FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Loreto Bucaro
DOCKET NO.: 07-04081.001-R-2
PARCEL NO.: 03-15-111-004

The parties of record before the Property Tax Appeal Board are Loreto Bucaro, the appellant, by attorney Melissa K. Whitley, of Marino & Assoc., PC in Chicago; and the DuPage 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 **DuPage** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND:	$46,330
IMPR.:	$163,290
TOTAL:	$209,620

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property consists of a 10,936± square foot parcel improved with a two-story, masonry constructed apartment building with 6 units. The subject was built in 1960 and contains nine on-site parking spaces. The improvement contains 6,076 square feet of gross building area with 4,200 square feet of rentable area. The appellant, through 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.[1]

In support of the market value argument, the appellant submitted an appraisal of the subject property with an effective date of January 1, 2007. The appraiser used the three traditional approaches to value to estimate a market value for the subject of $235,000. The appraiser determined that the highest and best use to be its current use.

[1] Appellant's counsel waived the legal contention argument at hearing.

Andrew Hartigan, a State of Illinois Certified residential Appraiser, was called as a witness in support of the appraisal. Hartigan has been appraising light income producing properties since 2002.

In the cost approach to value, the appraiser reviewed the sale of four land comparables to determine a value for the land of $17.50 per square foot or $191,000, rounded. The sale comparables were located in Wood Dale, Illinois, same as the subject, and ranged in size from 7,425 to 18,177 square feet. They sold from May 2005 to May 2006 for prices ranging from $11.55 to $20.88 per square foot of land area. Using the *Marshall Valuation Computerized Cost Service*, the appraiser estimated a replacement cost new for the improvement of $520,592. The appraiser estimated indirect costs of 3.0% or $15,618 and entrepreneurial incentive at 10% or $53,621 for a total replacement cost of $589,831. The appraiser then determined depreciation from all causes at 90.0% or $546,448 for a depreciated value of $43,383 for the improvement. The depreciated value of the site improvements of $5,800 and the value of the land of $190,000 was then added in for a final value under the cost approach of $240,000, rounded.

In the income approach, the appraiser reviewed the rent of five comparable properties and established a monthly unit rent for one-bedrooms of $650 and a monthly unit rent for two-bedroom units of $850. The subject has three one-bedroom units and three two-bedroom units, which indicated a monthly potential gross income of $4,500 or $54,000, annually. The appraiser examined the subject's historical effective income from 2004 to 2007. The subject's actual effective income ranged from $40,325 to $46,940. After subtracting vacancy and collection losses of $4,320 from the potential gross income, Hartigan estimated an effective gross income of $49,680. Expenses of $23,401 were subtracted to arrive at a net operating income of $26,279. A direct capitalization technique, band of investments, mortgage-equity analysis and published sources, indicated capitalization rates ranging from 5.20% to 9.0%. The appraiser determined an overall capitalization rate of 9.5% was considered reasonable for the subject because it is in average condition, is 47 years old and suffers from wear and tear associated with its advanced age. The appraiser applied a loaded capitalization rate of 11.2% for a total value based on the income approach of $39,106 per unit or $235,000, rounded.

Under the sales comparison approach to value, the appraiser examined the sale of 6 apartment buildings in the subject's market. The comparables consist of two-story apartment buildings ranging from 6 to 10 units. They ranged in age from 1961 to 1995 and were reported to be in average condition. The comparables ranged in size from 4,330 to 8,254 square feet of building area. The properties sold from October 2004 to June 2008 for prices ranging from $493,600 to $1,040,000 or from $100.00 to $126.00

per square foot of building area or from $70,000 to $130,000 per unit. The appraiser made several adjustments to the comparables for age, condition, basement area and land to building ratio. Based on this, the appraiser determined the subject property's value using the sales comparison approach to be $39,250 per unit and $38.67 per square foot of building area or $235,000, rounded.

