FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Motel 6
DOCKET NO.: 04-25466.001-C-3
PARCEL NO.: 08-27-201-009-0000

The parties of record before the Property Tax Appeal Board (PTAB) are Motel 6, the appellant, by attorney Brian P. Liston, attorney Peter Tsantilis and attorney Gregory J. Lafakis of Law Offices of Liston & Tsantilis, P.C. in Chicago; the Cook County Board of Review by assistant state's attorney Ralph Proietti with the Cook County State's Attorney's Office; the Arlington Heights Township H.S.D. #214, and Elk Grove Community Consolidated S.D. #59, intervenors, by attorney Ares G. Dalianis and attorney Scott R. Metcalf of Franczek Radelet P.C. in Chicago.

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:	$ 398,361
IMPR.:	$ 475,639
TOTAL:	$ 874,000

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property consists of a two-story, masonry constructed, limited service hotel containing 58,000 square feet of gross building area. The hotel contains 222 guest rooms. The improvement was constructed in 1984. The subject site is currently zoned I-1, industrial district, and consists of a nearly rectangular shaped, interior site containing 139,776 square feet. The subject property has a land-to-building ratio of 2.41:1 and located in Elk Grove Township, Cook County.

At the hearing, several preliminary matters were addressed. First, the PTAB consolidated the 2004, 2005 and 2006 property tax appeals for hearing purposes, pursuant to Section 1910.78 of the Official Rules of the Property Tax Appeal Board without objection from the parties.

The second matter before the PTAB is the Motion in Limine presented by intervenors' counsel to bar the appellant's appraiser from testifying. Intervenors' counsel submitted a brief arguing the intervenors' appraiser was denied access to the subject property upon a request for inspection by appellant's counsel pursuant to PTAB Rule 1910.94. The PTAB finds the subject property is a public hotel, with outside access, exterior walkways and limited amenities, therefore, the intervenors' motion is denied.

The appellant contends the market value of the subject property is not accurately reflected in its assessed valuation. In support of the appellant's market value argument, the appellant submitted a complete summary appraisal report with a valuation date of January 1, 2004 (Appellant's Exhibit #1) and supporting testimony of its appraiser. The appraiser, Joseph M. Ryan, testified he holds the designation of MAI (Member of the Appraisal Institute) and is a state-certified appraiser in Illinois. Ryan also testified he has been employed by LaSalle Appraisal Group for 18 years and currently president. Ryan further testified he has done appraisal work for approximately 30 years and completed hundreds of appraisals of commercial type properties. After an examination of Mr. Ryan's appraisal experience, he was tendered and accepted as an expert witness.

Ryan testified he conducted a complete interior and exterior inspection of the subject property on February 5, 2005 but has revisited the property several times since then. At hearing, appellant's counsel provided three photographs of the subject property (Appellant's Group Exhibit #2), as well as photographs of the four sales used in both the appellant's sales comparison approach and the intervenors' sales comparison approach to value. Ryan testified there have been no substantial changes to the subject property from the date of his inspection in 2005 to the present. Ryan also testified that the subject has limited street access in that it only has access from eastbound Oakton Street due to a raised median at the intersection of Oakton and Busse which does not allow westbound traffic to access the site.

Ryan described the three categories for limited service hotels as midscale, economy and budget based on Bear Stearns Smith Travel research companies, whereby, the Motel 6 chain is considered the lowest category. Ryan testified the subject was appraised as a fee simple estate, appears to conform to current zoning laws and was built in 1984. After an analysis of the four sequential tests of highest and best use, Ryan considered the subject's highest and best use, both vacant and improved, to remain commercial, or its current use.

Ryan testified he consulted a publication by the Appraisal Institute authored by Steven Rushmore, MAI, who is the president of Hospitality Valuation Services International. Rushmore wrote extensively on the valuation of hotels for both ad valorem and mortgage sales within the industry. Ryan also testified that he agreed with Rushmore in according the income approach the most weight in valuing hotels, whereas, the cost approach was given no weight because of its inability to accurately measure and account for depreciation caused by external factors as well as changes within the industry. Ryan further testified that he agreed with Rushmore in according the sales comparison approach some weight due to the drastic differences in rack rates, room rates, occupancy and amenities between hotels. Moreover, Ryan testified he agreed with Rushmore in that the most influential approach in valuing hotels was the income approach to value.

Ryan testified that the hospitality industry as a whole was in a tail spin from the events of September 11, 2001. Ryan also testified that people cut back on travelling, business groups attempted to accomplish things without travel and although teleconferencing was in its infancy, it was rapidly growing. Consequently, Ryan testified occupancy dropped, room rates dropped and revenue per available room (REVPAR) also dropped.

