FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Jack Gore
DOCKET NO.: 08-03712.001-C-3
PARCEL NO.: 19-04-400-023

The parties of record before the Property Tax Appeal Board are Jack Gore, the appellant, by attorney Lisa A. Marino, of Marino & Assoc., PC in Chicago; the McHenry County Board of Review; and Algonquin Township, intervenor, by attorney James P. Kelly of Matuszewich, Kelly & McKeever, LLP in Crystal Lake.

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 **McHenry** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND:	$291,778
IMPR.:	$579,775
TOTAL:	$871,553

Subject only to the State multiplier as applicable.

ANALYSIS

The subject parcel of 2.36-acres is improved with a 57-room, three-story limited-service hotel. The masonry and stucco hotel was constructed in 2000 and consists of 30,879 square feet of building area. Features include a breakfast/meeting room, an indoor pool and a 2,500-pound elevator. Site improvements include asphalt parking for 139 vehicles, concrete walkways and landscaping. The property is located in Crystal Lake, Algonquin Township, McHenry County.

The property in this appeal was the subject of an appeal before the Property Tax Appeal Board for the prior year under Docket No. 07-04031.001-C-3. In that appeal, the appellant contended that the market value of the subject property was not accurately reflected in the property's assessed valuation. In support of the overvaluation argument, the appellant submitted an appraisal utilizing all three approaches to value. The report was prepared by Arthur J. Murphy, MAI, a Certified General Real Estate Appraiser, employed by Urban Real Estate Research, Inc. along with assistance from a "staff appraiser." The report concluded the subject property had a fee simple market value of $1,600,000 as of January 1, 2007. The appellant has filed that same appraisal report in this 2008 assessment appeal.

Under the cost approach, the appraiser utilized five land sales to value the subject's 2.36-acre site. The sales are located in Crystal Lake and range in size from 2 to 16.81-acres or from 87,120 to 732,244 square feet of land area. They sold from May 2004 to July 2006 for prices ranging from $831,355 to $3,300,000 or from $3.31 to $9.54 per square foot of land area. Adjustments were made for differences such as land size, shape, and exposure as discussed on page 56 of the report. After adjusting these properties for differences when compared to the subject, the appraiser estimated a value for the subject land of $8.00 per square foot or $820,000, rounded.

Direct building costs for the subject's improvements was estimated to be $3,089,469 or $100.05 per square foot of gross building area using the Marshall Valuation Computerized Cost Service. Page 58 of the appraisal depicts the development of the cost new. The appraiser then added 3% for indirect costs ($92,864) due to the size of the property along with adding 10% for entrepreneurial profit ($318,233), plus soft costs of 3%, although this latter amount was not set forth in the summary on page 67 of the report showing a total replacement cost new of $3,500,566. In determining depreciation, the appraiser wrote that the subject was estimated to have an average effective age of 10 years with an estimated economic life of 45 years. Using the age/life method, the appraiser determined physical depreciation to be 22.2% or $777,126. There was no functional obsolescence, but to calculate external obsolescence the appraiser utilized "capitalization of an income loss." In this method, the appraiser multiplied the estimated total value of the land and depreciated improvements by the loaded capitalization rate to estimate the income necessary to support this value.[1] In the income approach, the appraiser found the subject can generate a stabilized net operating income of $184,349 which therefore resulted in a negative $240,483 which is capitalized at 11.5% for 59.7% or a deduction of $2,091,157 for external obsolescence.

Deducting the total depreciation amounts of 81.9% from the replacement cost new resulted in a depreciated improvement value of $632,283. Adding the site improvements of $150,750 along with the estimated land value of $820,000, the appraiser concluded a value under the cost approach of $1,600,000, rounded.

