



Memorandum

To: Wally Bobkiewicz, City Manager

From: Martin Lyons, Assistant City Manager/Chief Financial Officer

Subject: Northwestern University/Tax Exempt Property Analysis update

Date: April 18, 2017

Northwestern University (NU) property is tax exempt as a not-for-profit institution. Just as the City may pay taxes when for profit uses are conducted on City property, NU also pays “leasehold property taxes” if the use warrants such payment. Since Cook County literally does not track the property value of NU property, the City cannot use them as a source for any valuation. While the City could use recent building permit data to determine market value of newer buildings, as we move back in time this data would need to be adjusted substantially to come up with a total “value”. The most recent analysis shown below uses a square foot (sq. ft.) analysis, comparing the taxes generated from all buildings to arrive at a rough estimate of potential taxes that would be paid if NU was not tax-exempt.

Assuming that all NU properties are tax-exempt, staff compared the total sq. ft. data for the entire City, and other subsets as noted in the table below.

Tax Status	Property Count	Land Area (square feet)	Building Count	Building Square Footage*
Exempt (Non NU)	908	51,691,752	693	19,656,863
NU Properties	113	14,525,145	237	11,291,698
Mixed	18	587,006	21	2,513,568
n/a	39	1,198,768	41	824,224
Non-exempt	15,071	113,752,524	26,233	78,296,138
Railroad	69	2,047,016	18	108,924
Total	16,218	183,802,211	27,243	112,691,415

* multiple story buildings are calculated by multiplying the building area by the number of floors

From the estimate above NU makes up 36.5% of the exempt property in the City and 10.0% of the property as a whole. Attachment 1 is a map showing NU parcels in the City. Attachment 2 is a map showing all tax exempt parcels in the City. Taking sq. ft. data and applying it directly to tax calculations can get complicated very quickly, hence the need for an entire operation at the County to conduct assessments. As a substitute, we have taken the City tax bill paid by all Evanston taxpayers and applied it to the ratio yielded from the sq. ft. analysis. The table on the next page shows this calculation.

Analysis				
2015 EAV	\$	2,244,569,975	2016 City Levy Portion	\$ 39,957,446
Non-exempt per sq foot	\$	28.67		
2015 EAV Exempt	\$	563,517,006		
2015 EAV NU Only Exempt	\$	323,706,994		
		All Exempt/NON-Exempt		NON-Exempt and NU only
TOTAL EAV		3,131,793,974		2,568,276,969
New Projected City Tax Levy		55,751,654		45,720,022
Increase from Exempt		15,794,208		5,762,576
% Increase From Exempt		39.5%		14.4%

