FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Pavo Hrkac
DOCKET NO.: 08-20297.001-C-1
PARCEL NO.: 14-05-301-010-0000

The parties of record before the Property Tax Appeal Board are Pavo Hrkac, the appellant, by attorney Scott Shudnow of Shudnow & Shudnow, Ltd., Chicago, Illinois; 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:	$38,880
IMPR.:	$119,120
TOTAL:	$158,000

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property is improved with a four-story, walk-up apartment building with 26 units, a gross building area of 26,392 square feet and a net rentable area of 21,450 square feet. All of the apartments are one-bedroom units. The building was constructed in 1928. The property has a 10,800 square foot site and is located in Chicago, Lakeview Township, Cook County. The subject property is classified as a class 3-15 property under the Cook County Real Property Assessment Classification Ordinance (hereinafter "the Ordinance") and is to be assessed at 20% of market value in tax year 2008.

The appellant contends over valuation with respect to the assessment for the 2008 tax year as the basis of the appeal. In support of this argument the appellant submitted a narrative appraisal estimating the subject had a market value of $790,000 as of January 1, 2006.[1] The appraisal was prepared by Arthur

[1] The appraisal submitted by the appellant was the same report as used in appeals before the Property Tax Appeal Board the prior tax years under Docket No. 06-22612.001-C-1 and 07-23441.001-C-1. The copies of the report filed in the 2007 and 2008 appeals were not complete; however, the Board will take notice of its discussion of the complete appraisal as set forth in the Board's decision issued in the 2006 appeal. (86 Ill.Admin.Code 1910.90(i)).

Murphy and Brian P. Johnson. Murphy has the Member of the Appraisal Institute (MAI) designation from the Appraisal Institute and is licensed as a Certified General Real Estate Appraiser with the State of Illinois. Johnson has the Illinois Associate Real Estate Appraiser designation.

The purpose of the appraisal was to estimate the retrospective market value of the fee simple interest in the subject property. The property rights appraised are the rights of fee simple ownership, free and clear of all encumbrances or indebtedness. The appraisers determined the highest and best use of the subject as vacant was for development of a modern multiple unit residential building. The highest and best use as improved was as currently improved during the interim period. In estimating the market value of the subject property the appraisers developed the three traditional approaches to value.

Under the cost approach the appraisers estimated the subject property had an estimated land value of $18.00 per square foot of land area or $194,400. In estimating the replacement cost new of the building improvements the appraisers used the *Marshall Valuation Computerized Cost Service* to arrive at a cost new of $1,993,511. To this amount the appraisers added 3% of the replacement cost new or $59,805 for indirect costs to arrive at a total for the direct and indirect costs of $2,053,316. To this the appraisers added 10% or $205,332 for entrepreneurial incentive to arrive at a total replacement cost new of $2,258,648. Using an effect age of 36.5 years and an economic life of 50 years the appraisers estimated the subject suffered from 73% physical depreciation. Deducting depreciation, adding the depreciated value of the site improvements of $4,975 and adding the land value resulted in an estimated value under the cost approach of $790,000, rounded.

In the income approach to value the appraisers utilized rental comparables, conducted a market survey and considered the subject's historical income and expenses to estimate the subject's market rent. The appraisers indicated the one-bedroom rental comparables had rents ranging from $700 to $1,163 per unit. They further stated the subject had reported rentals ranging from $640 to $700 per unit. They also stated that the January 1, 2006 rent roll for the subject showed a potential gross income of $210,300 or an average rent of $674 per unit. Considering this data the appraisers estimated the subject would have an economic rent of $700 per month resulting in a total annual income of $218,400. To this the appraisers added $1,560 for laundry income to arrive at a total potential gross income of $219,960. Considering the subject's historical vacancy rate and vacancy and collection loss of the rental comparables, the appraisers estimated the subject would suffer from an 8.0% vacancy and collection loss resulting in an effective gross income of $202,488. Using the subject's historical income and expenses from 2003 to 2005, comparable expenses from five garden apartment buildings and 2005 Institute of Real Estate Management (IREM) data the stabilized operating expenses were estimated to

be $92,257, which were deducted to arrive at a stabilized net operating income of $110,231. Considering an overall rate from the market, a mortgage-equity analysis and published sources the appraisers concluded an overall capitalization rate of 10.07% was reasonable. The appraisers then calculated the effective tax rate, which they added to the overall capitalization rate to arrive at a loaded capitalization rate of 14%. The appraisers then capitalized the net income of $110,231 using the capitalization rate of 14.00% to arrive at an estimated value of $790,000 under the income approach to value.

