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From Server Racks to Assessment Rolls:

A Practical Guide to Data Centers for Illinois Assessing Officials

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Illinois Property Assessment Institute

Tuesday, September 29, 2026 | 4:00–5:00 PM

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Presentation Roadmap

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SECTION 1

The Assessment Challenge

Why data centers create unusual scale, evidence, and appeal issues

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The Challenge You're Facing

A Huge Data Center Just Landed on Your Tax Roll

$800M–$2B
ONE PROPERTY

5–10× LARGER
than almost anything else you assess

5–10% OF TAX BASE
could be tied to one facility

1. **NO EASY COMPARISONS**
   There may be no nearby sales to use.
2. **EXPECT A CHALLENGE**
   The owner will likely appeal the assessment.
3. **EVERYONE WILL ASK WHY**
   You must explain the value to the board and public.
4. **THE NUMBER MATTERS**
   Too high or too low can have a major tax impact.

So how do you get the value right?

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Start With the Property Tax Code

Three definitions set up the entire data-center discussion.

REAL PROPERTY

35 ILCS 200/1-130

"The land itself, with all things contained therein, and also all buildings, structures and improvements, and other permanent fixtures thereon … and all rights and privileges belonging or pertaining thereto …"

LAND + BUILDING + IMPROVEMENTS

FAIR CASH VALUE

35 ILCS 200/1-50

"The amount for which a property can be sold … between a willing buyer and a willing seller."

WHAT WOULD IT SELL FOR?

PERSONAL PROPERTY

ILL. CONST. ART. IX, § 5(c)

Illinois abolished local ad valorem taxation of personal property effective January 1, 1979.

FIRST QUESTION: **WHAT IS TAXABLE REAL PROPERTY?**

Sources: 35 ILCS 200/1-130; 35 ILCS 200/1-50; Ill. Const. art. IX, § 5(c).

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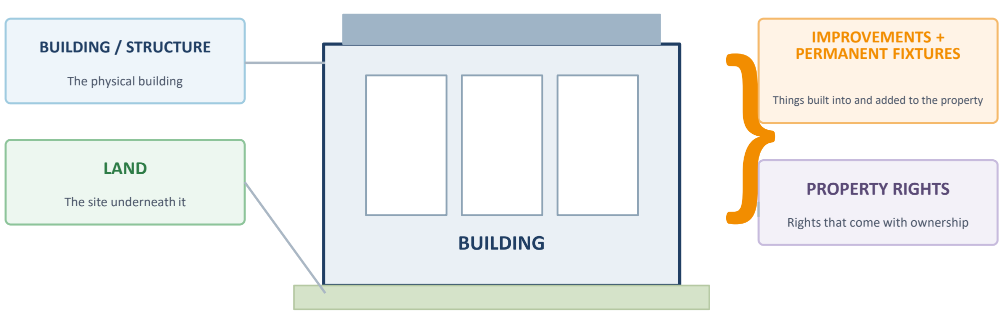
Real Property Is More Than the Building

The Code includes the parts that make the property what it is.



IMPROVEMENTS + PERMANENT FIXTURES — **This is where the data-center question lives.**

35 ILCS 200/1-130: land, buildings/structures/improvements, permanent fixtures, and associated rights.

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Classification First. Value Second.

Two different questions. Keep them separate.

Classification comes first; fair cash value applies to the taxable real property.

