FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Sam Chaudhari
DOCKET NO.: 16-00158.001-C-2
PARCEL NO.: 41-20-01-126-043

The parties of record before the Property Tax Appeal Board are Sam Chaudhari, the appellant, by attorney Joanne Elliott, of Elliott & Associates, P.C. in Des Plaines; and the Champaign County Board of Review.

Based on the facts and exhibits presented in this matter, the Property Tax Appeal Board hereby finds ***No Change*** in the assessment of the property as established by the **Champaign** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND:	$175,470
IMPR.:	$1,328,270
TOTAL:	$1,503,740

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the Champaign County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessment for the 2016 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 three-story limited service hotel with 100 rooms, a vestibule, lobby, manager's office, washrooms, elevator lobby, laundry and a guest laundry room. The subject features three types of king rooms including a standard or handicap king bed and a suite and two types of queen rooms including standard and handicap queen bedrooms. The subject has a land-to-building ratio of 1.65:1 with 59,400 square feet of building area and was built in 2008. The improvements are located on 2.25 acres or 98,010 square feet of land area in Champaign, City of Champaign Township, Champaign County. The property is commonly known as the Wingate by Wyndham Champaign and was purchased by the appellant in August 2015 for $5,100,000.

The appellant contends overvaluation as the basis of the appeal.[1] In support of this argument, the appellant, through counsel Lauren Elliott, appeared before the Property Tax Appeal Board and submitted an appraisal prepared by State Certified Real Estate Appraiser Donald P. DiNapoli, MRICS (Member Royal Institution of Chartered Surveyors) and Edward V. Kling, MAI, MRICS (Member of Appraisal Institute and Member of Royal Institution of Chartered Surveyors). (Appellant's Exhibit 1). Both appraisers are with Real Estate Valuation Group Commercial, LLC, (hereinafter "RVG"), St. Charles, Illinois. DiNapoli was called as a witness on behalf of the appellant. DiNapoli has worked with RVG since 2002. He primarily values commercial properties and has appraised special purpose properties such as hotels, assisted living facilities and convenience stores. He has authored over 3,000 appraisals, approximately 200 of which were hotels with approximately 60% of those operating hotel appraisals being for ad valorem tax purposes.

DiNapoli testified that the purpose of the appraisal assignment in this case was to estimate the fee simple and the real property value as of January 1, 2016. At the time of assignment, he was provided with the subject's income information. The income information came from a 2016 STR ("Smith Travel Research") report that only the owner can order. The appraisers then purchased host expense data from a 2016 STR which indicates industry data for expenses and revenue for various categories of hotels and various regions throughout the nation. DiNapoli stated they were able to get industry average expense data. They also reviewed a flood hazard map and researched market data as part of their assignment. Data was pulled from comparable sales, the local assessor, county records, other real estate professionals and Co-Star reports. DiNapoli testified that it was also their practice, when possible, to directly contact someone involved in the sale to verify the details of the sale. If the sale cannot be directly verified, then the practice is to use secondary sources. DiNapoli visited the subject site approximately September 16, 2016 and authored the report on October 18, 2016.

In preparation for the hearing, DiNapoli testified he reviewed a 2014 profit and loss statement, which he did not have access to at the time of his report. DiNapoli confirmed with the appellant that the income and expenses as reported in the STR for 2016 was accurate and reflected actual income activity of the subject in 2016.

DiNapoli described going concern as an ongoing business that is anticipated will be in operation for at least the next year. He stated the buyer is purchasing a bundle that includes real estate along with tangible fixtures, furnishings and equipment (FF&E). DiNapoli testified that they were trying to extract out the real property value from a going concern transaction that includes tangible and intangible items. He stated that if they included all of the items, they would be overstating the real property value. FF&E includes items such as the beds, bedding, tables, lamps, locks, tv's, desks, chairs, carpeting, PTAC units, health care related equipment, kitchen equipment, office equipment, plates computer systems and carpet padding. The intangibles would include business enterprise value such as cash on hand, working capital, a trained and assembled workforce, negotiated contracts, existing client relationships, vendor relationships, the trademark, copyrights/patents, the name, goodwill related to an operating business that would include real tangible property; the FF&E as well as intangible property included goodwill and the assemblage of a trained workforce, client base, negotiated business contracts and relationships.

[1] At hearing, the appellant withdrew the inequity argument as a basis of the appeal without objection.

