FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Glen Younan
DOCKET NO.: 06-27047.001-C-1
PARCEL NO.: 13-26-414-007-0000

The parties of record before the Property Tax Appeal Board are Glen Younan, 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:	$ 26,460
IMPR.:	$ 159,540
TOTAL:	$ 186,000

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property consists of a 10,500 square foot land parcel improved with a three-story, 82-year old, masonry, multi-family dwelling. The subject's building contains 31 apartment units, therein. The building consists of 17,280 square feet of building area with a net rentable area of 14,900 square feet.

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 and a market value of $775,000. The appraisal was undertaken by Charlie Hynes, 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 appraiser personally inspected the subject property and the surrounding immediate area on July 20, 2007.

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The appellant called as its witness, Charlie Hynes, whose foundation and credentials were stipulated to by the parties. Moreover, he stated that he has been a real estate appraiser since 1991 and that approximately 50% of his appraisal assignments related to multi-family apartment buildings. Therefore, he was offered and accepted by the Board as an expert in real estate valuation.

The Hynes appraisal indicated that subject's parcel is improved with a single three-story, 82-year old, masonry building used as an apartment building with a courtyard. The building contained 31 apartments with 6 studio units and 25 one-bedroom units totaling a net rentable area of 14,900 square feet. The building's overall 17,280 square feet of gross building area also includes two laundry rooms located in the basement. The subject was considered to be in average condition, while lacking on-site parking. Hynes testified that he personally inspected the subject property on July 20, 2007, wherein he noted that each unit had its own heater, but that the units did not contain any central air conditioning.

Moreover, the Hynes appraisal indicated that the subject had sold in February of 2005 for $2,250,000. However, he testified that in his opinion that this sale price represented an investment value instead of a fee simple market value. He stated that the most reliable technique to distinguish the two values was a debt service coverage analysis, which he undertook in this appraisal. This analysis which he stated was a test of reasonableness as to the fee simple market value of the subject reflected a resultant value amounting to $775,000, which was his appraised value for the subject property. He also testified that he had an affidavit from the owner which he had neglected to include in his appraisal.

At hearing, he produced a copy of this affidavit, which was admitted into the evidence without objection from the board of review and was identified for the record as Appellant's Hearing Exhibit #1. The affiant in this Exhibit, Guiliana Younan, stated that he is one of the members of the subject's corporate owner and that he purchased the subject while paying a premium thereon based on its potential for condominium conversion. The affiant also stated that each unit in the subject property contained its own heater, which makes condominium conversion less expensive.

Hynes developed the three traditional approaches to value, wherein the cost approach estimate a market value of $770,000 for the subject; the income approach estimated a value of $775,000; and the sales comparison approach estimated a value of $775,000 for the subject. The reconciled value for the subject was $775,000.

The appraisal stated that the subject's highest and best use, as if vacant, was for commercial development and high density residential development on a build-to-suit basis, while the highest and best use, as if improved, was its conversion to condominium use in the future.

Under the cost approach, the initial step is to estimate the value of the land. Hynes used five land sale comparables located in Chicago, as is the subject property. The comparables sold from October, 2003, to November, 2006, for prices that ranged from $33.94 to $66.67 per square foot. These properties ranged in size from 6,250 to 23,988 square feet of land area. After making adjustments to the comparables, he estimated a land value for the subject of $20.00 per square foot or $210,000, rounded.

While employing the Marshall & Swift Valuation Service, he identified the subject as an average quality Class C apartment building and developed a replacement cost new for the subject's improvement of $84.35 per square foot or $1,457,568. Soft costs @ 5% were added, while entrepreneurial profit @ 10% was deducted resulting in a total cost new of $1,683,491. Based upon a thorough inspection of the subject, Hynes estimated the subject's effective age at 30 years and an economic life of 50 years which indicated a remaining economic life of 20 years. Using the age/life method, he estimated accrued depreciation of 60%. He estimated functional obsolescence of 0% and external obsolescence at 7%. Deducting depreciation of 67% or $1,127,939 and adding the land value of $210,000 resulted in a value under the cost approach of $770,000, rounded.

Under the income approach to value, Hynes testified that he used six rental comparables located within the subject's geographical area. These properties ranged in units from nine to 15 apartments; in occupancy levels from 92% to 100%; and in monthly rent from $500.00 to $800.00 per unit. Therefore, gross potential income was estimated at $216,000 less a vacancy and collection loss of 7% or $15,120 resulted in an effective gross income of $200,880. However, income from the laundry rooms was estimated at $2,418 resulting in effective gross income from all sources at $203,298. While referring to the subject's historical actual expenses as well as market data from the Institute of Real Estate Management (IREM) relating to Chicago area apartment buildings containing over 24 units, Hynes stated that he projected expenses of 48.62% or $98,849 resulting in a net operating income of $104,449.