In the sales comparison approach the appraisers stated they had made a market survey to obtain sales and offerings of improved properties which were similar to the subject. The appraisers listed 60 apartments with 13 to 82 units. The sales occurred from January 2003 to April 2006 for prices ranging from $23,611 to $144,193 per unit. The appraisers stated that 30 of these were purchased for condominium conversion, 26 were purchased for large portfolios and the rest were purchased by local small owners. The sales totaled $158,816,167 or $73,288 per unit. Considering this data the appraisers estimated the subject property had a market value of $30,250 per unit or $790,000 rounded, or alternatively, $37.00 per square foot of net rentable area or $794,000. The appraisers concluded the subject had an indicated market value under the sales comparison approach or $790,000.

In reconciling the three approaches to value the appraisers gave primary emphasis to the income approach, minimal consideration to the sales comparison approach and least weight to the cost approach. The appraisers estimated the subject property had a market value of $790,000 as of January 1, 2006.

Based on this evidence the appellant requested the subject's assessment be reduced to $158,000 to reflect the appraised value and the application of the 2008 Ordinance level of assessments for class 3-15 property of 20%.

The board of review submitted its "Board of Review Notes on Appeal" wherein its final assessment of the subject was disclosed. The subject's assessment of $172,413 reflects a market value of $862,065 or $33,156 per unit and $32.66 per square foot of gross building area, including land, using the 20% level of assessment for class 3-15 property under the Ordinance.[2]

In support of its contention of the correct assessment the board of review submitted a memorandum dated March 3, 2009, from Ralph F. DiFebo, Jr. to Tom Jaconetty explaining that he was resubmitting a memo dated December 18, 2007, filed in connection with the 2006 appeal of the subject property. This was the same

[2] The board of review indicated on the "Board of Review Notes on Appeal" that the subject had a final assessment of $189,654. However, a copy of the board of review decision submitted by the appellant disclosed the board of review had determined the subject had a total assessment of $172,413.

memorandum and evidence as used in the 2007 appeal. The December memo stated the subject's market area was surveyed for comparable sales. The memorandum summarized that the comparable sales indicated an unadjusted range from $17,500 to $98,958 per unit. The comparables submitted by the board of review were improved with 6 three-story buildings, 1 four-story building and 1 two-story building that ranged in size from 16,000 to 22,100 square feet of building area. The comparables had from 24 to 34 apartments and were constructed from 1911 to 1962. The sales occurred from February 2001 to October 2007 for prices ranging from $525,000 to $2,375,000 or from $17,500 to $98,958 per unit.[3]

In rebuttal the appellant's counsel commented on each of the sales submitted by the board of review. Counsel further argued that the memo submitted by the board of review was not an appraisal and did not have the three traditional approaches to value. The appellant's counsel also argued there was no adjustment to the sales to reflect the comparability in sale conditions, financing, market conditions, location, age, building condition, building size, parking/amenities or unit size.

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 the appeal. The Board further finds the evidence in the record supports a reduction in the subject's assessment.

The appellant contends overvaluation as the basis of the appeal. 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). Proof of market value may consist of an appraisal of the subject property, a recent sale, comparable sales or construction costs. (86 Ill.Admin.Code §1910.65(c)). The Board finds the appellant met this burden of proof and a reduction in the subject's assessment is warranted.

The Property Tax Appeal Board finds from its analysis of the record that the evidence in this appeal is no different from that of the prior tax years, 2006 and 2007. As in the prior tax years the Board finds the best evidence of market value in this record is the narrative appraisal of the subject property submitted by the appellant. The appellant's appraisers provided a detailed narrative setting forth the basis of their analysis and developed the three traditional approaches to value in estimating the subject property had a market value of $790,000 as of January 1, 2006.[4]

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[3] These were the same sales used by the board of review in the appeal before the Property Tax Appeal Board for the 2006 and 2007 tax years.

[4] Pursuant to section 1910.90(i) of the rules of the Property Tax Appeal Board (86 Ill.Admin.Code 1910.90(i)), the Board takes notice that the subject property was the subject matter of appeals the prior tax years under Docket Nos. 06-22612.001-C-1 and 07-23441.001-C-1. In each of those appeals the Property Tax Appeal Board issued decisions finding the subject property had a

Conversely, the board of provided raw sales information on eight comparables with no analysis or adjustments to the sales to account for market conditions, time, location, size, land to building ratio, parking, zoning and other related factors.

Comparing and contrasting the two submissions submitted by the parties, the Property Tax Appeal Board finds the appraisal submitted by the appellant is the most reliable and credible estimate of market value in the record. Based on this evidence the Property Tax Appeal Board finds the subject property had a market value of $790,000 as of January 1, 2008. Since market value has been determined the Ordinance level of assessments for class 3-15 property of 20% for 2008 shall apply. (86 Ill.Admin.Code §1910.50(c)(3)).

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market value of $790,000 based on the same appraisal submitted by the appellant as in the instant appeal. The Board takes further notice that 2006, 2007 and 2008 tax years are within the same general assessment period for Lakeview Township.

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 21, 2012

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.