



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

APPELLANT: Waukegan 2929 LLC  
DOCKET NO.: 16-04835.001-C-2  
PARCEL NO.: 08-30-402-008

The parties of record before the Property Tax Appeal Board are Waukegan 2929 LLC, the appellant, by attorney George N. Reveliotis, of Reveliotis Law, P.C. in Park Ridge; the Lake County Board of Review; and the Waukegan C.U.S.D. #60 intervenor, by attorney Scott E. Nemanich of Klein, Thorpe, & Jenkins, Ltd. in Orland Park.

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

**LAND:** \$38,342  
**IMPR.:** \$224,632  
**TOTAL:** \$262,974

Subject only to the State multiplier as applicable.

**Statement of Jurisdiction**

The appellant timely filed the appeal from a decision of the Lake 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 contains two property identification numbers (PINs): 08-30-402-008 & 08-30-402-011.<sup>1</sup> The only parcel that is at issue in this appeal is PIN 08-30-402-008. This parcel is improved with a two-story limited service hotel of masonry exterior construction and has stairway-only access (no elevator). The subject contains approximately 31,586 square feet of building area and has a total of 85 rooms. The hotel was built in 1983 and is approximately 33 years old. The property has a combined land area of 62,340 square feet and has a land-to-building ratio of 1.96:1. The property is located in Waukegan, Waukegan Township, Lake County.

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<sup>1</sup> For clarification, the appraisal report includes the value of both PINs combined, although the appellant is only contesting the assessment for PIN 08-30-402-008. Each PIN has a separate land assessment; however, PIN 08-30-402-011 (which is not appealed) contains only land used as parking for the adjacent hotel.

The appellant contends overvaluation as the basis of the appeal. In support of this argument, the appellant submitted an appraisal report of the subject property prepared by real estate appraisers, Donald P. DiNapoli and Edward V. Kling; both are Illinois State Certified General Real Estate Appraisers. DiNapoli performed the property inspection on March 25, 2017 and provided the value conclusion, and Kling provided data support and market opinions in a review capacity. The purpose of the appraisal was to estimate the fair cash value of the subject property for an *ad valorem* tax assessment appeal. The interest valued is the fee simple estate. The final conclusion was that the subject property (including both PINs) had a market value of \$870,000 or \$27.31 per square foot of building area, including land, or \$10,235 per room, as of January 1, 2016.

DiNapoli determined the highest and best use of the property as improved was continued use as a limited service hotel. However, the appraiser noted that the subject's two-story design and stairway-only access does not meet current market demands. In addition, the easement granted to the adjacent Illinois Department of Motor Vehicles facility results in significant decreased utility and, therefore, there is functional obsolescence. In estimating the market value of the subject property, the sales comparison approach and the income capitalization approach to value were developed.

Under the sales comparison approach to value the appraisers used six comparable sales, each described as limited service hotels located in South Holland, Elgin, North Chicago, Wheeling, Joliet, and Worth. The comparable sales ranged in size from 28,618 to 64,388 square feet of building area and range in age from 28 to 62 years old. The properties had site sizes ranging from 79,061 to 203,861 square feet of land area and have land-to-building ratios ranging from 1.70:1 to 5.12:1. The hotels ranged in the number of rooms from 74 to 147. The sales of the comparables occurred from March 2013 to November 2015 for prices ranging from \$902,500 to \$1,925,000 or from \$6,786 to \$16,554 per room. The appraiser then made adjustments to the comparables for property rights (e.g. easements), sale conditions (e.g. compulsory sales), location (exposure to traffic), construction quality, land-to-building ratios, and age/condition. The adjusted prices range from \$9,839 to \$13,243 per room. After adjustments, DiNapoli estimated the subject property had a market value under the sales comparison approach of \$1,020,000, or \$12,000 per room. Using the U.S. Hotel Franchise Development Cost Guide, DiNapoli then estimated the value of personal property such as furniture, fixtures and equipment (FF&E) to be \$204,000. After subtracting the FF&E, DiNapoli estimated the value of the subject using the sales comparison approach to value to be \$820,000, rounded, or \$9,647 per room.