DiNapoli stated that it would be a considerable expense to go out and find and hire skilled workers and salespeople. The enterprise value can include existing relationships with the franchisee, relationships with local people that might want to buy rooms in advance, relationships with vendors. He stated that when an investor purchases an operating business, the price paid might reflect the benefit of those existing relationships.

DiNapoli described the subject as a limited service hotel. He stated the per room market values for limited service hotels ranged from $5,000 to $150,000 with FF&E ranging from $1,000 to $30,000 per room. In every valuation, DiNapoli testified they would consider the sale transaction of the subject; however, it is not conclusive of market value. DiNapoli testified that they prefer the income approach to value to get to the market value when trying to remove everything except the real property value for a hotel which includes the going concern value. He further testified that he uses the "Rushmore" approach that accounts for the return on and return of investment. He stated that while they prefer the income approach to value, the other two approaches to value provide secondary support to check on the value reached by the income approach. He testified they consider the information on the transfer declaration PTAX form but stated some of the allocations can be arbitrary. DiNapoli testified that the income capitalization approach is the gold standard to value a going concern property because it is indicative of how investors value the property. DiNapoli agreed that the income capitalization approach is based on the principle that the value of property is indicated by its net return or what is known as its present worth of future benefits. Further, the future benefits of income-producing properties like hotels are the net income estimated by a forecast of income and expenses along with anticipated proceeds of a future sale.

DiNapoli explained that the sales comparison approach to value has a weakness because they do not have detailed income information on those properties. The cost approach to value is not reliable because it is difficult to estimate depreciation, however, it does give them secondary support. DiNapoli testified that the subject sold as a going concern for $5.1 million in August 2015. In their appraisal report, the appraisers used all three approaches to value, with the primary approach being the income approach to value. They included the cost approach in this assignment because the subject was less than ten years old.

The appraisal report depicts highest and best use of the subject site as vacant is to hold for future development because hotel occupancy being 58%, did not warrant new development, therefore, the alternative is to hold the site for future development when economic conditions improve and market velocity and demand increase. (Appraisal, page 32). Highest and best use as improved is the existing use of the site as improved since no other alternate legal uses would yield a higher net return to the land. (Appraisal, page 33).

The appraisers developed a cost approach to value, however, DiNapoli did not testify on direct examination regarding the cost approach to value. The appraisal report depicts five comparable land sales were utilized. (Appraisal, page 35). The comparable land sales were located in Champaign, Illinois and ranged in size from 22,799 to 138,956 square feet of land area and sold from July 2011 to December 2015 for prices ranging from $27,500 to $750,000 or from $1.21 to $5.40 per square foot of land area. Various adjustments were made to the comparables for utility, commercial synergy, corner exposure, shape, access, and commercial appeal. (Appraisal, page 35). The subject was depicted as having a site size of 98,010 square feet of land area. The subject's land was estimated to have a unit value of $4.00 per square foot of land area or $392,040 or $390,000, rounded. (Appraisal, page 36).

The appraisers next developed the replacement cost new of the subject improvement utilizing *Marshall & Swift Valuation Service* (Section 11, Limited Service Hotel, Average). The appraisal report depicts a base cost of $96.88 per square foot of building area was used with an adjustment of $4.30 per square foot of building area, which derived an adjusted base cost of $101.18. After applying various multipliers for area, height, local and current costs indicated an estimated square foot cost of $99.36 per square foot of building area which yielded an estimated replacement cost new for the subject of $5,901,796. (Appraisal, page 39). The age/life method was used to calculate depreciation with an effective economic age of 19 years divided by the typical economic life of 45 years which yielded an accrued depreciation of 42.2% or 5.25% annually based on the subject's chronological age. Depreciated site improvements were estimated to be $88,000 rounded. The estimated cost new $5,901,796 was used from which accrued depreciation of 45% was subtracted ($2,655,808) and the contributory value of site improvements were added ($88,000) which indicated an improvement value by cost approach of $3,333,988 to which an estimated land value of $390,000 was added to arrive at a value of $3,723,988 by the cost approach to value or $3,720,000, rounded, or $37,200 per room. (Appraisal, page 41).