The witness explained that rack rates are an asking price while an average daily room rate is a negotiated rate based on various discounts and special offers. The witness also explained that investors look at the revenue per available room or (REVPAR), which is the average daily rate believed to be achievable in the market based on competition times the occupancy rate. Ryan stated that for investors, REVPAR is the best indication of the true earning capacity for a property; consequently, investors do not care about hotel rack rates but are interested in REVPAR.

The witness described the subject as an outdated and outmoded California style hotel with exterior walkways and limited services. The witness explained the subject is a two-story hotel with no elevators and no amenities. The witness further explained that because of the exterior walkways, the subject has no security or shelter. The witness described limited service hotels as hotels with room-only operations or hotels that offer a bedroom and a bathroom for the night, but very few other amenities. Ryan testified he could not recall any other California style hotel built in the Chicago land area since that time.

Ryan prepared an appraisal report using both the income and the sales comparison approaches to value and estimated the subject property had a market value of $2,300,000, as of January 1, 2004. The income approach indicated a market value of $2,250,000. The sales comparison approach indicated a market value of $2,780,000.

In the sales comparison approach, Ryan testified he examined the sales of four full service hotel properties in the subject's market area because he was unable to uncover and verify any sales of limited service hotels. The four sales used by Ryan consist of multi-story, full-service hotels that range: in age from 16 to 30 years old, in land size from 196,020 to 366,340 square feet, in building size from 56,400 to 108,000 square feet and in number of rooms from 188 to 318. The sales took place between April 2000 and May 2004 for prices ranging from $2,519,000 to $14,685,000, or from $13,398 to $46,179 per guest room, including land.

The appraiser adjusted the sales comparables for conditions of sale, market conditions, location, age, condition, amenities and hotel 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 $12,500 per guest room thus his estimate of value for the subject using the sales comparison approach, as of January 1, 2004, was $2,780,000, rounded.

Ryan testified he utilized four full service hotels in that they were the only sales he was able to uncover and verify. The witness testified that there may have been some limited service hotel sales; however, they were few and far between. Ryan testified be verified each of the four sales with a party to the transaction. Ryan agreed with Rushmore, that the sales comparison approach was less important and accorded less weight in the overall value estimate than the income approach.

The witness described each sale as to the sale price, sale date, amenities, number of rooms and pertinent information regarding each sale. The witness testified that although sale #2 was a portfolio sale, he verified the sale price was accorded its own separate value and the buyer received franchise rights. At hearing, appellant's counsel presented the PTAX-203, Illinois Real Estate Transfer Declaration (Appellant's Exhibit #3) for sale #1 disclosing the property sold in December 2003 for $12,721,217, a depreciation in value from the earlier sale in April 2000. Ryan testified this property resold in November 2007 for $15,000,000.

As the bases for his income approach to value, Ryan relied on the Star Report as developed by Smith Travel Research, a hospitality company that acts as a consultant within the hotel industry as well as his experience. In addition, Ryan used the Host Report, also published by Smith Travel Research which compares and contrasts hotels in various categories and provides a benchmark of how other hotels operate within specific categories. Ryan explained that these benchmarks provide the hotel operator, and in this case the appraiser, a comfort level as to how the market is performing and how to compare the subject within that specific market.

From his sources, Ryan developed $37.00 as the subject's average daily room rate (ADRR), which resulted in potential gross room revenues of $2,998,110 for the subject. The witness then applied an average occupancy rate of 60% to arrive at an estimated $1,798,866, or 98.79% of total revenue, as the effective gross room revenue for the subject. Other income was stabilized by applying industry standard percentages resulting in a potential gross income (PGI) of $1,820,866. Expenses based on industry standards were stabilized at $1,036,295, or 56.91% of the PGI. The deduction of the stabilized expenses from the PGI resulted in an estimated net operating income of $784,571 for the subject. The witness testified that other refinements to the income stream of $319,125 representing return of and return on personalty and $63,527 as amortized start-up costs were deducted, resulting in $401,919 as an adjusted stabilized net operating income (NOI) for the subject.

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 11.50% as an overall capitalization rate for the subject. Ryan then calculated an effective tax rate of 6.35%, which he added to the overall capitalization rate. The total capitalization rate of 17.85% was then applied to the subject's NOI. The appraiser's estimate of value for the subject via the income approach was $2,250,000, rounded, as of January 1, 2004.

Ryan 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, and hotel occupancy fell as did room rates.

Ryan testified as market participants place more weight on the income approach, in his reconciliation of the methods used to estimate the subject's market value, 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 $2,300,000, as of January 1, 2004.

