

PROPERTY TAX APPEAL BOARD'S DECISION

APPELLANT: Candlewood Hotel
DOCKET NO.: 03-22082.001-C-3
PARCEL NO.: 12-16-315-023-0000

The parties of record before the Property Tax Appeal Board are Candlewood Hotel, the appellant, by attorney Patrick C. Doody, of Golan & Christie, Chicago; the Cook County Board of Review by Cook County Assistant State's Attorney Aaron Bilton; and the intervenor, Leyden High School District No. 212 by attorney Ares Dalianis of Franczek Sullivan, P.C., Chicago.

For hearing purposes, this appeal was consolidated with Property Tax Appeal Docket Nos. 01-22392.001-C-3 and 02-21132.001-C-3. The intervenor in this consolidated hearing will only be allowed to participate in those matters pertaining to the 2003 appeal. Any intervenor arguments will only be considered by the Board as applicable for the date at issue, or January 1, 2003.

The subject property consists of a rectangular shaped 88,339 square foot parcel improved with a seven-story masonry constructed, extended stay, limited-service hotel containing 90,349 square feet of building area with a 1.98:1 land to building ratio. The improvement was constructed in 1999 and contains 160 guest rooms, a laundry room, a vending area and an office. The subject is located in Leyden Township, Cook County.

As a preliminary matter, the board of review made a motion to exclude the appellant's appraisal from evidence based on a decision of The Property Tax Appeal Board in Docket No. 99-25370-C-3, The Lurie Company. Counsel argued that the Board ruled that an appraisal outside of the triennial assessment period is irrelevant.

During the hearing of the Lurie appeal for 1999, the board of review attempted to submit two appraisals submitted to the board of review by The Lurie Company for the year 2000. This Board

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Based on the facts and exhibits presented, the Property Tax Appeal Board hereby finds a reduction 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: \$ 201,007
IMPR.: \$ 1,888,993
TOTAL: \$ 2,090,000

Subject only to the State multiplier as applicable.

PTAB/lbs/070249/250/251

held that these appraisals were inadmissible because the time to file evidence had long since been closed and that such evidence would unfairly prejudice the appellant's case. Furthermore, this Board held that such evidence may constitute rebuttal evidence specifically prohibited by the *Official Rules of the Property Tax Appeal Board*, §1910.66(b) wherein the rule states:

Rebuttal evidence shall not consist of new evidence such as an appraisal or newly discovered comparable properties. A party to the appeal shall be precluded from submitting its own case in chief in the guise of rebuttal evidence. 86 Ill. Adm. Code 1910.66(b)

The Property Tax Appeal Board finds that the board of review misconstrues the findings in the Lurie case. Accordingly, the Property Tax Appeal Board denies the motion.

The appellant, through counsel, appeared before the Property Tax Appeal Board arguing that the fair market value of the subject was not accurately reflected in its assessed value. In support of the market value argument, the appellant submitted a summary report of a complete appraisal with a valuation date of January 1, 2000 (Appellant's Exhibit No. 1) and the testimony of its author, Joseph M. Ryan. Mr. Ryan is a State of Illinois certified general real estate appraiser with a Member of the Appraisal Institute (MAI) designation. After an examination of Mr. Ryan's appraisal experience, he was tendered and accepted as an expert witness.

Mr. Ryan testified that he completed a full interior and exterior inspection of the subject on April 24, 2001. Although Mr. Ryan's report had an effective date of January 1, 2000, he opined that the subject's value would be more or less the same as of January 1, 2001, 2002 and 2003. He described the subject as being located in an area of mixed commercial and industrial properties which is not a prime hospitality market. The prime hospitality area, in his opinion, is north of O'Hare Airport whereas the subject is south of O'Hare. Further, in the witness' opinion, the extended-stay market in the Chicago area was over-built in the 1990s causing a negative impact on the subject's market value. The subject is considered within a sub-market described by Mr. Ryan as the lower tier of the extended stay market. He based this classification on sources such as Bear Stearns & Co., Smith Travel Research and Coopers & Lybrand L.L.P.

Mr. Ryan testified the subject was appraised as a fee simple estate; appears to conform to current zoning laws; and its effective age is one-year with a remaining economic life of thirty-nine years. After an analysis of the four sequential tests of highest and best use, it was the appraiser's testimony, the subject's highest and best use as vacant would be development

for hospitality use and its highest and best use as improved is continued use as an extended-stay hotel building.