The second approach developed was the income capitalization approach to value. This approach is based on the principal that the value of a property is indicated by the present worth of future benefits or the net return on the investment property. Under this approach, DiNapoli first obtained one-year occupancy data for the subject property as operated as a Howard Johnson hotel. The appraiser estimated the occupancy rate of the subject to be below the subject's market area standards due to unfavorable factors such as lack of elevator access, shared parking lot, and general condition of the building. The appraiser subject's marketing area had occupancy rates ranging from 60.1%; average daily rate (ADR) ranging from \$45.59 to \$142.65; and revenue per available room (RevPAR) ranging from \$28.13 to \$987.84. The subject's competitive set had an occupancy rate of 61.7%, an ADR of \$45.59, and a RevPAR of \$28.13. Based on the 85 number of rooms at an occupancy level of 32% and a daily room rate of \$56.00, the DiNapoli estimated a

daily income of \$1,523 or an annual income of \$555,968. Adding other operating revenue of \$11,346, the appraiser arrived at a total income of \$567,314.

Next, DiNapoli subtracted costs associated with rooms in addition to other operating costs which combined totaled \$126,851; he also subtracted operating expenses consisting of administrative fees, marketing, franchise fees, maintenance, and utilities which totaled \$167,925; and management fees, taxes, reserves for replacements, insurance, return **on** furniture, fixtures and equipment (FF&E), and return **of** FF&E, which totaled \$131,141. The result was a net operating income of \$141,397.

At the next step in the income approach to value, the appraiser calculated the capitalization rate using the market capitalization data supplied by PwC Real Estate Investor Survey and Real Estate Research Corporation. Applying the industry-standard formula to this data, DiNapoli arrived at the total capitalization rate of 0.1633 or 16.33%. Dividing the net operating income of \$141,397 by the capitalization rate of 0.1633, the appraiser arrived at the subject's market value under the income approach to value of \$870,000, rounded.

In reconciling the two approaches to value, DiNapoli concluded that although the sales comparison approach to value is typically considered to be a reliable indicator of value because it involves a simple feature-to-feature comparison and is a direct reflection of market value, this being a hotel, there is not enough information on the comparables in terms of the purchase agreements or income and expenses data that includes FF&E and business values. As a result, the income approach to value was given primary consideration because it reflects the actions of investors in the market for this type of property. The appraiser indicated that he was provided with recent operating statements for the subject property to substantiate the subject's income and expenses, as well as industry standards data which support the subject's market value and how investors typically value this type of property. After consideration of the factors involved in each of the approaches, the appraiser arrived at an opinion that the subject's market value, including both PINs, is \$870,000 as of January 1, 2016.

Based on this evidence, the appellant's counsel requested a reduction in the assessment of the improvement on parcel #08-30-402-008 to \$262,974 which reflects an approximate market value of \$789,000 at the statutory level of assessment of 33.33%. This amount roughly represents the appraised value of \$870,000 minus the approximate land value of the adjacent parcel #08-30-402-011 of \$81,000 based on its assessment of \$27,023.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$367,565. The subject's assessment reflects a market value of \$1,108,460 or \$13,041 per room and \$35.09 per square foot of building area, land included, when using the 2016 three-year average median level of assessment for Lake County of 33.16% as determined by the Illinois Department of Revenue.

In support of its contention of the correct assessment, the board of review submitted information on four comparable sales, as one property sold twice.<sup>2</sup> Two properties are located in Waukegan

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<sup>2</sup> The board of review comparable #1/appraiser's comparable #3 sold in March 2013 for \$1,100,000 and again in December 2017 for \$2,595,000.

and one is located in Gurnee. The board of review comparable #1 is the same property as appellant's appraisal comparable #3.<sup>3</sup> The comparables consist of two-story or three-story commercial buildings (hotels) ranging in size from 30,000 to 69,570 square feet of building area and have between 64 and 99 rooms. The buildings were built from 1962 a 1999 and range in age from 17 to 54 years old. The comparables have sites ranging in size from 131,551 to 183,388 square feet of land area. The comparables have land-to-building ratios ranging from 4.62:1 to 5.27:1 and are located from .20 of a mile to 3.88 miles from the subject property. The comparables sold from March 2013 to December 2017 for prices ranging from \$1,100,000 to \$3,100,000 or from \$35.71 to \$86.50 per square foot of building area, including land or from \$11,111 to \$47,692 per room/unit.

