



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

APPELLANT: Ken Melchionna
DOCKET NO.: 10-02206.001-R-1
PARCEL NO.: 01-05-06-324-016

The parties of record before the Property Tax Appeal Board are Ken Melchionna, the appellant, by attorney Joanne Elliott of Elliott & Associates, P.C., in Des Plaines, and the Carroll County Board of Review by Special Assistant State's Attorney Christopher E. Sherer of Giffin, Winning, Cohen & Bodewes, P.C., in Springfield.

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

LAND: \$117,795
IMPR: \$285,885
TOTAL: \$403,680

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property is improved with a two-story single-family English Coventry style dwelling of brick exterior construction containing approximately 6,520 square feet of living area.¹ The dwelling was constructed in 2002/2003 with completion reported to be 2004. Features of the home include a full finished walkout-style basement, central air conditioning, ten fireplaces, a two-car garage and an outdoor fireplace, outdoor kitchen/wet bar

¹ The appellant's appraiser included a detailed schematic drawing depicting his dwelling size calculation of 6,520 square feet. Legal counsel for the board of review reported a dwelling size of 7,067 square feet which is not supported by the property record card submitted by the board of review. The property record card (Exhibit B) provides "AreaSF/TLA 4,334/9,168" which is not supported by the attached schematic drawing which depicts 9,500 square feet of living area. Finally, the board of review's appraiser reported an above-grade dwelling size of 7,484 square feet based upon review of the architectural plans for the dwelling as provided within the report. The Property Tax Appeal Board finds the best evidence of the subject's dwelling size in the record was presented by the appellant's appraiser.

area, an in-ground pool with waterfall, water slide, cave, kiddy pool and stone accents. The property has an approximately 6.52-acre site with 342 feet of lake frontage and a back bay view of Lake Carroll. The subject is located in Lanark, Cherry Grove/Shannon Township, Carroll County.

The appellant's appeal is based on overvaluation. In support of this argument, the appellant through legal counsel submitted two appraisals of the subject property wherein the appraiser developed both the cost and the sales comparison approaches to value. One appraisal was prepared by D. Joe Clarkson, a State of Illinois licensed appraiser, and estimated the subject property had a market value of \$1,280,000 as of January 1, 2009. The second appraisal was prepared also by D. Joe Clarkson and estimated the subject property had a market value of \$1,200,000 as of January 1, 2010. The appellant seeks to have the Property Tax Appeal Board find the subject property to have a market value for this decision of \$1,200,000.

As the date of valuation at issue is January 1, 2010 and as the board of review's legal representative only raised criticisms of the 2010 appraisal report presented by the appellant, the Property Tax Appeal Board will limit its analysis in this decision to the 2010 appraisal report.

The appraiser described the subject as located in the Lake Carroll development with a 636 acre mandmade lake. He noted that these high valued homes have not tested the resale market to date as they have been built to suit on a custom basis. Furthermore, the development is primarily second or retirement homes for residents from the Chicago area. He stated the subject dwelling is of "very good quality and excellent condition."

Under the cost approach, the appraiser estimated the subject had a site value of \$400,000 by analyzing vacant lot sale in Lake Carroll of water front sites "that range from \$150,000 to \$400,000 plus for the prime waterfront lots." The appraiser also noted that the subject is a back bay double lot with 342 feet of water frontage with a back bay view and "during periods of low water[,] access to the lake can be difficult." The appraiser estimated the replacement cost new of the improvements using the Marshall and Swift Valuation Service along with local contractor estimates to be \$1,813,880. The appraiser estimated physical depreciation to be 10% or \$181,388 and external or economic obsolescence to be 35% or \$634,858 "based on the lack of demand for homes value at over \$1,000,000 with only one sale at or above \$1,000,000" resulting in a depreciated improvement value of \$997,634. The appraiser also estimated the site improvements had a value of \$100,000. Adding the various components, the appraiser calculated the subject property had an estimated market value of \$1,497,634 under the cost approach to value.

In the addendum to the report, Clarkson reported a search of the Lake Carroll market from 2007 through 2009 produced ten sales ranging from \$700,000 to \$1,200,000 with "the top seven sales

included in the analysis." Additionally, the highest 2010 sale (comparable #9) was included for informational purposes, but excluded from the final value conclusion as it "post dates" the date of valuation.²

Using the sales comparison approach, the appraiser provided information on seven comparable sales plus data on comparable #9 as noted above. The seven comparables have sites ranging in size from 1.15 to 1.97-acres of land area. The parcels are improved with 1-story, raised ranch, 1.5-story, 2-story or Cape Cod dwellings. The homes range in size from 2,015 to 3,937 square feet of living area. The dwellings range in age from 1 to 21 years old. Six of the comparables include a full basement with finished areas ranging from 52% to 100%. Each dwelling has central air conditioning, one to four fireplaces and a two-car or a three-car garage. These seven comparables sold from May 2008 to December 2009 for prices ranging from \$752,500 to \$1,200,000 or from \$209.55 to \$421.84 per square foot of living area, including land.