The appraisers also developed a sales comparison approach to value. Again, DiNapoli did not testify on direct examination regarding the sales comparison approach to value. The appraisal report depicts five comparable hotels were utilized. (Appraisal, pages 42 – 55). The comparables were located in Urbana, Champaign, Springfield and Lombard, Illinois. The properties were situated on sites ranging from 66,560 to 228,690 square feet of land area with building sizes ranging from 41,184 to 115,000 square feet of building area. They contained from 83 to 198 rooms and had land-to-building ratios ranging from 1.29:1 to 3.28:1 with ages ranging from 8 to 27 years old. The comparables sold from June 2013 to March 2016 for prices ranging from $2,500,000 to $5,300,000 or from $21,465 to $53,012 per room. After making adjustments to the comparables for market conditions, commercial synergy, size, exposure, land-to-building ratio, construction quality, design, age and real estate burden, adjusted room prices ranged from $34,343 to $47,711 per room. (Appraisal, page 53). The subject was depicted as having a site size of 98,010 square feet of land area with 59,400 square foot of building area, a land-to-building ratio of 1.65:1, 100 rooms and 8 years old. The subject was estimated to have a unit value of $45,000 per room, including personal property.

The contributory value of the furniture, fixtures and equipment ("FF&E) as part of the hotel operations were depreciated using the straight-line method of depreciation with life expectancy ranging from 7 to 12 years, 10 years on average according to *Marshall Valuation Service*. *HVS U.S. Hotel Franchise Development Cost Guide*, depicts FF&E for all hotel types ranging from $5,400 to $129,300 per room. Midscale class hotels averaged $14,800 per room. Wyngate by Wyndham's reported costs for the subject FF&E totaled $11,800 per room. The appraisers utilized $11,800 per room for the subject or $1,180,000. The appraisers then used an effective age of 2 - 3 years or 25% depreciation to arrive at a contributory value of the FF&E of 75% of the cost new or $885,000. Based on this analysis, the appraisers estimated the subject's value using the sales comparison approach to the value of $3,620,000. (100 rooms x $45,000 – FF&E $885,000 = $3,615,000 or $3,620,000, rounded). (Appraisal, page 55).

The appraisal report further depicts the appraisers were not able to obtain accurate financial data and marketing times for the comparable sales, which is a major weakness in the sales comparison approach to value. Due to the very limited amount of recent sales data and truly comparable sales with the subject market, the sales comparison approach to value is diminished in reliability. (Appraisal, page 51). The report depicts an estimated value by the sales comparison approach of $3,620,000 (Appraisal, page 55), and was given secondary consideration. (Appraisal, page 74).

DiNapoli stated hotel properties are more difficult than average to value for ad valorem tax purposes. He explained that this was because hotels typically sell as a going concern, so they have both tangible and intangible property components. DiNapoli testified that if a hotel property is sold, the purchase price isn't conclusive of value. In addition, the sales comparable approach may also be more difficult because those sales comparables might also have been a going concern transaction.

He stated investors/buyers find a value in the intangibles which is why it affects the valuation for fee simple ad valorem tax purposes, which is reflected in the purchase price. DiNapoli stated business enterprise value is an intangible asset along with cash on hand, working capital and the franchise flag.

In developing the income capitalization approach, the appraisers used a nightly room rate of $82 with an occupancy rate of 64% for the 100-room hotel. Total room revenue was depicted as $1,915,520 with an expense ratio of 76% and a capitalization rate of 9.7% The occupancy rate was derived from the subject's history with consideration given to the market. The STR report used in this case is a report that reports the historical performance of the hotel including income and occupancy along with the average daily rate (ADR). DiNapoli stated it also indicates competing properties and their performance as well for various market types, which in this case was for a mid-scale hotel.

Counsel then produced, without objection the subject's 2014 income and expense statement.[2] (Appellant's Exhibit 2). DiNapoli stated he did not have access to the statement prior to the hearing. The 2014 income and expense statement depicted revenue for the subject of $1,844,000 which was lower than projected in the appraisal ($1,934,869). In addition, the 2014 statement indicated occupancy of 56.31% and ADR of $79.33 while the appraisal report depicts occupancy of 64% with a daily room rate of $82.

The appraisal report, page 57, depicts the appraisers were provided with income and expense data for the subject for 2013 thru 2015 including occupancy and ADR from the subject's operation as an "Extended Stay Hotel" [sic]. Industry standard data was obtained from the appraiser's records and from the STR report. The appraisal further depicts the subject's occupancy rate for 2013 of 58.3% with an ADR of $83.70, an occupancy rate for 2014 of 57.5% with and ADR of $80.74 and an occupancy rate for 2015 of 64.2% with an ADR of $81.82. Page 57 of the appraisal report depicts that for 2015 the subject's occupancy rate of 64.2% compared well with the competitive set rate of 63.36% and outperformed the Midscale Chain

[2] The 2014 income and expense document was allowed into the record without objection to support the credibility of the appraisal.