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SECTION 2

Data Center Fundamentals

Facility anatomy, critical power, transactions, and the asset boundary

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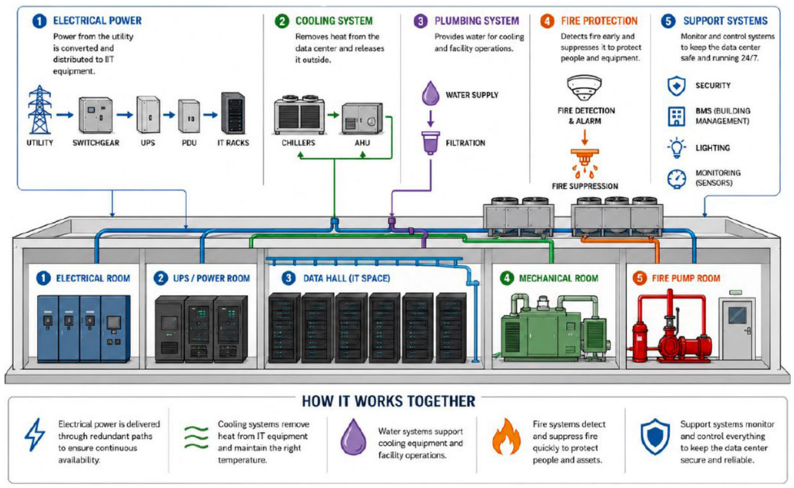
Data Center MEP Systems Overview

What's Built Into the Building



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A Data Center Has Two Parts

The building comes first. The servers come later.

REAL ESTATE + IT EQUIPMENT = OPERATING DATA CENTER 1 + 1 = 2

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What Makes Up a Data Center?

Think of it as multiple layers working together.

1 BUILDING SHELL

Land + roof + walls + floor

The shell gives you the space.

2 BUILDING SYSTEMS

Power + cooling + safety + controls

POWER | COOLING | FIRE | CONTROLS

Switchgear • UPS • generators • chillers • piping • fire protection • monitoring

These systems make the building a data center.

3 IT EQUIPMENT

Servers + network + storage

These are installed inside the facility.

BUILDING + BUILDING SYSTEMS = OPERATING DATA CENTER

Source: Chudzik, Data Center Valuation for Real Estate Tax Assessment, pp. 5-10.

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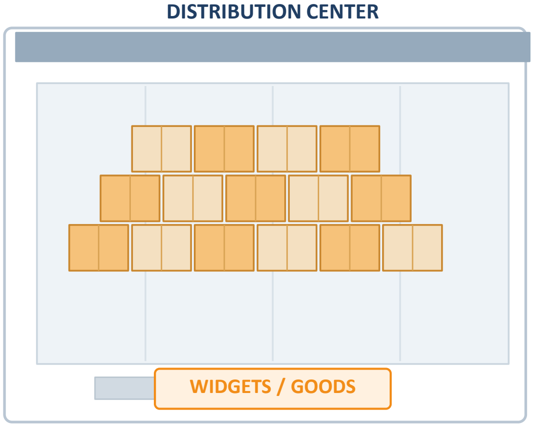
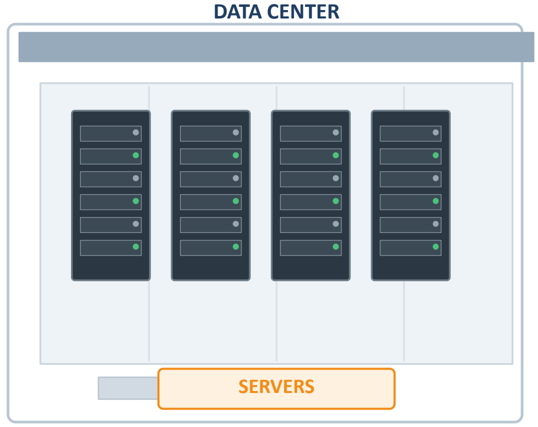
Think of the equipment inside the same way you think of goods stored in a warehouse.

DISTRIBUTION CENTER



DATA CENTER



Servers are the data center's widgets.