For his income approach, the appraiser stated that he used the subject's actual income and expenses supplied by the owner for year 2006 and the 9-months annualized for 2007. The data was included on page 70 in the appraisal report. For the room

[1] $820,000 + $2,874,190 = $3,694,190 x 11.5% = $424,832 as the income necessary to support the estimated value.

revenue, the appraiser analyzed the average daily room rates for each of these periods and along with reviewing Trends in the Hotel Industry USA Edition - 2007 and the Smith Travel Research (STR) Report in selecting a stabilized rate. The appraiser reported the subject's average daily rate of $66.57 per room was considerably lower than its competitive set. Based on the available data, the appraiser stabilized the average daily room rate for the subject at $66.50. The occupancy rates were reported to range from 60.1% to 67.5%. The appraiser concluded a stabilized occupancy rate of 56.5%. Using a daily room rate of $66.50 and an occupancy rate of 56.5% resulted in room revenues of $781,696. No other income from items such as food, beverage, telephone receipts, and vending machines were reported. Therefore, the appraiser determined total effective gross income of $781,696.

The appraiser next reconstructed the subject's actual expenses for the same period. Expense ratios were reported to range from 19.7% to 35.9% of departmental revenue. After noting some survey data, the appraiser concluded stabilized expenses at 24% of the stabilized effective gross income or $187,607. He next discussed undistributed expenses such as administrative (7%), sales/marketing (4%), maintenance (4.5%), energy (5%), insurance (1.5%), wages (16.5%), and management fees (5.5%). As a result of the foregoing analyses, the appraiser opined overall undistributed expenses totaled an additional 44% or $343,946. Thus, the appraiser determined income less undistributed and distributed expenses to be $250,143.

For reserves for replacements, the appraiser explained that short-lived items of real property along with personal property in the rooms and public areas must be accounted for. Industry sources were used and cited by the appraiser in the report. He found reserves for replacements of real property to range from 4% to 7% of total income received and personal property ranged from 4.9% to 6.1% of revenues. The appraiser concluded the subject property's total reserves for replacements to be 2% of total revenue. Next, the appraiser deducted the value contributed by the furniture, fixtures and equipment (FF&E) with separate calculations for return on and return of the FF&E investment which resulted in deductions of $17,100 (2.2%) and $28,500 (3.6%), respectively. Next, a deduction of .6% for working capital was made or $4,560. Deducting the foregoing resulted in a net operating income of $184,349.

For his capitalization rate, the appraiser was unable to utilize the market extraction method. The band of investment method revealed a rate of 9.1% and published sources ranged from 6.5% to 14% with a higher range for less desirable properties. Based on the foregoing data, the appraiser determined the band of investment technique which was within the range of published sources and reflected the appropriate overall capitalization rate of 9.1%. Adding the effective tax rate of 2.406% accounted for the taxes and resulted in an overall loaded capitalization rate of 11.5%. Dividing the net operating income by the overall capitalization rate resulted in an estimated value under the income approach of $1,600,000, rounded.

As depicted in the report, the appraiser utilized seven suggested sales of hotel properties located in the Illinois cities of St. Charles, Harvard, Waukegan, Elgin, Mundelein and Barrington. Six of the comparables are situated on lots ranging from .96 to 2.0-acres; no land size was provided for Sale #5. Three properties are described as two-story structures; three properties are described as three-story structures; and Sale #6 has no design data. Six of the properties were said to be from 10 to 32 years old; no age information was provided for Sale #6. Three of the properties had indoor pools and two of the properties had outdoor pools; one comparable was said to have some Jacuzzi suites. They contained from 25,520 to 43,500 square feet of building area and contained from 53 to 108 rooms.

The sales occurred from March 2006 to September 2007 for prices ranging from $1,450,000 to $6,451,000 or from $18,354 to $59,731 per room including land. Sale #1 also reportedly sold two years earlier in January 2005 for $1,850,000 or $34,906 per room including land and Sale #3 reportedly sold six months earlier in January 2007 for $950,000 or $12,025 per room including land. After adjusting the properties to the subject for amenities, room size, age, condition, and/or location, the appraiser estimated a value for the subject of $28,000 per room or $1,600,000 including land, rounded.

In reconciling the three approaches to value, the appraiser gave limited consideration to the cost approach because of the difficulty in calculating the amount of accrued depreciation. In the report, the appraiser wrote that primary weight was given to the income approach as it would reflect what a purchaser/investor would pay predicated on the property's income producing capabilities; limited weight was given to the sales comparison approach as deductions for "going concern value" are difficult to determine. The final estimated value for the subject property as of January 1, 2007 was $1,600,000 or $28,070 per room.

