FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Evelyn Marozas
DOCKET NO.: 06-25269.001-C-1
PARCEL NO.: 20-29-317-021-0000

The parties of record before the Property Tax Appeal Board are Evelyn Marozas, the appellant, by attorney Herbert B. Rosenberg, of Schoenberg Finkel Newman & Rosenberg LLC in Chicago; and the Cook County Board of Review.

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:	$ 16,740
IMPR.:	$ 165,660
TOTAL:	$ 182,400

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property consists of a 18,600 square foot land parcel improved with a three-story, 79-year old, masonry, multi-family building. The subject's building contains 38,396 square feet of building area with 42 units, therein.

The appellant 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.

In support of the market value argument, the appellant submitted an appraisal report of the subject property with an effective date of January 1, 2006 undertaken by Genadi Dvorkin, a Certified General Real Estate Appraiser, and Arthur Murphy, who holds the designations of a Certified General Real Estate Appraiser and Member of the Appraisal Institute. The appraisal indicated that the intended use of this appraisal was to estimate the market value of the real estate for ad valorem tax purposes. In addition, the appraisal stated that the appraisers personally inspected the subject property and the surrounding immediate area on March 9, 2007.

At hearing, the appellant called as its witness, Arthur Murphy. The parties stipulated to the witness's credentials as an expert in the field of real estate and property tax assessment and who was accepted as such by the Board.

Murphy described the subject as a three-story, 42-unit apartment building with a full English basement constructed in 1927. The building contained 18 studios and 24 one-bedroom apartment units. The building contained total gross building area of 38,396 square feet with 28,797 square feet of above grade area. Overall the appraisal noted 23,250 square feet of net rentable area. Other site improvements included 9,000 square feet of concrete walks, iron fencing and light landscaping. Murphy also stated that it was easy for him to investigate the subject's neighborhood because he also grew up in this neighborhood. He opined that the neighborhood had suffered over the years and was a poor neighborhood.

In support of his opinions, Murphy referred to his working papers including United States Census Bureau statistics as well as area maps and crime report maps. His working papers were marked for the record and admitted into evidence as Appellant's Hearing Exhibit #1 without objection from the board's representative. He also testified that this data had been gathered in 1999, but asserted that it could be applicable to the valuation date at issue.

Murphy's appraisal developed the three traditional approaches to value, wherein the cost approach estimate a market value of $780,000 for the subject; the income approach estimated a value of $760,000; and the sales comparison approach estimated a value of $755,000 for the subject. The reconciled value for the subject was $760,000.

He also testified that the subject suffered from a high vacancy level in 2005 and 2006. In addition, he explained why he accorded his income approach primary weight due to the fact that the subject was an income producing property that would be purchased for investment purposes.

The appraisal stated that the subject's highest and best use, as if vacant, was for residential development, while the highest and best use, as if improved, was to maintain the existing improvements in its continued current use.

Under the cost approach, the initial step is to estimate the value of the land. Murphy used three land sale comparables located in Chicago, as is the subject property. The comparables sold from April, 2006, to January, 2007, for prices that ranged from $4.14 to $6.95 per square foot. These properties ranged in size from 3,164 to 9,459 square feet of land area. After making adjustments to the comparables, Murphy estimated a land value for the subject of $5.00 per square foot or $95,000, rounded.

While employing the Marshall & Swift Cost Manual, he developed a replacement cost new for the subject's improvements of $88.51 per square foot or $2,625,288. The appraisers estimated indirect costs at 3% of direct costs due to the subject's size at $76,465, while estimating entrepreneurial incentive at 10% or $262,529. Adding these costs resulted in a total replacement cost new of $2,887,817. Physical deterioration was estimated at 76.7% or $2,215,956. Deducting depreciation resulted in the depreciated value of the improvements at $672,861. Adding the value of the site improvements and the land value reflected a value under the cost approach of $780,000, rounded.

Under the income approach to value, Murphy referred to four rental comparables. These properties ranged in age from 42 to 83 years; in apartments from 14 to 57 units; and in monthly rent per unit from $370.00 to $675.00. In comparison, the appraisal indicated that the subject ranged in net rentable area per unit from 450 to 800 square feet and in total monthly gross income from $3,210 to $9,000. The appraisers opined that the subject's stabilized rent was in line with market rent as of the date of valuation. Therefore, potential gross rental income was estimated at $243,720 less a vacancy rate of 13% or $31,684 resulting in an effective gross income of $212,036. The appraisal included expense data for four comparable garden apartment buildings in the subject's area. The stabilized expenses amounted to $3.60 per square foot or 39.45% of effective gross income. The appraisal stated that this estimate was supported by the data from the expense comparables which ranged from 41.93% to 55.94% with an average of 50.62% of effective gross income.

Further, the appraisers consulted with Income/Expense Analysis-Conventional Apartments, 2005 Edition, published by the Institute of Real Estate Management (IREM). This publication indicated that for garden type buildings in Chicago that the median expense was $6.09 per square foot or 45.5% of effective gross income. Referring to market sources and based upon his experience, Murphy stated that the appropriate overall capitalization rate was 10.07% for the subject. Capitalizing the effective gross income resulted in a value under the income approach to value of $760,000, rounded.