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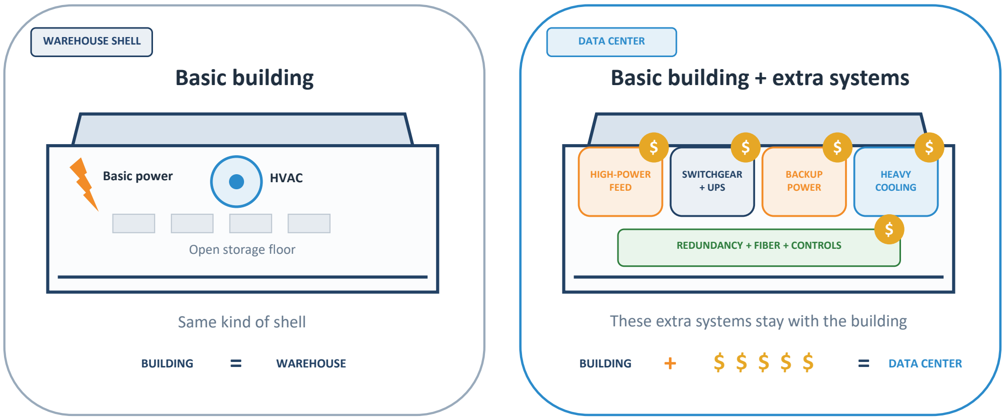
Why the Data Center Is Worth More Than a Warehouse

Start with the same basic building. Then add the systems a warehouse does not have.



THE EXTRA VALUE IS BUILT INTO THE REAL ESTATE BEFORE THE SERVERS ARRIVE.

Source: Chudzik, Data Center Valuation for Real Estate Tax Assessment, pp. 2, 5–10.

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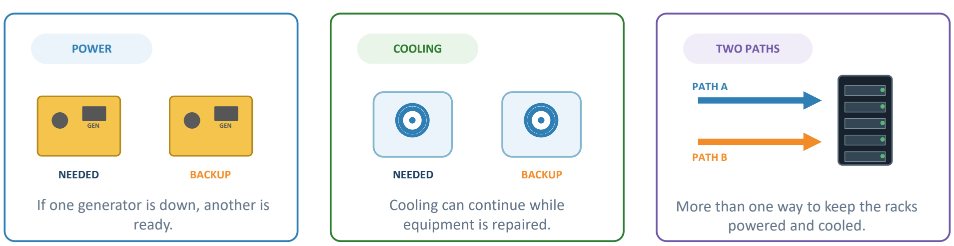
Why Are There So Many Backups?

Because the computers are expected to keep running even when equipment fails.

1 SYSTEM NEEDED + 1 BACKUP = N+1 REDUNDANCY COMMON DESIGN



BACKUP EQUIPMENT IS NOT EXTRA. IT IS PART OF HOW A MODERN DATA CENTER WORKS.

Source: Chudzik, pp. 3-4, 6-9. Most modern data centers use N+1 redundancy in electrical and mechanical systems.

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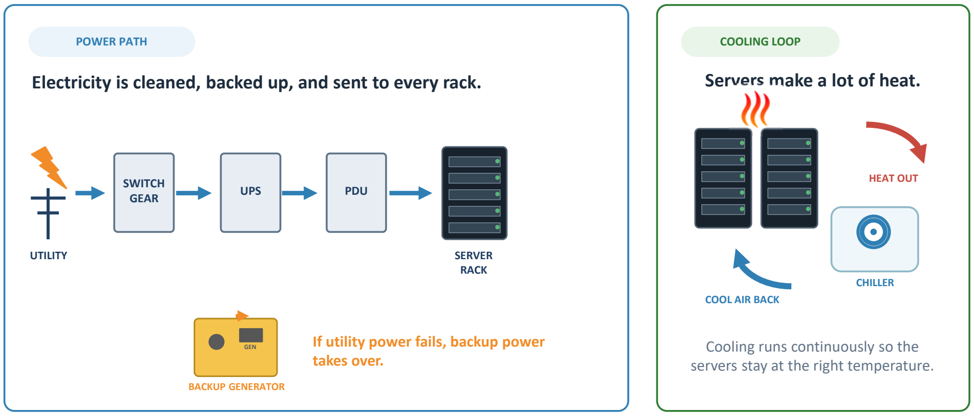
The Building Systems Do the Heavy Lifting

Power in. Heat out. Keep running.