Based on the foregoing evidence, the appellant requested that the subject's assessment be reduced to $533,280 or a market value of approximately $1,600,000.

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's total assessment of $930,212 was disclosed. The subject's assessment reflects a market value of $2,798,472 or $49,096 per room including land using the 2008 three-year median level of assessments for McHenry County of 33.24%.

Pursuant to Section 1910.99 of the Official Rules of the Property Tax Appeal Board, the board of review adopted the evidence submitted by the intervenor, Algonquin Township. (86 Ill.Admin.Code §1910.99) Also attached to the board of review notes on appeal was a copy of the appraisal report prepared by Harrison & Associates, Inc. of the subject property at the request of the Algonquin Township Assessor with an opinion of value as of January 1, 2007.

The intervenor, Algonquin Township, submitted an appraisal update prepared by Frank E. Harrison of Harrison & Associates, Inc. This nine page document updates various aspects of the original January 1, 2007 appraisal he prepared of the subject property.

In the original appraisal, Harrison used the three traditional approaches to value to arrive at an estimated fair market value as of January 1, 2007 of $2,800,000. The appraisal was prepared with one extraordinary assumption: despite numerous attempts to obtain income, expense and occupancy information for the subject property, ownership refused to provide the data. The only such data available was that recited in the appellant's appraisal and thus this appraisal is subject to the extraordinary assumption that the appellant's appraisal report data is complete and accurate.

Additionally, despite numerous attempts to inspect the property, only exterior examination was permitted. The appraisal report references that descriptive data of the subject was drawn from both the appellant's appraisal report and from the township assessor's records. However, the appraiser did report the subject's limited-service/economy hotel was in "good condition; well-maintained; no deferred maintenance noted; estimated effective age of 10 years; estimated 30-year remaining economic life expectancy." (Appraisal, p. 21)

Under the cost approach, the appraiser utilized six comparable vacant land sales to value the subject's 2.36-acre site. The sales are located in Crystal Lake and contain from 87,120 to 235,512 square feet of land area or from 2 to 5.41-acres. The land sold between November 2005 and October 2007 for prices ranging from $635,000 to $2,163,618 or from $8.42 to $16.00 per square foot of land area. After adjusting these properties for differences such as market conditions, location, lack of a corner configuration, interior configuration and/or zoning when compared to the subject, the appraiser estimated a value for the subject's site of $10.50 per square foot or $1,079,000, rounded.

Replacement costs for the subject's improvements were calculated using the Marshall & Swift Commercial Estimator System, which included all direct and indirect costs as well as a provision for profit. Costs new were estimated to be $2,859,321 or $92.60 per square foot of gross building area. This estimate includes the elevators and sprinkler system as well as the enclosure for the swimming pool although it did not include the swimming pool itself or the site improvements. The appraiser estimated physical depreciation to be 25% or $714,831 using the straight line or age/life method of depreciation based on an estimated effective age of 10 years and a total economic life expectancy of 40 years. The appraiser then added contributory values for the site improvements of $50,000 and for the swimming pool of $50,000. The appraiser noted the cost approach did not take into consideration any obsolescence "because of the business operation of the property." (Appraisal, p. 29) After deducting the depreciation amounts and adding the land value, the appraiser estimated a value for the subject under the cost approach of $3,323,000, rounded.

Under the sales comparison approach, the appraiser utilized five sales of hotel properties, which included the June 2006 sale of the subject. The four other sales were located in Barrington, Mundelein, Elgin and St. Charles. These four sales were also presented by appellant's appraiser as Sales #1, #5, #6 and #7.[2] Harrison testified the only sale found in Crystal Lake was that of the subject. The other sales were found by spreading out from the subject in concentric circles selecting properties that were most similar in location and type of hotel in terms of physical characteristics. The appraiser noted the most value-significant characteristics were the date of valuation, the subject is a 57-room limited-service/economy hotel with an indoor pool, the building was constructed in 2000 with an estimated effective age of 10 years and an estimated remaining economic life expectancy of 30 years, and the location/land value of the subject. (Appraisal, p. 31)