To estimate a total market value of \$3,800,000 for the subject, the appraiser employed the hypothetical condition that the subject had been open for twelve months prior to January 1, 2000.

In the appraisal and in testimony, the witness indicated, based on Steven Rushmore's analysis in the book *Hotels and Motels: A Guide to Market Analysis, Invest Analysis and Valuations*, the long start up periods, from one to four years for lodging facilities, hostelry investors are advised to financially carry the property until profits are produced. This viewpoint, he suggested, bears out the subject's construction costs are not indicative of its value and a cost approach was not of significance in the subject's estimate of market value. Further, he testified that a typical buyer in this market does not base an investment decision on a cost approach but relies principally on potential income with some emphasis on comparable sales. In essence, Mr. Ryan indicated that generally new hotel property on the market in its start-up period, such as the subject, is not worth the cost to build.

In the appraisal's summary of the subject's history it was noted that the subject's recorded land sale price in June 1998 was \$3,300,000 or \$37.36 per square foot of land area. Mr. Ryan indicated that according to ownership, the building project cost was \$8,903,916, or \$84.71 per square foot, which included furniture fixtures and equipment (FF&E) as well as other costs.

Although Mr. Ryan did not utilize the cost approach, he prepared an estimate of the subject's land value through an examination of the sales of five vacant properties purchased for hotel development. The appraiser selected parcels in similar market areas to the subject. The parcels range in size from 51,219 to 191,664 square feet in land area with zoning comparable to the subject's zoning. The sale comparables sold from March 1997 to April 2000 for prices ranging from \$615,000 to \$3,225,000, or from \$7.30 to \$29.84 per square foot of land area. After adjustments to the comparables for market conditions, location, size, utility/zoning, time of sale, and other pertinent items, Mr. Ryan estimated \$32.50 per square foot as a unit of value for the subject land, resulting in an estimated land value of \$2,870,000 rounded.

Appellant's counsel inquired of the witness why a party would pay more for land than the appraiser's opinion of its worth. Ryan testified that his client, the appellant, indicated the land was purchased at its asking price in order to quickly construct a hotel and have presence in the market.

As the bases for his income approach to value, the appraiser relied on the 1999 edition of *Trends in the Hotel Industry* (TRENDS 2000), for the nation and the north central market, *Korpacz, First Quarter 2000 Edition* as well as other sources and his experience.

From his sources, the appraiser developed \$65.00 as the subject's average daily room rate, which resulted in potential gross room revenues of \$3,796,000 for the subject. He then applied an average occupancy rate of 70% to arrive at an estimated \$2,657,200, or 94.66% of total revenue, as the effective gross room revenue for the subject. In the main, other income was stabilized by applying industry standard percentages resulting in a potential gross income (PGI) of \$2,822,200. Expenses based on industry standards were stabilized at \$1,749,765, or 62% of the PGI. The deduction of the stabilized expenses from the PGI resulted in an estimated net operating income of \$1,072,435 for the subject. The witness testified that other refinements to the income stream of \$330,650 representing return of and return on personalty and \$71,932 as amortized start-up costs were deducted, resulting in \$669,853 as an adjusted stabilized net operating income (NOI) for the subject.

Mr. Ryan used both the market extraction and the mortgage equity techniques to develop an overall capitalization rate for the subject. Sources such as the *Korpacz Real Estate Investor Study*, a thorough analysis of market activity and his experience led to his conclusion of 10.50% as an overall capitalization rate for the subject. Mr. Ryan then calculated an effective tax rate of 6.80%, which he added to the overall capitalization rate. The total capitalization rate of 17.30% was then applied to the subject's NOI. The appraiser's estimate of value for the subject via the income approach was \$3,870,000, rounded as of January 1, 2000.

Mr. Ryan testified that he had the opportunity to examine the subject's operating statements subsequent to preparing the 2000 appraisal and found the subject had not achieved the results projected in his report. He testified that the events surrounding the September 11, 2001 terrorist attacks had a profoundly negative impact on all aspects of the hospitality and airline industries. People traveled less, hotel occupancy fell as did room rates.

In the sales comparison approach, Mr. Ryan testified he examined the sales of four hotel properties in the subject's general area, two of which are south of the airport. The other two are located northwest of the airport. Containing between 102 and 197 guest rooms, the buildings ranged from 12 to 35 years old. The improvements were situated on parcels ranging from 117,663 to 196,020 square feet of land area. These sales took place between

July 1997 and April 2000 for prices ranging from \$2,224,500 to \$4,050,000, or from \$13,325 to \$32,843 per guest room including land.

