



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

APPELLANT: PCM
DOCKET NO.: 17-02943.001-C-1
PARCEL NO.: 08-08-402-015

The parties of record before the Property Tax Appeal Board are PCM, the appellant, by Kenneth R. Welker, Attorney at Law, in Lake Forest, and the Lake 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 **Lake** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND: \$14,056
IMPR.: \$84,658
TOTAL: \$98,714

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 2017 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 California balcony-style nine-unit apartment building of brick exterior construction with approximately 9,234 square feet of living area. Each apartment consists of two bedrooms and one bathroom. The building was constructed in 1966.¹ Features include a concrete slab foundation with a coin-operated laundry room on each floor. The property has an approximately 11,499 square foot site which includes eighteen parking spaces.² The property has a land-to-building ratio of approximately 1.24:1 and is located in Waukegan, Waukegan Township, Lake County.

¹ The board of review submitted a copy of the subject's property record card depicting a construction date of 1966. Both the appellant's appraiser and the board of review reported the subject was constructed in 1975. While this discrepancy exists, the Board finds it does not prevent a determination of the correct assessment on this record.

² The appellant's appraiser variously described the subject as having twelve and eighteen parking spaces on site (Appraisal, p. 16, 17, 18 and 19).

The appellant contends overvaluation as the basis of the appeal. In support of this argument, the appellant submitted a 44-page appraisal report prepared by John F. Miaso, a Certified General Residential Real Estate Appraiser, who utilized two of the three traditional approaches to value. The appraisal report, written as of October 7, 2016 and developed for a real estate tax appeal, estimated the subject property had a market value of \$275,000 or \$30,556 per unit or \$23.92 per square foot of building area, including land, as of January 1, 2016.

As to the condition of subject property, the appraiser noted there were no apparent signs of recent updating and the "quality of some of the finish work is average at best." He also indicated that overall, the improvements appear to be in average condition and modernization. The subject has an average efficiency ratio and the layout was functional in terms of functional utility. (Appraisal, p. 19)

Using the sales comparison approach, the appraiser considered five comparable sales which are located within Waukegan Township. The comparables have sites that range in size from 8,400 to 15,242 square feet of land area. The comparable parcels are each improved with an apartment building built between 1901 and 1970. The buildings have from 6 to 12 units ranging from studio to two-bedroom units; sale #3 consists entirely of eleven studio units with a small portion of commercial space. The buildings range in size from 5,820 to 15,363 square feet of building area. Four of the comparables are described as in average condition, four comparables have laundries available and four comparables have off-street parking available. Three of the comparables have individual air conditioning units in the apartments. The comparables sold between May 2014 and November 2015 for prices ranging from \$141,000 to \$396,000 or from \$15,455 to \$33,000 per unit or from \$10.12 to \$52.80 per square foot of building area, land included.

As part of the report, the appraiser noted sale #3 was not an ideal comparable property but utilized the sale due its unit count and date of sale close to the appraisal effective date (Appraisal, p. 25). Once sale #3 is given less weight, the appraiser found the range of unit prices narrowed to \$23,500 to \$33,000 per unit including land.

The appraiser next applied qualitative adjustments to the comparables for differences when compared to the subject as set forth on page 27 of the appraisal report. Sales #2 and #5 were adjusted for sale conditions of REO and short sale, respectively. Adjustments were applied to four comparables for building size. Adjustments were also applied for unit mix, age and air conditioning amenity. No net adjustments were applied to sales #1 and #5; sale #2 was adjusted upward and sale #3 required significant upward adjustment according to Miaso; and sale #4 was adjusted downward (Appraisal, p. 25). From the adjustment process, the appraiser opined an estimated market value for the subject of \$30,000 per unit, including land, or \$270,000 as of January 1, 2016.

In the income approach to value, the appraiser reported the subject's current rent roll depicting full occupancy with rents of either \$800 or \$900 per month and assumed these leases were similar as to those in place as of January 1, 2016 (Appraisal, p. 29). Next, Miaso presented market survey data of seven rental comparables summarizing rents of \$850± for studio, one-bedroom and two-bedroom units and noted that two-bedroom units have asking rents from \$815 to \$1,115 per month with higher rent being for two-bathroom units (Appraisal, p. 30).

