

FRANCZEKRADELET

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# Revenue Protection and Real Estate Taxation

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# Agenda

- Hospital Exemptions
- Assessment Trends
- Tax Rate Objections
- PTAB and BOR Update
- Development Incentives
- New and Proposed Legislation



# Hospital Exemption Update

- 2010 IL Supreme Court Case - *Provena*
  - Hospitals are not necessarily charities
- Property Tax Code Amendment
  - Nearly all hospitals qualify
- The Revenue Impact
  - Exemptions granted and massive refunds follow
- 2017 IL Supreme Court Case - *Carle Foundation*
  - Is the exemption legislation constitutional?
- Additional cases moving through system

# Property Tax in Context

Year	Statewide Property Tax: K-12 Schools	CPI	Annual Median Wages	House Price Index	Illinois Student Population
	Source: Ill. Dept. Rev.	Source: Bureau Labor Statistics	Source: Bureau of Labor Statistics	Source: Fed. Housing Fin. Agency	Source: ISBE
2001	\$9,864,279,014	176.7	\$28,030	155.6	2,029,821
2002	\$10,441,013,786	180.9	\$28,520	166.7	2,044,539
2003	\$11,045,663,343	184.3	\$29,630	178.8	2,060,048
2004	\$11,629,550,260	190.3	\$30,140	190.4	2,062,912
2005	\$12,350,834,444	196.8	\$30,750	204.1	2,075,277
2006	\$13,154,975,217	201.8	\$31,650	210.5	2,077,856
2007	\$13,744,633,119	210.0	\$32,860	208.5	2,074,167
2008	\$14,429,844,931	210.2	\$33,910	192.1	2,070,125
2009	\$14,678,912,761	215.9	\$34,830	181.9	2,064,312
2010	\$15,191,204,382	219.2	\$35,080	174.0	2,074,806
2011	\$15,455,118,943	225.7	\$35,260	164.4	2,066,692
2012	\$15,880,208,595	229.6	\$35,490	165.1	2,054,155
2013	\$16,111,238,058	233.0	\$35,720	174.9	2,046,857
2014	\$16,500,764,857	234.8	\$36,590	180.7	2,054,556
<b>% Change – 2001 to 2014</b>	<b>67%</b>	<b>33%</b>	<b>31%</b>	<b>16%</b>	<b>1%</b>

# Assessment Trends

- **The Big Box and Anchor Department Store Dilemma**
- **Mall Owners are Rushing to Get Out of the Mall Business**  
(WSJ 1/25/17)
- **Big Box Redux: Dilemma of Abandoned Big Box Stores**  
(National Law Review 8/22/16)
- **Anchors Away: Malls Lose More Department Store Tenants**  
(WSJ 2/23/16)
- **The Big-Box Store Dilemma: What to Do When a Large Retailer Closes** (DCG Real Estate CA 4/6/15)
- **Big-Box Space Remains Hard to Fill** (WSJ 6/12/12)



# Tax Rate Objections

- DuPage, Will and Cook Counties
- Transfers from Working Cash Fund to funds other than Education Fund upheld
  - *G.I.S Venture v. Novak*, 2014 IL App (2d) 130244
- School district cannot overturn ill-advised settlement by state's attorney
  - *101 East Crossroads, LLC v. Weber*, 2015 IL App (3d) 140034
- Bond issues for capital projects challenged
  - Pending litigation in Cook and DuPage Counties
    - 1400 Wolf Road, LLC v. Pappas & 1001 Ogden Avenue Partners v. Henry

# BOR, PTAB & TOC Update

- Many boards of review moving to e-filing
  - PTAB continues with paper filing
- PTAB aggressively setting hearings
- Circuit court tax objection complaints (TOC) expected to convert to e-filing
  - May make identifying interventions easier

# Identifying Important Valuation Cases

- PTAB provides notices with AV reductions
- In all counties except Cook, notice of circuit court cases is provided
- How can you protect against large, unexpected refunds?
  - Identify the largest parcels in your district
  - Request 30-H reports from the Treasurer
  - Build relationships with the State's Attorney



# Economic Development Incentives

- Creating a TIF District
  - Participate in Joint Review Boards
  - Analyze eligibility for ‘blight’ or ‘conservation area’
    - Retain your own land use planner
  - Attend public hearing
  - Negotiate terms of JRB recommendation
  - Develop intergovernmental agreement with benefits to your district
  - Review annual reports
  - Resources

# Economic Development Incentives

- Extending a TIF District
  - From 23 to 35 years
  - Requires act of General Assembly
  - Great opportunity for IGA with surplus payments
  - Defers recovered TIF value
- Old TIF/New TIF situation
  - Old TIF district is terminated and new TIF district sits on more-or-less same parcels

# Economic Development Incentives

- Ending a TIF District
  - Know when a TIF District is about to expire
  - What to do when a TIF District is about to expire
    - Contact municipal and tax extension officials
    - Calculate amount of recovered TIF value
    - Prepare to increase levy to capture recovered TIF value
  - Use of TIF Districts increased in the 1990's
  - Refunds after TIF ends – *Village of Arlington Heights*

# Economic Development Incentives

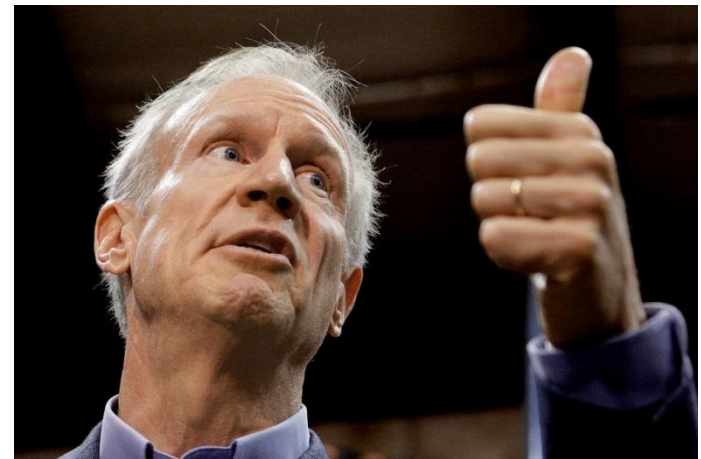
- Ending a TIF District
  - *VAH v. Pappas*
  - TIFs dissolved in 2006 and 2009, respectively
  - Treasurer paid refunds after TIFs dissolved and no longer collecting taxes
  - Treasurer demands reimbursement from VAH
  - VAH sues Treasurer
  - Treasurer alternatively seeks reimbursement from other taxing agencies
  - Is the VAH responsible for reimbursing the Cook County Treasurer for tax refunds from defunct VAH TIFs?
  - Circuit and Appellate Courts say 'YES'

# Economic Development Incentives

- Property Tax Abatements
  - Actual loss of property tax dollars to your district
  - ‘New Property’ EAV recognized up front
  - Have a written agreement with municipality and developer
  - Compare incentive with other communities to make sure it is comparable
  - Talk to tax extension office re implementation

# New Legislation and Budget Deal?

- **PROPERTY TAX FREEZE/MANDATE RELIEF**
  - **SB 13 (Radogno)**
- **REVENUE ENHANCEMENTS**
  - **SB 523 (Hutchinson)** changes current state tax structure to raise new revenues
- **PENSION REFORM**
  - **SB 17 (Cullerton)** makes many changes to the various state pension laws
- **LEAD TESTING MEASURE**
  - **PA 99-922**
- **PTAB Pending Matters**
  - **SB 609 (Morrison)**
- **Tax Bill Transparency**
  - **HB 287 (Olsen)**



# Questions?