The appraiser adjusted the sales comparables for conditions of sale, market conditions, location, age, condition, occupancy and services offered along with other unique characteristics individual to the comparables. The appraiser testified that from this information he selected a unit of value for the subject of \$22,500 per guest room thus his estimate of value for the subject using the sales comparison approach, as of January 1, 2000, was \$3,600,000, rounded. The appraiser testified the same market factors existed in 2001.

Mr. Ryan testified as market participants place more weight on the income approach in his reconciliation of the methods used to estimate a market value for the subject, the income approach was given more weight and less reliance was placed on the sales comparison approach. His final opinion of value for the subject was \$3,800,000, as of January 1, 2000. He further testified that his value as of January 1, 2002 and 2003 would not be significantly different.

Mr. Ryan was cross-examined by the hearing officer regarding the extensive discussion in the appraisal about Real Estate Investment Trusts (REITs.) Mr. Ryan responded that the mission of REITs is to invest in properties and/or build new properties to generate a return which is in turn paid to shareholders. In the witness' opinion, REITs overpay for properties because of the high motivation to pay a return to shareholders. As the appellant is part of a REIT, it is the appraiser's opinion that the appellant over-paid for the subject land because of the mandate to invest and return. The witness testified that his client, the appellant, paid the advertised asking price for the land which is unusual. The witness' client indicated its motivation was to acquire the property, build a hotel, have presence in the market and generate a return on the investment.

Mr. Ryan was cross-examined by counsel for Leyden School District No. 212 and counsel for the board of review.

Mr. Ryan was questioned extensively regarding the subject's project costs versus his estimate of the subject's market value. He verified that subtracting his estimate of the subject's land value from his estimated total value resulted in an improvement value for the subject of \$930,000. He reiterated that, as the subject was a new property, when estimating a market value for the subject in the hotel/motel market he relied quite heavily on the techniques in Rushmore's book on hotel/motel valuation. Rushmore's methodology indicates that new properties such as the subject will under-perform during a start-up period. This theory is borne out historically as during the start-up period hotels

generally cannot justify the investment and the subject followed the pattern.

Subsequently, the witness was questioned in detail regarding the sales utilized, his sources, and adjustments made to the sales. He verified the circumstances of each sale. He also verified the search for similar hotel/motel properties took him beyond the boundaries the local market and of extended-stay hotels.

Mr. Ryan also was cross-examined regarding the extent of his reliance and understanding of the *Korpacz Investor Survey* when preparing the income approach to value. The witness acknowledged that some information from the *Korpacz* report was modified to comply with the requirements of the subject property. These modifications were based on his experience and knowledge of the local hotel market. The witness was thoroughly cross-examined about the foundation for various line-items in his stabilized operating statement. He testified that each questioned item was examined in light of the published market ranges and adapted to the subject's requirements.

Mr. Ryan agreed that while the purchase of a land parcel for the asking price was not typical it was also not unique. He agreed that during the time period from 2000 to 2003 REITs were the buyers in the market for properties such as the subject.

In addition, Mr. Ryan verified the subject is in excellent condition; the subject is a low-end extended stay hotel; on a national level supply of such hotels has kept up with demand; and on a local level a new suite hotel is in a competitive market.

Exhibits Presented by the Intervenor during cross-examination:

Intervenor Exhibit No. 2; Copy PTAX-203 Transfer Declaration for subject, 4/2002.

(Transcript P. 42)

Intervenor Exhibit No. 3; Selected pages 1/1/2001 appraisal Candlewood Hotel, Hoffman Estates by appellant's witness. Cover page and Improved Sales Summary - Page 55.

(Transcript P. 57)

The board of review submitted the "Board of Review Notes on Appeal" wherein the subject's final assessment of \$2,431,999 was disclosed. This assessment reflects a fair market value of \$6,399,997 when the Cook County Real Property Assessment Ordinance level of assessments of 38% for Class 5a property, such as the subject, is applied. The board's attorney pointed out that the current assessment reflects an adjustment from the prior year due to the subject's loss in value subsequent to the events of September 11, 2001.

