FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Motel 6
DOCKET NO.: 05-25513.001-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:	$ 950,000
IMPR.:	$ 1,292,000
TOTAL:	$ 2,242,000

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. Mr. Ryan also testified he has been employed by LaSalle Appraisal Group for 18 years and currently president. 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 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 further 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 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 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 as well as other information. 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 <u>Star Report</u> as developed by Smith Travel Research, a hospitality company that acts as a consultant within the hotel industry. Ryan also used the <u>Host Report</u>, 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. In addition, Ryan examined the average daily room rate (ADRR) of the subject property for years 2002, 2003 and 2004.

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 utilized both the market extraction and the mortgage equity technique to develop an overall capitalization rate for the subject. Sources such as the Korpacz Real Estate Investor Study 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 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. Ryan testified that his value estimate as of January 1, 2005 would not be significantly different.

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 to an Adam's Mark Hotel.

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 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 foot 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 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 regarding the sales utilized, his sources, and adjustments made to the sales.

During cross-examination by the board of review, the witness was questioned as to his sources of revenue, operating expenses and statement of operations relating to his income approach to value. In addition, the witness was cross-examined about the foundation for various line-items in his stabilized operating statement.

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. 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. 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, however, the REVPAR for the subject as well as the competitive set was similar ranging from $20.87 to $24.00. Consequently, the witness relied on a $37.00 average daily room rate and 60% occupancy.

Based on the appraisal report, the appellant requested an assessment reflecting a fair market value of $2,300,000 as of January 1, 2005 for the subject property.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the subject's total assessment of $2,574,546, which reflects a market value of $6,775,121 or $30,519 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 five properties located within the subject's market area as well as ancillary documents.

The five properties submitted by the board of review sold from December 2003 through December 2006 for prices ranging from $3,450,000 to $6,500,000 or from $18,367 to $45,775 per room. The suggested comparables consist of multi-story, masonry constructed, full-service or limited service hotels that range: in age from 22 to 31 years old, in land size from 95,309 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.

Two taxing districts intervened in this matter. The intervenors submitted a summary appraisal report with a valuation date of January 1, 2005, (Intervenors' Exhibit #1) and the testimony of its author, Eric W. Dost of Dost Valuation Group Ltd., in LaGrange, Illinois. Mr. Dost testified he began his career as an appraiser in 1986. Mr. Dost also 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 performed an exterior inspection of the subject property on August 8, 2007 and that the subject was revisited by an associate in October 2007. The witness also testified that the subject was appraised as a fee simple estate. Dost's description of the subject property as well as his opinion of highest and best use for the subject concurs with the other appraisal in the record. The witness further testified that he was familiar with the subject's general area and described the subject's location.

The witness testified that the local real estate market, including the hotel market, declined significantly after the events of September 11, 2001. Dost testified that things began to improve in 2003 and 2004 in terms of both occupancy rates and average daily room rates and that the economy was beginning to pickup up.

To estimate a total market value of $5,900,000 for the subject as of January 1, 2005, the appraiser employed two of the three traditional approaches to value.

Although Dost did not perform a cost approach to value, he did estimate a land value for the subject. Dost examined the sales of four vacant commercial sites located within Des Plaines and the

O'Hare market area. The parcels ranged in size from 137,345 to 176,688 square feet of land area. The comparables sold from September 2001 to April 2005 for prices ranging from $16.29 to $23.35 per square foot. After making adjustments to the comparables for size, zoning, utilities and location, Dost estimated $18.00 per square foot as a unit of value for the subject land, resulting in a projected land value of $2,500,000, rounded.

The witness testified that his land sales three and four are very similar to the subject in size while sales two and three were reportedly purchased for hotel development. The witness also testified that the determination of land value is an important component of an appraisal considering the property's highest and best use analysis. The witness considered the subject's highest and best use, both vacant and improved, to remain commercial, or its current use.

In his sales comparison approach to value, Dost testified that since the majority of hotels sell as a going concern, he analyzed the subject as a going concern, subtracted out business value and furniture, fixtures and equipment (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. The witness explained that ADR is the average daily rate and represents the actual daily rate, whereas, RAC rates are the asking rates prior to any discount or group purchasing.

The witness testified he examined the sales of four properties, consisting of full-service hotels, located within the subject's area. Containing from 91 to 310 guest rooms the comparables were built between 1964 and 1981. These sales took place from December 2003 to May 2005 for prices ranging from $4,300,000 to $12,721,217 or from $18,367 to $47,253 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/amenities. From this data, the appraiser testified he selected a unit of value for the subject of $30,000 per guest room, or an estimated value of $6,700,000, rounded, 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 5% projection of proprietary income from his income approach and an overall capitalization rate of 15%, Dost determined $349,395 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 $27,027 per room or $6,000,000, rounded, through the sales comparison approach.

