FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Relax Inn
DOCKET NO.: 07-30097.001-C-1
PARCEL NO.: 12-22-100-076-0000

The parties of record before the Property Tax Appeal Board are Relax Inn, the appellant, by attorney Arnold G. Siegel, of Siegel & Callahan, P.C. 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:	$ 59,093
IMPR.:	$ 56,593
TOTAL:	$ 115,686

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property consists of a 25,918 square foot parcel of land improved with a 49-year old, one-story, commercial building used as a motel. The improvement contains 3,218 square feet of building area with 14 motel rooms therein.

The appellant's attorney 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's attorney submitted an income analysis developed by Harry Fishman and Mitchell Perlow of Property Valuation Services. Fishman is a certified general real estate appraiser, while Perlow holds the designations of certified general real estate appraiser and Member of the Appraisal Institute (MAI). The economic analysis has an effective date of January 1, 2006 with a value estimate of $265,000.

The analysis stated that the purpose of this assignment was "to provide a consulting service and prepare an economic evaluation of the apartment/hotel operation in order to establish an equitable ad valorem tax assessment and no other purpose". In

addition, the appraisal stated that "the intended use of this analysis is an evaluation of an annual potential cash flow that could reasonably be anticipated from the business operation of the subject". Moreover, the analysis stated that "on January 17, 2006 the analysts inspected portions of the interior and exterior of the subject improvements" and "applied an income analysis utilizing pro forma income stream and actual and/or projected market level expenses to arrive at an economic evaluation of the motel rental operation".

Using actual rental data for the commercial operation representing room rates of $35.00 per day or $200 per week, the potential gross income was estimated at $178,850. Vacancy loss at 20% was deducted resulting in a stabilized room revenue of $143,080. The analysis stated that the non-real estate items contribute to the subject's potential income and it was necessary to extract these costs. Using the Marshall Valuation Service Cost Manual, personalty was estimated at $49,000 with ancillary equipment value estimated at $5,000 resulting in estimated personal property of $54,000. The analysis stated that the useful life of personalty was 10 years and reflecting an annual cost of $5,400 with return on fixtures and equipment estimated at $1,711. Thereby, the analysts estimated that $8,856 of income was attributed to personalty. Estimating actual or market expenses totaled $90,854 which resulted in a net income to business operations of $52,226. Less return to personalty of $7,111 resulted in an estimate of net income at $45,115. Capitalizing this amount by 17.15% resulted in an estimated value of $265,000, rounded. In support of this data, copies of the subject's actual income and loss supplemental IRS tax form for tax years 2002 through 2004 were submitted. Based upon this analysis, the appellant requested a reduction in the subject's assessment.

The board of review submitted "Board of Review-Notes on Appeal" wherein the subject's total assessment was $115,686. This assessment reflects a market value of $304,437 or $94.60 per square foot or $21,746 per room when the Cook County Ordinance level of assessment for class 5a, commercial property of 38% is applied.

In support of the subject's market value, the board submitted raw sales data was submitted for five properties identified with hospitality/motel designations. The data from the CoStar Comps service sheets reflect that the research was licensed to the assessor's office, but failed to indicate that there was any verification of the information or sources of data. The properties sold in an unadjusted range from $28,125 to $64,103 per room, while the buildings ranged in size from 4,691 to 30,000 square feet.

Moreover, the board of review's cover memorandum stated that the data was not intended to be an appraisal or an estimate of value and should not be construed as such. The memorandum indicated that the information provided therein had been collected from

various sources that were assumed to be factual and reliable; however, it further indicated that the writer hereto had not verified the information or sources and did not warrant its accuracy. As a result of its analysis, the board requested confirmation of the subject's assessment.

After considering the parties' arguments 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. After the parties' evidence was submitted, they each waived the right to hearing.

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 not warranted.

The Board finds the appellant's argument that the subject's assessment is excessive when applying an income analysis based on the subject's actual income and expenses or estimates of business value, cash flow, and personalty value unconvincing. In Springfield Marine Bank v. Property Tax Appeal Board, 44 Ill.2d 428 (1970), the court stated:

> i]t is the value of the "tract or lot of real property" property which is assessed, rather than the value of the interest presently held. . . [R]ental income may of course be a relevant factor. However, it cannot be the controlling factor, particularly where it is admittedly misleading as to the fair cash value of the property involved. . . [E]arning capacity is properly regarded as the most significant element in arriving at "fair cash value". . . Many factors may prevent a property owner from realizing an income from property, which accurately reflects its true earning capacity; but it is the capacity for earning income, rather than the income actually derived, which reflects "fair cash value" for taxation purposes." Springfield Marine Bank v. Property Tax Appeal Board 44 Ill.2d 428 at 430-431.

Actual expenses and income can be useful when shown that they are reflective of the market. The appellant did not demonstrate that the subject's actual income and expenses were reflective of the market. To demonstrate or estimate the subject's market value using an income approach, as the appellant attempted, one must establish through the use of market data the market rent, vacancy and collection losses, and expenses to arrive at a net operating

income. Further, the appellant must establish through the use of market data a capitalization rate to convert the net income into an estimate of market value.

The appellant failed to follow this procedure in developing an income analysis which contained a stated purpose of "preparing an economic valuation of the apartment/hotel rental operation" or an intended use "to estimate an annual potential cash flow that could reasonably be anticipated from the business operation of the subject". Moreover, the majority of the market data employed within this analysis related to the personalty estimates and not the real estate valuation; therefore, the Board gives this argument no weight.

The Board finds that the market data submitted by the board of review supports the subject's valuation. The unadjusted market data from five sales of hospitality/motel properties reflects a range of value from $28,125 to $64,102 per room, while the subject at $21,746 per room is located below the range established by these sales.

As a result of this analysis, the Board finds the appellant has not met their burden and that 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: July 19, 2013

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.