In support of its assessment, the board offered an appraisal report prepared by Hugh MacKinnon of the Cook County Assessor's Office (Board of Review Exhibit No 1.) The report indicates Mr. MacKinnon is a Certified Illinois Assessing Officer (CIAO.) Mr. MacKinnon was not present at the hearing to testify regarding his credentials, appraisal methodologies, and the validity of the data contained in the appraisal.

To estimate a value for the subject of \$11,000,000 as of January 1, 2001, Mr. MacKinnon employed the income approach and the sales comparison approach to value. The author did not develop a cost approach or an estimate of value for the subject's land.

After reconciliation Mr. MacKinnon's final estimate of value for the subject is \$11,000,000 as of January 1, 2001. Based on this evidence counsel for the board of review requested confirmation of the current assessment.

Appearing before the Property Tax Appeal Board on behalf of the intervenor, Leyden Township High School District No. 212 was its attorney arguing the fair market value of the subject is not reflected by the current assessment. In support, the intervenor presented a complete summary appraisal (Leyden Township High School District No. 212 - Exhibit No. 1) and the testimony of its author, Eric Dost. Mr. Dost began his career as an appraiser in 1986. Mr. Dost testified he has a MAI designation and is a State of Illinois certified appraiser. After a brief description of his experience and credentials, Mr. Dost was tendered and accepted as an expert witness. The witness testified that he did an exterior and limited interior inspection of the subject property on December 5, 2001 and in August 2005; and revisited subject in August 2006. He testified the subject was appraised as a fee simple estate. The appraiser's opinion of highest and best use for the subject concurs with the other appraisals in the record.

To estimate a total market value of \$6,500,000 for the subject as of January 1, 2000, the appraiser employed two of the three traditional approaches to value.

The appraiser explained that the cost approach was not employed because, in his opinion, as of the date of value a purchaser of the subject would be interested in income going forward not historical cost. However, he did estimate a land value for the subject. The appraiser examined the sales of four vacant properties located in Des Plaines, Rosemont, Schiller Park and Niles, Cook County. The subject's land sale was included as sale number one. The parcels range in size from 88,339 to 100,198 square feet of land area. The comparables sold from June 1998 to November 2000 for prices ranging from \$14.98 to \$37.36 per square foot of land area. After adjustments to the comparables for size and location, Mr. Dost estimated \$30.00 per square foot as a unit

of value for the subject land, resulting in a projected land value of \$2,700,000, rounded.

In his sales comparison, Mr. Dost testified as the majority of hotels sell as a going concern he analyzed the subject as a going concern, subtracted out business value and FF&E to arrive at a value for the real estate only. The witness added that if a sale is of the real estate only (REO) it usually indicates there is a problem with the property itself or the management.

Mr. Dost testified he examined the sales of five properties located in suburban Cook County. The comparables consist of full-service or limited service type hotels and upper-tier suite properties. Containing from 108 to 368 guest rooms the comparables were built between 1989 and 1992. These sales took place from January 1997 to March 1999 for prices ranging from \$16,325,000 to \$48,000,000 or from \$56,929 to \$161,116 per guest room. The appraiser adjusted the comparables for factors such as market conditions, age/condition, location, building area per room, economic characteristics and appeal. From this data, the appraiser testified he selected a unit of value for the subject of \$58,000 per guest room, or an estimated value of \$9,300,000, inclusive of business value (proprietary income) and FF&E, for the subject as a going concern. The appraiser then adjusted the subject's estimated value to determine a value for the subject's real estate only. Using the 10% projection of proprietary income from his income approach and an overall capitalization rate 15%, Mr. Dost determined \$942,093 as the subject's proprietary interest deduction. A depreciated value for the FF&E was also deducted. These calculations resulted in an adjusted estimated value for the subject of \$45,000 per room or \$7,200,000, rounded, through the sales comparison approach.

From data gathered on his comparable sales, the appraiser indicated these properties had gross revenue multipliers (GRM) of from 1.53 to 3.37. He then divided his estimated value of the subject as a going concern of \$9,300,000 by a GRM of 2.48 for the subject. The subject's GRM is within the range of the comparables and considered reasonable by the appraiser.