A DATA CENTER MUST HAVE RELIABLE POWER AND RELIABLE COOLING - ALL DAY, EVERY DAY.

Source: Chudzik, pp. 6-9. Power flows utility -> switchgear -> UPS -> PDU -> IT racks; cooling removes server heat.

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SECTION 3

The Assessment of Data Centers

Sales, leases, asset boundaries, and assessment approaches

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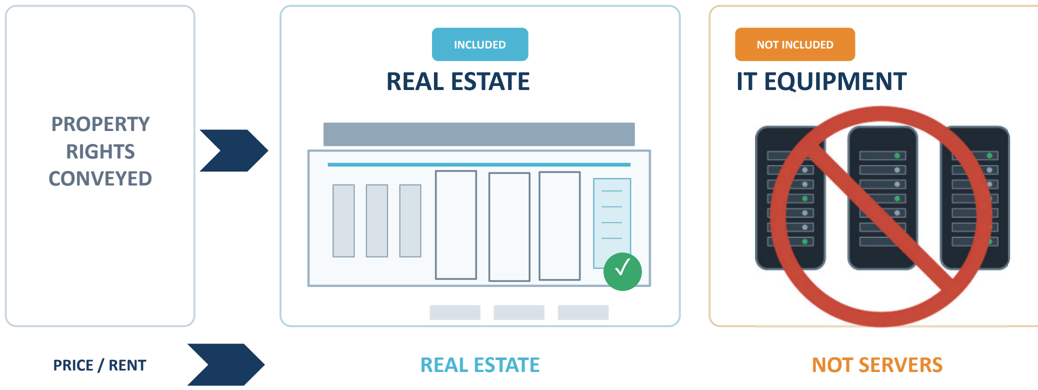
What Are We Valuing?

Sales and leases = real estate.



FROM HERE FORWARD: **REAL ESTATE ONLY** IT equipment stays outside the valuation

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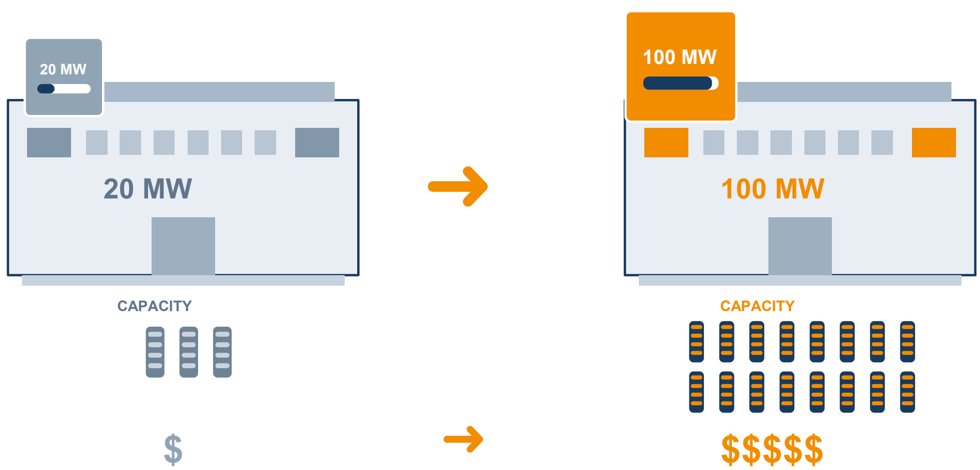
The Economic Unit Used by Market Participants Is Power and Not Square Footage



MORE POWER = MORE CAPACITY = MORE VALUE

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Three Ways to Value the Real Estate

No new appraisal method is needed. Use the traditional approaches.

INCOME

PRIMARY MARKET METHOD

RENT / kW

NOI ÷ CAP RATE = VALUE

Data centers are usually leased investment properties.

