



February 2006

Historic Buildings Could Earn Tax Savings

By Joanne Elliot of Elliott & Associates

In this hot real estate market, property values have been marching steadily upward with no significant reversal of this trend in sight, despite the pessimism expressed by economists and others who talk of a housing bubble.

With rising market values come, of course, greater assessments for property tax purposes. Anyone who owns a home or other residential property would love to see the connection between burgeoning values and correspondingly increasing assessments moderated, but the basic relationship is set in stone so don't expect any wholesale changes. As an alternative, however, Illinois politicians who profess to feel the pain of their tax paying constituents periodically enact laws that limit assessment growth, or even freeze it, under certain conditions for specific periods of time.

Such was the case with the Illinois Legislature's Public Act 91-0806, better known in the property tax field as, "The Historic Residence Assessment Freeze Law". The purpose of which is to encourage the rehabilitation of historic buildings whose condition might otherwise be neglected by their owners. Eligible buildings under the statute can have their assessments frozen if they undergo substantial rehabilitation that preserves their essential historic character. Generally this means the original look and features of the building must be maintained and its life span extended.

To be accepted under the program a building must meet the following qualifications:

- 1) It must be listed on the Illinois or National Register of Historic Places.
- 2) It must be individually designated as a historic building pursuant to an approved county or municipal landmark ordinance or,
- 3) It is located within a district set forth in the National Register of Historic Places or designated as such by an approved county or municipal ordinance and the State Director of Historic Preservation in Springfield has determined that the building is historically significant to the district where it is located.

The law applies to historic buildings that are owner occupied single-family residences, which includes condominiums. If an eligible condominium building includes both owner occupied and leased units, only the owners in residence would qualify for the assessment freeze if all other conditions are met. Also eligible are multifamily residences of up to 6 units, providing that one is the principal residence of the party holding title to or the beneficial interest in the building. Cooperatives are eligible with the benefit of the assessment freeze accruing to the not for profit corporation that owns the building rather than individually to share holders who live there.

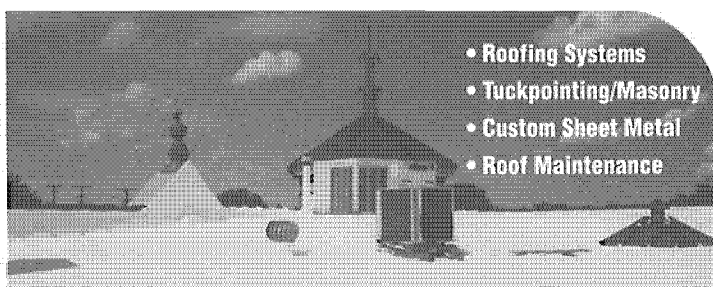
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**Don't Forget the 2006
Winter Conference
and Trade Show is on
February 25, 2006**



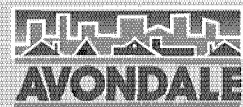
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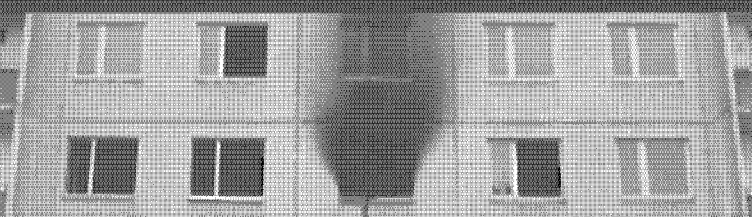
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ACTHA Winter 2006 Conference and Tradeshow Registration

I want to register for the Winter Conference and Trade Show on Saturday, February 25, 2006, at the Holiday Inn, Chicago Mart Plaza, Chicago. Registration fee includes: seminars, lunch, Trade Show, and materials.

Fee Schedule:

ACTHA member registration fee—\$60.00/or \$45.00 if sending more than 3 from the same association

Non-member registration fee—\$120.00 per person

Total Due : \$ _____

Please select payment method _____ Check _____ Credit Card Please circle one: Visa MC Discover American Express

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Please make checks payable to ACTHA.

