



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

APPELLANT: Davis Apartments Chicago, LLC
DOCKET NO.: 15-33695.001-C-1 through 15-33695.018-C-1
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are Davis Apartments Chicago, LLC, 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:

DOCKET NO	PARCEL NUMBER	LAND	IMPRVMT	TOTAL
15-33695.001-C-1	17-34-305-004-0000	39,477	9,773	\$49,250
15-33695.002-C-1	17-34-305-005-0000	4,993	4,239	\$9,232
15-33695.003-C-1	17-34-305-006-0000	5,175	4,239	\$9,414
15-33695.004-C-1	17-34-305-007-0000	11,902	3,070	\$14,972
15-33695.005-C-1	17-34-305-008-0000	3,967	4,239	\$8,206
15-33695.006-C-1	17-34-305-009-0000	3,967	4,239	\$8,206
15-33695.007-C-1	17-34-305-010-0000	43,066	10,609	\$53,675
15-33695.008-C-1	17-34-308-001-0000	14,853	6,450	\$21,303
15-33695.009-C-1	17-34-308-014-0000	4,321	978	\$5,299
15-33695.010-C-1	17-34-308-015-0000	3,061	978	\$4,039
15-33695.011-C-1	17-34-308-016-0000	7,959	3,354	\$11,313
15-33695.012-C-1	17-34-308-017-0000	2,938	4,897	\$7,835
15-33695.013-C-1	17-34-308-018-0000	3,043	4,897	\$7,940
15-33695.014-C-1	17-34-308-019-0000	6,162	9,796	\$15,958
15-33695.015-C-1	17-34-308-020-0000	6,162	9,796	\$15,958
15-33695.016-C-1	17-34-308-021-0000	6,162	9,796	\$15,958
15-33695.017-C-1	17-34-308-022-0000	5,925	9,796	\$15,721
15-33695.018-C-1	17-34-308-023-0000	5,925	9,796	\$15,721

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 seven three-story apartment buildings, each 31 years-old and of masonry construction. There is a total of 81 residential units, with a combined 84,924 square feet of living area. The property has a 119,375 square foot site on 18 contiguous parcels located in South Chicago Township, Cook County. The property is a Class 3 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 \$2,900,000 as of January 1, 2015. The appellant requested a total assessment reduction to \$290,000 when applying the 2015 level of assessment of 10.00% for Class 3 property under the Cook County Real Property Assessment Classification Ordinance.

Robert Kownacki (hereinafter, "Kownacki") of Urban Real Estate Research, Incorporated, appraised the subject's fee simple property rights. The subject consisted of affordable housing apartment buildings. Kownacki opined that the highest and best use of the subject as vacant would be for development of a modern multiple unit residential complex; as improved its highest and best use would be the continuation of its current use as affordable housing apartment buildings. Kownacki prepared his appraisal report based on the sales comparison, income capitalization and cost approaches.

Kownacki considered the subject's effective age and economic life to develop the cost approach. After applying various measures of depreciation of the buildings and the estimated land value, Kownacki opined that the subject had a \$2,900,000 market value based on the cost approach. However, he gave this approach little emphasis because, as an affordable housing property that receives government assistance, the true market value would be in its use.

As to his development of the income capitalization approach, Kownacki selected six comparable rental properties, five of which were subsidized affordable housing apartment buildings. Kownacki applied adjustments to the comparable rental properties to determine the stabilized gross potential monthly income. He determined the subject had a stabilized rent of \$85,160 per month to arrive at an estimated annual rental value of \$1,038,720. After applying vacancy and collection losses, he opined the subject had an annual effective gross operating income was \$1,012,365. Kownacki calculated stabilized expenses at \$561,844 by analyzing the same six comparable properties he considered to determine stabilized income, to arrive at net operating income of \$344,785. Kownacki used the band of investment method of calculating a

capitalization rate rather than the market extraction method. He selected a 10.00% market derived overall capitalization rate and a 1.86% estimated tax load factor to arrive at a rounded overall capitalization rate of 11.90%. By dividing that rate into the net operating income, Kownacki arrived at an estimated total value based on the income capitalization approach of \$2,897,355, rounded to \$2,900,000.

To develop the sales comparison approach, Kownacki selected four improved sales of apartment buildings. These comparable properties sold from March 2013 through October 2014 for prices ranging from \$15,022 to \$38,889 per unit, including land. Kownacki 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 he developed the sales comparison approach with a high degree of confidence to estimate that the subject had a market value of \$35,800 per unit including land. By multiplying this value by the 81 apartments in the buildings, the subject had a market value of \$2,900,000 including land.

He considered the government incentives for affordable housing to be of paramount importance in valuing the subject. Without these incentives, Kownacki opined there would not have been an incentive for a developer to erect quality affordable housing for low income residents. Consequently, Kownacki gave most emphasis to the income capitalization approach. His reconciled market value opinion of the subject was \$2,900,000.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$383,016. The subject's assessment reflects a market value of \$3,830,160 when applying the 2015 level of assessment of 10.00% for Class 3 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 Kownacki to testify as an expert witness. Counsel conducted *voir dire* of Kownacki's expert qualifications. The ALJ found Kownacki to be an expert in the theory and practice of real estate appraisal.

Kownacki testified that he reconciled the estimated market values of the three developed approaches. He gave the least weight to the cost approach and the most weight to the income capitalization approach. He estimated the subject's reconciled fair market value to be \$2,900,000 as of January 1, 2015. Although actual income and expenses resulted in lower net income, his use of stabilized numbers resulted in higher net income. Kownacki explained that he calculated stabilized income and expenses to arrive at an accurate estimate of the overall market for affordable housing properties. Kownacki used six comparables, five of which were subsidized affordable housing, to develop his income capitalization approach because they featured guaranteed government subsidies. He quantified the incomes and expenses of these comparable properties; and stabilized them to compare them to the subject's income and expenses. Since the subject also featured such subsidies, Kownacki opined that the best comparable properties should also contain this feature.

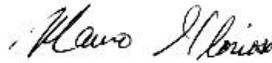
On cross-examination, Kownacki testified that he did not consider the subject's 2013 sale for \$5,600,000 and 2014 sale for \$5,700,000 to accurately reflect the fee simple market value of the subject because each of those sales included significant personal property and intangible property transfers. A guaranteed above-market rental revenue from government subsidies and below-market financing were the most significant components of intangible property for these two sales. Kownacki sought to isolate the ad valorem market value of the subject by stabilizing income and expenses for his selected income capitalization properties and adjusting them to compare them to the subject. In contrast, the 2013 and 2014 sales did not isolate only the ad valorem market value of the subject from the significant intangible property transfers.

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, Kownacki, testified that he developed the three traditional approaches to valuation, giving most weight to the income capitalization approach. He applied adjustments to the selected comparable properties to compare their market value to the subject. In his appraisal report, Kownacki documented relevant information he used in arriving at his conclusions. He testified that he gave reduced weight to the 2013 and 2014 sales because those transactions did not isolate the ad valorem market value from significant intangible property. In contrast, the board of review submitted only five unadjusted sale comparables. After considering all documentary evidence and testimony at hearing, the Board finds appellant has sustained its burden of proof and that the subject property had a market value of \$2,900,000 as of the assessment date at issue. Since market value has been established, the 2015 level of assessment of 10.00% for Class 3 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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