



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

APPELLANT: Ballard Respiratory & Rehab Center  
DOCKET NO.: 15-20523.001-C-1  
PARCEL NO.: 09-15-303-013-0000

The parties of record before the Property Tax Appeal Board are Ballard Respiratory & Rehab Center, the appellant(s), by attorney Alan D. Skidelsky, of Skidelsky & Associates, P.C. in Chicago; and the Cook County Board of Review.

Based on the facts and exhibits presented in this matter, 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:** \$113,767  
**IMPR.:** \$2,117,483  
**TOTAL:** \$2,231,250

Subject only to the State multiplier as applicable.

**Statement of Jurisdiction**

The appellant timely filed the appeal from a decision of the Cook County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessment for the 2015 tax year. The Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of the appeal.

**Findings of Fact**

The subject property consists of a 41 year-old and part 19 year-old, one and part three-story skilled nursing home of masonry construction. It contains a total of 231 beds, with a combined 78,380 square feet of living area. The property has a 165,480 square foot site located in Maine Township, Cook County. The property is a Class 5 property under the Cook County Real Property Assessment Classification Ordinance.

The appellant contends overvaluation as the basis of the appeal. In support of this argument, the appellant submitted an appraisal utilizing the sales comparison, income capitalization and cost approaches of valuation. The appraisal estimated the subject property had a reconciled market value of \$8,925,000 as of January 1, 2015. The appellant requested a total assessment reduction

to \$2,231,250 when applying the 2015 level of assessment of 25.00% for Class 5 property under the Cook County Real Property Assessment Classification Ordinance.

Gary Shish (hereinafter, "Skish") of President of First Real Estate Service, Ltd., appraised the subject's fee simple property rights. The subject consisted of a skilled nursing home. Shish opined that the highest and best use of the subject as vacant and as improved was its continuation of its current use. Skish prepared his appraisal report based on the sales comparison, income capitalization and cost approaches. Skish reported that the subject was sold in December 2014 as part of a \$26,500,000 bulk sale with another nursing home. The tax declaration disclosed that \$17,000,000 of the bulk sale was allocated to the subject. Skish noted that the bulk sale and the allocations to the two properties included intangible and personal property. Consequently, this sale did not isolate the ad valorem market value of the real estate alone.

Skish listed four land sales to develop the cost approach. He concluded that the land only of the subject had an estimated market value of \$12.00 per square foot, for a total land value of \$1,004,880, rounded to \$1,005,000. After determining the replacement value of the building and applying various measures of depreciation to it, and then adding back the land value, Skish opined that the subject had a \$8,937,041 market value, rounded to \$8,935,000 based on the cost approach. However, Skish opined that this approach is unreliable because the subject was not new and was not fully utilized. Skish gave the cost approach little emphasis.

As to his development of the income capitalization approach, Skish selected 12 comparable nursing home properties, 11 of which were from the north side of Chicago. Based on historical financial documents for the subject, Skish opined that the subject's average daily rental rate was \$345 per patient bed. This rate fell above the range of rates per patient bed for the twelve comparable nursing homes. The gross potential annual income for 231 beds was, therefore, \$29,088,675. Based on the historical income and expense data for the subject and current market activity, Skish forecasted a 45.00% vacancy rate. The resulting effective gross annual room income was \$15,998,771. Skish estimated expenses based on the subject's historical data to be 84.40%, or \$13,502,962, of effective gross income, resulting in net operating income of \$2,495,809. Skish then calculated what he termed "non-real property" items. These consisted of various business enterprise value items. Skish estimated working capital; and furniture, fixtures and equipment (FF&E) based on historical market data. After depreciating FF&E and estimating a market-based rate of return, Skish estimated non-real property to be \$861,158. Net income attributable to land and building was \$1,603,299. Skish then estimated a 10.505 capitalization rate by using the band of investments technique. His estimated tax load was 7.46%. The resulting overall loaded capitalization rate was 17.96%. He estimated market value based on the income capitalization approach at \$8,927,055, rounded to \$8,925,000.

To develop the sales comparison approach, Skish relied on the total price per bed as the basic unit of comparison. In addition to the real estate, the sales prices of comparable properties included personal property and intangible business value. Skish selected five skilled nursing home sales in his analysis. These comparable properties sold from August 2012 through August 2014 for prices ranging from \$41,208 to \$80,000 per bed, including land. Skish applied adjustments to each of the comparables based on many factors, including location, building size,

date of sale, land-to-building ratio and age. He opined that the subject had a market value of \$55,000 per bed including land to arrive at a gross value of \$12,705,000. Skish then calculated the business enterprise value by capitalizing the income from working capital and economic profit from his development of the income capitalization approach. He determined it was \$3,115,500. The depreciated value of the personal property, as determined in his income capitalization approach, was \$1,097,250. After subtracting these items from the gross value, Skish opined the value of the real estate was \$8,492,250, rounded to \$8,490,000. However, Skish opined that he gave this approach less weight in developing his valuation of the subject. Nursing home sales include the transfer of FF&E and intangibles such as business value. These would have to be eliminated from the sales comparison approach estimated market value to isolate the real estate. The numerous adjustments necessary to calculate and then eliminate business value and to replicate the subject's characteristics made this approach unreliable.