The witness testified to the following; sale #1 is a Best Western located across the street from the subject, sale #2 is a Super 8 located on Mannheim Road in Franklin Park, sale #3 reportedly had a negative NOI at the time of sale and sale #4 was the oldest sale which occurred in December 2003. The witness also testified that the subject is a limited-service hotel, whereas the four comparables are full-service hotels. The witness further testified that due to the nature of the market, there were not many comparable sales at that time.

Dost explained that according to Smith Travel Research (STR) statistics, revenue per available room (REVPAR) and the subject market, increased by 12.1% from 2003 to 2005 and by six and one-half percent from 2002 to 2005, consequently, Dost asserted that market conditions clearly improved over that time period. The witness testified that travel diminished severely in 2002; however, market conditions and expectations rebounded and travel improved in 2003 and 2004.

Dost described the techniques and data used when he developed the income approach to value. The appraiser employed data from the 2006 HOST Study, surveyed competitors, researched the Smith Travel Research (STR) Trend Report, the subject's historical income and expenses, two expense comparables and five rental comparables. The appraiser testified that the local STR Trend Report provided information on a number of properties within the subject's competitive market area. The five rental comparables utilized by Dost ranged in size 78 to 165 rooms, consisted of one-bedroom or two-bedroom units with daily room rates ranging from $64.00 to $109.00. The appraiser testified that he considered the Smith Travel Research Trend Report for the O'Hare area the more relevant information in that it provided historical data such as occupancy, ADR and REVPAR information for several limited service hotels, like the subject. The witness also performed an analysis of the historic ADR for the subject property. The witness testified he examined the subject's actual historical data, the submarket's actual occupancy rates as well as national statistical data in his analysis.

The witness testified he concluded an average daily rate (ADR) of $38.50 for the subject and a stabilized occupancy rate of 64.0%, which was within the range of limited service hotel figures. These calculations resulted in an estimated $1,996,579 for total room revenues. Other revenues were estimated as telephone revenue at 0.1% of total revenue and other income at 0.9% of total revenue. These computations generated an estimated potential gross income (PGI) of $2,016,545 for the subject. Using the 2006 Host Report as the primary source he estimated departmental expenses of $367,430; undistributed operating expenses of $490,020; franchise and management fees of $60,496; and insurance and reserves for replacement of $50,414. A deduction of $52,409 for proprietary income was then taken resulting in an adjusted NOI of $995,775 for the subject. The witness testified he relied on industry data for the individual expense categories however, reconciled the total expenses with the subject's actual total expenses.

To establish a capitalization rate applicable to the subject's NOI, the appraiser explained that Korpacz investor study, 2005 first quarter, suggested a range of capitalization rates from 9.5% to 14.0% with an average of 11.67% for the going concern of limited service type hotels. The band of investment technique suggested a 9.33% capitalization rate. After reviewing this data and taking into consideration the deduction of proprietary interest, Dost established 9.5% as an appropriate rate for the subject, to this he added an effective tax rate of 6.417% indicating an overall capitalization rate of 15.917%. The application of the overall capitalization rate to the adjusted NOI resulted in an estimated value of the subject as a going concern of $6,256,099. After a deduction of $333,000, representing his value estimate of the depreciated FF&E, the appraiser's estimated market value for the subject was $26,577 per room or $5,900,000, rounded.

In his reconciliation of the two methods of estimating value, 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 $5,900,000, as of January 1, 2005. The witness testified his value estimate for the subject property as of January 1, 2006 would be substantially the same.

During cross-examination, Dost was thoroughly questioned regarding information sources and methodologies utilized in the preparation of the appraisal report. The witness verified that the capitalization rate he developed for the subject was for the real estate only. The witness explained that the Korpacz Real Estate Investor Survey for limited service hotels, during the first quarter of 2005, ranged from 9.5% to 14% for the going concern of a hotel. The witness testified that considering the subject's historic profitability and the extraction of business income from the NOI, Dost considered a lower capitalization rate appropriate.

When queried regarding hotel industry trends following 2001, Dost testified that the hospitality industry and travel declined significantly following the events of September 11, 2001. Dost testified that although the economy began improving in 2003, gross operating profit, occupancy, room rates and REVPAR did not rebound to above the 2001 levels until 2006. The witness explained that exterior walkways are not an outmoded design rather they are predominately utilized by motels in more rural areas.

The appraiser was questioned in detail regarding his sales comparison approach and verified that sale #3 had a negative NOI. Appellant's counsel presented a copy of a real estate transfer declaration (Appellant's Group Exhibit #3) for intervenors' sale #1 disclosing the property sold in May 2005 for $4,000,000, less $800,000 for personal property for a net consideration of $3,200,000. Appellant's counsel also presented a copy of a real estate transfer declaration (Appellant's Group Exhibit #3) for intervenors' sale #4 disclosing the property sold for $14,500,000 in 2000; however, after undergoing renovation and renaming prior to its subsequent sale in December 2003 where it sold for $12,721,217. Appellant's counsel further presented a copy of a real estate transfer declaration (Appellant's Exhibit #4) for intervenors' sale #2 disclosing the property was not advertised for sale.

