

PROPERTY TAX APPEAL BOARD'S DECISION

APPELLANT: Dickens Pointe Townhouse Condominium
DOCKET NO.: 03-27343.001-R-3 thru 03-27343.014-R-3
04-27173.001-R-3 thru 04-27173.014-R-3
05-25566.001-R-3 thru 05-25566.014-R-3
PARCEL NO.: See Page 8
TOWNSHIP: North

The parties of record before the Property Tax Appeal Board (hereinafter PTAB) are Dickens Pointe Townhouse Condominium, the appellant, by attorney Thomas J. McNulty with the law firm of Neal, Gerber & Eisenberg in Chicago and the Cook County Board of Review.

The subject property consists of a 26,247 square foot parcel of land containing a 16-year old, masonry, three-story, condominium building with 10 units and four parking spaces. The improvement contains 30,509 square feet of gross building area and 21,759 square feet of unit area. The appellant, via counsel, argued that the market value of the subject property is not accurately reflected in the property's assessed valuation as the basis of this appeal.

The PTAB finds that these appeals are within the same assessment triennial, involve common issues of law and fact and a consolidation of the appeals would not prejudice the rights of the parties. Therefore, under the *Official Rules of the Property Tax Appeal Board, Section 1910.78*, the PTAB consolidates the above appeals.

(Continued on Next Page)

Based on the facts and exhibits presented, the Property Tax Appeal Board hereby finds a reduction in part and an increase in part 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: See Page 8
IMPR.: See Page 8
TOTAL: See Page 8

Subject only to the State multiplier as applicable.

PTAB/0677/8/9JBV

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In support of this market value argument, the appellant submitted a complete, self-contained appraisal of the subject with an effective date of January 1, 2003 and an estimated market value of \$4,275,000. The appraiser is Robert Schlitz. Mr. Schlitz was the appellant's witness in this appeal. He testified that he has worked in real estate since approximately 1980. He stated he began his career as Director of Residential Real Estate and Supervisor of Condominiums with the Cook County Assessor's Office. He indicated that he is a state-certified appraiser in Illinois and three other states. Furthermore, he holds the following designations: an MAI designation with the Appraisal Institute; a Certified Assessment Evaluator; a Residential Evaluation Specialist; and a Certified Illinois Assessing Official. Mr. Schlitz testified he attended the Lincoln Land Institute at Harvard University where he undertook classes in multiple regression analysis. Mr. Schlitz was offered as an expert in the field of property valuation and, without objection from the remaining parties, was accepted as such by PTAB.

The appellant's appraisal gave an estimate of market value as of the effective date of January 1, 2003 of \$4,275,000. The appraisal reflects that a personal inspection of the exterior of the subject property was undertaken in June of 2004. The appraisal identifies and fully describes the subject property's improvements.

Schlitz testified that the subject's irregular-shaped corner site is improved with a 16-year old, three-story, masonry, multiunit residential-use building with 30,509 square feet of gross building area and 21,759 square feet declared under the Property Condominium Act.

The appraisal indicated that the highest and best use of the subject, as improved, would be its current use as a multi-unit townhome condominium building. As to the subject's neighborhood, the appraisal reflects that the subject's surrounding area consists of a residential community with the number of available rental units declining.

The appellant's appraiser developed the three traditional approaches to value in estimating the subject's market value. Schlitz testified that the first step taken was to sit down with the board of directors and review the condominium declaration and various other documents.

The appraisal transmittal letter includes a grid of all the units in the building with their sale information, description of the unit and assessment information. A second grid provided detailed

information of each unit's characteristics. Schlitz testified that because each unit has varying characteristics and is located in varying positions in the building, there will be a rather dramatic variation to value for each unit. Schlitz stated this is indicated by the fact that units sold from \$415,000 to \$1,175,000 in this development. He testified that the room count, bed and bath count, the square footage, as well as the position in the building influence the value rather than just the percentage of ownership.