The comparables are situated on lots ranging in size from 41,944 to 62,560,872 square feet of land area. Two comparables are two-story frame and masonry structures and three were three-story frame and masonry structures. They ranged in age from 6 to 32 years old. Sales #4 and #5 were renovated in 2005. Four comparables had swimming pools and the fifth comparable had a seasonal swimming pool in an adjacent park. They range in size from 25,520 to 45,439 square feet of building area and contain from 53 to 108 rooms. They sold between March 2006 and September 2007 for prices ranging from $2,100,000 to $7,051,000. Sales #4 and #5 identified personal property included in the price of $600,000 and $300,000, respectively. Thus, the sales prices (in two sales less personal property) ranged from $38,182 to $59,731 per room including land.

Each sale was said to be an apparent arm's-length transaction with market financing and between owner-operators. Each sale

[2] The data reflects differences in building size(s) by the appellant's appraiser and Harrison, but the rental room counts were identical as were the dates of sale and sale prices less any identified amount for personal property.

involved some sort of franchise arrangement at the time of sale and only one property changed its franchise after the sale. For each sale, Harrison estimated the land value as of the date of sale based on comparable site sales and compared that to the subject's site value conclusion of $1,079,000. Sales #1 and #4 were said to be inferior due to lower land values; Sale #5 had a superior land value. Condition adjustments were made for Sale #1 upward of 25% and downward by 10% for Sale #4 due to recent renovation.

After considering adjustments to the comparables for differences, the appraiser opined adjusted sale prices ranging from $38,202 to $57,678 per room including land. Harrison also recognized that the 'adjusted' sale price of Sale #2, the subject, at $57,281 per room was at the high end of the range.

Harrison noted Sales #1, #3, #4 and #5 were superior to the subject because they included business value. Harrison made no adjustment for the business value component, but acknowledged on page 37 that "some attempt should be made to reflect it." Sale #2, the subject, also purportedly included whatever business value was associated with the property. While the sale of the subject also included business value, Harrison again chose to make no adjustment to the subject's sale price of $57,281 per room even though this appraisal excludes business value. In analyzing the data, Harrison also mistakenly stated on page 37 that "the sale prices used for all of the sales excluded personal property" when, in fact, personal property had only been identified for Sales #4 and #5.

In reconciling the adjusted sale prices on page 38, Harrison identified the mid-point, median and mean per-room sale prices and reconciled the range at $50,000 per room or a value of $2,850,000 rounded.

Under the income approach, Harrison was denied the opportunity to inspect the subject and had to rely on the appellant's appraiser's income and expense data. Data included a 2006 partnership tax return reflecting ownership only for a partial year meaning this data was unreliable and the 2007 income and expense statement for a 9-month period was found to be effectively unidentified and therefore deemed unreliable. Thus, Harrison relied on the STR system, both an industry-wide report and a custom report specific to a geographic region and specific properties as attached in his addenda.

The STR reports reflected limited-service hotel rooms in 2007 renting for rates ranging from $62.76 to $91.64 with an additional 2.3% to 3.3% attributable to other revenue sources. Based on these STR reports and the appellant's appraisal with the subject's purported average daily rate (ADR), Harrison projected an ADR for the subject in 2007 of $67.50. He also opined further income for telecommunications, facsimile and copy machine use, guest laundry, and pay-per-view movies to project total revenue of $69.00 per room. The STR reports on 2007 occupancy rate data for chain-affiliated, limited service hotels and the first quarter of 2007 for the Korpacz survey ranged from 66.2% to 69.6%. Based on analysis of the survey data and the appellant's actual occupancy data from its appraisal, Harrison projected a 2007 occupancy rate for the subject of 60% resulting in total revenues of $861,327.

The 2007 STR reports indicated departmental expenses (room expenses, telecommunications and miscellaneous items) for limited-service hotels ranged from 19.6% to 26% of total revenues. Harrison projected departmental expenses for the subject of 25% of total revenues or $215,332. The appraiser next considered undistributed expenses which relate to administrative/general expenses, marketing, utility and operations/maintenance. The STR reports reflected 2007 undistributed expenses for limited-service hotels range from 23.2% to 24.7% of total revenues. Based on this data, Harrison projected undistributed expenses for the subject of 24.5% of total revenues or $211,025.

