FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT:	George Polymenakos
DOCKET NO.:	18-29586.001-C-1
PARCEL NO.:	20-15-402-025-0000

The parties of record before the Property Tax Appeal Board are George Polymenakos, the appellant, by attorney George N. Reveliotis, of Reveliotis Law, P.C. in Park Ridge, and the Cook County Board of Review.

Based on the facts and exhibits presented in this matter, the Property Tax Appeal Board hereby finds ***No Change*** in the assessment of the property as established by the **Cook** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND:	$5,706
IMPR.:	$63,018
TOTAL:	$68,724

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the Cook County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessment for the 2018 tax year. The Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of the appeal.

Findings of Fact

The subject property consists of a two-story, mixed-use building of masonry construction with 10,355 square feet of building area. The building contains seven retail units on the first floor and two three-bedroom apartments on the second floor. It was constructed in 1916. As of the relevant valuation date of January 1, 2018, a daycare facility rented three of the retail units, a grocery store rented two, a salon rented one, and one was vacant. As of that date, one of the apartments was occupied, and one was vacant. The property has a 10,375 square foot site and is located in Chicago, Hyde Park Township, Cook County. The subject is classified as a class 3-18 property under the Cook County Real Property Assessment Classification Ordinance.

The appellant asserts overvaluation as the basis of the appeal. In support of this argument, the appellant submitted an appraisal estimating that the subject property had a market value of $360,000 as of January 1, 2018. The appraisal used the sales comparison and income approaches. For the sales approach, the appraiser relied on 10 suggested sales comparables that sold between October 2014 and May 2017, for amounts ranging from $58,000 to $530,000 or between $7.80 and $33.58 per square foot of living area, land included in the sale prices. The appraiser adjusted the sales prices to account for differences between the comparables and the subject. For the income approach, the appraiser relied upon rental income from ten suggested apartment comparables and eight suggested retail comparables. The square footage of living area for six of these suggested apartment comparables was known, and their rental income ranged from $0.72 to $1.15 per square foot of living area per month. The unadjusted rental income from the eight retail comparables ranged from $6.24 to $12.00 per square foot of building area per year.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of $68,724. The subject's assessment reflects a market value of $687,240 or $66.37 per square foot of living area, land included, when using the Cook County Real Estate Classification Ordinance level of assessment for class 3 property of 10%. The board of review stated that the subject's assessment per square foot of building area was $72.00, but this was based upon an assumption that the subject's building area was 9,550 square feet. The Board concludes that the appellant's evidence shows by a preponderance of the evidence that the subject has 10,355 square feet of building area.

In support of the assessment, the board of review submitted information about sales of eight suggested comparable properties. The suggested comparables were sold between June 2016 and October 2019 for amounts ranging from $500,000 to $1,640,000 or between $52.08 and $155.69 per square foot of building area, land included in the sales prices.

A virtual hearing was conducted regarding this appeal before one of the Board's Administrative Law Judges on May 23, 2023. The appellant was represented by counsel, and the board of review was represented by one of its analysts.

The appellant called appraiser, Shawn Schneider, as a witness. Schneider testified that he is a real estate appraiser who is certified by the State of Illinois, and he has been appraising commercial property since 1992, including hotels, restaurants, office buildings, mixed-use buildings, industrial buildings, apartment buildings, and vacant land. The taxpayer hired him, and he prepared an appraisal report for the subject property that was dated July 27, 2018. He physically inspected the property.

Schneider used the sales comparison and income approaches in his appraisal. He did not use the cost approach because of the age of the improvements. For his sales comparison approach, Schneider used ten suggested comparable properties that sold between October 2014 and May 2017, for amounts ranging from $58,000 to $530,000 or between $7.80 and $33.58 per square foot of living area, land included in the sales prices. After Schneider adjusted the sales prices to account for differences between the comparables and the subject in matters such as building age, size, condition, and location, the range was between $10.73 and $40.30 per square foot of building area. Sales comparables five, seven, eight, and nine involved ROE (real estate owned) sales. Schneider verified the sales at the Cook County Recorder of Deeds website.

Schneider was supplied with a rent roll for the building, and he also relied on market income rates in employing the income approach. He examined comparable lease rates for apartments and commercial leases. He found the subject's rental rates to be in line with market rates. Schneider did not have operating statements for the building that he could use when determining expenses for the income approach. He relied instead on market expenses. His final opinion of value for the subject was $360,000.

On cross-examination, Schneider testified that he used market rental rates for his income approach, but using the actual income from the building would not have resulted in a higher value. According to Schneider's appraisal, the building's rent roll reflected annual rental income of $95,180, and the total market rent for the building was $107,250 less 10% for vacancy and collection costs for a total effective gross income of $96,525.