Schlitz testified that the best way to value the subject based on all these variances is to utilize the multiple regression analysis. He stated that this method looks at sales within the development as well as other sales, but primary those in the development, and then weighs those sales against the characteristics of that unit to determine the impact or affect on value each of those characteristics has. This application can then be applied across the units that did not recently sell to determine a value for each of those units.

Schlitz testified that there are two values that result from this analysis. The first is the future retail value at 100% sellout. This requires an analysis of the time necessary to sell individual units, the holding costs, costs to either restore, renovate, or repair any damages within the specific unit and then allow that period of time to impact what the future value would be. The second value is the wholesale discounted value, which is the present value to the individual investor. This value is important because if the property is being considered for development from vacant property to the cost to build, to cost to sellout or the property is already constructed and its being converted for individual unit sale, this value is something that is recognized to determine what the current discounted wholesale value of a unit is on a specific day. Schlitz testified this requires looking at other properties of similar nature that are bought for the same reason. He stated these two costs would allow an investor to determine profit margins, holding costs, and other related costs.

Schlitz testified that the Uniform Standard of Professional Appraisal Practice (USPAP) state that the adding up of all the sales in a building is not or may not represent its full market value. In addition, Schlitz testified that USPAP states, in regards to condominium development, an appraiser should look at the individual unit values as to what the value may or may not be on a specific date and what that value may be in the future. Schlitz stated he adapted all three approaches to value to recognize the differences and the interests held in condominium properties.

As to valuing the land, Schlitz went on to testify as to the ownership of the subject property. He testified that all the owners share in an ownership of the common elements; the land is a common element. The unit owners purchase the entire site with a responsibility or acceptance of maintenance and management of the common elements. The building incorporates and houses not only the individual units, but the common elements. Schlitz testified he valued the land as vacant. In doing so, Schlitz testified he considered land sales of six properties in the subject's neighborhood that ranged in size from 5,000 to 33,867 square feet of land. These properties ranged in value from \$15.00 to \$50.00 per square foot. He testified he then looked at frontage of each site which ranged in value from \$3,880 to \$7,857 per front foot. Schlitz then estimated the subject's land value, based on all the variances, at \$1,075,000. Schlitz testified that this value is reflected back to each owner at a value of \$107,500 per unit. He testified he reconciled a value for the land as vacant at \$1,000,000.

Using the Marshall, Swift & Boeckh's Cost Service, the appraiser estimated the replacement cost new to be \$3,511,939. The appraisal notes an entrepreneurial profit of 12% for a total cost of \$3,619,772. Schlitz testified that he estimated depreciation by examining similar properties that were bought by a single investor for the possibility of conversion to condominium. Schlitz testified this is a good representation of what the discount wholesale value is on the sale dates. He stated he applied the cost service to each property to arrive at a replacement cost new. Based on the land sales utilized previously, Schlitz testified he extracted the value of the land from the sales prices of the improved comparables. He stated the results of these calculations are a depreciated value of the improvements which range from 1% to 5% annually. Schlitz opined that there is a higher annual rate of depreciation within the initial two or three years while a property is establishing itself and that the rate does not stay constant throughout the entire economic life of the improvement.

Schlitz testified he reviewed the remaining economic life of the subject, the condition of the units and the market information to determine the physical depreciation, functional obsolescence and the economic obsolescence of the subject at 10%. This established a depreciated value of the subject's improvement at \$3,257,795. The depreciated value of the site improvements and the land value were added to this to arrive at a final value under the cost approach of \$4,535,500, rounded.

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Under the income approach, the appraiser opined that this is the least reliable approach to value because most condominium developments are not built as income producing properties. Schlitz stated that there is more than just real estate purchased with a condominium, there is also the obligation to maintain the building. With this obligation, Schlitz opined that rent for a condominium would exceed the market and make it difficult for an owner to recoup a return on investment.