Further, he consulted with Commercial Mortgage Commitments, First Quarter 2006, published by the American Council of Life Insurance for market data on reported capitalization rates of apartment building loans. This publication indicated a range of overall capitalization rates from 5.9% to 8.3%. He also referred to the Korpacz Real Estate Investor Survey, First Quarter 2006, published by Price WaterhouseCoopers LLC. and the Real Estate Report, Winter 2006, published by the Real Estate Research Corporation. These market sources reflected rates from 4.25% to 10.5%. Hynes estimated a capitalization rate for the subject of 9.6% as well as a tax load factor of 3.922% for an adjusted capitalization rate of 13.50%. Capitalizing the effective gross income resulted in a value under the income approach of $775,000, rounded.

Under the sales comparison approach to value, Hynes utilized five sale comparables, which were located in Chicago, as is the subject property. These comparables sold from February, 2004, through May, 2006, for prices that ranged from $450,000 to $2,350,000 or from $27.95 to $99.06 per square foot or from $21,667 to $46,078 per unit. The properties were improved with a three-story, masonry building, three of which also include a courtyard. They ranged: in age from 75 to 97 years; in apartments from 18 to 60 units; and in size from 11,866 to 46,511 square feet of living area. Hynes testified that he visited each suggested comparable and undertook an exterior inspection. None of the comparables have on-site parking with building's that are of average condition. Moreover, he stated that he contacted the listing real estate brokers for each sale to confirm sale data. After making adjustments to the suggested comparables, Hynes estimated the subject's market value was $25,000 per unit or $775,000, rounded.

In reconciling the three approaches to value, the Hynes appraisal accorded primary emphasis to the income and sales comparison approaches to law due to the subject's income-producing nature as an apartment building with least emphasis to the cost approach to value. Therefore, the final value estimate for the subject was $775,000. Based upon this evidence, the appellant requested a reduction in the subject's market value.

The board of review submitted "Board of Review-Notes on Appeal" wherein the subject's total assessment was $246,070 for tax year 2006. The subject's assessment reflects a market value of $1,025,291 or $59.33 per square foot or $33,074 per unit using the Cook County Ordinance level of assessment for Class 3 property of 24%. As to the subject, the board also submitted copies of the subject's property record cards (hereinafter PRC) as well as copies of the subject's Illinois Real Estate Transfer Declaration and copies of documents from the Recorder of Deeds Office reflecting that the subject sold in July 15, 2004 for $2,225,000 or $71,774 per square foot.

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, apartment buildings. They sold from February, 2001, to June, 2006, for prices that were in a range from $1,280,000 to $3,225,000 or from $38,788 to $119,231 per unit. The submitted printouts failed to identify pertinent data on sale $4. As to the remaining four properties, the buildings ranged: in age from 75 to 93 years; in apartments from 25 to 42 units; and in size from 16,500 to 30,514 square feet of living area. The printouts also reflected that sales #1 and #2 contained the same real estate broker representing both parties to the transaction and that sale #5 failed to identify any real estate broker for either party. In addition, the printouts for sale #3 reflect that this transaction was part of a seller's downleg and buyer's upleg transaction in a 1031 exchange and that CoStar Comps could not locate any real estate transfer declaration for this sale.

Moreover, the board of review's memorandum stated that the evidence was not intended to be an appraisal or estimate of value and should not be construed as such. It stated that the information provided therein had been collected from sources assumed to be factual, accurate, and reliable. However, it further noted that the writer had not verified the information or sources and did not warrant its accuracy.

At hearing, the board of review rested on its written evidence submission. As a result of its analysis, the board requested confirmation of the subject's assessment.

As written rebuttal, the appellant's attorney submitted a brief arguing the lack of comparability of the board of review's properties as well as an analysis review of the board's properties undertaken by the appellant's appraiser, Charlie Hynes. He testified at hearing that he visited each of the board of review's suggested comparables, conducted an exterior inspection, and took photographs of the properties. As to the board's sale #1, Hynes stated that this property had been purchased for conversion into condominiums and that the location had on-site parking as well as basement area which was converted into parking area. As to sale #2, he stated that this property contained a superior condition and unit mix as well as being accorded a different classification under the Cook County Classification Ordinance than the class accorded to the subject property, a 3-15 designation. He testified that this property's classification was a 9-15 designation defined as a multi-family incentive class accorded for a nine-year period for rehabilitation, which is accorded an assessment proration, thereto. He indicated that sale #5 is a dated sale having occurred in 2001. Lastly, he opined that the board's properties lack comparability due to the absence of adjustments to the properties.

After considering the arguments and testimony as well as 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 and supporting testimony of the appellant's appraiser. The appellant's appraiser 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 appraiser personally inspected the subject property and utilized market data in each approach to value while providing sufficient detail regarding each rental comparable as well as the land or improved sale comparables and detailed adjustments where necessary.

As to the subject sale, the appellant's appraiser distinguished this sale as reflective of investment value instead of fee simple market value. In support of this expert's testimony, the appellant submitted Hearing Exhibit #1, which was an owner's affidavit stating that the purchase was at a premium due to the prospect of future conversion into condominiums.

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 $775,000 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 $186,000, while the subject's current total assessed value is above this amount at $246,070. 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.