FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Robert Weinstein
DOCKET NO.: 06-23031.001-C-1
PARCEL NO.: 14-07-405-007-0000

The parties of record before the Property Tax Appeal Board are Robert Weinstein, the appellant, by attorney Scott Shudnow of Shudnow & Shudnow, Ltd., in Chicago, and the Cook County Board of Review.

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

LAND:	$47,100
IMPR.:	$131,755
TOTAL:	$178,855

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property is improved with a three-story masonry constructed walk-up apartment building with an English basement. The building contains 22 apartment units and approximately 17,396 square feet of gross building area of which about 14,785 square feet is net rentable area. The subject property was constructed in approximately 1929. The subject property has a corner site of approximately 7,850 square feet of land area. The property is located in Chicago, Lake View Township, Cook County. The subject property is classified as a class 3-15 multi-family building under the Cook County Real Property Assessment Classification Ordinance (hereinafter "Ordinance") and is assessed at 24% of market value.

The appellant contends overvaluation as the basis of the appeal. In support of this argument the appellant submitted a brief prepared by counsel and an appraisal of the subject property prepared by real estate appraisers Arthur Murphy and Genadi Dvorkin of Urban Real Estate Research, Inc. The appraisers estimated the subject property had a market value of $660,000 as of January 1, 2006.

The property rights appraised are in fee simple, free and clear of all encumbrances or indebtedness, and the report indicated that the property was inspected on July 7, 2006. The appraisal further stated the appraisers concluded the highest and best use of the subject was to maintain the current improvements. The appraisers developed the three traditional approaches to value in estimating the market value of the subject property.

Under the cost approach, the appraisers accepted the assessor's proposed land value for the subject of $195,000, rounded, or $25.00 per square foot of land area despite substantially higher land sale prices for development purposes.[1] Using the Marshall Valuation Computerized Cost Service, the appraisers determined a replacement cost new for the subject building including the basement of $1,834,934. Further the appraisers added indirect costs of 3% and an entrepreneurial profit of 10% resulting in a total replacement cost new of the building of $2,078,980. Physical depreciation of 46.7% or $970,884 was calculated using the age/life method. External obsolescence was estimated by capitalization of an income loss estimated in the income approach to value finding 30% or $641,143 attributable to such loss in value. After these deductions, the depreciated value of improvements was $466,953. Next, a value for depreciated site improvements of $8,250 was added. Thus, under the cost approach, the appraisers estimated a market value of $670,000 for the subject.

Developing the sales comparison approach the appraisers estimated the subject had a market value of $660,000. The appraisers used six sales of apartment buildings that ranged in age from about 38 to 82 years old. The comparable sales ranged in size from 26,500 to 121,000 square feet of building area and contained from 40 to 155 apartment units. These properties sold between November 2004 and May 2006 for prices ranging from $2,300,000 to $10,975,000 or from $38,675 to $84,476 per apartment unit or from $51.74 to $178.30 per square foot of building area including land. The appraisers indicated three of the comparables had gross income multipliers ranging from 6.6 to 7.0. In comparing these sales to the subject property, the appraisers opined that five of the properties were superior to the subject and only sale #5 warranted a similar rating to the subject (see appraisal report pages 129 & 130). From this data and considering current market conditions, the appraisers opined a unit value for the subject of $30,000 per apartment or $38.00 per square foot or $660,000.

Using the income approach the appraisers estimated the subject had a market value of $645,000. The first step was to develop the subject's potential gross rental income through examination five rental comparables summarized on page 76 of the report

[1] Six land sales of improved parcels where the structure was then demolished ranged in land size from 5,450 to 8,675 square feet of land area and sold for prices ranging from $535,000 to $930,000 or from $87.03 to $114.11 per square foot of land area.