Schlitz reviewed the rent of five properties which ranged from \$820 to \$1,500 per unit. He testified that he also reviewed the annual expenses for the subject property. Schlitz stated he then adapted the income approach based on the fact the subject is a condominium. Schlitz utilized three techniques to value the subject under this approach. Under the first technique, the direct capitalization, the appraiser looked at the income of the comparables and divided these amounts by the sales prices to calculate a rate that will apply to the subject. The second technique is the gross income and gross rent multiplier method. Schlitz opined this method was more typical in a residential rental property. Schlitz testified he reviewed the five comparables and utilized this data to estimate a total gross income for the subject, should it be rented, at \$485,000. A gross net multiplier of 8.38% was then applied to the subject to arrive at a value of \$4,064,300. Operating expenses were estimated at \$333,788 with a capitalization rate of 7.9% applied to the value to arrive at a final value under the income approach of \$4,209,180.

Schlitz testified that he reviewed the band of investment method for capitalization to verify the value arrived at using the gross income multiplier. He stated he reviewed mortgage rates for condominiums and applied this capitalization method. Schlitz opined a value of \$4,139,236 utilizing the band of investment method for the capitalization rate. He then reconciled the methods for a final value under the income approach of \$4,140,000, rounded.

The final method developed was the sales comparison approach. Schlitz opined this was the best approach to use in valuing the subject property. Schlitz testified that reviewing the sales within the subject property and averaging the sales to develop a value for each unit is unacceptable under USPAP. He testified that multiple regression is a standard under USPAP and is also taught at the Appraisal Institute. Schlitz also indicated that he consulted several expert sources when using the adapted sales valuation approach and that these sources are noted in the appraisal. Schlitz testified that while working for the assessor's office he recommended the use of multiple regression

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by the assessor's office for developing the market value for condominiums. He stated this was the method used for all other residential property. However, Schlitz opined that due to manpower shortages, the assessor cannot gather the information on each condominium unit needed to perform multiple regression analyses. Schlitz described multiple regression as utilizing sales within a building, allowing for size, room count, position in building, degree of finish, degree of restoration and then determining a coefficient for each factor.

Under this approach, the appraiser reviewed seven sales of low-rise residential properties purchased in their entirety for possible conversion to condominium. The structures ranged in age from three to 115 years and in size from 4,500 to 150,400 square feet of building area. The sale dates ranged from July 2000 through January 2003 for prices that ranged from \$807,430 to \$57,949,326. Schlitz testified that a good matched paired sales analysis unit of comparison is the price per square foot or price per unit. Schlitz made adjustments to the comparable sales to arrive at a value for the subject property as a whole at \$4,275,000.

Schlitz testified that this value would apply if the subject was being purchased as a whole on January 1, 2003 to sell by unit over time recognizing there are costs involved while selling each unit. Schlitz opined that the income approach and the band of investment method for capitalization are discounting approaches and are utilized for determining actual discount for the units. Schlitz explained how mortgage rates apply to various lending situations. He then testified he analyzed characteristics or factors of each unit and the differences in mortgages based on these variances. Based on this analysis he established values for different factors within a unit. Schlitz testified he also looked at two other condominium developments that he was very familiar with. Schlitz stated that he reviewed the current sales of the units with in the subject building and sales of outside condominium units. An analysis was done on the different factors: size, room count, bed count, bath count, garage, percentage of ownership and then a portion of each sale price was attributed to each factor within that sale. A coefficient was established for each independent variable. Schlitz then applied the regression to the subject. Based on this regression, a value of \$5,019,638 was indicated with a discounted value of \$4,274,359. The same regression was utilized to apply back the value of each unit within the subject. Schlitz noted that the appraisal indicates a value for each unit based on a total value of \$4,274,359.

Under cross-examination, Schlitz testified that the sales information on the sales comparison approach did not include an

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updated sale for one of the properties. Schlitz testified that this new information would have a minimal effect of the building as a whole and would have a slight impact on the individual unit. Schlitz testified on redirect that he attempted to confirm all information received with a second source.

