. A mass appraisal system should incorporate all three approaches to value, but most systems are primarily based on the cost approach.

A **cost factor** is designed to adjust the Publication 123 **replacement cost new (RCN)** value to reflect the local cost of labor and materials.

The **quality grade** represents quality of construction, workmanship, and material used in a project. The quality of workmanship and materials can greatly affect cost.

To determine a **design factor**, the assessor has to determine the percentage increase, or decrease, in cost due to the design features. The design factor is handled in the same manner as a quality grade factor; it is assigned to individual properties and should remain unchanged during the life of the structure.

The **remaining economic life (REL) factor** is applied to the true Replacement Cost New (RCN) to arrive at the full market value, which then reflects the adjustment made for depreciation.

Highest and best use is defined as “that use that will produce the highest net return for a given period of time, within the limits of those uses which are economically feasible, probable, and legally permissible.”

Property has its highest value at its highest and best use. The property's highest and best use is generally its current use.

The Principle of Substitution is the basis of the three approaches to value. It states that a buyer is not going to pay more for a property than it would cost to acquire an equally desirable, substitute property.

The Sales Comparison or Market Approach is generally the best approach for valuing residential property that is *not new*.

Different Units of Comparison are used with different types of property.

When trying to determine the value of a subject property, all adjustments are made to the Comparable Properties, never the Subject.

CBS—Comparable Better, Subtract. If the comparable property is superior to the subject property, then you subtract a dollar amount from the sale price of the comparable property.

CIA—Comparable Inferior, Add. If the comparable property sale is inferior to the subject property, then you add a dollar amount from the sale price of the comparable property.

Determining Value is based on available data and the application of the assessor's best judgement.

Principle of Substitution

The principle provides the basis of the three approaches to value and states that a buyer is not going to pay more for a property than it would cost to acquire an equally desirable, substitute property. That is, the value of a property is established as the amount equally desirable and comparable properties are being bought and sold for in the open market.

Sales Comparison or Market Approach

The Sales Comparison or Market Approach compares properties that have recently sold to the subject property that is being appraised. It is the best approach for a Board of Review to use when valuing residential property that is *not new*.

(It is impractical for an assessor to use this approach in doing mass appraisal.)

The Income Approach

Properties, such as parking lots, apartments, and office buildings are often valued on the basis of the net income these properties produce for their owners. The Income Approach has its widest application in appraisal of income-producing property.

Commercial property is universally bought and sold on its ability to generate and maintain a stream of income for its owner. **The value of such property is a measure of the amount, quality and durability of the future net income the property can be expected to return to its investor.**

The process of converting the net income produced by a property into an indication of its value is called **Capitalization**.

If you know any two factors of the formula, the third can be calculated.
With the IRV formula, the income, capitalization rate or value can be determined.

The IRV formula is: $\frac{I}{R \times V}$

$R \times V$

In the IRV formula:

I = Net Operating Income

R = Capitalization Rate

V = Value

The Four Parts of a Farm

In setting the assessment on a farm parcel, local assessing officials must consider four separate parts of the farm:

1. **Farm Homesite**—is defined as the land on a farm parcel used for residential purposes, including land for non-commercial gardens and orchards. Like other residential land, it is assessed at 33 1/3% of its market value.

The farm homesite is subject to Equalization.

2. **Farm Residence**—like other residential improvements, it is assessed at 33 1/3% of its market value.

The farm residence is subject to Equalization.

3. **Farm Buildings**—are assessed at 33 1/3% of their contributory value to the farming operation. Contributory value is the same concept as value in use.

Farm buildings are *not* subject to Equalization.

4. **Farmland**—is assessed according to:

- soil type and productivity.
- factors that detract from productivity, such as slope, erosion, and flooding.
- land use; the statutes identify four categories of farmland and a method of assessing each one.

Farmland is *not* subject to Equalization.

The Four Categories of Farmland

The method used in valuing farmland is the **individual soil tract method**.

The four categories of farmland are **cropland, permanent pasture, other farmland and wasteland**.

Cropland, permanent pasture, and other farmland are assessed based on soil productivity. Wasteland is assessed based on its contributory value. The definition and method for assessing each varies.

1. **Cropland**—is the highest assessed farmland category.

- All land from which crops were harvested or hay was cut.
- All land in orchards, citrus groves, vineyards, and nursery and greenhouse crops.
- Land in rotational pasture and grazing land that could have been used for crops without additional improvements.

- Land used for cover crops, legumes, and soil improvement grasses, but not harvested and not pastured.
- Land on which crops failed.
- Land in cultivated summer fallow.
- Idle cropland.

Cropland is assessed at the full amount of the EAV corresponding to the productivity indexes of cropland soils.

2. Permanent pasture—includes any pasture land **except**:

- pastureland qualifying under the cropland definition, which includes rotational pasture and grazing land that could have been used for crops without additional improvements.
- woodland pasture.

Permanent pasture is generally assessed at **one-third** of the amount of the Cropland's EAV corresponding to the Productivity Indexes (PI) of permanent pasture soils.

3. Other Farmland—includes:

- Woodland including wood lots, woodland pasture, timber tracts and deforested land; Farm building lots other than home sites.

Other farmland is generally assessed at **one-sixth** of the amount of cropland EAVs corresponding to the Productivity Indexes (PI) of Other Farmland soils.

4. Wasteland—is the portion of a qualified farm tract that is not put into cropland, permanent pasture, or other farmland as a result of soil limitations **but not as a result of management choices**.

a. **Contributory Wasteland**—In many instances, wasteland enhances the productivity of other parts of the farm parcel. For instance, some land may be more productive because wasteland provides a path for water to run off or a place for water to collect.

Contributory Wasteland is assessed at **one-sixth** of the EAV per acre of cropland of the lowest PI certified by IDOR.

b. **Noncontributory Wasteland**—is land that contributes nothing to the productivity of the farm, such as a bluff.

Summary

Reassessments

By law, each property, other than farmland, must be viewed, inspected, and revalued once every four years (every three years in Cook County). Farmland is reassessed each year. Between these general assessments, assessors may revalue property if its value is incorrect.

Reasons property assessments may increase

Some common reasons property assessments may increase are identified below.

- The property values in the area or the tax rate of one or more taxing districts is increasing.
 - Improvements were made to the property (*e.g.*, an addition to your home; extensive remodeling; a new deck, porch, or patio; a new in-ground swimming pool).
 - The property was under-assessed in relation to other properties and this error has been corrected.
 - The property had a homestead exemption or other preferential assessment that has been removed.
- An equalization factor was imposed by the township, county, or the Illinois Department of Revenue.

One or more of the following three methods is used to determine market value:

- **Market data** — Similar, neighboring properties that have sold recently are compared to the property being assessed.
- **Cost** — The cost to reproduce (or rebuild) the property is calculated, an amount for depreciation (*e.g.*, wear and tear, age) is subtracted, and land value is then added.
- **Income** — The present worth of the income from an income-producing property is calculated by measuring the amount, quality, and durability of the future net income the property can be expected to return to an investor.

By law, most real property is assessed at 33 $\frac{1}{3}$ percent of market value.

There are some exceptions to this rule, however.

- Farm acreage is assessed based on its ability to produce income, which is called its agricultural economic value. A farm building is assessed at one-third of the value that it contributes to the farm's productivity. (Farm home sites and farm dwellings are assessed at one-third of their market value.)