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 PTAB is the determination of the subject's market value as of January 1, 2005 for ad valorem tax purposes.

When overvaluation is claimed the appellant has the burden of proving the value of the property by a preponderance of the evidence. <u>Winnebago County Board of Review V. Property Tax Appeal Board</u>, 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 PTAB concludes a reduction is warranted.

The PTAB examined the appellant's summary appraisal report, the board of review's sales data as well as the summary appraisal report provided by the intervenors. Both appraisers relied on the income and sales comparison approaches to value in valuing the subject property. Both Ryan and Dost placed primary emphasis on the income approach with the sales comparison approach lending support to the income approach.

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 five sales located within the subject's area. The PTAB 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 PTAB in its evaluation of the comparability of the properties. Therefore, the board of review's evidence is accorded no weight.

The PTAB finds Ryan testified that the hospitality industry did not improve through 2004. On the other hand, Dost testified that the hotel and travel industry began to improve in 2003 and continued throughout 2004. However, Dost further testified that although the economy began improving in 2003, gross operating profit, occupancy, room rates and REVPAR did not rebound to above the 2001 levels until 2006.

The courts have stated that where there is credible evidence of comparable sales, these sales are to be given significant weight as evidence of market value. In Chrysler Corporation v. Property Tax Appeal Board, 69 Ill.App.3d 207 (2nd Dist. 1979). The Court further held that significant relevance should be placed on the cost approach or the income approach especially when there is market data available. Id. Moreover, in Willow Hill Grain, Inc. v. Property Tax Appeal Board, 187 Ill.App.3d 9 (5th Dist. 1989), the Court held that of the three primary methods of evaluating property for purposes of real estate taxes, the preferred method is the sales comparison approach.

First, the PTAB finds Dost provided the only estimate of land value for the subject in the record. The PTAB further finds Dost estimated $18.00 per square foot as a unit of value for the subject's land, resulting in a projected land value estimate of $2,500,000, rounded, which was un-rebutted. In addition, the PTAB finds Dost land sales three and four very similar to the subject in size while sales two and three were reportedly purchased for hotel development. The PTAB further finds that the determination of land value is an important component of an appraisal report relating to a property's highest and best use analysis.

In the sales comparison approach a total of six sales were presented by the two appraisal witnesses. The PTAB places most weight on the four sales that occurred within 13 months of the January 1, 2005 assessment date at issue. These properties sold from December 2003 to May 2005 for prices ranging from $16,250 to $47,253 per room.

The PTAB further finds that Ryan's sale #3 contains 200 rooms, Ryan's sale #4 contains 245 rooms and was built in 1981 (same property as Dost sale #3), Dost sale #1 is located across the street from the subject and Dost sale #2 was built in 1964 and sold in March 2005. After considering differences in location, age, features, land size, number of rooms and date of sale the PTAB finds the subject had a unit value of $26,577 per room resulting in a total value estimate of $5,900,000, rounded, via the sales comparison approach.

Turning to the income approach to value, the opinions of value for the subject were diverse. The PTAB finds that Ryan estimated a value of $2,250,000 as of January 1, 2004 and Dost concluded $5,900,000 as of January 1, 2005.

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

The Board finds the Dost incorporation of the 2006 Host Study, the Smith Travel Research Trend Report for the subject's competitive market, Korpacz data as well as historical income and expense history for the subject resulted in a more supported NOI for the year at issue than Ryan's. The overall capitalization rate and the effective tax rate totaling 15.917% developed by Dost is lower than Ryan's and tends to be more reflective of the local market. In addition, the PTAB finds Ryan developed his income estimate based on the subject's stabilized ADRR for years 2002 through 2004, however, used expenses based on the market, thereby, benefitting from lower revenue and higher expenses. Ryan estimated an average daily room rate of $37.00 derived from the subject; however, the Star Report which the appraiser relied upon disclosed the lowest average daily room rate to be $50.64. In addition, the subject's greatest historical dollar figure for room expense was $251,892; however, Ryan relied on departmental room expenses of $467,705 in his report. Thus, the PTAB finds the Dost conclusion of market value under the income approach of $5,900,000 is better supported for the year at issue. Therefore, the Property Tax Appeal Board finds that the subject had an indicated value under the income approach of $5,900,000 as of January 1, 2005.

In conclusion, after considering the two approaches to value as discussed herein, the PTAB finds the subject had a market value of $5,900,000 as of January 1, 2005. The PTAB further finds 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.

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.