located in Chicago which were built between 1905 and 1972. The rental comparables contain from 30 to 94 apartment units ranging from studios to 2-bedroom units. Two of the comparables have 3 and 9 retail spaces, respectively, and two of the comparables have some parking spaces. For the comparables, 1-bedroom monthly rents ranged from $700 to $1,163; 2-bedroom monthly rents ranged from $1,500 to $1,865; and studio monthly rents were ranged from $500 to $825. The retail spaces in the two comparables have monthly rentals ranging from $700 to $2,723. Based on a 2006 rental roll statement, the subject had 1-bedroom monthly rents ranging from $700 to $750 and studio monthly rents ranging from $545 to $740. The appraiser reported occupancy rates for the subject and rental comparables ranging from $82% to 100%. The appraisers also presented the results of a rental survey prepared by The Apartment People for various unit types throughout a number of Chicago neighborhoods as shown on page 78 of the report. This data revealed studio rental rates ranging from $500 to $1,500 per month, 1-bedroom rental rates ranging from $650 to $2,400 per month, 2-bedroom rental rates ranging from $800 to $4,000 per month, and 3-bedroom rental rates ranging from $1,000 to $5,000 per month.

The appraisers were provide with both historical income and expense data for the subject for 2003, 2004 and 2005 and used this data along with Institute of Real Estate Management (IREM) market data and comparable expenses to stabilize the subject's income and expenses. The subject's effective gross income (excluding mortgage interest, real estate taxes, amortization, and depreciation expenses) for these three years ranged from $175,363 to $179,910.

With regard to the subject's estimated market rents, the appraisers determined the subject's actual rents were "consistent with market data reflected in the comparables listed." Therefore, as shown on page 81, for purposes of the income approach the appraisers utilized market rents for the subject of $750 per month for 1-bedroom units and $545 per month for studio units resulting in a potential gross apartment rental income of $188,160 for all 22 units. In addition, the appraisers opined income from laundry of $1,050 annually resulting in a potential gross income estimate of $189,210 for the subject.

On page 83 of the report, as of the site visit, the appraisers noted the subject was fully rented and reportedly, as of the date of valuation, the subject was 96% occupied with one unit vacant. No historical vacancy rate was reported. The appraisers noted IREM reports for garden type apartments have vacancy rates ranging from 6% to 18.6% and the appraisers' rental survey indicated vacancy rates for most buildings ranging from 2% to 20% with an average vacancy in Lake View Township of 6%. Therefore, the appraisers stabilized the subject's vacancy and collection loss at 6% of potential gross rental income or $11,290. Adding back the laundry income, the appraisers estimated $177,920 as the effective gross income for the subject property.

Then the appraisers stabilized the subject's annual expenses at $75,998 or $3,454 per rental unit or 42.71% of the effective gross income, before real estate taxes, reserves for replacement or a personalty expense, based in part on historical evidence, comparables and other published data. The subject's historical expenses for 2003, 2004 and 2005, excluding real estate taxes, were reported to have been $51,287, $57,671 and $62,783, respectively. The slightly higher stabilized expenses were justified according to the appraisers because the owner manages the subject property and thus actual expenditures do not reflect real market ratios.

In the reserves for replacement allowance, the appraisers calculated a set aside amount of 2% or $3,558 per unit which they assert was supported by published data. The appraisers then accounted for personalty related to equipment, furniture, fixtures, stoves and refrigerators and the like in the subject property of $5,818 or 3.27%. With these additional expenses, the expense ratio became 47.98% of effective gross income, but was supported by the IREM and comparable data. These additional deductions raised the total expenses to $85,374 which, when deducted from the effective gross income resulted in a net operating income of $92,546 for the subject.

Next the appraisers calculated a capitalization rate by examining multiple sources and finding rates ranging from 7% to 12.5% for a property of the subject's class. Based on the data, the appraisers developed a capitalization rate of 10.07% for the subject as an older building in need of constant updating and repairing. The appraisers next added a tax load factor of 3.882% to account for real estate taxes resulting in a final loaded capitalization rate of 13.952% which the appraisers rounded to $14%. Capitalizing the subject property's net operating income of $92,546 by 14% resulted in estimated market value of $660,000, rounded, under the income approach.

In reconciling the value approaches, the appraisers gave most weight to the income approach in arriving at the final estimate of market value. Based on this evidence the appellant requested the subject's assessment be reduced to reflect a market value of $660,000 and debased using the 2006 level of assessments for class 3 property of 24% under the Ordinance would result in a total assessment of $158,400.

The board of review submitted its "Board of Review Notes on Appeal" wherein its final assessment of the subject totaling $178,855 was disclosed. The subject's assessment reflects a market value of $745,229 which equates to $33,874 per apartment or $42.84 per square foot of building area, including land, when applying the 2006 Ordinance level of assessments for class 3 property of 24%. (86 Ill.Admin.Code §1910.50(c)(3)).

