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A one-year membership is \$99.

To join or e-mail RAA, go to
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WELCOME new members:

Luis Tafolla

and

Gary Peacock of
Peacock Rentals

FEBRUARY MEETING

Tuesday, Jan. 17, 2015

Property Taxes

Assess You Assessments

RAA Board Attorney Tom Wartowski
and Realtor David Dale Johnson

Tues - Feb. 17 at 7pm

Cost: FREE for members, \$15. non-members

Networking 6:30 P.M.

General Meeting 7:00 P.M.

This is the Year to Assess your Assessments!

Property taxes are among the biggest expenses any landlord has. There is only one way in which landlords can directly affect those taxes: make sure that their properties are fairly and accurately assessed.

RAA Board Attorney **Tom Wartowski** and Realtor **David Dale Johnson**, both of whom are former members of the Winnebago County Board of Review, will discuss how you can keep property assessments in check at a seminar with Q & A at the next RAA membership, February 17th.

Attorney Wartowski has been a Real Estate Broker for more than 30 years, served as President of the Rockford Area Association of Realtors, and as a Director on the Rockford Area Chamber of Commerce Board. He is also a former prosecutor with the Winnebago County State's Attorney's Office.

Real Estate Broker Johnson is associated with Berkshire Hathaway HomeServices Crosby Starck Real Estate and also is a past President of the Rockford Area Association of Realtors. He has more than 26 years of real estate experience and is considered one of the most knowledgeable experts in the area on real estate assessment and taxation.

Both Wartowski and Johnson have made a business of helping property owners with their property assessments.

Following the presentation from our speakers we will discuss Rockford's Residential Quality Support Ordinance. The language of that ordinance was changed from what passed the city council to what was published by the city. We will explain what was changed, the effect of that change on property owners, and what options we have moving forward.



Meet Tom & Debbie Chamberlain by Jerri Cole

Being successful in this business depends on a lot of different things. One of the most important things is getting a mortgage. Having someone who understands the day to day problems we go through as landlords is a big plus. By becoming a member, Debbie has gone out of her way to understand what is happening in our world. Thank you, Debbie, for going the extra mile.

Describe yourself: Homebody? Married? Funny? Serious? Opinionated? Quiet? Life of the party?

I am Debbie Chamberlain and I have been with UNION Savings BANK in Rockford for 16 years. I am currently the Commercial Loan Officer at our Rockford office. I have a teenage son, which in itself a full-time job! I am a pretty easy going person but definitely have a serious side. People say that I have a good sense of humor and that I am a compassionate and caring person.

Favorite hobby? Favorite things to do on your day off?

I love to travel and want to have visited every state during my lifetime. I am well on my way to reaching this goal but still need to visit Hawaii, Alaska and a small part of the east coast. Also, I am a crafty person and like making things. I am not too shabby with power tools and enjoy doing home improvement projects.

What would you like people to know about you?

I very much enjoy attending the apartment association meetings and getting to know each of the members. Understanding an investment property owner's perspective greatly helps me in my day to day job as a Commercial Loan Officer at UNION Savings BANK. Our bank offers many different types of financing options for investment property owners and has been very successful with customizing solutions for many RAA members. I would encourage any of our members to reach out to me as a resource for lending – even if we are not currently doing business together! I love to strategize and figure out how to solve problems.

When did you become a landlord and what led you to it?

I first joined the Rockford Apartment Association to help me be better in my day to day responsibilities at UNION Savings BANK. However, I have also owned rental property in the past, so I understand how valuable this organization is to landlords and wanted to be a part of the group.

What do you like best about being a landlord?

I liked knowing that I was providing someone with a

clean and decent place to live. It was my first home purchase and back then, I was pretty young. Being both a first-time homeowner and a landlord was exciting and educational.

What do you like least about being a landlord?

There are challenges with being a landlord, however, I was fortunate to have good renters and avoided many of the common issues.

Strange or funny stories that have happened to you since becoming a landlord.

I remember having to replace a bathroom floor because my tenant's young child flushed a peanut butter and jelly sandwich down the toilet. I thought at the time, who flushes a peanut butter and jelly sandwich?

Clubs or organizations you are involved in.

UNION Savings BANK is a member of many local organizations including the Rockford Chamber of Commerce and the Homebuilders Association.

What are your pet peeves?

I don't have many pet peeves per say, but I like people to always be honest and trustworthy.

If you could change anything, what would it be?

Maybe I'm showing my age, but things just seemed to be easier years ago. People were nicer and more considerate of others. If I could change anything I would have people be more respectful.

What can Rockford do to help landlords?

RAA and its leadership have done an excellent job getting our voices heard. The city should continue to listen and understand our positions to help spur growth and maintain affordable housing.