Conclusion of Law

The appellant contends the market value of the subject property is not accurately reflected in its assessed valuation. When market value is the basis of the appeal, the taxpayer must prove the value of the property by a preponderance of the evidence. 86 Ill. Admin. Code §1910.63(e); Winnebago County Bd. of Review v. Property Tax Appeal Bd., 313 Ill. App. 3d 1038, 1043 (2d Dist. 2000). Proof of market value may consist of an appraisal of the subject property, a recent sale, comparable sales, or construction costs. 86 Ill. Admin. Code §1910.65(c). The Board finds the appellant did not meet this burden of proof and a reduction in the subject's assessment is not warranted.

The Board finds that the appraisal relied on by the appellant is flawed because of its reliance on numerous problematic comparable sales in the sales approach and because of errors in applying the income approach. Regarding the sales approach, four of the comparable sales (numbers five, seven, eight, and nine) were REO sales, which generally means the property was sold "as is," and often means it was bought at a significant discount. In fact, of the 10 comparable sales used by the appraiser, the four REO sales had the four lowest gross sales prices per square foot of building area ($7.80, $11.76, $13.06, and $14.44). They also had the four lowest adjusted sales prices per square foot ($10.73, $15.53, $16.53, and $19.05). This indicates that they were likely sold at significant discounts and were not reliable indicators of the subject's market value.

Additionally, comparable six was sold in October 2014, more than three years before the relevant valuation date, and the gross adjustment figure for that comparable was 30%, both of which indicate that it is likely not a reliable indicator of the subject's market value. Furthermore, the appraiser's net adjustment percentage was 20% for comparables two, five, and eight, and 25% for comparable nine. Comparable four had a net adjustment amount of 15% and a gross adjustment amount of 25%. The net adjustment figure for comparable 10 was 20%, and the gross adjustment amount for that comparable was 30%. These high levels create serious doubt about the usefulness of these comparables in determining the subject's market value. And they do not even include the 10% initial adjustments that Schneider made to the sales prices of comparables five, seven, eight and nine because they were REO sales.

The Board also finds that there were flaws in the appraisal's income approach. The income approach portion of the appraisal report contains some significant errors, including mistakes in calculation and analysis. The income approach generally values property by dividing its annual market income by a capitalization rate. In this case, the appraiser first examined the subject's actual rental income and rental rates of comparable apartment and commercial properties. This data was used to calculate the subject's potential gross income. The appraiser subtracted a 10% vacancy and collection rate from this amount to determine the subject's effective gross income. The appraiser then calculated the subject's expenses and subtracted them from the potential gross income to derive the figure for the subject's annual market income. The expenses included an estimate of the subject's 2018 property taxes. The appraiser used the band of investment method to determine an initial capitalization rate of 10%. The appraiser then determined that a loaded capitalization rate should be used to address the effect of property taxes. He calculated the loaded capitalization rate as 12.15%. He divided the annual market income figure of $43,718 into 12.15% to produce an estimated market value for the subject of $359,819, rounded to $360,000.

Flaws at various steps in this process undermine the appraiser's conclusion of value under the income approach. The appraisal includes charts containing the income derived from leases of comparable apartments and commercial properties. These charts create a potential for confusion because some units for comparison are not equivalent. The chart for the apartment comparables sets forth their monthly income per square foot of living area, and the chart for the commercial comparables sets forth their annual income per square foot of building area.

Confusion and mistakes manifest themselves on other charts. A chart on page 38 setting forth the rent roll states correctly that the annual rent for the two units containing the grocery store is $24,000, or $12.00 per square foot. The chart states that the market rent for these units would be $10.00 per square foot, but it also states that the actual rent for the units is 90% below market rent. This would mean that the market rent would be $240,000, or $20,000 per month for 2,000 square feet of space, which is not the case.

This confusion is carried over to charts on page 39 of the appraisal that show data and calculations used to determine the subject's potential gross income. The first chart is labelled "Potential Gross Income-Occupied Space." This chart has a column titled "Contr. Rent SF or Unit." That column creates further confusion by stating the monthly rent per square foot for the two units containing the grocery store ($1.00) and the occupied apartment ($0.73) while stating the annual rent per square foot for the three units containing the daycare center ($11.60) and the unit containing the salon ($10.20). The next column, titled "Market Rent" incorrectly states that the units containing the grocery store have an annual market rent is $240,000 when the actual total is one-tenth that amount. The last column, which sets forth the percentage of market rent being charged for each tenant's space erroneously states that the grocery store is being charged only 10% of market rent, which is apparently based on the $240,000 figure.