In reconciling the approaches to value, the appraiser gave primary emphasis to the income approach, minimal consideration on the sales comparison approach and the least weight on the cost approach for a final value for the subject as of January 1, 2007 of $235,000. Based on this evidence, the appellant requested a reduction in the subject's assessment commensurate with the appraised value of $235,000.

During cross-examination, Hartigan admitted that not all of his land sale comparables would support a 6 unit apartment building because of zoning. Hartigan testified that there is economic obsolescence associated with the subject. Hartigan stabilized a higher rent for the subject because the on-site manager occupies one of the units indicating an annual loss of $5,400. Hartigan admitted that his rental comparable #1 appeared to be a large building; however, he could only find rental data for four units. The appraiser was not sure how many units were contained in rental comparable #2. Hartigan testified that the appraisal does not depict the number of units in each rental comparable; however, he believes each is a walk-up apartment complex. He was not sure if any of the rental comparables were condominium units. Hartigan corrected his economic obsolescence estimate for the subject to depict 2.65%.

Hartigan further testified on cross-examination from the hearing officer that his sales and cost approaches to value were based on his income approach. Hartigan's sale comparables ranged from $70,000 to $130,000 per unit. However, he estimated the subject's value of $39,166 per unit. To explain this, Hartigan testified that if he were to do strictly a sales approach to value, the value would be higher than the $39,000 that he concluded. Hartigan admitted that he did not state it clearly in the appraisal that the sales approach to value is based off of the income approach and is not isolated on its own. Hartigan admitted that the cost and sales approaches are typically used to verify and support the income approach; however, he felt the income approach was the best indicator of the subject's value and is the approach he relied on. In a cover letter to the client, Hartigan indicated that under a sales approach to value, the subject would have an estimated value of $70,000 to $85,000 per unit or $420,000. Hartigan admitted that his cover letter to the client indicated two different value ranges for the subject depending on which method was used.[2] Hartigan could not recall any response from the client, however, he admits he proceeded further using the income approach, which depicts a lower value

[2] A copy of the cover letter was ordered to be entered into the record.

for the subject than what it would have been had he developed the sales comparison approach to value on its own. Hartigan testified that he could not disclose the sale price of the subject which occurred in 2002. Counsel for the appellant offered the subject's Transfer Declaration sheet which depicts the subject sold for $805,000 in October 2002, however, this price also included an adjoining 6 unit apartment building.

The board of review submitted its "Board of Review-Notes on Appeal" wherein the subject's total assessment of $209,620 was disclosed. The subject's assessment reflects a market value of $630,247 using the 2007 three-year median level of assessments for DuPage County of 33.26% as determined by the Illinois Department of Revenue. The board also submitted a sales grid analysis detailing eight comparable sales. The comparables are located in Addison Township, same as the subject. Jim Konopka, from the Addison Township Assessor's Office testified in support of the analysis. The comparables were two-story masonry apartment buildings that were built from 1960 to 1963. They were situated on parcels ranging from 7,500 to 10,479 square feet. They ranged in size from 1,560 to 2,400 square feet of building area and each contained five or six apartment units. They had total living areas ranging from 3,120 to 3,978 square feet. The subject is depicted as having a total living area of 3,900 square feet. The comparables sold from July 2004 to February 2007 for prices ranging from $530,000 to $625,000 or from $133.23 TO $173.08 per square foot of living area or from $88,333 to $112,000 per unit. Konopka testified that these comparables were all walk-up type apartments, similar to the subject. Konopka testified that each comparable has an unfinished basement, unlike the subject.

During cross-examination, Konopka testified that comparables #1 and #2 were closest to the subject in Wood Dale. Konopka considered the remaining comparables inferior to the subject in location. Konopka admitted that the sales comparables were slightly superior to the subject because they contained laundry facilities and a basement, not enjoyed by the subject.

During rebuttal examination, Hartigan could not recall if he examined the board of review's sale comparables and discounted them or whether he was not aware of them at the time he prepared the appraisal.