Next the appraiser considered the franchise fee, an expense reflecting the royalty fees charged by the franchise company. The STR reports for 2007 reflected franchise fees ranging from 0.6% to 4.8% of total revenues. Taking into account the subject has only 57 rooms, Harrison projected the subject's franchise fees to be 3% of total revenues or $25,840. Report data indicated management fees ranged from 0.9% to 4.5% of total revenues; Harrison concluded the subject's management fee should be 4% of total revenues or $34,453. Fixed expenses including real estate taxes, insurance and reserves for replacements in the report data ranged from 6.1% to 10.9% of total revenues. Given the subject's size and location, Harrison projected fixed expenses for the subject of 11% of total revenues or $94,746.

In summary, deducting the subject's projected total expenses of $581,396 or an expense ratio of 67.5% resulted in a net income ratio of 32.5% or a net operating income of $279,931.[3] Harrison recognized that the subject's net income ratio was lower than the survey data, but he concluded "it is appropriate for the subject property." (Appraisal, p. 50)

To determine a market capitalization rate, in the absence of meaningful income and expense information on the comparable sale properties, the appraiser utilized survey data published in the <u>Korpacz Real Estate Investor Survey, First Quarter 2007</u>. For National Economy/Limited-Service Lodging Segment, the survey reflected overall capitalization rates ranging from 6.5% to 14%. Having analyzed the reported data, Harrison concluded that an

[3] Harrison reported the 2007 STR reports reflected expense ratios ranging from 51.3% to 65.5% resulting in net income ratios ranging from 34.5% to 48.7%.

overall capitalization rate of 10% was appropriate for the subject as of the date of valuation. Applying this capitalization rate to the subject's net operating income resulted in an estimated value under the income approach of $2,799,000, rounded.

In reconciling the three approaches to value, Harrison concluded the subject property had a fair market value of $2,800,000 as of January 1, 2007.[4]

Through the letter update, Harrison has developed a market value opinion for the subject as of January 1, 2008. The original appraisal outlined above is incorporated in the update. "It is my intention in this letter update to go completely through the original appraisal, to change those elements that are no longer meaningful or timely, and to replace dated market data with more current data." (Page 2 of updated report)

As Harrison had the same appraisal of the subject from appellant for this assignment, he reported no importance was assigned to the income and expense data of that report as it was not current. (Page 3 of updated report) As of January 1, 2007, he had reported the dominant area trend was of continued development of undeveloped vacant commercial land; that trend is now occasional. Financing availability has become more stringent and the cost of financing has increased while credit availability has significantly diminished. As a consequence, the highest and best use of the site portion of the subject property, as though vacant and unimproved, would be to develop it commercially when market conditions stabilize.

For this update, Harrison used the <u>2009 McHenry County Book of Lists</u> to obtain occupancy levels. As set forth in the updated report, of the eleven hotels he researched, he found occupancy data on two properties. In McHenry and Algonquin, these hotels had occupancy rates of 70% and 78%, respectively.

The update as to site value considers three sales of undeveloped commercial land in Crystal Lake which were sales #4, #5 and #6 in the original appraisal. The appraiser reported there have not been any more recent comparable commercial development site sales in Crystal Lake. After adjustments, the adjusted sale prices range from $7.44 to $12.96 per square foot of land area. While the original appraisal reconciled the sales at $10.50 per square foot of land area, Harrison for this updated report found $9.50 per square foot of land area or $977,000, rounded, was the site value.

[4] On page 54, Harrison opined that based on the assessment, the subject's land was underassessed and the subject's improvement was overassessed. Furthermore, he concluded that the entire property was slightly underassessed.

In the update, Harrison opined a value of $2,911,000, rounded, under the cost approach. He reported a replacement cost new of $95.05 per square foot of gross building area, a 27.5% depreciation rate, the land value of $977,000, an estimated contributory value of site improvements of $50,000, and an estimated contributory value of the swimming pool of $50,000. While the calculation does not include any FF&E or business enterprise value, he did incorporate a 10% external obsolescence deduction in addition to depreciation from other causes in an attempt "to reflect the deterioration of the real estate market that has occurred between January 1, 2007, and January 1, 2008."