Mr. Dost described the techniques and data used when he developed the income approach to value. The appraiser employed data from the 2001 HOST study (SRT Trend Report), the subject's actual expense history and four rental comparables. The appraiser testified that the local Trend Report provided information on a number of suite and extended-stay hotels in the subject's general area. The data provided indicated extended-stay hotel market in suburban Chicago experienced a decline in revenues beginning in 1999. The rental comparables ranged in size 88 to 192 rooms and offered one-bedroom and two-bedroom units with daily and/or weekly rates; comparables two and three offered weekly rates of \$410.00 and \$339.00, respectively. The appraiser testified that

based on the Trends report and limited information for the subject he concluded an average daily rate (ADR) of \$80.00 for the subject. The appraiser testified that based on the subject's first 10 months of occupancy at 70.0%, he concluded a stabilized occupancy rate for 2000 of 75.0%, which was within the range of extended-stay figures. These calculations resulted in an estimated \$3,504,000 for total room revenues. Other revenues were estimated as; food revenue at 1.2% of total room revenue; telephone revenue at 2.2% of total revenue; and other income at 3.3% of total revenue. These computations generated an estimated PGI of \$3,755,850. Using the *Trend Report* as the primary source he estimated departmental expenses of \$954,481; undistributed operating expenses of \$897,648; franchise and management fees of \$221,596; Illinois Hotel Tax at \$197,626; and insurance and reserves for replacement at \$71,361. A deduction of \$141,314 for proprietary income was then taken resulting in an adjusted NOI of \$1,271,825.

To establish a capitalization rate applicable to the subject's NOI, the appraiser testified *Korpacz's* 2000 first quarter investor study suggested a range of capitalization rate from 9.0% to 12.0% with an average of 10.83% for the extended-stay market; the band of investment technique suggested a 10.50% capitalization rate; and three of the sales in his sales comparison approach suggested capitalization rates of from 9.9% to 11.97%. After review this data and taking into consideration the deduction of proprietary interest, Mr. Dost established 9.5% as an appropriate rate for the subject, to this he added an effective tax rate of 6.929% suggesting an overall capitalization rate of 16.429%. The application of the overall capitalization rate to the adjusted NOI resulted in an indicated value of the subject as a going concern of \$7,741,215. After a deduction of \$1,200,000, representing his estimate of the depreciated FF&E, the appraiser's estimated value for the subject was \$40,625 per room or \$6,500,000, rounded.

In his reconciliation of the two methods of estimating value, Mr. Dost placed primary emphasis on the income approach indicating the sales comparison approach lent support to the income approach. His final opinion of value for the subject was \$6,500,000, as of January 1, 2000.

Counsel questioned Mr. Dost with regard to his opinion of value for the subject for the years, 2002 and 2003. He responded that his opinion of value for those years would not be lower than \$6,500,000.

The hearing officer inquired why a value for FF&E was deducted from the indicated value of the going concern after capitalization. The witness responded that he believes that market participants look at FF&E as a whole sum and get their return through depreciation recapture. When asked if this is a

typical procedure for *ad valorem* tax purposes, Mr. Dost suggested there is no single generally accepted procedure.

During cross-examination, Mr. Dost was thoroughly questioned regarding information sources and methodologies used when preparing the appraisal. The witness verified that the capitalization rate he developed for the subject was for the real estate only. The witness continued, citing the subject's 2002 sale, indicating that the sale was part of a 20 plus hotel package that *CoStar Comps* reported had a blended capitalization rate of 12.25%. When asked why if the subject's 2002 capitalization rate was 12.25%, his estimated overall rate was 9.50%. He replied that the 12.25% was an average capitalization rate for the package not specific to the subject.

When queried regarding the hotel occupancy trends from 2001 and 2003, the witness testified a recession followed the events of September 11, 2001 in the hospitality industry and travel was a standstill for a while. Mr. Dost also acknowledged while he did not know when the recession began it took until 2004 for the market to begin recovery.

The appraiser was questioned in detail regarding his sales comparison approach and he verified that three of his four sales comparables are superior to the subject.