The board of review submitted "Board of Review-Notes on Appeal" wherein the subject's total assessment for all three years was \$774,694 or \$25.39 per square foot of building area. The subject's assessment reflects a market value of \$4,841,837 using the level of assessment of 16% for Class 2 property as contained in the Cook County Real Property Assessment Classification Ordinance. The board also submitted a memo from Matt Panush, Cook County Board of Review Analyst.

At the hearing, Mr. Panush testified that he has worked for the board of review for seven years as the lead analyst for all condominium appeals. Panush stated he did not hold any designations, however, he did attend several International Association of Assessing Officials (IAAO) classes.

Panush opined that a condominium building is a market of its own and that the best way to value a condominium building is to utilize the sales that occurred within that building. He stated the evidence presents three sales or 30% of the building. Panush testified that he allocated \$9,000 per unit for personal property for a total value for the building of \$9,227,304. As a result of its analysis, the board requested confirmation of the subject's assessment.

In response to cross examination, Panush acknowledged that the only adjustment made to the sales was for personal property. He stated that the deduction for personal property was based on 1% of the average sale price. He testified that the document he prepared was not an appraisal. He testified that in the course of his employment with the board of review, the assessor's office has never used multiple regression.

Schlitz was called to testify in rebuttal. He testified that the Property index numbers (PIN) utilized by the board of review are for sales that are also included in the appraisal. Schlitz stated that the sales the board of review questioned earlier as being included in the appraisal because the PINs appeared to be different were in fact included, but that the PIN numbers were inaccurate. Schlitz opined that taking the sales within the building, adding them up and then averaging them is not an appropriate way to value a unit. He stated that this method does not take into consideration the different characteristics of each unit.

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After considering the evidence and reviewing the testimony, 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. National City Bank of Michigan/Illinois v. Illinois Property Tax Appeal Board, 331Ill.App.3d 1038 (3rd Dist. 2002); Winnebago County Board of Review v. Property Tax Appeal Board, 313 Ill.App.3d 179 (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 presented, the PTAB concludes that the evidence indicates a reduction is warranted.

In determining the fair market value of the subject property, the PTAB finds the best evidence to be the appellant's appraisal. The appellant's appraiser utilized the three traditional approaches to value in determining the subject's market value. The PTAB finds this appraisal to be persuasive for the appraiser: has experience in appraising; personally inspected the subject property and reviewed the property's history; estimated a highest and best use for the subject property; utilized appropriate market data in undertaking the approaches to value. Lastly, in estimating a value under the sales comparison approach, the appraiser utilized the sales within the subject development and developed values for each characteristic within the units. These factors included: size; bathroom count; bedroom count; position in building; degree of finish; and degree of restoration. These values were then applied to the characteristics to each unit to establish a value for, not only the building as a whole, but a value for each unit.

The PTAB gives little weight to the board of review's evidence as it contains only the sales of units within the building, an arbitrary amount is deducted for personal property, and no adjustments are made for the units' characteristics.

Therefore, the PTAB finds that the appellant's appraisal indicates the market value for each unit within the subject property for the 2003 triennial assessment years. Since the market value of the subject has been established, the median levels of assessment for Cook County Class 2 property for each year in question will apply. In applying these levels of assessments, the current total assessed value for each unit is

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above these amounts. Therefore, the PTAB finds that a reduction is warranted.