In support of the assessment the board of review submitted copies of the subject's property record card and information on seven comparable sales. The comparables were improved with multi-family apartment buildings, five of which ranged in size from 10,850 to 23,200 square feet of building area. No building sizes were provided for comparables #3 and #6. The comparables ranged in age from 74 to 82 years old and had from 16 to 24 apartment units. The data provided by the board of review indicated the comparables were located in Chicago. The sales occurred from April 2001 to November 2006 for prices ranging from $1,185,000 to $2,900,000 or from $69,705 to $131,818 per apartment unit and, for five of the comparables from $90.95 to $169.97 per square foot of building area, including land. Based on this evidence, the board of review requested confirmation of the subject's assessment.

In written rebuttal, counsel for the appellant noted that no evidence was presented to refute the appraisers' income approach to value conclusion nor any data to refute the sales comparables considered by the appraisers. In addition, counsel for the appellant presented various criticisms of the sales presented by the board of review.

After reviewing the record and considering the evidence the Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of the appeal. The Board further finds the evidence in the record does not support a reduction in the subject's assessment.

The appellant argued the subject property is overvalued. When market value is the basis of the appeal, the value must be proved by a preponderance of the evidence. National City Bank of Michigan/Illinois v. Illinois Property Tax Appeal Board, 331 Ill.App.3d 1038 (3rd Dist. 2002). The Board finds the appellant has not overcome this burden.

In this appeal, the appellant submitted an appraisal report estimating a fair market value for the subject property of $660,000 or $30,000 per apartment unit, including land, as of January 1, 2006. The board of review submitted seven suggested comparable sales to support its assessed valuation of the subject property. The board of review's sales data consists of similar sized-apartment buildings which sold for prices ranging from $1,185,000 to $2,900,000 or from $69,705 to $131,818 per apartment unit, including land.

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 held that significant relevance should not be placed on the cost approach or income approach especially when there is market data available. 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 the purpose of real estate taxes, the preferred method is the sales comparison approach. The Board finds there are credible market sales contained in this record. Thus, the Board placed most weight on this evidence.

The Property Tax Appeal Board has given no weight to the appraisal's conclusion of value which relied primarily upon the income approach, but which was also supported by a sales comparison approach that considered six sales which, but for one sale, were dissimilar in the number of apartment units to the subject. The Board finds that five of the six sales analyzed by the appraisers had from 68 to 155 apartment units as compared to the subject 22-unit building making them clearly dissimilar to the subject. The one sale that was analyzed with 40-units had a sale price in March 2006 of $57,500 per apartment unit, yet the appraisers arrived at a value conclusion for the subject of $30,000 per apartment unit. Based on this data, the Board finds the appraisal's value conclusion for the subject lacks any credible factual support in the appraisal report. Even the much larger sale comparables analyzed by the appraisers had prices ranging from $38,675 to $84,476 per apartment unit. None of the data presented by the appraisers supported a value conclusion for the subject of $30,000 per apartment unit.

Having discounted the appraisal's conclusion of value, the Board finds that both parties submitted a total of 13 suggested sales comparables for consideration. As outlined above, the Board has given less weight to appellant's comparables, except sale #1, due to differences in the number of apartment units. The Board finds the sales comparables presented by the board of review ranged in number of units from 16 to 24 units which are all fairly similar to the subject's 22-unit building. Thus, the Board finds the most similar comparables on this record are appellant's sale #1 and all seven of the board of review's comparables. These eight most similar comparable sales ranged from 16 to 40 apartment units and sold between April 2001 and November 2006 for prices ranging from $1,185,000 to $2,900,000 or from $57,500 to $131,818 per apartment unit, land included. The subject property's estimated market value as reflected by its assessment of $745,229 or $33,874 per apartment unit, land included, is below the range on a per-unit basis of these most similar sales comparables on this record. Therefore, the Board finds that the appellant has failed to establish overvaluation by a preponderance of the evidence and the subject's estimated market value does not appear to be excessive in light of these recent comparable sales. The Board finds that no reduction in the subject's assessment is warranted on this record.

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: April 20, 2012

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.