Updating the sales comparison approach, the appraiser reported there have been no sales of comparable hotel properties anywhere in McHenry County that occurred in 2007 and 2008. For the update, Harrison analyzed six hotel property sales of limited service/economy hotels that occurred in the west, northwest, and northern parts of the Chicago Suburban Metropolitan area. The sales occurred in Skokie, Elgin, Naperville, Aurora, St. Charles, and Prospect Heights.

The comparables are situated on lots ranging in size from 1.41 to 2.47-acres of land area. Two comparables are two-story to five-story masonry structures. They were built between 1963 and 2000 and some have been renovated. The comparables had fitness rooms and meeting rooms; three had swimming pools. They contain from 49 to 134 rooms. They sold between February 2007 and January 2008 for prices ranging from $2,450,000 to $6,451,000 or from $46,226 to $59,731 per room. After considering adjustments to the comparables for differences including market conditions, location, site value differences and condition, the appraiser opined adjusted sale prices ranging from $44,364 to $54,916 per room including land. From this analysis, Harrison opined a value of $46,000 per room for an estimated market value under the sales comparison approach of $2,622,000 as of January 1, 2008.

In the absence of new income data, Harrison in the update relied primarily upon information developed by STR. In doing so, the appraiser reports having projected an ADR of $70.00 and total room revenues of $72.00 per room, an occupancy rate of 58%, departmental expenses of 26%, undistributed expenses of 25.5%, a franchise fee of 3.1%, a management fee of 4%, and fixed expenses of 11.5%. The net income ratio was reported to be 29.9% of total revenues (indicating an expense ratio of 70.1%). This net income ratio resulted in a projected net operating income of $259,776. Applying a 10% overall capitalization rate as used in the original appraisal, Harrison opined a value under the income approach of $2,598,000, rounded, as of January 1, 2008.

> In this letter update, the respective indications of value of the subject property by the cost approach, the sales comparison approach, and the income capitalization approach were $2,911,000, $2,622,000,

> and $2,598,000, respectively. Like in the original appraisal, I placed primary emphasis on the sales comparison approach and the income capitalization approach, and I have reconciled the market value as of January 1, 2008 at $2,622,000.

(Page 8 of updated report). As a consequence of his analysis, Harrison concluded that the subject property is overassessed (see page 9 of updated report).

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 this appeal.

The issue before the Property Tax Appeal Board is the determination of the correct assessment of the subject property as of January 1, 2008. Both the appellant and intervenor contend the market value as reflected by the assessment is incorrect and excessive. Except in counties with more than 200,000 inhabitants that classify property, property is to be valued at 33 1/3% of fair cash value. (35 ILCS 200/9-145(a)). Fair cash value is defined in the Property Tax Code as "[t]he amount for which a property can be sold in the due course of business and trade, not under duress, between a willing buyer and a willing seller." (35 ILCS 200/1-50). The Supreme Court of Illinois has construed "fair cash value" to mean what the property would bring at a voluntary sale where the owner is ready, willing, and able to sell but not compelled to do so, and the buyer is ready, willing, and able to buy but not forced so to do. Springfield Marine Bank v. Property Tax Appeal Board, 44 Ill.2d 428 (1970). Proof of market value may consist of an appraisal of the subject property as of the assessment date at issue. (86 Ill.Admin.Code §1910.65(c)(1)). 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 appellant asserts the subject property has a market value of $1,600,000 based on an appraisal prepared by Murphy with an effective date of January 1, 2007. The intervening township, which evidence was adopted by the board of review, contends the subject property has a market value of $2,622,000 based on an updated appraisal report with an effective date of January 1, 2008 prepared by Harrison. The subject property had a total assessment of $930,212 which reflects a market value of $2,798,472 or $49,096 per hotel room using the 2008 three year median level of assessments for McHenry County of 33.24%.