Considering this data, the appraiser estimated the subject would have a total annual income of \$88,800. To this the appraiser added \$1,600 for laundry income to arrive at a total potential gross income of \$90,400. Considering the subject's historical vacancy rate and vacancy and collection loss of the rental comparables, the appraiser estimated the subject would suffer from a 6% vacancy and collection loss or \$5,325 resulting in an effective gross income of \$85,075. Using the subject's historical income and expenses along with market derived data, the stabilized operating expenses, including real estate taxes, were estimated to be \$60,462, which were deducted to arrive at a stabilized net operating income of \$24,613. Considering an overall rate from the market, a mortgage-equity analysis and published sources, the appraiser concluded a capitalization rate of 9% was reasonable resulting in an estimated market value of \$275,000, rounded, under the income approach to value.

In reconciliation, Miaso gave primary emphasis to the income approach to value and concluded a market value for the subject as of January 1, 2016 of \$275,000 or \$30,556 per unit, including land.

Based on this appraisal evidence, the appellant requested a total assessment of \$98,714 which would reflect a market value of \$296,172 or \$32,908 per unit, including land, when using the statutory level of assessment of 33.33%.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$136,287. The subject's assessment reflects a market value of \$411,122 or \$45,680 per unit or \$35.75 per square foot of living area, land included, when using the 2017 three year average median level of assessment for Lake County of 33.15% as determined by the Illinois Department of Revenue.

In a memorandum, the board of review noted that the 2011 sale of the subject property for \$310,000 was a distress ("short sale"). In addition, the board of review contended that appraisal sale #1 was done by a "motivated" seller who was divesting the property after it had been purchased in 2009 as a "short sale" for \$205,000. The board of review contended that appraisal sale #2 was on the market at the time the subject property was inspected with an asking price of \$599,000 and sold in December 2016 for \$550,000 whereas the 2015 sale reported in the appraisal was a "foreclosure" transaction. As to appraisal sale #3, the board of review contends no market offering could be found and thus concludes the property was an unadvertised transfer between private parties of an older property that was built in 1901. In light of these criticisms, the board of review contends the appraisal is not a reliable indicator of market value.

In support of its contention of the correct assessment, the board of review submitted information on three comparable sales located in Waukegan. Board of review comparable #2 is the same property as appraisal sale #2, but with a 2016 sale price rather than the 2015 sale price the appraiser utilized. The comparable parcels range in size from 9,150 to 16,553 square feet of land area. The comparables have been improved with a "multi-family" building (comparable #3) and two apartment buildings of brick exterior construction which contain either six or eleven units each. Comparable #1 has 11 two-bedroom/one bath units; comparable #2 has 11 two-bedroom/two bath units; and comparable #3 has 6 four-bedroom/two bath units. The buildings range in size from 4,898 to 15,000 square feet and were built between 1963 and 1967. The properties have land-to-building ratios ranging from 3.12:1 to 3.74:1 whereas the board of

review reports the subject has a land-to-building ratio of 2.49:1. The comparable properties sold between December 2016 and December 2017 for prices ranging from \$330,000 to \$574,000 or from \$50,000 to \$55,000 per unit or from \$38.27 to \$67.37 per square foot of building area, land included.

The board of review also reported the comparable sales present gross rent multipliers (GRM) ranging from 5.25 to 6.03. In light of this data, the board of review argued that if a GRM of 5.0 were applied to the subject's potential gross rental income as set forth in the appraisal of \$88,000, the resulting indicated value supports the subject's current estimated market value as reflected by its assessment.

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

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 Property Tax Appeal Board finds the best evidence of market value in this record is the narrative appraisal of the subject property submitted by the appellant. The appellant's appraiser provided a detailed narrative setting forth the basis of the analysis and developed two of the three traditional approaches to value in estimating the subject property had a market value of \$275,000 as of January 1, 2016.

Conversely, the board of review provided raw sales information on three comparable sales, one of which was a later sale of a property set forth in the appellant's appraisal report, with no specific analysis or adjustments to the sales to account for market conditions, location, size, number of apartment units, parking and other related factors. In particular, two of the comparable sales consist of larger buildings with more units for each property and two of the three comparable sales present two bathroom units whereas the subject consists solely of one bathroom units. Furthermore, the Board finds the criticisms by the board of review of the sales set forth in the appraisal are insufficient to overcome the appraised value conclusion on this record.

The Board finds the best evidence of market value to be the appellant's appraisal with an estimated market value of \$275,000 as of January 1, 2016. The subject's assessment reflects a market value of \$411,122 or \$45,680 per unit or \$35.75 per square foot of living area, land included, which is above the appraised value conclusion. Based on this evidence, the Board finds a reduction in the subject's assessment commensurate with the appellant's request is justified.

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



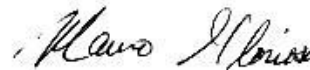
Member

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: June 16, 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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