

## **Enhanced Assessments for Extraordinary Market Challenges**

Assessor's offices across the country are confronted with unprecedented challenges: the recent housing market downturn, compounded by record levels of foreclosures, is making accurate property value assessment exceedingly difficult. To put things into perspective, over the past two years property values across the country have fallen at a rate not seen in over half a century, and in some neighborhoods foreclosure sales are now the only kind of real estate market activity. These trends threaten to make property assessments increasingly unreliable, potentially resulting in over-assessments in the neighborhoods that are most affected by the foreclosure crisis – and thus for the homeowners who can least afford them.

In order to anticipate and address these issues, the Cook County Assessor's Office (CCAO), whose district includes Chicago and its inner-ring suburbs, conceived and led an innovative project to gauge the impact of the foreclosure crisis and housing market downturn on neighborhood property values, with the goal of enhancing the assessment process to better estimate property values in the current environment. RW Ventures, LLC, an economic development firm specialized in advanced analytics for urban markets, helped assemble a project team and co-led the work.

Over the course of the project, RW Ventures conducted a rigorous statistical analysis examining and testing, among other things, the effects of varied concentrations of foreclosures around individual properties, differences in sales volume among neighborhoods, and different methodologies to track prices on a close to real-time basis. Working closely with CCAO staff, this analysis was used to develop a set of modifications to current assessment models to address the housing market challenges, making the models more robust, accurate and effective in addressing rapidly changing conditions and foreclosure effects. The model modifications were designed to be readily implemented and fit seamlessly with the current assessment models, processes and timeline, and were carefully tailored to the Assessor's Office's needs.

The project, funded by the John D. and Catherine T. MacArthur Foundation as part of its foreclosure prevention and mitigation initiative, was highly successful: the CCAO has already incorporated the model refinements into the latest round of assessments and is planning on adopting the new methods for all future assessments across the county. At a time when homeowners, particularly in neighborhoods with high foreclosure rates, are struggling, this work ensured that property assessments do not become an additional burden. Rather, by improving the accuracy of the assessment process, these enhancements will provide relief to every homeowner, and particularly to those who need it most because they are located in the hardest-hit areas.

Assessment practices vary from county to county, and this kind of work needs to be highly tailored to local practices and circumstances (and the specific work for CCAO, of course, is strictly confidentiality). Nevertheless, the approach, techniques and modeling solutions developed by this project are transferable. Indeed, the lessons learned in Chicago could be applied to other cities and counties, and help address current real estate market challenges, while significantly enhancing the accuracy of property assessments across the country.