Initially, the Board finds Murphy's appraisal with an effective date of January 1, 2007 reflects an estimate of value that is a year prior to the assessment date at issue. The Board also finds Harrison's updated report read in conjunction with the detailed

2007 report which was included in the board of review's evidence is the better supported and more coherent analysis of the estimated market value of the subject property. Furthermore, Harrison has updated his opinion of value for the valuation date of January 1, 2008 with the nine-page update report which presents five new sales comparables as a basis for the opinion and, in reconciliation, a new, lower conclusion of value. In Cook County Board of Review v. Property Tax Appeal Board, 334 Ill.App.3d 56, 777 N.E.2d 622 (1st Dist. 2002), the court stated "[t]here is no requirement that a taxpayer must submit a particular type of proof in support of an appeal. The rule instead sets out the types of proof that *may* be submitted. . . . Whether a two-year old appraisal is 'substantive, documentary evidence' of a property's value goes to the weight of the evidence, not its admissibility. [citing Department of Transportation v. Zabel*,* 47 Ill.App.3d 1049, 1052, 362 N.E.2d 687 (1977) (whether a six-month-old appraisal is sufficient to establish value is for the trier of fact to consider in weighing the evidence)]."

Each appraiser utilized the three approaches to value in estimating the market value of the subject property. Beginning with the cost approach each appraiser initially estimated a land value. Murphy estimated a land value of $8.00 per square foot of land area while Harrison estimated a land value of $9.50 per square foot of land area. In reviewing both reports, the sales used by Murphy are considered dated by the Property Tax Appeal Board having occurred from May 2004 to July 2006 with no adjustment for time or economic conditions. Harrison in his update specifically addressed the economic conditions as of January 1, 2008 and found that a slightly lower per-square-foot land value was appropriate for this update. In reviewing the data the Board finds Harrison's estimate of land value of $9.50 per square foot of land area is best supported in the record resulting in a land value estimate of $977,000, rounded.

In reviewing the replacement cost new of the improvements Murphy began with $100.05 per square foot of building area and Harrison began with $95.05 per square foot of building area. After these similar initial calculations, each appraiser made other calculations that were poles apart. Murphy added a total of 16% to the replacement cost new for indirect costs, entrepreneurial profit and soft costs. Next, Murphy deducted 81.9% for both physical depreciation and external obsolescence. To this depreciated replacement cost new, Murphy added $150,750 for site improvements along with his land value estimate for a value under the cost approach of $1,600,000. On the other hand, Harrison reduced the initial replacement cost new by 27.5% for physical depreciation, added $100,000 for site and pool improvements and then deducted 10% for external obsolescence. After including his estimated land value, Harrison estimated a value of $2,911,000 under the cost approach. Based on the analyses presented, the

Board finds that Harrison's calculation under the cost approach is better supported.

The next approach developed by the two appraisers was the income approach to value. Under this approach, the appraisers began with similar ADR figures of $66.50 and $72.00 for Murphy and Harrison, respectively. Similar occupancy rates of 56.5% and 58% were applied and similar expense rates of 24% and 26% were calculated. Both appraisers had similar undistributed expenses of about 44% and their capitalization rates were similar with Murphy applying a load cap rate of 11.5% and Harrison applying a cap rate of 10%. Their conclusions, however, varied greatly with Murphy estimating $1,600,000 under the income approach and Harrison estimating $2,598,000 with this approach. Given that Murphy has an opinion of value as of January 1, 2007 and has not updated the rental rates for the assessment date at issue of January 1, 2008, the Board finds that Harrison's updated report with a revised ADR is the better evidence on this record.

The final approach to value developed by the two appraisers was the sales comparison approach. Murphy estimated the subject had a per room value under the sales comparison approach of $28,000. Harrison estimated the subject property had a per room value under the sales comparison approach of $46,000. Moreover, as outlined in the updated report, Harrison examined six sales that occurred between February 2007 and January 2008 for the instant opinion of value as of January 1, 2008. In contrast, Murphy's appraisal relied upon sales which occurred between March 2006 and September 2007 with no adjustment for time to the valuation date at issue. After considering the sales presented by both appraisers, the Board finds Harrison provided the best sales evidence for the valuation date at issue.

In conclusion the Property Tax Appeal Board finds the subject property had a market value of $2,622,000 as of January 1, 2008. Since market value has been determined the 2008 three year median level of assessments for McHenry County of 33.24% shall apply.

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: September 23, 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.