



**FINAL ADMINISTRATIVE DECISION  
ILLINOIS PROPERTY TAX APPEAL BOARD**

APPELLANT: Jon Stoja  
DOCKET NO.: 08-24523.001-C-1  
PARCEL NO.: 13-12-231-010-0000

The parties of record before the Property Tax Appeal Board are Jon Stoja, the appellant(s), by attorney Scott Shudnow, of Shudnow & Shudnow, Ltd. 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:** \$11,812  
**IMPR.:** \$74,188  
**TOTAL:** \$86,000

Subject only to the State multiplier as applicable.

**ANALYSIS**

The subject property consists of a 5,625 square foot parcel of land improved with an 81-year old, masonry, apartment building with 9,834 square feet of building area and 13 apartment units. The appellant argued that the fair market value of the subject was not accurately reflected in its assessed value as the basis of the appeal.

In support of the market value argument, the appellant submitted an appraisal undertaken by Arthur Murphy, MAI of Urban Real Estate Research, Inc. Mr. Murphy was called as a witness for the appellant. He testified that he worked for the Cook County Assessor from 1978 to 1986 and then he worked as an appraiser. He testified that he is a State of Illinois certified appraiser and holds the MAI designation. He stated he has appraised many properties similar to the subject and has testified in courts.

The appraiser indicated the subject has an estimated market value of \$335,000 as of January 1, 2008. The appraisal report utilized the three traditional approaches to value to estimate the market value for the subject property. The appraisal finds the subject's highest and best use is its continued use as a multi-family residential building.

The appraisal described the subject property, the subject's area, and the history of the subject. The appraisal indicates the subject was purchased in March 2005 for \$1,040,000. This reflects a value of \$80,000 per apartment unit. The appraisal indicates the appellant purchased the subject's neighboring building, which is the subject's twin, in April 2008 for \$910,000 or \$70,000 per apartment unit. The appraisal opined that the high sales reflect investment sales and as such are not indicative of the market value sales.

Murphy testified that the owner has other properties and he invests in real estate. He opined that the appellant did pay the asking price for the subject, but that this amount was a premium. Based on this information, he opined that the sale was not at arm's length because he feels the price was not reflective of the market. Murphy then testified to the market in the 1980s and the demand for condo conversion. He testified that he analyzed the high sales that were taking place during the time period he worked at the assessor's office. He opined that this study determined the income approach was the best approach to value apartment properties. Murphy went on to discuss the savings and loan scandal of the 1990s and how this shows that the theories developed in the 1980s were correct.

Under the cost approach to value, the appraiser utilized the subject's land assessment to reflect a market value for the subject of \$10.59 or \$60,000, rounded. The reproduction cost new was utilized to determine a cost for the improvement at \$1,051,763. Direct costs, indirect costs and entrepreneurial incentive were then added for a total replacement cost of \$1,191,648. Murphy used the age/life method to depreciate the improvement by 76% for a value of \$285,996. The land was added back in to establish a value under the cost approach of \$345,000, rounded. Murphy testified that the subject is an older building and that the cost approach did not receive any emphasis in the appraisal because of this.

In the income approach to value, the appraiser analyzed data on three rental comparables. The comparables are apartment buildings with six or 12 apartment units that rent from \$500 to \$625 per month. Based on this analysis, Murphy estimated the subject's rental income at \$92,040. Additional income of \$1,200 for laundry was added to estimate a gross potential income of \$93,240. Vacancy and collection loss of 11% was deducted to arrive at an effective gross income of \$81,916. Expenses were estimated at \$42,987 for a net operating income of \$40,129. The band of investment method was utilized to establish a

capitalization rate of 9.1% that was then loaded to 11.94% for an estimate of value under the income approach of \$335,000, rounded.

Murphy testified he reviewed comparables in the neighborhood and looked at the properties on a per unit and per square foot basis. He opined that the best comparable is the subject property. He testified that by analyzing the rental comparables he determined the subject to have market rents. He opined that the capitalization rate chosen was low compared to the market.

Under the sales comparison approach, the appraiser analyzed the sales of 48 apartment facilities located within the subject's market. The appraisal divided these sales into three categories: Condo-conversion; apartment rental; and large portfolio. The appraisal opined that the condo-conversion and portfolio sales do not reflect the value of rental apartment properties. Of the 48 sales presented, 10 properties were purchased for apartment rental use by local buyers. The properties contained between eight and 32 apartment units. The sales occurred from March 2004 to January 2008 for prices ranging from \$540,000 to \$2,500,000 or from \$65,594 to \$100,000 per apartment unit. The appraisal then discusses the market and the wide range of investment criteria along with condo and portfolio sales. The appraisal then estimates the value of the subject under the sales comparison approach at \$325,000 or \$25,000 per apartment unit.

The appraisal, under the sales comparison approach, states the appraisal has been prepared for the sole purpose of presenting support for the owner's contention as to the fair market for ad valorem assessed valuation of real estate.

Murphy testified that many of the apartment sales are indications of other motivations than the intrinsic value of the real estate. He testified that only 10 of the properties listed in the sales comparison approach were properties purchased by small owners and opined that they were forced to over pay or pay a premium. The witness then discussed the appellant's Hearing Exhibit #1, a copy of the sales chart from the appraisal with handwritten notations on nine of the properties. Murphy testified that the handwritten notations were the 2009 assessed market values per apartment unit. Murphy opined that the sales comparison approach is too subjective to put emphasis on and that the only approach to get any emphasis was the income approach.