The board of review also submitted a narrative brief noting that in filing the appeal, the appellant omitted one PIN for the vacant lot parcel which was included in the appraisal. The board of review also asserted that appraisers' comparable #1 is an auction sale and is not an arm's length transaction; appraisers' comparable #2 had no buyer/seller representation and no detailed data associated with the transaction; comparable #3 (the parties' common comparable) sold again in December 2017; comparable #4 was a bank-owned real estate (REO) and sold without a listing broker; comparable #5 is another auction sale with substantial deferred maintenance; and comparable #6 was a transfer from a trust and does not appear to be an arm's length transaction; and finally that five of the six comparable properties are outside of the subject's market area and/or sold too remote in time from the subject's assessment date. The board of review submission also includes the property record cards and an aerial map of each of the parties' comparable sales.

Based on this evidence and argument, the board of review requested confirmation of the subject's assessment.

On behalf of the intervenor, Waukegan Community Unit SD 60, the intervenor's counsel submitted a letter to Property Tax Appeal Board indicating that the intervenor has agreed to adopt the evidence of the Lake County Board of Review in this appeal.

### **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 report submitted by the appellant.

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<sup>3</sup> The board of review grid analysis depicts a different address from the property associated with the listed PIN. The descriptive data on the property record card for board of review comparable #1 (including the PIN) is identical to the data associated with appellant's appraisal comparable #3.

Of the two approaches to value developed by the appraisers, the income capitalization approach was considered by the appraisers as more reliable indicator of market value and this is the approach used to arrive at the subject's value conclusion. The appraisers obtained and analyzed recent operating financial statements for the subject property to substantiate the subject's income and expenses. They also applied industry standards data from cited sources including vacancy rates, hotel accommodations in the subject's market area, and capitalization of net operating income to support the subject's market value conclusion. The appraisal report details how investors typically value hotel property. The appraisal report also included a detailed analysis of market data. In contrast, the board of review did not provide any analysis of room rates, vacancy and collection loss or expenses used to calculate the net operating income. Moreover, the board of review did not challenge any of the data or analysis developed by the appraisers in the income approach to value. The board of review provided raw data of three comparable sales without making any adjustments for differences when compared to the subject. Furthermore, three of the four board of review sales occurred from 18 to 33 months distant from the subject's January 1, 2016 assessment date at issue and, therefore, are less likely to be reflective of the subject's market value as of that date. The board of review comparable sale #3 which sold most proximate in time to the subject's assessment date was dissimilar and superior to the subject in terms of number of stories, larger building size, larger land area, and larger land-to-building ratio. Based on this record, the Board finds the income approach developed by the appellant's appraiser, which was given primary weight was better supported and more credible than the evidence submitted by the board of review which included only raw sales data and a critique of the appraiser's comparable sales which were not the primary source of the appraisers' value opinion.

The appraisers' value opinion is further supported by the subject's functional obsolescence due to a lack of an elevator in a two-story hotel, as well as a shared parking lot (easement) with the adjacent Department of Motor Vehicles facility.

In summary, after considering the evidence in this record, the Board finds the best evidence of market value was presented by the appellant. The record reflects that the appraisal includes two PINs but only one parcel is the subject of this appeal. The Board finds that based on this record, the subject parcel #08-30-402-008 at issue herein had a market value of \$789,000 as of January 1, 2016 which equates to the appraised value of the two parcels combined in the amount of \$870,000 minus the approximate market value of the parcel that is not the subject of this appeal in the amount of \$81,000. The subject's assessment reflects a market value of \$1,108,460 which is above the market value established by the best evidence in this record. Based on the evidence in this record, the Board finds that the appellant has proved by preponderance of the evidence that the subject parcel is overvalued and a reduction commensurate with the appellant's request 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



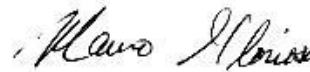
Member

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

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: July 21, 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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