

Responses from Ali ElSaffar, Township Assessor regarding ADU assessment.

- 1. What are the tax impacts/assessment process for a single-family house property after the property owner has built a coach house or standalone accessory dwelling unit?**

Reclassification?

When a parcel of land has a single-family home and a coach house or other standalone dwelling unit, the property is listed as having two structures on it—the single-family home and the coach house. If a taxpayer builds an accessory dwelling unit as a separate structure under the new ordinance, the single-family home classification would not change, but the accessory unit would be classified and assessed as another single-family home.

- 2. What are the tax impacts/assessment process for a single-family house property after the property owner has converted an attic or basement to an accessory dwelling unit with their own entrance or added an accessory dwelling unit onto a single-family home, which has a separate entrance? Reclassification?**

If a single-family home is converted to add a separate rental unit in the same building, the single-family home would be reclassified into the 2-11 class. The 2-11 classification is for two- to six-flats.

- 3. What would be the overall impact to the Village's tax obligation if single family properties are reclassified from Single Family to 211 (2-6 units)?**

I think your question is about the overall impact to the Village tax base if there were reclassification of properties from single family homes to the 2-11 class. Based on the current market, the effect of converting single family homes to 2-11 properties would be to lower the tax base. This is because market sales currently indicate that residential structures organized as single-family homes sell for higher prices than structures organized as two- to six-flats. But markets change over time—there was likely a time when a building that included an apartment was worth more than a single-family home. In the 21st century, however, most people who become homeowners don't also want to become landlords. The greater demand for single-family homes has the effect of increasing the prices and assessed values of single-family homes when compared to two- to six-flats.

- 4. Will the Village lose tax dollars if single family property classifications are changed from Single Family to 211 (2-6 units)? Who would pick up any additional burden?**

The Village would not lose tax revenue if local residents started adding apartments to their houses and getting their properties reclassified. This is because the goal of the property tax system is to generate the amount of revenue that the Village or other local taxing districts levy for. If property values fall, tax rates rise to insure that local governments receive the money they levy for. But the lower property values and lower assessed values that would result if large numbers of Oak Park property owners started converting their single-family homes to two-flats would mean that those property owners would pay a smaller share of the tax burden. To compensate for this, the other property owners would pay a higher share of the tax burden.

- 5. If only a handful of property owners take advantage of the ADU option, which can be rather expensive, will there be a noticeable shift in tax burden?**

The total equalized assessed value of Oak Park is over \$2 billion. If a handful of property owners took advantage of the ADU option, the shift in the tax burden would be negligible.

6. If a significant portion of the single-family property owners take advantage of the ADU option, what might the tax burden look like?

Let me give you one example: if 5% of Oak Park's single-family home owners (approximately 500 homes) changed their property classifications from a single-family home to the 2-11 classification, and if the resulting reduction in assessed value were 15%, the tax rate on all Oak Park properties would increase from 11.325% to 11.648%. This corresponds to a tax increase of about 2.8% for all property owners except the 500 that received assessment reductions due to the conversion of their homes.

7. If you can include a very brief explanation about the Tax Levy and tax rate, that may be helpful as well. I think it's good to understand the ebb and flow of assessments relative to the market demands.

As noted previously, the goal of the property tax system is to levy a specific amount of money on taxable properties to fund local governments; state law generally limits the amount by which tax levies can increase to the rate of inflation. When property values rise at levels above the rate of inflation, the tax rate has to fall so that the correct amount of money allowed by state law is generated. Conversely, when property values fall, the tax rate has to rise in order to generate the correct amount of tax revenue.

--Ali ElSaffar,
Oak Park Township Assessor