In rebuttal, the intervenor, Leyden Township High School District No. 212 introduced Brian Aronson as its witness. Mr. Aronson is a State of Illinois certified general appraiser, holds a MAI designation and has been appraising real estate for approximately 15 years. Mr. Aronson testified he is familiar with the appellant's appraisal and the scope of his assignment in the current matter was to provide a technical appraisal review of that appraisal report. The witness testified he reviewed the appellant's appraisal for Uniform Standards of Professional Appraisal Practice (USPAP) compliance and appropriate appraisal methodology. In that regard, he inspected the subject as part of previous assignments, reviewed public records and sales data. In the witness' opinion the appellant's appraisal raises three issues of concern; the development of highest and best use; the development of the income approach; and the development of the sales comparison approach. In addition, the witness suggested given the age of the subject's improvement the development of a cost approach would have been prudent. Regarding the sales contained in the appellant's appraisal, it was the witness' opinion there were other properties more appropriate to compare to the subject. In addition, Mr. Aronson was critical of the Ryan report's income approach, suggesting it did not encompass localized data thus improperly developing average daily rates, occupancy and operating expenses. In essence, Mr. Aronson's testimony indicated his opinions differed from Mr. Ryan's

opinions and Mr. Ryan varied from tactics he would have used under the same circumstances.

The next witness, Anthony Uzemack, was called by the appellant's counsel. Mr. Uzemack testified he has a Member of the Appraisal Institute (MAI) designation and has been employed as an appraiser for almost 30 years. He stated he is an instructor for both the Appraisal Institute and the Appraisal Foundation in appraisal theory and practice. Mr. Uzemack testified he prepared reviews of the reports submitted by the Cook County Board of Review and Valuation Counselors. As the board of review did not bring forth a witness, Mr. Uzemack was not questioned regarding this report.

With regard to the Leyden Township High School District No. 212 appraisal, Mr. Uzemack testified he read it thoroughly front to back and revisited the subject to test for accuracy and completeness of the descriptions of the improvement and the neighborhood. The surrounding environs were weighed as to how it might or might not affect property values.

Regarding the Dost appraisal, Mr. Uzemack opined there was an acceptable presentation of factual data throughout the report. Specifically, he indicated the information from Smith Travel Research was accurate but he was at a loss why it only addressed the years 1995 through 2000. He pointed out, as the report was completed in 2003, occupancy data was available for 2001. Overall the witness generally disagreed with the conclusions reached in both approaches to value. In the sale comparison approach, he felt using sale/lease back properties as arm's length sales comparables was inappropriate. He also suggested the sales overall have inadequate adjustments, particularly in terms of location. Mr. Uzemack testified that based on his review of the information contained in Dost's appraisal the income was overstated and the expenses understated. Further, from the information in the appraisal he was not able to follow the explanation and analysis to Dost's determination of a capitalization rate.

Appellant's counsel concluded by arguing that the appellant has borne its burden of proof showing that the subject is over-valued. Additionally, that based on Mr. Ryan's appraisal and testimony the subject's fair market value should not exceed \$3,800,000 as of January 1, 2003.

In summation, the board of review's counsel argued the purchase price of the subject parcel is a fact placed in evidence. Further, he argued that the roughly \$8.9 million cost to build the subject improvement is also a fact placed in evidence during this proceeding. He argued that these facts are the only credible evidence of the subject's fair market value as of the date at issue. Counsel requested that the current assessment as of January 1, 2003 be confirmed by the Property Tax Appeal Board.

After hearing the testimony and considering the evidence, the Property Tax Appeal Board finds it has jurisdiction over the parties and the subject matter of this appeal. The issue before the Property Tax Appeal Board is the determination of the subject's market value as of January 1, 2003 for *ad valorem* tax purposes.

When market value is the basis of the appeal, the value of the subject property must be proved by a preponderance of the evidence. Winnebago County Board of Review v. Property Tax Appeal Board, 313 Ill.App.3d 179, 728 N.E.2d 1256 (2nd Dist. 2000). Proof of market value may consist of an appraisal, a recent arm's length sale of the subject property, recent sales of comparable properties, or recent construction costs of the subject property. (86 Ill.Adm.Code §1910.65(c)). Having considered the evidence and testimony presented, the Board finds that a reduction in the assessment of the subject property is warranted.

The Board finds the board of review's presentation unpersuasive. The board of review did not present its appraisal witness to testify regarding credentials, appraisal methodologies, and the validity of the data contained in the report. Further, the appraiser was not present at the hearing to undergo meaningful cross-examination. Rather, the board of review simply presented an appraisal report to stand as its evidence. The Board, therefore, places no weight on the board of review's evidence.