This chart contains further inaccuracies. For example, its final line lists Multifamily Totals for various categories. The annual contract rent for the apartments is incorrectly listed as $24,000, which is the annual contract rent figure for the retail units containing the grocery store. The contract rent per square foot for the apartments is then listed as $2,000 per square foot and $240,000 annually, far more than the actual amounts. The next chart on page 39 is titled "Potential Gross Income-Vacant Space." It correctly states that there were two vacant units, but incorrectly states that both were commercial. In fact, one was commercial and the other was an apartment. These errors affected calculation of the appropriate potential gross income and effective gross income amounts and rendered those calculations unreliable.

Another error undermining the appraisal's income approach was the use of a loaded capitalization rate to address the effect of property taxation when the appraiser had already taken that impact into account by estimating the subject's 2018 property taxes and including them as an expense to be deducted from the subject's gross income. Counting estimated 2018 property taxes as an expense reduced the numerator of the fraction used to calculate market value (annual income divided by capitalization rate). This was sufficient by itself to account for the impact of property taxation on the subject's market value. By also using a loaded capitalization rate, the appraiser increased the applicable capitalization rate from 10% to 12.15%, changing the denominator of the applicable fraction, and further decreasing the appraiser's estimate of the subject property's market value. In effect, the appraiser improperly made two deductions from the subject's income to account for the effect of annual property taxes when only one was needed, thereby causing the appraiser to deduct far too much.

Under these circumstances, the Board finds that the appraiser's determination of the subject's fair market value under the income and sales comparison approaches is entitled to no weight because of the flaws, inaccuracies, and inconsistencies in the appraisal set forth above. The Board further finds that the only two valid comparables in the appraisal's sales comparable approach are comparables one and three. At least three sales comparables are necessary to prove overvaluation, however. 86 Ill. Adm. Code § 1910.65(c)(4). Therefore, these two comparables are not sufficient.

The Board gives no weight to the board of review's sales comparables primarily because none of them is improved with a mixed-use building like the subject. Instead, all are apartment buildings. Nevertheless, as stated above, the appellant has the burden of proving overvaluation by a preponderance of the evidence. The appellant did not satisfy that burden in light of the flawed appraisal it submitted. Accordingly, a reduction in the subject's assessment is not warranted.

This is a final administrative decision of the Property Tax Appeal Board which is subject to review in the Circuit Court or Appellate Court under the provisions of the Administrative Review Law (735 ILCS 5/3-101 et seq.) and section 16-195 of the Property Tax Code. Pursuant to Section 1910.50(d) of the rules of the Property Tax Appeal Board (86 Ill.Admin.Code §1910.50(d)) the proceeding before the Property Tax Appeal Board is terminated when the decision is rendered. The Property Tax Appeal Board does not require any motion or request for reconsideration.

Chairman

Member	Member
Member	Member

DISSENTING:

C E R T I F I C A T I O N

As Clerk of the Illinois Property Tax Appeal Board and the keeper of the Records thereof, I do hereby certify that the foregoing is a true, full and complete Final Administrative Decision of the Illinois Property Tax Appeal Board issued this date in the above entitled appeal, now of record in this said office.

Date: September 19, 2023

Clerk of the Property Tax Appeal Board

IMPORTANT NOTICE

Section 16-185 of the Property Tax Code provides in part:

"If the Property Tax Appeal Board renders a decision lowering the assessment of a particular parcel after the deadline for filing complaints with the Board of Review or after adjournment of the session of the Board of Review at which assessments for the subsequent year or years of the same general assessment period, as provided in Sections 9-125 through 9-225, are being considered, the taxpayer may, within 30 days after the date of written notice of the Property Tax Appeal Board's decision, appeal the assessment for such subsequent year or years directly to the Property Tax Appeal Board."

In order to comply with the above provision, YOU MUST FILE A PETITION AND EVIDENCE WITH THE PROPERTY TAX APPEAL BOARD WITHIN 30 DAYS OF THE DATE OF THE ENCLOSED DECISION IN ORDER TO APPEAL THE ASSESSMENT OF THE PROPERTY FOR THE SUBSEQUENT YEAR OR YEARS. A separate petition and evidence must be filed for each of the remaining years of the general assessment period.

Based upon the issuance of a lowered assessment by the Property Tax Appeal Board, the refund of paid property taxes is the responsibility of your County Treasurer. Please contact that office with any questions you may have regarding the refund of paid property taxes.

PARTIES OF RECORD

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