Under the sales comparison approach to value, the appraisers utilized four sales comparables, which were located in Chicago, as is the subject property. These comparables sold from April, 2003, through March, 2005, for prices that ranged from $230,000 to $650,000, or from $17.24 to $29.66 per square foot or from $16,000 to $19,167 per unit. The properties were improved with a three-story, masonry, garden-type, apartment building. They ranged in age from 78 to 86 years; in size from 10,000 to 30,000 square feet of living area; and in apartments from 12 to 36 units. Each comparable was of average condition and without on-site parking. After making adjustments to the suggested comparables, the appraisers estimated the subject's market value was $18,000 per unit or $755,000 or $30.00 per square foot or

$700,000, rounded. Therefore, the appraisers opined that the market value in the sales comparison approach to value was $755,000.

Murphy testified that he had personally viewed each of the exterior of the suggested comparables, while also verifying the sale data reflected on the CoStar Comps printouts with a party to the sale. He also indicated that he had conducted a valuation estimate both on a per unit and per square foot basis because apartments can be of differing size.

In reconciling the three approaches to value, the appraisers accorded least weight to the cost approach due to estimating high amounts of depreciation, while according primary weight to the income approach because the subject was an income-generating property with secondary consideration accorded the sales comparison approach to value.

The board of review submitted "Board of Review-Notes on Appeal" wherein the subject's total assessment was $258,570 for tax year 2006 as determined by the county assessor's office. The subject's assessment reflects a market value of $1,077,375 or $37.41 per square foot for tax year 2007 using the Cook County Ordinance level of assessment for Class 3 property of 24%. However, the board's memorandum reflected that the board of review had accorded a reduction to the subject reflecting a revised total assessment of $226,485. As to the subject, the board also submitted copies of the subject's property record cards (hereinafter PRC).

In addition, the board of review submitted a memorandum as well as CoStar Comps printouts for five suggested comparables. The properties contained three-story, masonry, multi-family apartment buildings. They sold from May, 2002, to October, 2004, for prices that were in an unadjusted range from $32,200.00 to $54,286.00 per unit. The buildings ranged in age from 76 to 82 years; in apartments from 24 to 39 units; and in size from 18,300 to 45,000 square feet of living area. The printouts also reflected that sale #4 was a down leg of a 1031 exchange. As a result of its analysis, the board requested confirmation of the subject's assessment.

At hearing, the board of review's representative rested on the written evidence submissions.

In written rebuttal, the appellant submitted a multiple-page review undertaken by the appellant's appraiser, Arthur Murphy, of the board's suggested comparables. Exhibit A of this rebuttal evidence indicated that the board's sale #4 was part of a 1031 exchange, while sale #5 was part of a bulk portfolio transaction. In addition, Murphy indicated that the board's suggested comparables are located in superior areas in comparison to the subject's neighborhood and that they do not suffer from high vacancy levels as does the subject property. Moreover, Exhibit B reflected an income and expense analysis of the board's suggested comparables undertaken by Murphy.

At hearing, Murphy was also called as a rebuttal witness for the appellant. He testified that the board's sale #1 was located in a totally different neighborhood than that of the subject property; and therefore, lacks comparability to the subject. As to the board's sale #4, he noted earlier sales of that property as well as noting that the assessor's market value for this property is $687,008 or $19,629 per unit or $15.27 per square foot for tax years 2006 and 2007 even though this property sold in 2004 for $1,500,000. Further, Murphy elaborated on a definition of a 1031 exchange indicating that the motivations of the buyer and seller are not the actual value of the real estate by the profit to be realized in avoidance of capital gains. Therefore, he stated that in his opinion such an exchange is not an arm's length transaction. As to the board's sale #5, he stated that a subsequent sale of this property in 2006 was part of a portfolio sale of 11 properties. As to the board's sale #3, Murphy testified that the submitted sale occurred in 2003 for a value of $1,275,000, but that a subsequent sale in April, 2007, for $1,100,000 reflected a drop in market value. Lastly, he stated that there were no adjustments made to these properties for the aforementioned factors as well as others; and therefore, the board's properties lack comparability to the subject. In support of this testimony, the appellant moved into evidence Appellant's Hearing Exhibit #2 without objection from the board's representative. This exhibit included a duplicate copy of the appellant's rebuttal grids along with extraneous remarks made by the appellant's appraiser as well as copies of the CoStar Comps printouts for the board of review's suggested comparables.

After considering the arguments and reviewing 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. 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 Board concludes that the evidence indicates a reduction is warranted.

In determining the fair market value of the subject property, the Board finds the best evidence to be the appellant's appraisal along with the appraiser's testimony. The appellant's appraisers utilized the three traditional approaches to value in determining the subject's market value. The Board further finds this appraisal to be persuasive for the appraisers personally inspected the subject property and utilized market data in each approach to value while providing sufficient detail regarding each rental comparable and land or improved sale as well as adjustments where necessary.

Moreover, the Board accorded diminished weight to the board of review's limited and raw sales data.

Therefore, the Board finds that the subject property contained a market value of $760,000 for tax year 2006. Since the market value of the subject has been established, the Cook County Ordinance level of assessment for Class 3 property of 24% will apply. In applying this level of assessment to the subject, the total assessed value is $182,400, while the subject's current total assessed value is above this amount at $226,485. Therefore, the Board finds that 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.