During cross-examination, intervenors' counsel presented a certified copy of a special warranty deed and real estate transfer declaration (Intervenors' Exhibit #2) for appellant's sale #1, disclosing the full consideration to be $16,500,000, with $1,850,000 allocated for personal property for a net consideration of $14,685,000. Intervenors' counsel also provided a copy of a Costar Report (Intervenors' Exhibit #3) for sale #1 disclosing the property was vacant at time of sale and undergoing extensive renovation and conversion into an Adam's Mark Hotel. Whereby, the witness responded the sale was very good evidence of fee simple market value.

Intervenors' counsel presented a certified copy of a special warranty deed and real estate transfer declaration (Intervenors' Exhibit #4) for sale #2 disclosing the property was not advertised for sale or sold by a realtor. Intervenors' counsel also presented a copy of a Costar Report (Intervenors' Exhibit #5) for sale #2 disclosing the building size of 56,400 square feet does not include the café, restaurant and lounge area, whereby, the witness responded he did not rely on square footage as a basis for his opinion. Intervenors' counsel further presented a certified copy of a special warranty deed and real estate transfer declaration (Intervenors' Exhibit #6) for sale #2 disclosing the property sold in July 2007 for $13,300,000, less $1,995,000 for personal property for a net consideration for the real estate only of $11,305,000. Appellant's counsel argued that although the sale price suggests a five-fold increase from 2003, information regarding physical changes, remodeling, upgrades or added amenities to the property was unknown.

Additionally, intervenors' counsel presented a certified copy of a real estate transfer declaration (Intervenors' Exhibit #7) for sale #3 disclosing the property sold in December 2003 for $3,750,000, less $500,000 for personal property for a net consideration of $3,250,000. Intervenors' counsel also presented a certified copy of a special warranty deed and real estate transfer declaration (Intervenors' Exhibit #8) for sale #3 disclosing the property sold in May 2005 for $8,800,000, less $2,350,000 for personal property for a net consideration of $6,450,000. Regarding sale #4, the witness stated that the property had a negative net operating income at the time of sale and would not describe it as a well performing property. The witness was questioned in detail regarding the sales utilized, his sources, and adjustments made to the sales. The witness verified the circumstances of each sale.

During cross-examination by the board of review, the witness was questioned as to the following; sources of revenue, operating expenses and statement of operations relating to the appellant's income approach to value. The witness fully answered the board of review's questions with specific references to the appellant's appraisal. The witness was also cross-examined regarding the extent of his reliance and understanding of the Korpacz Investor Survey. In addition, the witness was cross-examined about the foundation for various line-items in his stabilized operating statement. Ryan testified that each questioned item was examined in light of the published market ranges and adapted to the subject's requirements.

On redirect examination, Ryan testified that regarding the reliability of PTAX forms, he had never seen a deduction for business value in hotel transfer declarations. The witness testified that real estate transfer declarations do not reflect the history of a property's fix-ups, remodeling and/or upgrades. Regarding the appellant's sales, Ryan testified to the following: sale #1 was occupied at the time of sale and not vacant as the Costar report suggests; although sale #2 sold in July 2007 for $13,300,000, no evidence as to what upgrades or additional improvements was provided; and sale #3 was on the market for six months which the witness considered adequate exposure time. Ryan further testified he put little weight on the sales comparison approach and agreed with the Rushmore methodology of valuation. The witness testified there are too many variables to compare between hotels such as room rates, occupancy rates, amenities and full service versus limited service that he accorded the sales comparison approach little weight.

In the income approach, Ryan testified he relied on seven properties, referred to as the competitive set, which the property owner and Host Travel Research personal determined were the most competitive properties to the subject. Ryan explained that these seven properties had average daily room rates ranging from $50.64 to $53.19, whereas, the average daily room rate (ADRR) for the subject between 2002 and 2004 fluctuated from $36.36 to $39.97. The witness explained that he developed an average daily room rate of $37.00, based on the subject's stabilized ADRR for years 2002 through 2004. The witness also explained that the revenue per available room (REVPAR) for the subject property was between $20.87 and $22.00, whereas, the REVPAR for the competitive set was between $21.00 and $24. Ryan explained that the competitive set had higher room rates but lower occupancy, but the REVPAR for the subject as well as the competitive set were very similar ranging from $20.87 to $24.00. Consequently, the witness relied on a $37.00 average daily room rate and 60% occupancy rate.

Based on the appraisal report, the appellant requested an assessment reflecting a fair market value of $2,300,000 as of January 1, 2004 for the subject property.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the subject's total assessment of $1,518,478, which reflects a market value of $3,995,995 or $18,000 per room, utilizing the Cook County Real Property Assessment Classification Ordinance level of assessment of 38% for Class 5a property, such as the subject. The board of review also submitted a memorandum from the county assessor's office, Costar comps service sheets for four properties located within the subject's market area as well as ancillary documents.