Tract rate of 56.6%. The Midscale Class and the Competitive Set were reported to have respective occupancy rates ranging from 57% to 63.6%. The report further depicts the subject's ADR of $81.82 also compared well with the competitive set rate of $77.87 and underperformed the Midscale Class Tract of $89.25. (Appraisal, page 57). Stabilized income and expenses were analyzed on page 69 of the appraisal report. Annual potential gross income in the appraisal report was estimated to be $1,915,520 for 100 rooms at a daily rate of $82 with an occupancy level of 64%. Additional miscellaneous revenues indicated total revenues of $1,934,869 from which departmental costs and expenses (24.75% of total revenues), undistributed operating expenses (30.6% of total revenues), management fees, reserves and insurance (9.3% of total revenues) and $221,545 for return on and of FF&E were deducted to arrive at an estimated net income before real estate taxes of $462,386.

The appraisal report depicts a loaded overall capitalization rate of 12.530% (9.70% cap rate + 2.83% effective tax rate) was applied to the subject's net operating income ($462,386) to derive an estimated value for the subject of $3,690,234 or $36,902 per room. DiNapoli testified this was also the final reconciled value for the subject property. The report indicated the overall capitalization rate was developed using the Band of Investment and Investor survey data which indicated an overall capitalization rate from 6.55% to 17.04% with an average of 11.65%. The appraisers utilized a capitalization rate of 9.7% to which and effective tax rate of 2.83% was added to derive an overall capitalization rate of 12.53% (Appraisal, page 73). Applying the overall capitalization rate to the subject's estimated net operating income yielded a value by the income capitalization approach of $3,690,231 or $3,690,000 rounded or $36,900 per room (Appraisal, page 73).

DiNapoli testified that there are two generally accepted methods of capitalizing income for properties such as the subject when preparing an ad valorem appraisal. One is the "Rushmore" method and the other is the "Lenart" method. DiNapoli stated he preferred the "Rushmore" method which extracts a return on and a return of investment, while the "Lenart" approach does something similar, but also considers goodwill. He stated the purpose of the "Rushmore" method was to attribute and extract value to the tangible assets and the return on and return of FF&E. The goal is to calculate the net operating income to the value of the real estate only. DiNapoli agreed that it is basic economic theory that investors will not put their money to work unless the are going to get their money back and a return on their money at the end of the holding period. DiNapoli reiterated that the "Rushmore" method is extensively used by appraisers and is the preferred method for ad valorem tax purposes.

DiNapoli agreed that there is a value to the Wyndham franchise offering, a value to the flag with that value including the value of prototyped branding and the value of centralized booking along with the value of a national network of developers and investors. DiNapoli opined that the flag positively impacts the top line revenue number of the subject hotel. DiNapoli further testified that despite the value of the flag, the income analysis they developed takes only ordinary business expenses off the revenue and then return on and of the investment off the top line revenue, which he considered a conservative workup.

Counsel then redirected the witness to various errors within the appraisal report: using "Extended Stay" on pages 56 through 59; receiving operating statements for the subject on page 74; receiving income and expense data for the subject for 2013 through 2015 on page 57.

DiNapoli explained there were mistakes wherein boilerplate language was used, however, it would not change his final opinion of value upon correction of the mistakes.

DiNapoli testified that the occupancy and ADR were derived from the STR report which is a research and analytics business that gathers statistics from the market, including hotel performance, income and expenses. DiNapoli testified he believed the reports to be very accurate and that just about every major hotel relies on them. DiNapoli stated most of the expenses they deducted were ordinary business expenses other than the return on and return of FF&E expenses. He explained that the buyer would have an expectation that they would make a profit on their investment, so they would get a return on that investment in addition to the return of the investment. The goal of the assignment was to arrive at a net operating income, attributable to the value of the real estate only by removing the business-related income. DiNapoli testified that this method was known as the "Rushmore" method of doing the income capitalization approach, which is standard appraisal theory. He stated it is a generally accepted method to value hotel properties and is the gold standard; the best practice for ad valorem tax purposes to value a hotel. DiNapoli testified that there are acceptable models, other than the "Rushmore" method to value hotels, to try to account for goodwill, however, they typically result in lower real property value, because the other methods would remove the value of goodwill as an expense. DiNapoli stated their appraisal report does not deduct anything off of the net operating income for goodwill or business value. At this point in the hearing the appellant rested its case and requested a reduction in the subject's assessment to reflect the appraised value.