In the addendum to the report, Clarkson discussed in detail the basis for the adjustments for differences for site size, view and slope, quality of construction, condition, dwelling size, foundation, basement finish, radiant floor heat feature, number of garage stalls, number of fireplaces, pool amenity and/or other amenities. After making adjustments to the comparables for differences from the subject, the appraiser calculated the comparables had adjusted prices ranging from \$1,048,925 to \$1,392,675 or from \$266.43 to \$626.61 per square foot of living area, including land. The appraiser reported most weight was given to comparables #2, #3, #6 and #8 due to their proximity in time to the valuation date. Based on this data the appraiser estimated the subject had an estimated value under the sales comparison approach of \$1,200,000 or \$184.05 per square foot of living area, including land.

In reconciling the two approaches to value, the appraiser gave most weight to the sales comparison approach to value with the cost approach used as a guide and estimated the subject property had a market value of \$1,200,000 as of January 1, 2010.

Based on this evidence, the appellant requested a reduction in the subject's assessment to reflect the appraised value at the statutory level of assessment of 33.33%.

The board of review submitted its "Board of Review Notes on Appeal" (Exhibit A) wherein the subject's total assessment of \$466,344 was disclosed. The subject's assessment reflects a market value of \$1,386,278 or \$212.62 per square foot of living

² Comparable #9, located .98 of a mile from the subject, sold in May 2010 for \$952,000 or \$303.57 per square foot of living area, including land. This lake front parcel of 1.86-acres is improved with a 17-year-old, two-story dwelling containing 3,136 square feet of living area. The home features a full basement which is 73% finished, central air conditioning, two fireplaces and a three-car garage.

area, including land, when applying the 2010 three year average median level of assessment for Carroll County of 33.64% as determined by the Illinois Department of Revenue.

In response to the appellant's 2010 appraisal report, legal counsel for the board of review prepared a memorandum noting various criticisms of the appellant's evidence. In several places in the appellant's appraisal, the appraiser noted the subject's age as "0" except in the addendum where the dwelling is described as 8 years old. Based on this error, the board of review's legal representative contends that the incorrect age would "materially affect" the adjustments in the sales comparison approach to value. The board of review also contends that comparable #6 in the appraisal report "contains a number of inaccuracies" based on the real estate transfer declaration for the sale price and the property record card for dwelling size and finished basement area (see Exhibit D).

In support of the subject's assessment, the board of review submitted an appraisal prepared for the Carroll County Supervisor of Assessments by Douglas C. Nelson, MAI, SRA and an Illinois Certified General Appraiser, and Bonnie M. Tanamor, Trainee, of Nelson Appraisal in Bettendorf, Iowa (Exhibit C). The appraisers developed both the cost and the sales comparison approaches to value in estimating the subject property had a market value of \$1,400,000 as of January 1, 2010.

The appraisers reported having made an exterior inspection of the subject property, but not having made an interior inspection. Nelson also reported having performed previous appraisals of the subject property "in 2006 for tax years 2004 and 2005" prior to the instant assignment.

The subject is located in the Lake Carroll development "which is primarily a second home or vacation home location that appeals to buyers from the Chicago land area." The appraisers noted that "market data has been scarce since the Great Recession [of 2008]" with a limited number of home sales to examine along with two listings and consultation with a local Realtor. The development includes a golf course, clubhouse with restaurant, tennis courts, marina, snow skiing area, equestrian facility, campgrounds and hiking trails.

Under the cost approach, the appraisers estimated the subject had a site value of \$300,000. To arrive at this conclusion, the appraisers analyzed six vacant lot sales on Lake Carroll that occurred from August 2007 to July 2009 for prices ranging from \$262,000 to \$395,000. Noting that vacation and second home markets have declined 20% since the Great Recession, the appraisers applied this adjustment to the comparable sales data from 2007 and 2008. In addition, the appraisers adjusted for open water versus cove locations as described in the report and gave most weight to land sales #5 and #6.

Next, the appraisers estimated the replacement cost new of the improvements using the Segregated Cost Method of the Marshall Residential Cost Handbook resulting in an estimate of \$2,415,473 (see Addendum page 22) with a local multiplier of 1.07 for a total of \$2,584,556. Then the appraisers estimated indirect costs of \$40,000 resulting in a total replacement cost estimate of \$2,624,556. Then the appraisers estimated physical depreciation to be 7.69% or \$201,828, functional obsolescence of \$45,000 for a two-car garage when four stalls are expected for a dwelling of this size which represents the excess cost to add a two-car garage, and external obsolescence of 50% or \$1,188,864 reflecting the subject being the most expensive home on the lake in terms of size and excellent construction. The appraisers provided no estimate for site improvements, but adding the aforesaid components the appraisers calculated the subject property had an estimated market value of \$1,490,000, rounded, under the cost approach to value.

Using the sales comparison approach, the appraisers provided information on eight comparable sales where only comparable #2 was not presented as a comparable sale by the appellant's appraiser. These eight sites range in size from 1.13 to 2.54-acres of land area. The parcels are improved with 1-story, 1.5-story or two-story log, frame, brick or frame and masonry dwellings that range in "finished building area" from 1,696 to 4,401 square feet whereas the subject reportedly has 11,706 square feet of "finished building area." The dwellings were constructed from 1990 to 2007 and are either good or very good quality as compared to the subject's "excellent" quality. Seven of the dwellings have two-car or three-car garages; one obtained a garage after its sale. These comparables sold from June 2008 to December 2009 for prices ranging from \$752,500 to \$1,200,000 or from \$267.40 to \$463.80 per square foot of "finished building area," including land.