Best advice for new landlords?

Join RAA! I have a stack of RAA business cards in my desk and always pass them out when I come in contact with people interested in owning investment property.

Property Tax and Assessment

by Tom Wartowski and David Dale Johnson

This is an important year for cost-conscious landlords in Winnebago County: 2015 is a quadrennial property assessment year. That means ALL properties in the county will be reassessed—without regard to when the property might previously have been assessed.

Property assessments are the basis for determining the amount of real estate taxes owed for each property. The property assessment process is one the most complicated matters that most taxpayers ever face but the outcome is simple: The higher any individual property is assessed, the higher the tax bill will be for that property. Keeping assessments low is the key to keeping real estate taxes low. (“Low,” of course, is a relative term.)

This article will attempt to provide a general explanation of the assessment process so that landlords can identify the necessary steps to keep their tax bills as low as possible. It will focus solely on residential properties in Winnebago County.

What is “property assessment?” First of all, it is not an “appraisal.” Many people confuse the two. An assessment is a value established by a governmental body that is intended to reflect, but is not the same as, fair market value and is used for the purpose of distributing property tax liability “fairly” across all properties within the governmental body’s jurisdiction. In Winnebago County residential property assessments are supposed to reflect 33 percent of fair market value.

Property assessment first begins with the establishment of its fair cash value on January 1st of the given year. That fair cash value can be determined by one of three methods:

- 1.) Fair market value (how much property would sell for in an arms-length transaction)
- 2.) Income approach (rate of return on investment)
- 3.) Cost (Cost to build less depreciation plus land)

Fair market value is by far the most common approach. The latter two approaches are generally used for large multifamily and commercial properties or other complicated assessments.

Fair market value is typically determined by comparing the subject property to other reasonably comparable properties that have sold within the six months preceding January 1st. Generally, the comparisons must be made to properties that are “apples-to-apples” comparisons but deviations are often necessary in order to include a reasonable number of properties necessary to draw a fair conclusion. For instance, if the subject property has separate furnaces for each apart-

ment but all of the sales have one boiler for the whole building, a comparison for purposes of establishing fair cash value can still be made but will require an adjustment to take into account the deviation.

Determining the fair cash value of property is only the start to establishing the final assessed valuation which is next reduced to the statutorily required 33% and then adjusted at various levels discussed below.

Initially, the property is assessed by the township assessor. That assessment is then adjusted by the county assessor in conjunction with the board of review on the basis of an “equalization factor.” The factor is a multiplier determined by using a relatively complicated formula that is intended to make sure that properties across all townships in the county are equally assessed. (The formula involves a comparison of assessed valuations against actual sales that occurred in the prior three years to create a percentage that will bring the median sales to the same level of accuracy among all townships.)

The next level of assessment comes into play when the state uses the same process to equalize assessments among all counties in Illinois. The end result is the final figure upon which the tax bill is calculated.

Part of the quadrennial process is that the county assessor mails individual assessment information to property owners and publishes all of the assessments (usually by mid-August in Winnebago County and October in Boone County). It is a good idea to get a copy of the published list (if and until the county publishes the list online). Property owners then have 30 days from the date the assessments are published to challenge them. The assessment figure that is published, however, does not take into account the state multiplier discussed above. The state multiplier is established after the Board of Review has completed its work and cannot be challenged by property owners.

Assessments can be challenged at these levels in the following ways:

1. Township—by going to the township assessor and making a case. What is the basis of the assessment? Perhaps there is information about the property about which the assessor is unaware. Or, maybe the assessor simply made a mistake in the use of comparable. Or? If an agreement with the assessor is reached it should be reduced to writing. Contact with the township assessor is not a formal challenge and does not preclude the challenges below.

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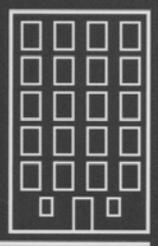
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2. Board of Review—by filing a formal assessment complaint. It is critical to follow the board's procedures. Most challenges are at this level.
<http://wincoil.us/departments/board-of-review/>
3. Illinois Property Tax Appeal Board—The Board of Review's determination can be appealed at the state level. *<http://tax.illinois.gov/publications/localgovernment/ptax1004.pdf>*
4. Circuit Court—Upon receiving a final determination at any administrative level, a lawsuit challenging the assessment can be filed.

Note: Formally challenging an assessment at any level is considered the practice of law. If property is owned by a corporation or a trust then only an attorney can prepare and file an appeal or appear before either of the two boards of appeal.