Send to: 28 E. Jackson, Suite 910; Chicago, IL 60604

Please check which sessions you plan to attend:

_____ Track 1: Basics _____ Track 2: Potpourri _____ Embezzlement _____ Property Management _____ Fair Housing

Name of Association _____

Address: _____

City/State/Zip: _____

Phone #: _____

Email Address: _____

Name(s) of Individual(s) Attending: _____

Return this form to 28 E. Jackson, Suite 910, Chicago, IL 60604 or fax to 312-939-7590

NOTE: Registration confirmations are not sent.

Question of the Month Continued

Some declarations, especially for non-condominiums, also allow the Board to amend the budget. The Association's declaration should be reviewed to determine if this is a possibility and what procedure must be followed. The Board cannot seek to retroactively collect the new assessment amount. Instead, it can only ensure that the new assessment amount is applied and collected in the future.

Finally, the mistake by presumably not only this Board, but past Boards, may not rise to the level of a breach of fiduciary duty. In any event, this Board now knows that the monthly assessment was calculated incorrectly. Therefore, the mistake must be corrected. The Board should ensure that the correction complies with the terms of the Association's governing documents. It also may want to adopt a resolution explaining why it is taking these actions, so that future Boards and owners understand the change.

—Gabriella Comstock of Knuckles and Associates

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Winter Conference Program

Track I: Basics

Session 1 – Legal Requirements

Speaker: Charles VanderVennet of Fosco, VanderVennet and Fullett, P.C.

This session will cover governing documents related to condominium association, townhouse association and master association, fiduciary duty, organizational and operational basics.

Session 2 – Legal Requirements (Part 2)

This is a continuation of Part 1 and will go deeper into the topic. This is a great chance to really understand all the legal stuff that has you confused.

Session 3 – Financial Basics

Speaker: Jory Carrick of Williamson Management

This session will cover budgets, assessments, collections, delinquencies, and reserves.

Track II: Potpourri

Session 1 – Elections

Speakers: Shelley Barnett of Barnett Law Firm and Jim Stoller of The Building Group

This session will cover notice, election meeting agenda, proxies, balloting by mail (proxy or absentee), cumulative voting and percentage of ownership.

Session 2 – Problem People

Speakers: Gabriella Comstock of Knuckles and Associates and Mike Rutkowski of First Properties

This session will include an in depth discussion of how to appropriately deal with people who may be angry, unreasonable, apathetic or in conflict.

Session 3 – Ask A Property Manager

Moderator: Terry Dixon of Aegis Property Management

Panelists: Michalene Conrad of MC Property Management and Mike Rutkowski of First Properties

This session will include 2 property managers on the panel answering questions submitted in writing. If time permits, questions will be taken from the floor.

Track III: Advanced Sessions

Session 1 – Embezzlement—Protecting Your Association's Finances

Speakers: John Bickley of Kovitz Shifrin Nesbit, LaSharon Branch of Exclusive Property Management, Tim Haviland of Delaware Place Bank and Diane Duffy Radel of Mark Cantey and Associates

Are you sure your association funds are safe? Criminals are becoming more creative. You also must be more creative and vigilant to make sure you are not their next target. This session will expose some of the methods criminals use and how you can protect yourself and your association.

Session 2 – Property Management

Speakers: Michalene Conrad of MC Property Mgmt and Stuart Fullett of Fosco, VanderVennet and Fullett, P.C.

This session will discuss selection criteria, evaluate possible methods and process of interviewing property managers, performance evaluation, and manager and board relations.

Session 3 – Fair Housing

Speakers: Scott Rosenlund of Fosco, VanderVennet and Fullett, P.C., Ryan Shpritz of Kovitz Shifrin Nesbit and a representative from the Illinois Department of Human Rights

This session will examine issues related to reasonable accommodation and/or modification, physical changes to the building or unit, exceptions to covenants and rules, and compliance with other Fair Housing Laws.

Continued from page 1.

The Act freezes the assessment of a unit or building for 8 years at the level in effect prior to the beginning of the substantial rehabilitation, even though the unit or building should, during that period, increase in value due to the upgrading work and any generally inflationary market conditions. After the 8-year period of fixed assessment there is a gradual phase in to market value and full assessment over the next 4 years. In the 9th year 25 percent of incremental value is added back, in the 10th, 50 percent, the 11th, 75 percent and in the 12th year the subject property will be brought up to its full market value and the assessment unfrozen. At that point full property taxes would be paid.