COST

STRONG SUPPORT FOR NEW FACILITIES

LAND + BUILDING + MEP

COST NEW – DEPRECIATION = VALUE

Do not stop at the warehouse shell.

SALES

USEFUL MARKET CHECK

PRICE / MW

COMPARE + ADJUST = VALUE

Comparable details can be hard to obtain.

MARKET PRACTICE: INCOME IS PRIMARY; COST AND SALES PROVIDE SUPPORT.

Source: Chudzik white paper, pp. 14–18. All three approaches apply; the income approach is the primary market method.

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Ownership and Lease Terms

Before using a rent or sale, confirm what it includes.

01 **WHO OWNS THE SYSTEMS?**

Landlord or tenant: power, cooling, and backup equipment.

02 **WHAT DOES THE RENT COVER?**

Building space, installed systems, power, or services?

03 **WHAT CAPACITY IS AVAILABLE?**

Confirm delivered power and the space ready for use.

MATCH THE PROPERTY RIGHTS AND THE RENT

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Cost and Sales Checks

Use the other approaches to test the value.

COST

Land + shell + building systems

Check the complete cost breakdown.

Support depreciation and obsolescence with evidence.

SALES

Comparable price per MW

Compare power, systems, and lease terms.

Consider and support each adjustment.

EXPLAIN THE DIFFERENCES BETWEEN THE APPROACHES

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SECTION 4

Illinois Classification Law

Property Tax Code, fixture analysis, and the controlling cases

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Real Property vs. Personal Property

Illinois starts with the Property Tax Code, then uses fixture law to classify the hard cases.

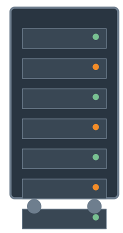
REAL PROPERTY

STAYS WITH THE PROPERTY

- **LAND** the site
- **BUILDING** the structure
- **FIXTURES** things built into it
- **RIGHTS** rights tied to the land

35 ILCS 200/1-130

PERSONAL PROPERTY



CAN MOVE

- **SERVERS** computer equipment
- **NETWORK GEAR** switches and similar IT
- **STORAGE RACKS** movable IT hardware

Personal property = property that is not real

ALSO CHECK HISTORY: The "Freeze Act" preserves pre-1979 real/personal classifications for property of like kind.

Source: Chudzik white paper, pp. 11–12

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The Illinois Fixture Test

When the answer is not obvious, ask three questions.

1
ANNEXATION
Is it physically attached?
Bolted, welded, connected or otherwise fixed to the building.

2
APPLICATION
Was it built for this property?
Specially designed or adapted to serve the building's use.

3
INTENT
Was it meant to stay?
Look at objective signs that it permanently improves the real estate.

THE KEY QUESTION **Was the item intended to permanently improve the real estate?**

Beeler v. Boylan, 106 Ill. App. 3d 667 (1982)

Cherry Bowl v. PTAB, 100 Ill. App. 3d 326 (1981)

Source: Chudzik white paper, pp. 12–13

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How Illinois Decides: Real or Personal?

Four legal checks. No special data-center rule.

1 START WITH THE PROPERTY TAX CODE

Is it land, a building, an improvement, or a permanent fixture?

REAL PROPERTY | 35 ILCS 200/1-130

2 CHECK THE "FREEZE ACT"

PRE-1979	LIKE KIND	HISTORY
Prior class?	Comparable?	Local class?

35 ILCS 200/24-5

3 RUN THE FIXTURE TEST

Apply annexation, adaptation, and intent.

ATTACHED? + ADAPTED? + INTENDED TO STAY?

Beeler v. Boylan • Cherry Bowl v. PTAB

4 LOOK AT THE WHOLE SYSTEM

Do the pieces work together as one system built into the property?