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.

The appellant contends the market value of the subject property is not accurately reflected in its assessed valuation. When market value is the basis of the appeal the value of the property 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 met this burden of proof and a reduction in the subject's assessment is not warranted.

The appellant submitted an appraisal estimating the subject property had a market value of $235,000 as of January 1, 2007. The DuPage County Board of Review presented sale comparables to support the subject's assessment which reflects a market value of $630,247. The Board finds the best evidence in this record of the subject's estimated market value is found in the comparable sales submitted by the board of review.

The Board finds the appellant's appraisal is not a credible estimate of the value of the subject property. The evidence revealed the appraiser gave his client two different options for valuing the subject property. If the income approach were used, it was disclosed that the subject's estimate of value would be significantly less than if a sales comparison approach to value were used. The appraiser ultimately relied upon the income approach to value, however, the Board finds the cost approach and sales comparison approach were developed only to supplement the income approach to value and not to support or add credibility to the income approach to value. The appraiser testified that had he done strictly a sales comparison approach, the subject's value would have been $420,000 and not the $235,000 that he found under the income approach.

The Board finds the appraisal fails to disclose basic information regarding the total number of units in each comparable or whether the comparable units were apartments or condominium units. Hartigan testified that if the units were condominiums, then the value would be higher than for an apartment. Hartigan's sale comparables ranged from $70,000 to $130,000 per unit. However, he estimated the subject's value of $39,166 per unit, which the Board finds is not supported by the data in the appraisal. Each of the land comparables used by Hartigan had a zoning classification different from the subject. The board of review pointed out that the appellant's land comparables would not support an improvement of the subject's size and use based on their zoning classifications. The Board finds the rental comparables used by the appellant are not similar to the subject's 6-unit design. Based on the photographs, the rental comparables appear to be much larger than the subject. The appraiser found capitalization rates based on a band of investment technique and published sources ranged from 5.20% to 9.0%, however, the appraiser determined 9.5% was appropriate. The Board finds the capitalization rate used, which was above the calculated range, was not well supported in the appraisal. The appellant's appraiser admitted that he developed the cost and sales comparison approaches to value based on the income approach. The Board gives these two approaches less weight in its analysis because they were not independently developed and used to support the estimation of value calculated under the income approach. Instead, they were developed from the income approach. Further, the Board finds the appraiser did not consider the numerous apartment sales in close proximity to the

subject, as used by the board of review, which further detracts from the credibility of the appraiser's estimate of value. When questioned on this point, the appraiser could not recall if he examined them and decided not to use them or whether he was not aware of them. The Board finds the appraisal is not credible because as stated by the appraiser, he could develop two different sales comparison approaches to value, and yet come up with two significantly different estimates of value for the subject, using the same sale comparables.

The Board finds the board of review's sale comparables were generally in close proximity to the subject and were generally very similar to the subject in most respects. These eight sales occurred from July 2004 to February 2007 and sold for prices ranging from $530,000 to $625,000 or from $88,333 to $112,000 per unit. Konopka testified that these comparables were all walk-up type apartments, similar to the subject in size, location, age and exterior construction. The subject's assessment reflects a market value of $630,247 or $105,041 per unit. The Board finds the subject's assessment reflects a market value that is only slightly higher than the most similar comparables contained in this record; however, it is within the range established on a per unit basis. The Board recognizes the board of review's sale comparables had basements and storage area not enjoyed by the subject, however, this is offset by the fact that tenants are allowed to use the laundry facilities in the adjoining building. After considering adjustments and the differences in both parties' suggested comparables when compared to the subject property, the Board finds the subject's assessment is supported by the most comparable properties contained in this record and a reduction in the subject's assessment is not warranted.

In conclusion, the Board finds the appellant has not demonstrated the subject property was overvalued by a preponderance of the evidence. Therefore, the Board finds the subject property's assessment as established by the board of review is correct and a reduction is not 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: October 22, 2010

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.