DOCKET #	PIN	LAND	IMP	TOTAL
03-27343.001-R-3	14-33-131-053-1001	\$14,507	\$52,406	\$66,913
03-27343.002-R-3	14-33-131-053-1002	\$ 8,836	\$31,922	\$40,758
03-27343.003-R-3	14-33-131-053-1003	\$12,341	\$44,581	\$56,922
03-27343.004-R-3	14-33-131-053-1004	\$ 8,331	\$30,097	\$38,428
03-27343.005-R-3	14-33-131-053-1005	\$ 8,331	\$30,097	\$38,428
03-27343.006-R-3	14-33-131-053-1006	\$ 8,847	\$31,958	\$40,805
03-27343.007-R-3	14-33-131-053-1007	\$ 8,847	\$31,958	\$40,805
03-27343.008-R-3	14-33-131-053-1008	\$ 9,318	\$33,660	\$42,978
03-27343.009-R-3	14-33-131-053-1009	\$18,675	\$67,465	\$86,140
03-27343.010-R-3	14-33-131-053-1010	\$12,208	\$44,104	\$56,312
03-27343.011-R-3	14-33-131-053-1011	\$ 68	\$ 249	\$ 317
03-27343.012-R-3	14-33-131-053-1012	\$ 68	\$ 249	\$ 317
03-27343.013-R-3	14-33-131-053-1013	\$ 68	\$ 249	\$ 317
03-27343.014-R-3	14-33-131-053-1014	\$ 68	\$ 249	\$ 317
04-27173.001-R-3	14-33-131-053-1001	\$14,306	\$51,682	\$65,988
04-27173.002-R-3	14-33-131-053-1002	\$ 8,714	\$31,481	\$40,195
04-27173.003-R-3	14-33-131-053-1003	\$12,170	\$43,966	\$56,136
04-27173.004-R-3	14-33-131-053-1004	\$ 8,216	\$29,681	\$37,897
04-27173.005-R-3	14-33-131-053-1005	\$ 8,216	\$29,681	\$37,897
04-27173.006-R-3	14-33-131-053-1006	\$ 8,724	\$31,518	\$40,242
04-27173.007-R-3	14-33-131-053-1007	\$ 8,724	\$31,517	\$40,241
04-27173.008-R-3	14-33-131-053-1008	\$ 9,189	\$33,195	\$42,384
04-27173.009-R-3	14-33-131-053-1009	\$18,417	\$66,533	\$84,950
04-27173.010-R-3	14-33-131-053-1010	\$12,040	\$43,493	\$55,533
04-27173.011-R-3	14-33-131-053-1011	\$ 68	\$ 244	\$ 312
04-27173.012-R-3	14-33-131-053-1012	\$ 68	\$ 244	\$ 312
04-27173.013-R-3	14-33-131-053-1013	\$ 68	\$ 244	\$ 312
04-27173.014-R-3	14-33-131-053-1014	\$ 68	\$ 244	\$ 312
05-25566.001-R-3	14-33-131-053-1001	\$13,991	\$50,544	\$64,535
05-25566.002-R-3	14-33-131-053-1002	\$ 8,522	\$30,788	\$39,310
05-25566.003-R-3	14-33-131-053-1003	\$11,902	\$42,997	\$54,899
05-25566.004-R-3	14-33-131-053-1004	\$ 8,035	\$29,027	\$37,062
05-25566.005-R-3	14-33-131-053-1005	\$ 8,035	\$29,027	\$37,062
05-25566.006-R-3	14-33-131-053-1006	\$ 8,532	\$30,823	\$39,355
05-25566.007-R-3	14-33-131-053-1007	\$ 8,532	\$30,823	\$39,355
05-25566.008-R-3	14-33-131-053-1008	\$ 8,986	\$32,464	\$41,450
05-25566.009-R-3	14-33-131-053-1009	\$17,883	\$64,601	\$82,484
05-25566.010-R-3	14-33-131-053-1010	\$11,774	\$42,536	\$54,310
05-25566.011-R-3	14-33-131-053-1011	\$ 66	\$ 239	\$ 305
05-25566.012-R-3	14-33-131-053-1012	\$ 66	\$ 239	\$ 305

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05-25566.013-R-3	14-33-131-053-1013	\$	66	\$	239	\$	305
05-25566.014-R-3	14-33-131-053-1014	\$	66	\$	239	\$	305

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: June 27, 2008



Clerk of the Property Tax Appeal Board

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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.