The board of review's counsel argued that the roughly \$8.9 million cost to build the subject improvement is the preeminent fact placed in evidence during this proceeding. The Board finds this argument inaccurate and unconvincing. The board of review presented no substantive evidence to support counsel's argument. However, the Board does find it problematic that none of the appraisers developed a cost approach for a structure that was completed and opened in November 1999, just slightly over three years prior to the date at issue. Mr. Ryan's testimony and appraisal indicate that ownership supplied him with the building cost yet Mr. Ryan did not give any details of how the building costs were determined. Further, the Board finds that the record indicates that both Mr. Dost and Mr. McKinnon simply restated that figure without verification. In fact, there is no evidence in this record that Mr. Ryan, Mr. Dost or Mr. McKinnon independently verified what comprised the subject's building cost or whether the figure provided by ownership was true and correct.

The Property Tax Appeal Board finds that the evidence and testimony in this appeal established that the subject's recorded land sale price in June 1998 was \$3,300,000 or \$37.36 per square foot of land area. Two appraisers and two review appraisers testified in the instant cause. All of the witnesses agreed on

one point; that the subject's land was purchased at a premium. According to testimony the land purchase was at the asking price due to the appellant's desire to build a hotel on that particular parcel in order to have a presence in the market. Testimony indicated that a purchase at an asking price is not typical but is not unusual. The Board finds that nothing in the testimony or record indicates that the subject's land sale was under any unusual duress. The subject's land sale appears to fulfill the all the conditions of an arm's length sale. In addition, the raw sales data proffered by the appraisers support the appellant's purchase price per square foot. Therefore, the Property Tax Appeal Board finds that the subject's 1998 land sale for a price of \$3,300,000 is the best indicator of fair market value as of January 1, 2003 in the record.

Another point on which the appraisers' testimony agreed was that the hotel business was experiencing a downward trend prior to the date at issue and the events surrounding September 11, 2001 brought the travel/hotel business to a standstill. The appraisers also seem to agree that recovery did not begin until 2004. The Board will give this information appropriate weight in its analysis.

In the sales comparison approach nine sales were presented by the two appraisal witnesses. The Board finds that only three of the properties have room counts that are within 25% of the subject's number of rooms; Ryan's comparables number one and two; and Dost's comparable number five. These properties sold from \$13,325 to \$100,397 per room.

The Board further finds that Ryan's comparable number one is located in the same village as the subject and was sold approximately five and one-half years before the date at issue; Ryan's comparable number two was sold approximately five years before the date at issue 2001; and Dost's comparable number five is located in Rosemont and was sold in 1999. After considering differences location, age, features and date of sale the subject has a unit value of \$41,000 per room resulting in a total value of \$6,500,000, rounded, via the sales comparison approach.

Turning to the income approach to value, the opinions of value for the subject were diverse. The Board finds that Mr. Ryan estimated a value of \$3,870,000 as of January 1, 2000 and Mr. Dost concluded \$6,500,000 as of January 2, 2000.

Both Dost and Ryan testified that their opinions of value for the years subsequent to the 2000 appraisal dates would remain essentially the same. In this appeal when comparing the income approaches to value prepared by the respective appraisers, the Board finds the income approach prepared by Mr. Dost to be the best indicator of value for the assessment date at issue.

The Board finds that Mr. Dost's incorporation of the 2001 Host study with actual expense history resulted in a more reasonable NOI for the year at issue than Mr. Ryan's. The overall capitalization rate and the effective tax rate totaling 16.429% developed by the appraiser only slightly lower than Mr. Ryan's and tends to be more reflective of the local market. Thus, the Board finds that Dost's conclusion of market value under the income approach of \$6,500,000 is more reasonable for the year at issue. Thus, the Property Tax Appeal Board finds that the subject had an indicated value under the income approach of \$6,500,000.

In conclusion, after considering the two approaches to value as discussed herein, the Property Tax Appeal Board finds that subject had a market value of \$6,500,000 as of January 1, 2003. Further, the Property Tax Appeal Board finds that the Cook County Real Property Classification Ordinance level of assessments of 38% for Class 5A property such as the subject shall apply to the fair market value as found within and a reduction is warranted.

The witnesses all agreed that following the events of September 11, 2001 the hospitality industry as a whole suffered dramatic losses in business and value. The Property Tax Appeal Board has found within that the subject has a market value of \$6,500,000, as of January 1, 2003. However, this market value does not reflect the subject's loss in value due to aftermath of September 11, 2001. Therefore, the Property Tax Appeal Board finds that an additional reduction in the subject's assessment is appropriate.

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.



Chairman



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: October 26, 2007



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 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 the subsequent year 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.

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.