Points to consider in appealing assessments:

- 1.) By statute, assessments are required to be uniform and equitable. Those qualities are the touchstone by which all non-legal arguments are measured.
- 2.) An appraisal by a certified appraiser carries a lot of weight. So does a market valuation by an experienced and credible real estate broker. Many real estate brokers lack the knowledge and experience to provide a suitable market valuation.
- 3.) If the property was purchased within the prior year and the sale was truly an "arm's length transaction" then evidence documenting the sale and price will carry a lot of weight.
- 4.) Assessment inequality is another approach that can be used. Without regard to fair market value, if

the subject property is assessed at a higher amount than identical properties in the immediate area—and there is no reasonable justification for the unequal treatment—the reviewing board will be inclined to adjust the assessment.

- 5.) Mistakes are a little used but valuable basis for challenging assessments. The assessor's information on the subject property may be in error. Perhaps the square footage, bath count, finished basement, type of exterior, etc., is incorrectly noted in the record file?
- 6.) Unrecorded changes have a similar impact. Did a tenant destroy an apartment? Did you tear down the garage or take out the finished basement?
- 7.) Unknown defects require a paradigm shift. What's wrong with the property? Does the roof leak? The basement flood? Caution is needed in making these kinds of arguments so as not to put on permanent record a defect that might subsequently be repaired.

Not all assessments, of course, should be challenged but do not hesitate to challenge one anytime that you believe the property is over assessed and there is sufficient credible evidence to make reasonable arguments based on the facts or the law. Remember: a small overage today can rapidly compound in a few years after multipliers have been applied.

No discussion of real estate property assessments and property taxes is complete without including the topic of exemptions but we'll leave that for another time.

COLD WINTER PREDICTED

Late fall and the Indians on a remote reservation in North Dakota asked their new chief if the coming winter was going to be cold or mild.

Since he was a chief in a modern society, he had never been taught the old secrets. When he looked at the sky, he couldn't tell what the winter was going to be like.

Nevertheless, to be on the safe side, he told his tribe that the winter was indeed going to be cold and that the members of the village should collect firewood to be prepared.

But, being a practical leader, after several days, he got an idea. He went to the phone booth, called the National Weather

Service and asked, "Is the coming winter going to be cold?"

"It looks like this winter is going to be quite cold", the meteorologist at the weather service responded.

So the chief went back to his people and told them to collect even more firewood in order to be prepared.

A week later, he called the National Weather Service again, "Does it still look like it is going to be a very cold winter?"

"Yes", the man at National Weather Service again replied, "it's going to be a very cold winter."

The chief again went back to his people and ordered them to collect every scrap of firewood they could find.

Two weeks later, the chief called the National Weather Service again. "Are you absolutely sure that the winter is going to be very cold?" "Absolutely", the man replied. "It's looking more and more like it is going to be one of the coldest winters we've ever seen."

"How can you be so sure?" the chief asked.

The weatherman replied, "The Indians are collecting a huge amount of firewood!"

Dean Impey

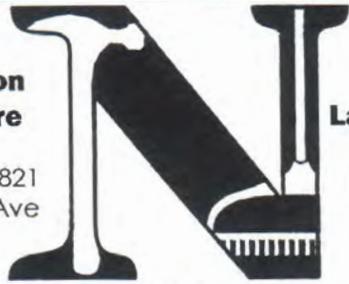
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Rockford Apartment Association Code of Ethics

We, the members of the RAA, recognizing our duty to the public and the intimate nature of the relationship between the apartment resident and the owner, or manager, and being aware of the vastly increasing role of the apartment industry in providing the home of the future, and in order to provide the apartment-residing public with the maximum in quality and service upon the highest standards of honest and integrity, do hereby bind ourselves, with each and every member, together and alone, agreeing that, so long as we remain members of the RAA and so long as nothing contained herein shall be unlawful, we shall:

- Promote, employ and maintain a high standard of integrity in the performance of all rental obligations and services in the operation of our apartment communities.
- Maintain and operate our apartment communities in accordance with fair and honorable standards of competition, ever mindful of the purposes of the Rockford Apartment Association and in compliance with the bylaws thereof.
- Strive continually to promote the education and fraternity of the membership and to promote the progress and dignity of the apartment industry in creating a better image of itself in order that the public may be better served.
- Seek to provide better values, so that an even greater share of the public may enjoy the many benefits of apartment living.
- Establish high ethical standards of conduct within the apartment industry in the business relationship between the owner, managers and suppliers of products and services to the apartment industry.
- Maintain property standards of the appropriate governmental authority.
- Ensure that every qualified individual, regardless of that individual's race, color, religion, gender, disability, familial status or national origin is afforded the same opportunity to rent an apartment and enjoy the benefits of apartment living.

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Tom Wartowski and David Dale Johnson

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