Here is a simple example. Assume the market value of a condo unit in an historic building is \$100,000 in tax year 2005 and that the unit owner's share of the substantial rehab costs of the association to maintain the historic character is also \$100,000. After the construction, in year 2006, the unit is now worth \$250,000 due to the rehab and inflation. The assessment for the 8 years from 2006 to 2013 would be frozen based on the market value before rehab of \$100,000. The year 2014 arrives and the property has mushroomed to a market value of \$500,000, an increase of \$400,000 over the base year of 2005. Over each of the next 4 years, \$100,000 in value would be added back with a corresponding increase in assessment until year 2017 when the full \$400,000 would be counted toward market value. (The assessed value for a residential unit in any one year is determined by multiplying the market value by 16 percent in Cook County and 33.33 percent elsewhere.)

Let's now turn to the procedural aspects of the Act. Applications are made to the State Director of Historic Preservation. The chief county assessment officer is notified of receipt of the submission. The applicant should request preliminary approval of the plan prior to commencing rehabilitation. The Director approves the application and issues a Certification of Rehabilitation (COR) if he/she finds that the rehabilitation, restoration or remodeling:

- 1) Involves an historic building.
- 2) Will undergo substantial rehab, meaning that costs, including architect's fees, are equal to or greater than 25 percent of the base year market value.

- 3) Will be done in accord with the Standards of rehabilitation promulgated by the Secretary of the U.S. Dept. of Interior.
- 4) Is for a building for which no COR was issued within the last 4 years.

If the proposed rehab complies with the requirements of the Act, the Director will issue a COR to the homeowner as well as the county assessor who will annotate his records to reflect the freezing of the assessment. The Director determines the length of the rehab period, which should not be greater than 2 years unless he/she finds that it is economically unfeasible or the scope of the work is too substantial to meet that time frame. If the Director ascertains at any time during the 8 year reduced assessment period that the repairs or renovations of an historic building approved in the program were not finished or completed in accord with the federal Standards of Rehab, the COR shall be rescinded.

There are a limited number of buildings that are historically significant and which lend themselves to conversion to condominiums or townhomes so the program has limited applicability in the association market. Still there are situations where it has worked. At the Fort Sheridan redevelopment in Highland Park several historically important, large buildings such as barracks halls were substantially rehabbed and converted to condominium residences. The interiors underwent significant modification but the original historic look and feel of the exteriors were maintained. The necessary COR had been issued and the assessments frozen.

I became involved at Fort Sheridan in arguing that the assessments of the residences had not been frozen at the appropriate levels. There was inadequate documentation to substantiate what the assessments of individual units were when rehabilitation was begun so the assessor made an educated guess and proposed what he thought were reasonable levels. We disagreed and proposed alternative evaluations. Eventually the cases were resolved, the assessments frozen at more appropriate levels and the unit owners will collectively enjoy several million dollars worth of tax savings over the 11-year period.

Elliott & Associates is a supporting member of ACTHA.
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Legislative News

Several pieces of legislation have been introduced in the Illinois General Assembly, including one that would license property managers. Please visit the ACTHA web site for details at www.actha.org



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Cold Weather Safety Tips

♦ Fireplaces

- **Do not burn wrapping paper in the fireplace. Wrappings can ignite suddenly, resulting in a flash fire.**
- **Place a screen around your fireplace to prevent sparks from igniting nearby flammable materials.**
- **Always check to make sure the flue is open before igniting your fireplace.**

♦ Extension Cords

- **Never place an extension cord underneath a rug or carpeting that is subject to pedestrian traffic. Overheating and short-circuiting can result in a fire.**
- **Do not place heavy items, such as furniture, on top of extension cords.**

♦ Candles

- **Always keep burning candles within sight.**
- **Never use lighted candles on a tree or near other living decorations.**
- **Always place candles out of reach of children and pets.**

♦ Space Heaters

- **Do not use space heaters as a primary source of heat.**
- **Never leave a space heater unattended.**
- **Avoid using extension cords with space heaters as they can overheat and result in a fire.**

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