The four properties submitted by the board of review sold from December 2003 through May 2005 for prices ranging from $3,450,000 to $4,500,000 or from $18,367 to $25,182 per room. The suggested comparables consist of multi-story, masonry constructed, full-service or limited service hotels that range: in age from 22 to 29 years old, in land size from 107,157 to 366,340 square feet, in building size from 53,000 to 118,400 square feet and in number of rooms from 137 to 245. No analysis or adjustment of the sales data was provided by the board of review. No witnesses were called on behalf of the board of review to testify as to the determination of the assessment or to testify about the evidence submitted. The appellant's comparables three and four and the board of review's comparables one and two are the same properties.

The intervenors submitted a three-page brief as well as four properties located within the subject's market area. The four properties provided by the intervenors sold from April 2000 through May 2005 for prices ranging from $1,725,000 to $5,200,000 or from $24,242 to $50,980 per room. The suggested comparables consist of multi-story, masonry constructed, limited service hotels that range: in age from four to twenty-five years old, in land size from 63,510 to 318,672 square feet, in building size from 19,152 to 118,400 square feet and in number of rooms from 57 to 165. No analysis or adjustment of the sales data was provided. No witnesses were called on behalf of the intervenors to testify as to the determination of the assessment or to testify about the evidence submitted.

After hearing the testimony and considering the evidence, the Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of this appeal.

When overvaluation is claimed the appellant has the burden of proving the value of the property 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.Admin.Code §1910.65(c). Having considered the evidence and testimony presented, the Board concludes the appellant has satisfied this burden and a reduction is warranted.

The Property Tax Appeal Board examined the appellant's summary appraisal report, the board of review's sales data and the sales data submitted by the intervenors. The appellant's appraiser used the income and sales comparison approaches to value in valuing the subject property.

The Property Tax Appeal Board places no weight on the board of review's evidence. The board of review presented an in-house memorandum summarizing raw data for four sales located within the subject's area. The Board finds the memorandum lacked analysis concerning the suggested comparables' similarity or dissimilarity to the subject. Further, there are no adjustments to the sales for time of sale, conditions of sale, location, size, or any other factor used in a conventional comparative analysis. Additionally, the board of review did not provide any independent documentation or testimony verifying the correctness of the Costar Comps information, nor did it provide the property record cards for the subject property and/or the comparables to assist the Board in its evaluation of the comparability of the properties. Therefore, the board of review's evidence is accorded no weight.

Next, the Property Tax Appeal Board places no weight on the intervenors' evidence. The intervenors submitted a three-page brief as well as raw data summarizing four sales located within the subject's area. The Board finds the sales information lacked analysis concerning the suggested comparables' similarity or dissimilarity to the subject. Further, there are no adjustments to the sales for time of sale, conditions of sale, location, size, or any other factor used in a conventional comparative analysis. Additionally, the intervenors did not provide any independent documentation or testimony verifying the correctness of the sales information, nor did it provide the property record cards for the suggested comparables to assist the Board in its evaluation of the comparability of the properties. Therefore, the intervenors' evidence is accorded no weight.

The Property Tax Appeal Board finds that the best evidence in the record is the appellant's complete summary appraisal report and supporting testimony.

In contrast, the appellant's appraisal, with supporting testimony by Joseph M. Ryan, MAI, was a thorough report giving details and foundation for his estimates of value for the subject. Also, the appellant's appraiser, under cross-examination credibly explained his information sources as well as the methodologies used for his estimates of value. In addition, it appeared from his testimony that Ryan was familiar with the subject's immediate area. Ryan accorded significant consideration to the income approach while the sales comparison approach was accorded some consideration.

Testimony indicated that the hospitality industry as a whole was in a tail spin from the events of September 11, 2001. Ryan testified that people cut back on travelling, business groups attempted to accomplish things without travel and although teleconferencing was in its infancy, it was rapidly growing. Consequently, Ryan testified occupancy dropped, room rates dropped and revenue per available room (REVPAR) also dropped.

In addition, Ryan described the subject as an outdated and outmoded California style hotel with exterior walkways and very limited services. The witness explained that the subject is a two-story hotel with no elevators and no amenities. The witness also explained that because of the exterior walkways, the subject has no security or shelter. In addition, Ryan testified he could not recall any other California style hotel built in the Chicago land area since that time.

In conclusion, the Board finds the appellant's appraiser presented the most credible testimony and most persuasive evidence of the subject's market value as of the assessment date at issue. Based on this foregoing analysis, the Property Tax Appeal Board finds the subject property had a market value of $2,300,000, as of January 1, 2004. Since the fair market value of the subject has been established, the Board finds that the Cook County Real Property Assessment Ordinance level of assessments of 38% for Class 5a is applied and a reduction is 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.

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: August 19, 2011

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.