INTEGRATED SYSTEM | Ayrshire Coal v. PTAB

DATA CENTER TAKEAWAY **Check history first. If it does not answer the classification, apply the fixture test and evaluate the system as a whole.**

Source: Chudzik white paper, pp. 11–14

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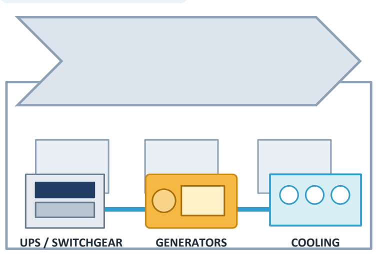
Apply the Test: Data Center Building Systems

Power and cooling equipment is not just sitting inside the building. It is part of how the building works.

MEP INFRASTRUCTURE



Also includes PDUs, power distribution, piping and related integrated systems.

RUN THE 3-PART TEST

✓ **ANNEXATION**	Bolted, welded or otherwise permanently affixed.
✓ **APPLICATION**	Engineered to make this building function as a data center.
✓ **INTENT**	Integrated design, scale and cost show it was meant to remain.

RESULT: REAL PROPERTY

Ayrshire Coal (1974) + Cherry Bowl (1981): integrated systems may be treated as one real-property unit

Source: Chudzik white paper, pp. 12–14

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Apply the Test: Servers vs. Building Systems

The simplest way to see the difference: what moves with the tenant, and what stays with the building?

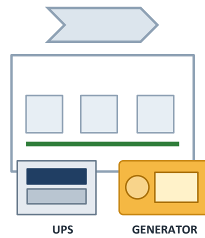
PERSONAL PROPERTY

MOVES WITH THE IT

- **Servers** movable
- **Networking gear** movable
- **Storage racks** movable
- **Technology cycle** about 3–5 years

RESULT: PERSONAL PROPERTY

REAL PROPERTY



STAYS WITH THE BUILDING

- **Switchgear / UPS** integrated
- **Generators** integrated
- **Cooling systems** integrated
- **Useful life** about 20–40 years

RESULT: REAL PROPERTY

Lease structure and ownership can inform the analysis, but attachment, special application and intended permanency remain important.

Source: Chudzik white paper, pp. 10, 13

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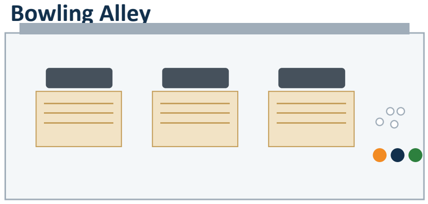
Cherry Bowl Makes the Data Center Analogy Easy

Separate what becomes part of the building from the movable things used inside it.

CHERRY BOWL

Bowling Alley



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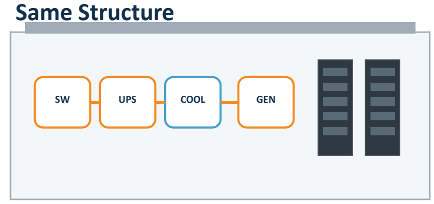
DATA CENTER

Same Structure



REAL PROPERTY	Building + lanes + pinsetters	REAL PROPERTY	Building + integrated MEP
PERSONAL PROPERTY	Balls + pins Movable, temporary, rapidly depreciating contents	PERSONAL PROPERTY	Servers + racks

THE ANALOGY: LANES & PINSETTERS : BALLS & PINS = MEP SYSTEMS : SERVERS & RACKS

Cherry Bowl, Inc. v. Ill. Property Tax Appeal Bd., 100 Ill. App. 3d 326, 330–31 (2d Dist. 1981).

Balls/pins are used only as an illustrative analogy.

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Illinois Property Classification: Start Here

Two categories, then two legal questions.

REAL PROPERTY

LAND + BUILDING + PERMANENT FIXTURES

35 ILCS 200/1-130

PERSONAL PROPERTY

PROPERTY THAT IS NOT REAL PROPERTY

Illinois stopped ad valorem personal-property taxation in 1979.

THEN ASK:

1 **Does a pre-1979 classification govern this property or one of like kind?**

YES: Apply the historical classification under the Freeze Act.