On cross-examination it was pointed out that the dates of inspection of the subject property did not match. (Appraisal, pages 3 and 5). DiNapoli stated only one inspection day occurred. DiNapoli agreed the subject's 2015 sale met the definition criteria in the Tax Code of fair cash value. DiNapoli testified that the subject's 2015 sale was a going concern transaction and not just for the real estate, however, he could not recall asking the owner if it was an all-in sale[3], but thought it was intuitively obvious.

DiNapoli agreed that from 2014 to 2016, average daily rates for hotels were increasing based on national data. Further, it was pointed out, and agreed to by DiNapoli, that for the Champaign market, the outlook for hotel investment opportunities remain strong resulting in solid growth in property value.

Regarding the land sale comparables, DiNapoli testified he tried to use properties of similar utility to the subject. DiNapoli admitted that he rounded depreciation of 42% to 45% without explanation in the report. DiNapoli could not recall if comparable sale #1 on page 43 of the appraisal report sold at auction. Further, he could not confirm if the sale included or did not include FF&E but rather assumed it did. It was pointed out that in a previous appraisal DiNapoli made a positive adjustment for a date of sale, wherein in this appraisal he made a minus adjustment for the same date of sale. DiNapoli could not recall why different adjustments were made for the same date of sale to the same date of value under appeal. He could not recall if sale comparable #5 was an auction sale and agreed that comparable #5 should be changed to a description of similar market conditions which would affect his net adjustment for this comparable.

[3] Including tangible personal property.

Regarding the subject's sale in 2015, DiNapoli did not know if brokerage fees should be subtracted out of the purchase price in order to allocate for real property. DiNapoli admitted that the subject's other operated department revenues for 2015 was misstated in the report. He further agreed that on page 63 of the appraisal report that the franchise fee of 10.2% should have been removed, because he concluded a franchise fee of 8.5% for a mid-scale hotel. DiNapoli could not recall where he got the 9.88% capitalization rate when the *PWC Hotel Investor Survey* indicated capitalization rates for limited service hotel averaged 9.48%. DiNapoli testified that Kling, an MAI designated appraiser, did not find or correct any of the errors or typos in the appraisal which were pointed out at the hearing. Further, DiNapoli could not recall how long after he prepared the report when it was that Kling reviewed the report.

Further, DiNapoli could not recall if 3 of his 5 comparable sales included FF&E or not. In the cost approach to value, DiNapoli admitted that the 3% depreciation difference between what he used and what was the actual depreciation (45% vs. 42%) would result in a $200,000 adjustment, which would change his estimated opinion of value in the cost approach. DiNapoli admitted that some of the adjustments for market conditions and ADR were made under the title "date of sale." Further, DiNapoli admitted that in the income statement he developed he used 1.5% for operated department revenues, when in fact the subject operated department revenues were 1%. He could not recall if Kling picked up on this error.

During re-direct, DiNapoli agreed if the error of using the correct percentage of accrued depreciation were used in the cost approach, the indicated value would be $3,901,042 instead of the value of approximately $3,700,000, a 5% difference, however, his reconciled conclusion of value of $3.69 million using the income approach to value would not change. DiNapoli agreed that if he corrected the errors found in the income approach to value, the corrected market value for the subject would be $3,791,197 instead of $3,690,000.

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's total assessment of $1,530,810 was disclosed. The subject's assessment reflects a market value of approximately $4,595,647 or $80.69 per square foot of building area or $45,956 per room, including land, using the 2016 three-year average median level of assessments for Champaign County of 33.31% as determined by the Illinois Department of Revenue.

In support of the subject's assessment, board of review member Zebo Zebe stated the board of review believed the recent sale transaction of the subject property for $5,100,000 which occurred in August 2015, was between two parties in an arm's length transaction, and was the most reliable indication of the subject's market value. Zebe further stated both parties verified that the sale amount reflected the net consideration of real property. Zebe stated that coupled with the questions surrounding the appraisal and the fact of the subject's recent sale in 2015 and also in light of the recent resale of the subject for $5,100,000 in 2018, represent the most relevant facts in regard to market value.