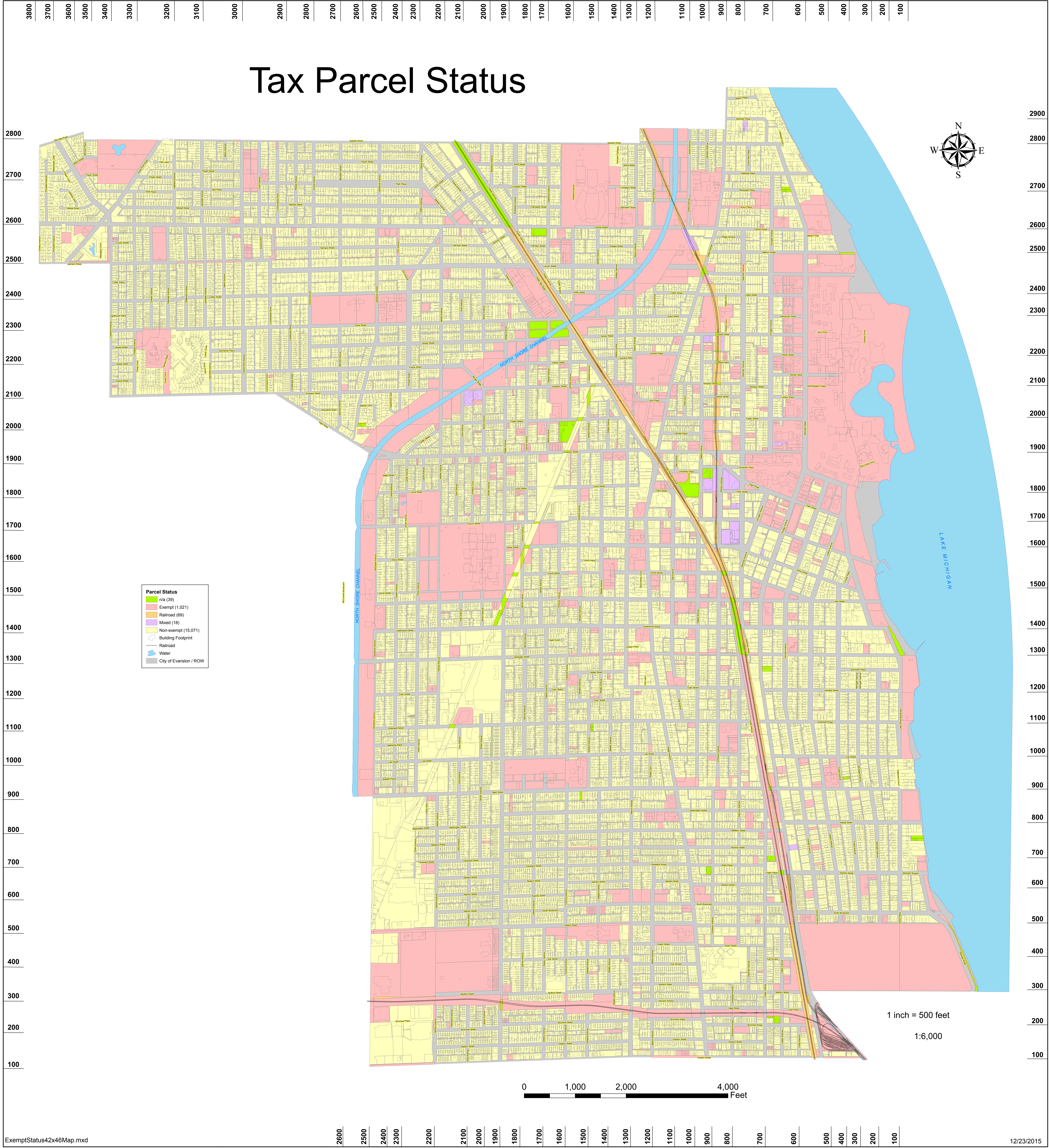
The above analysis shows a large amount of tax-exempt property that includes, City, School, Park District, Hospital, NU, MWRD, and other not-for-profit property throughout the City. Please note this analysis covers only the City portion of the total tax levy for Evanston property owners and at just under 20% of this total, this means the total levy across all taxing bodies is over \$200 million. When this is added into the above analysis, the taxes involved for NU increase from \$5.76 million to \$28.8 million annually.

There are many caveats to such a simple analysis such as the estimate of sq. ft. for unique properties such as Ryan Field. While it is only “one floor” for much of the facility, it would most likely be valued at a different level if it were a private venue for sporting events. Further, this analysis doesn’t differentiate between commercial and residential calculations. If the City wants to continue this analysis, staff recommends the use of our TIF advisor Kane McKenna in support of the tax calculations and property evaluations involved.

Another viewpoint of property tax valuation is to consider if the development pattern of the property NU occupies was left to develop under private considerations without the presence of the school. The pattern would likely have followed the similar nature of the current development surrounding Downtown Evanston and the areas along the lakefront: a large park fronting the lakefront to follow in keeping with Daniel Burnham’s 1917 Plan of Evanston, multi-family attached buildings clustered around Downtown Evanston, and single-family detached homes between Downtown Evanston and the lakefront park. Such development would most likely not result in as high of a property tax estimate as is calculate above but would certainly provide for a less dense use of the property.

Questions can be directed to the Assistant City Manager/CFO at 847.866.2934 or mlyons@cityofevanston.org.

Tax Parcel Status



- Parcel Status**
- n/a (39)
 - Exempt (1,021)
 - Railroad (69)
 - Mixed (18)
 - Non-exempt (15,071)
 - Building Footprint
 - Railroad
 - Water
 - City of Evanston / ROW

1 inch = 500 feet
1:6,000

0 1,000 2,000 4,000 Feet

Northwestern University Parcels