35 ILCS 200/24-5

2 **If history does not answer it, apply the fixture rules.**

ATTACHED? ADAPTED? INTENDED TO STAY?

For a newer property type, fixture and integrated-system analysis may do most of the work.

NEW TECHNOLOGY DOES NOT CREATE A NEW TAX CATEGORY.

Sources: 35 ILCS 200/1-130; 35 ILCS 200/24-5; Oregon CUSD 220; IPAI property-classification materials.

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The Cases: What Matters Most

Three authorities explain how Illinois draws the line.

CHERRY BOWL

Bowling lanes + pinsetters

REAL PROPERTY

Intent to permanently improve the real estate matters more than industry labels or whether the equipment can be removed.

100 Ill. App. 3d 326 (2d Dist. 1981)

AYRSHIRE COAL

Integrated industrial plant

SYSTEM AS A WHOLE

Equipment adapted to the property and operating together as one integrated system can be treated as part of the real estate.

19 Ill. App. 3d 41 (5th Dist. 1974)

OREGON CUSD 220

Freeze Act + local history

HISTORICAL CLASSIFICATION CAN CONTROL

Where a county had a lawful pre-1979 classification, the Freeze Act can require the same treatment for like-kind property.

285 Ill. App. 3d 170 (2d Dist. 1996)

BOTTOM LINE: LABELS DO NOT CONTROL. FUNCTION, INTEGRATION, INTENT AND HISTORY DO.

Byron Station is an important historical example, but the Illinois Supreme Court never decided the classification merits because the litigation settled.

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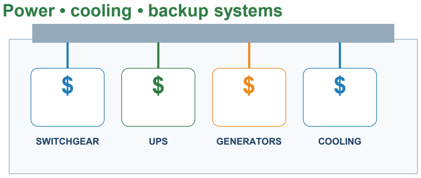
Apply the Same Rules to a Data Center

One building. Two very different kinds of property.

BUILT INTO THE FACILITY

BUILDING SYSTEMS

Power • cooling • backup systems



ATTACHED + ADAPTED + MEANT TO STAY

REAL PROPERTY

MOVABLE CONTENTS

SERVERS + RACKS

Installed to use the building

MOVABLE

MOVABLE + SHORTER TECH LIFE

PERSONAL PROPERTY

MEP BUILDS THE DATA CENTER. SERVERS USE THE DATA CENTER.

Cook County practice: MEP systems → real property; tenant-installed servers and server racks → personal/business property.

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SECTION 5

Valuation and Support

Documentation, consistency, and a defensible assessment file

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From Classification to a Defensible Assessment

One framework connects the property, the evidence, the law, and the value.

1. **CLASSIFY THE PROPERTY** — Separate taxable real property from movable equipment.
2. **UNDERSTAND THE FACILITY** — Trace the systems, ownership, capacity, and property rights.
3. **VALUE THE REAL ESTATE** — Use income evidence, then test the result with cost and sales.
4. **APPLY ILLINOIS LAW** — Check the Code and history before applying fixture and system analysis.
5. **BUILD THE FILE** — Document the basis and classify similarly situated properties consistently.

A CONSISTENT, EXPLAINABLE, AND DEFENSIBLE ASSESSMENT

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Defend the Assessment: Build the File Early

The best defense is documentation showing what was built, who owns it, and how it works.

COSTS	DRAWINGS	LEASES	APPRAISALS
Building shell + MEP cost breakdown	How systems attach and connect	Who installed and owns the MEP	Prior valuation and cost studies

CONSISTENCY MATTERS: similarly situated data centers should be classified the same way.

ASK EARLY • DOCUMENT INTEGRATION • APPLY THE RULE CONSISTENTLY

That is how you defend it

Source: Chudzik white paper, pp. 19–20. Recommended records include cost breakdowns, engineering drawings, leases, and prior appraisals/cost studies.

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