During cross-examination, Zebe agreed that negotiated contracts and a hotel's flag has a value. He agreed that intangibles have at least some value. Zebe testified that the board of review's confirmation of the subject's assessment was based on the subject's sale in August 2015. Zebe stated the sale was for $5,100,000 and he did not know which intangibles transferred with the sale or if they were reflected in the sale price. He testified that the PTAX form seemed to indicate that the real property was $5.1 million. Zebe further testified that the PTAX form indicates no personal property transferred and was not included in the purchase. He stated both parties verified the PTAX forms and that the PTAX-203 form indicated no amounts for personal property, so the $5.1 million would just be for the bricks and mortar. Based on this evidence, the board of review requested confirmation of the subject's assessment.

Conclusion of Law

After hearing the testimony and having considered the evidence, the Board finds that it has jurisdiction over the parties and the subject matter of this appeal. 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). The Board further finds the best evidence of the subject's market value in this record is the subject's recent sale in August 2015 for a net consideration of $5,100,000.

The subject property has a total assessment of $1,530,810 which reflects a market value of approximately $4,595,647 or $80.69 per square foot of building area or $45,956 per room, including land. The appellant submitted an appraisal prepared by DiNapoli and Kling estimating the subject had a market value of $3,690,000, which was later corrected by testimony to $3,791,197 or $37,912 per room as of January 1, 2016. The board of review submitted the subject's property record card, originating from 2008, and relied on subsequent County equalization factors through the years to establish the subject's 2016 total assessment. The subject's market value as reflected by its assessment of $4,595,647 is above the appraised value as established by the appellant ($3,791,197) and less than the net consideration price paid in August 2015 ($5,100,000).

The Board gives little weight to the subject's property record card as it is incomplete regarding the computational ladder, is missing computational data and depreciation values. The Board further finds the credibility of the subject's 2016 assessment was not verifiable nor a credible indicator of the subject's market value as of January 1, 2016. The assessor was not present at the hearing and therefore the property record card evidence was not supported with direct testimony from the assessor on the methodology used or subject to cross-examination for veracity and credibility. The Board finds the board of review simply relied upon multiple years of equalization factors to determine the subject's assessment for 2016.

DiNapoli and Kling developed the cost approach to value, which was considered less relevant in their final analysis. DiNapoli admitted that he rounded depreciation of 42% to 45% without explanation in the report. In the cost approach to value, DiNapoli admitted that the 3% depreciation difference between what he used and what was the actual depreciation (45% vs. 42%) would result in a $200,000 adjustment, which would change his estimated opinion of value in the cost approach. Further, the subject's effective physical age of 8 years was similar to its chronological age of 8 years, yet, 25% or 11 years of depreciation was added due to functional and external inadequacies without further explanation. The Board finds the cost approach to value developed by DiNapoli and Kling was not supported by testimony at hearing and was not well supported in the record. DiNapoli could not recall if Kling, a MAI appraiser, made any changes to this approach during his review of the appraisal report. Based on the errors contained within the cost approach to value, unsupported testimony and lack of due diligence to fully and correctly review the work performed, the Board gave this approach little weight in its analysis, and because of the questionable calculations, finds this approach does not support the subject's final conclusion of value as found in the income approach to value.

Further, the Board gives little weight to the sales comparison approach developed by DiNapoli and Kling. DiNapoli did not testify on direct examination in support of the sales comparison approach to value. The record depicts the appraisers utilized comparable sales that were either auction sales or REO sales. On cross-examination DiNapoli could not recall if comparable sale #1 on page 43 of the appraisal report sold at auction. Further, he could not confirm if the sale included or did not include FF&E but rather assumed it did. It was pointed out that in a previous appraisal DiNapoli made a positive adjustment for a date of sale, wherein in this appraisal he made a negative adjustment for the same date of sale. DiNapoli could not recall why different adjustments were made for the same date of sale to the same date of value under appeal. He could not recall if sale comparable #5 was an auction sale and agreed that comparable #5 should be changed to a description of similar market conditions which would affect his net adjustment for this comparable. DiNapoli could not recall if 3 of his 5 comparable sales included FF&E or not. DiNapoli admitted that some of the adjustments for market conditions and ADR were made under the title "date of sale" which was not fully explained within the appraisal report. Again, DiNapoli could not recall if Kling picked up on these errors. The appraisal report itself depicts that "due to the very limited amount of recent sales data and truly comparable sales within the subject market, this approach to value is diminished in reliability." Based on the errors, details of the comparables and questionable adjustments, the Board finds the comparable sales analysis developed by DiNapoli and Kling was not a credible indicator of the subject's market value as of January 1, 2015 and, more importantly, does not act as a "*test of reasonableness*" of the income approach to value also developed within the appraisal report.