In reconciling the three approaches to value, the appraisal gave primary emphasis to the income approach with minimal consideration to the sales comparison approach and least weight to the cost approach to arrive at a final estimate of value for the subject as of January 1, 2008 of \$335,000.

The appellant's next witness was Nicholas Pellechia. He testified we worked for Urban Real Estate Research for two years. Pellechia testified that he has seen the comparable properties and the subject and opined that the subject was in worse condition than the comparables. He stated the units in the

subject were smaller and not updated. He testified he did not see the subject property in 2008.

In rebuttal, the appellant submitted a brief asserting that the board of review did not refute the appellant's appraisal and that the memo submitted by the board of review was not an appraisal. The brief then addressed each of the board of review's sales comparables and asserted that they were not reflective of fair market value.

The board of review submitted its "Board of Review Notes on Appeal." The subject's final assessment of \$86,000 was disclosed. The subject's final assessment reflects a fair market value of \$430,000 or \$33,000 per apartment unit when the Cook County Real Property Assessment Classification Ordinance level of assessment for 2008 of 20% for Class 3 property is applied. The board submitted a memo indicated the subject property sold in April 2004 for \$780,000 and then sold to the appellant in March 2005 for \$936,000. The memo also indicated the subject's "sister building" was purchased by the appellant in February 2008 for \$910,000; the board included copies of the deed and the Illinois Real Estate Transfer Declaration for this sale.

At hearing, the board of review's representative testified that the subject property was purchased in 2005 for \$1,040,000 and that the sister property was purchased in 2008 for \$910,000. He stated these properties were both purchased by the appellant.

In addition, the board submitted raw sales information on five properties suggested as comparable. The properties described as apartment buildings with 12 to 15 apartment units. They sold from February 2001 to February 2008 for prices ranging from \$565,000 to \$1,400,000 or from \$47,083 to \$107,692 per apartment unit. Based on this evidence, the board of review requested confirmation of the subject's assessment.

After hearing the testimony and considering 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 (3<sup>rd</sup> Dist. 2002); Winnebago County Board of Review v. Property Tax Appeal Board, 313 Ill.App.3d 179 (2<sup>nd</sup> 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 PTAB concludes that the evidence indicates a reduction is not warranted.

In determining the fair market value of the subject property, the witness in this matter, Murphy, testified that he gave no

emphasis to the sales comparison approach to value in the appraisal when estimating a value for the subject. Moreover, much of the witness's testimony concerned a committee that Murphy was part of in the 1980s that examined the intrinsic value in sales that included more than just the real estate. The appraisal gave primary emphasis to the income approach. This was supported by Murphy's testimony that the best comparable under this approach was the subject property.

However, the courts have stated that where there is credible evidence of comparables sales, these sales are to be given significant weight as evidence of market value and that of the three primary methods of evaluating property for purposes of real estate taxes, the preferred method is the sales comparison approach. Chrysler Corp. v. Illinois Property Tax Appeal Board, 69 Ill.App.3d 207 (2<sup>nd</sup> Dist. 1979); Willow Hill Grain, Inc. v. Property Tax Appeal Board, 187 Ill.App.3d 9 (5<sup>th</sup> Dist. 1989).

Therefore, the PTAB will look to the sales comparison approach within the appraisal. The PTAB finds the appraisal found 48 sales of properties similar to the subject property. The appraisal divided the intended use into condo-conversion, large portfolio, and apartment rental. The appraisal did not make adjustments to the sales, but discussed the difference in the wide range of investment criteria for the three categories. Within the sales comparison approach, the appraiser indicated the appraisal was prepared for the sole purpose of presenting support for the owner's contention as to the fair market value for ad valorem assessed valuation of the real estate. The appraiser then estimated a value for the subject property under the sales comparison approach which was significantly lower than any of the sales within the three categories.

The appraiser noted in the appraisal and testified that the subject's sale did not reflect market value because the appellant paid a premium for the property. Murphy opined in testimony that this premium was paid even though the appellant paid the asking price because all apartment sales had high prices due to the influx of condo-conversion sales within the market. The PTAB finds the argument unpersuasive. The fact that properties are selling for higher amounts establishes a high market, it does not indicate that every property is overvalued.

Therefore, the PTAB finds the appraiser did not testify to any adjustment made within the appraisal and the appraisal does not substantiate the conclusion of value under the sales comparison approach and the PTAB finds this conclusion of value not credible.

However, the PTAB will review the raw sales data submitted by both parties.

As to the board of review's sales, the PTAB accords diminished weight to these sales due to a disparity in intended use, lack of advertisement on the open market, absence of real estate brokers

representing the parties to the sales transaction, and/or varying conditions of sale.

As to the appraiser's sales comparables, the PTAB finds the 10 sales with the intended use of apartment rentals to be the most similar to the subject. The properties contained between eight and 32 apartment units. The sales occurred from March 2004 to January 2008 for prices ranging from \$540,000 to \$2,500,000 or from \$65,594 to \$100,000 per apartment unit. In comparison, the subject's assessed value reflects a market value of \$430,000 or \$33,000 per apartment unit. The PTAB finds this value is significantly below the range of the appellant's sales comparables and that a reduction based on market value 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.

*Donald R. Cuit*

Chairman

*K. L. Fern*

Member

*Frank A. Huff*

Member

*Mario Morris*

Member

*J. R.*

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: April 20, 2012

*Allen Castrovillari*

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.