Skish gave little weight to the cost approach and diminished weight to the sale comparison approach. He gave most weight to the income capitalization approach. His reconciled estimate of market value was \$8,925,000.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$4,581,812. The subject's assessment reflects a market value of \$9,163,624 when applying the 2015 level of assessment of 25.00% for Class 5 property under the Cook County Real Property Assessment Classification Ordinance. In support of its contention of the correct assessment, the board of review submitted information on five unadjusted suggested sale comparables.

The hearing commenced with appellant's counsel calling Skish to testify as an expert witness. Counsel conducted *voir dire* of Skish's expert qualifications. The ALJ found Skish to be an expert in the theory and practice of real estate appraisal.

Skish testified that a nursing home is a highly specialized 24-hour care facility. Its value is comprised of real property, personal property, and goodwill. A nursing home's revenue is derived from all three sources of value. Personal property consists FF&E. Goodwill of a nursing home is an intangible property and is also known as enterprise or business value. To determine the value of the real estate, an appraiser must deduct the business value from the total market value of the subject. Skish further testified that the subject had 231 licensed beds contained in a 78,380 square foot building constructed in 1997.

Skish appraised the subject's fee simple property rights. He testified that the highest and best use of the subject as improved would be the continuation of its current use as a nursing home. Skish then testified that he prepared his appraisal report based on the standard sales comparison, income capitalization and cost approaches. As to the income capitalization approach, Skish first established the stabilized income. Skish determined the subject's stabilized vacancy rate for the lien year was 45.00%. He then deducted operating expenses from the stabilized income. Those expenses included professional care, maintenance and facilities, and employee expenses. Skish applied a total tax loaded capitalization rate of 17.96%. Skish also testified how he developed the sales comparison and cost approaches, but gave them less emphasis. Skish considered the

sales comparison approach to be less reliable because it would have required numerous adjustments to replicate the subject's key characteristics and would require calculating the business enterprise. He gave less weight to the cost approach because it was imprecise and subjective. Skish relied mostly on the income capitalization approach because the subject was a special use property, and that approach best captured the business enterprise and investment objectives in owning and operating a skilled nursing home. His opinion of the subject's market value based on this approach was \$8,925,000 as of January 1, 2015.

### **Conclusion of Law**

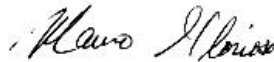
The appellant contends the market value of the subject property is not accurately reflected in its assessed valuation. When market value is the basis of the appeal the value of the property must be proved by a preponderance of the evidence. 86 Ill.Admin.Code §1910.63(e). Proof of market value may consist 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 to be the appraisal submitted by the appellant. The appraiser, Skish, testified that he developed the three standard approaches to valuation, giving most weight to the income capitalization approach. The appraisal and testimony from Skish established that the subject is a special use property because it was designed for and operated as a skilled nursing home. The evidence supports the proposition that the market value of a skilled nursing home includes FF&E and intangibles, which are commonly known as business enterprise value, not just the real estate. The appraisal and testimony established that the operating income derived from a skilled nursing home operation is the key element of its market value. Hence, Skish relied mostly on the income capitalization approach of valuation, with little emphasis to the cost approach. His explanation of why he did not rely on the cost approach was convincing and well-documented. Skish gave little emphasis on the sales comparison approach because it did not effectively eliminate FF&E and business enterprise value to isolate the real estate, and would have led to an unreliable market value estimate.

The 2014 sale of the subject is of no help in determining the ad valorem market value of the subject. That transaction was part of a two-property bulk sale, with no evidence as to why or how the bulk sale was apportioned. That bulk sale did not detail what, if any, portion was attributed to the real estate only or to the business enterprise value. The Board gives diminished weight to this sale as evidence of the 2015 market value of the subject.

After considering all documentary evidence, testimony at hearing, and the credibility of the witnesses, the Board finds appellant has sustained its burden of proof by a preponderance of the evidence that the subject was over-assessed. The Board finds that the subject property had a market value of \$8,925,000 as of the 2015 assessment date. Since market value has been established, the 2015 level of assessment of 25.00% for Class 5 property under the Cook County Real Property Assessment Classification Ordinance 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. Pursuant to Section 1910.50(d) of the rules of the Property Tax Appeal Board (86 Ill.Admin.Code §1910.50(d)) the proceeding before the Property Tax Appeal Board is terminated when the decision is rendered. The Property Tax Appeal Board does not require any motion or request for reconsideration.



Chairman



Member



Member

Member

Member

DISSENTING: \_\_\_\_\_

CERTIFICATION

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: November 20, 2018



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 or years of the same general assessment period, as provided in Sections 9-125 through 9-225, 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 such subsequent year or years 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 OR YEARS. A separate petition and evidence must be filed for each of the remaining years of the general assessment period.

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.

PARTIES OF RECORD

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