The next approach developed by DiNapoli and Kling was the income approach to value. DiNapoli admitted that the subject's other operated department revenues for 2015 was misstated in the report. He admitted that in the income statement he developed he used 1.5% for operated department revenues, when in fact the subject operated department revenues were 1%. He further agreed that on page 63 of the appraisal report that the franchise fee of 10.2% should have been removed, because he concluded a franchise fee of 8.5% for a mid-scale hotel. DiNapoli could not recall where he got the 9.88% capitalization rate when the PWC Hotel Investor Survey indicated capitalization rates for limited service hotel averaged 9.48%. The record revealed the subject's historical income was obtained from the owner while the historical expenses were obtained from a STR report. DiNapoli did not verify this data with other sources that were available. The Board finds the income and expense analysis as developed by DiNapoli contained significant errors and was not well supported in the record. The Board finds that any error in the percentage of expenses used, may have a significant impact on the final value conclusion as developed in the income approach to value. Since the appraisal report and DiNapoli, through his testimony, agreed that the sales comparison approach was suspect at best, the Board finds the appraisers should have incorporated another method as a check against the allocation of going concern to the subject's transfer in August 2015. DiNapoli agreed he could have utilized the "Lenart" method to get to the fee simple interest of the real estate only but chose to only use the "Rushmore" method. Based on the above analysis, the Board finds the methodology, adjustments and final value conclusion contained within the appraisal report is questionable at best, is not credible nor a reliable indicator of the subject's value as of January 1, 2016.

The Board finds the best indicator of the subject's market value as of January 1, 2016 in this record is the subject's recent sale in August 2015 for a net consideration of $5,100,000. The Board finds it suspect that the appellant verified that the net consideration paid at the time of transfer was $5,100,000 but asks the Property Tax Appeal Board to dismiss this figure as being arbitrary at best. At least two times on the PTAX-203 forms, the buyer and seller verified and certified as being true and correct that the full net consideration paid at time of transfer ($5,100,000) was a "fair reflection of the market value on the sale date." DiNapoli agreed the subject's 2015 sale met the definition criteria in the Tax Code of fair cash value. DiNapoli testified that the subject's 2015 sale was a going concern transaction and not just for the real estate, however, he could not recall asking the owner if it was an all-in sale, but thought it was intuitively obvious. DiNapoli agreed that from 2014 to 2016, average daily rates for hotels were increasing based on national data. Further, it was pointed out, and agreed to by DiNapoli, that for the Champaign market, the outlook for hotel investment opportunities remain strong resulting in solid growth in property value. Regarding the subject sale, DiNapoli did not know if brokerage fees should be subtracted out of the purchase price in order to allocate for real property.

From a review of the record, the Board finds the there is no evidence suggesting the subject's sale in August 2015 was not an arm's-length transaction. The Illinois Supreme Court defined fair cash value as what the property would bring at a voluntary sale where the owner is ready, willing, and able to sell but not compelled to do so, and the buyer is ready, willing and able to buy but not forced to do so. Springfield Marine Bank v. Property Tax Appeal Board, 44 Ill.2d. 428, (1970). A contemporaneous sale of property between parties dealing at arm's-length is a relevant factor in determining the correctness of an assessment and may be practically conclusive on the issue of whether an assessment is reflective of market value. Rosewell v. 2626 Lakeview Limited Partnership, 120 Ill.App.3d 369 (1st Dist. 1983), People ex rel. Munson v. Morningside Heights, Inc, 45 Ill.2d 338 (1970), People ex rel. Korzen v. Belt Railway Co. of Chicago, 37 Ill.2d 158 (1967); and People ex rel. Rhodes v. Turk, 391 Ill. 424 (1945).

After considering the indicated value of $5,100,000 using the subject's recent sale in August 2015, the Property Tax Appeal Board finds the subject property's assessment of $1,530,810 which reflects a market value of approximately $4,595,647 or $80.69 per square foot of building area or $45,956 per room, including land is supported. Therefore, based on a preponderance of the evidence herein and the manifest weight of the evidence presented, the Board finds no reduction is 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. 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:

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: August 18, 2020

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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