On pages 19 to 20 of the report, the appraisers reported the following pertinent information:

. . . Sale 2 . . . is given no weight because it is not arm's length.

Sale 3 . . . spend a 412 days [sic] on the market and sold for about 15% the original asking price of \$1,399,000

Sale 4 . . . was listed for \$1,600,000 in 2007 and spent 2+ years on the market before selling 45% less than the original asking price. The seller listed the home for sale after the death of her husband and was extremely motivated to sell.

The appraisers further opined that "in this luxury market" the comparisons are of good to very good quality homes with 2,000 to 4,400 square feet to an excellent quality home of 11,706 square feet. While the subject will command a premium for its

additional size and quality, it will be "at a diminishing increment due to the wide variance with the typical home on Lake Carroll." In further support of this opinion, the appraisers included a "diminishing value" chart on page 20 "showing the square footage of the comparable sales with a liner [*sic*] trend line that clearly shows a diminishing return." Based on this analysis and the subject's various amenities, the appraiser concluded a size adjustment of \$50 per square foot from each comparable to the subject best measures the overall differences as outlined on the table on page 18 of the report. Thus, after making this one size-based adjustment to the comparables for differences from the subject, the appraisers reported indicated values of the comparables ranging from \$1,221,550 to \$1,565,250 or from \$355.66 to \$758.90 per square foot of "finished area," including land.

Next, the appraisers reported that due to the limited market data, listings in the area were also studied. One listing of 12-acres with similar, but lower quality amenities, had been listed for over a year for \$1,900,000 with no offers and the property has since been taken off the market. Another property directly to the east of the subject was "currently"³ on the market for \$1,899,000 and also has received no market interest.

In summary, the appraisers stated the average of all eight comparable sales is \$1,341,000 with sales #2, #3 and #4 being "most similar" and "bracket a value conclusion of 1,450,000." Then the appraisers state, "We have concluded that the market data best supports a value conclusion of \$1,400,000."

In reconciling the two approaches to value, the appraisers gave most weight to the sales comparison approach to value and estimated the subject property had a market value of \$1,400,000 or \$119.60 per square foot of "finished area," including land, as of January 1, 2010.

Based on the foregoing evidence, the legal representative for the board of review "prays that the subject's assessment be sustained" which would reflect a market value of approximately \$1,386,278 or \$212.62 per square foot of living area, including land, when applying the 2010 three year average median level of assessment for Carroll County of 33.64%.

In written rebuttal, the appellant's legal counsel contends that the board of review's appraisal reported a "total" dwelling area of 11,706 square feet has no factual support in the record, including a copy of the subject's property record card. Furthermore, in the sales comparison approach, the appellant contends that "it does not appear that any adjustments were made" to the properties for differences from the subject. The appellant also notes that no interior inspection of the property was done and one of the preparers of the report is a "trainee" without MAI or SRA certifications. Finally, because the

³ This retrospective appraisal report was prepared as of January 21, 2012.

appraisers are based in Bettendorf, Iowa, the appellant contends that "arguably" these appraisers are not as familiar with the subject's market as a local appraiser would be.

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 Board further finds a reduction in the subject's assessment is warranted.

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); 86 Ill.Admin.Code §1910.63(e). 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 Board finds the best evidence of market value in the record to be the opinion of market value estimated by the appellant's appraiser of \$1,200,000 as of January 1, 2010. The Board has given reduced weight to the appraisal report presented by the board of review.

The appraisers for both parties examined the same sales for the sales comparison approach to value with the board of review's appraisers ultimately excluding their only additional sale, comparable #2, as not being an arm's length transaction. Next, the appraisers for both parties considered adjustments for differences from these comparables to the subject dwelling. The Property Tax Appeal Board finds the appellant's appraiser had a more detailed and well-supported adjustment process whereas the only adjustment outlined by the appraisers for the board of review was "a size adjustment of \$50 per square foot" as outlined on page 20. Not only is this adjustment not well-explained or supported in the record, the adjustment fails to consider any other differences in amenities between the subject and comparables. Furthermore, the Board finds the most substantial problem with the board of review's appraisal report involves the "dwelling size" analysis of the subject property that inexplicably considered "finished area" to consist of 11,706 square feet with no record support. Thus, the Board finds the value conclusion of the board of review's appraisers is not credible and is not a valid indicator of the subject's estimated market value.

Based on this record, the Board finds the appellant did demonstrate by a preponderance of the evidence that the subject was overvalued and a reduction in the subject's assessment is justified. Moreover, since the fair market value of the subject has been established, the Board finds that the 2010 three-year

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median level of assessment for Carroll County of 33.64% 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.

Donald R. Cuit

Chairman

K. L. Fern

Member

Frank A. Huff

Member

Mario Morris

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: June 21, 2013

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.