



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

APPELLANT: US HealthVest LLC  
DOCKET NO.: 19-33472.001-C-3 through 19-33472.007-C-3  
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are US HealthVest LLC, the appellant(s), by attorney Patrick J. Cullerton, of Thompson Coburn LLP in Chicago; the Cook County Board of Review; the Des Plaines S.D. #62, and Maine Twp. H.S.D. #207, intervenors, by attorney Ares G. Dalianis of Franczek P.C. in Chicago.

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
19-33472.001-C-3	09-16-300-053-0000	59,899	2,049	\$61,948
19-33472.002-C-3	09-16-300-072-0000	82,316	2,399	\$84,715
19-33472.004-C-3	09-16-300-087-0000	152,621	1,395,029	\$1,547,650
19-33472.005-C-3	09-16-300-097-0000	142,128	502,229	\$644,357
19-33472.006-C-3	09-16-300-098-0000	48,538	487,538	\$535,664
19-33472.007-C-3	09-16-300-104-0000	58,677	3,239	\$61,916

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 2019 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 area consists of a four-building, special use improvement with 89,430 square feet of building area of which 12,401 square feet is basement. The subject is currently utilized as a behavioral health hospital with 145 beds. The buildings are labeled A, B, C, and D. Building A was constructed in 1970 and has 4 stories, building B was constructed in 1987 and has three-stories, building C was constructed in 1960, and building D was originally constructed in 1920 as a single-family dwelling and subsequently expanded. The property has a 155,480 square foot

site and is located in Maine Township, Cook County. The property is a class 5 property under the Cook County Real Property Assessment Classification Ordinance.

At the commencement of the hearing, appellant's attorney moved to have the appellant's name corrected to US HealthVest LLC. After no objections were heard, appellant's attorney's request for a correction of the record was granted. Intervenor's attorney also moved to have non-testifying expert witnesses excluded and after no objections that motion was granted. The parties stipulated that Property Index Number (PIN) 09-16-300-077-0000 was appealed in error and should not be considered for a reduction.

The appellant contends overvaluation as the basis of the appeal. In support of this argument the appellant submitted an appraisal report prepared by John Van Santen (Van Santen), CR, MAI, AI-GRS estimating the subject property had a market value of \$9,900,000 as of January 1, 2019. Mr. Van Santen was called as the appellant's first witness.

Van Santen testified that he has been a real estate appraiser for 32 years and holds the designations Counselor of Real Estate (CRE), Member of the Appraisal Institute (MAI), and AI-GRS also from the Appraisal Institute. Van Santen testified that 90% of his work is focused on valuing healthcare facilities like hospitals, senior housing, nursing homes, behavioral hospitals, and anything healthcare related. Van Santen testified that in his career he has prepared thousands of appraisal reports for such facilities and has testified before PTAB. Van Santen was offered as an expert in the appraisal of real estate with a focus on healthcare facilities and with no objections by opposing counsel was accepted as such by the Board.

Van Santen testified that he was hired by the CFO of US HealthVest LLC to estimate the market value of the fee simple estate of the subject property for ad valorem taxation. In his analysis, Van Santen found that the highest and best use of the subject property as vacant to be residential development, and as improved to be its current use, as a healthcare facility.

Van Santen utilized all three of the traditional approaches to value. Van Santen also testified that he looked at both prior sales of the subject property in 2014 for \$23,000,000, and in 2016 for \$20,000,000. He testified that he examined the purchase price allocation of the 2014 sale (\$13.4 was allocated to real estate, \$8.78 was allocated to goodwill, and \$420,000 was allocated to personal property). Van Santen also testified that he discussed the 2016 sale of the subject with the CFO of US HealthVest LLC and he confirmed that the sale-leaseback was for the purpose of financing and not a true sale. Finally, he testified that he personally inspected both the interior and exterior of the subject in August 2019.

Van Santen testified that the design of the subject is obsolete based on modern standards because it is not a single large building, but rather a "hodge-podge" of impractical buildings expanded over time. Van Santen testified that the subject is in a flood plain because of the Des Plaines River, which borders to the east. Van Santen testified that during his inspection, he observed renovation happening in Building A, which he was told cost about \$318,000, or a small percentage, in his opinion, of what the subject property is worth.

In developing his cost approach to value, Van Santen testified that he estimated the value of the land based on six comparable land sales. Van Santen testified that after making adjustments to

those comparables he concluded that the land value of the subject is \$12.50 per square foot for a total of \$1,940,000.

After finding the land value for the subject, Van Santen testified that he calculated the replacement cost to build a property similar to the subject. For the base value of his cost approach, Van Santen testified that he relied on the Marshal Valuation Service (MVS) where he found the appropriate classification for the subject to be Class C average convalescent hospital. Van Santen opined that the subject is most similar to a convalescent hospital because of its building elements, which under the MVS are described as nursing homes, sanitariums, and mental health facilities. Van Santen testified that he has appraised many acute care hospitals, which fall under the general hospital classification, and they have elements like operating rooms, radiology suites, oxygen systems for patients, and emergency rooms. Van Santen testified the subject facility does not have any of those.

Van Santen also testified that he did not include entrepreneurial incentive in his cost approach because he believes those kinds of profits to be included for speculative buildings, such as office building where there is no tenant in place. Van Santen testified that properties such as the subject are generally built to suit, and entrepreneurial profit does not apply. Van Santen further testified that any value over and above the cost to build the real estate is associated with the operation of the business and inappropriate in this case.

Van Santen testified that based on MVS and his own experience and knowledge, he estimated the subject to have a 40-year economic life. Van Santen also testified that after subtracting depreciation, he estimated the value of the building to be \$7,532,839. After adding land value and depreciated site improvements, he concluded that the subject's market value based on the cost approach to be \$9,900,000. Van Santen testified that he placed almost all of his weight on the cost approach for determining market value for the subject property.

Van Santen testified that in preparing his income approach to value he examined the income and expenses information supplied to him by the CFO of US HealthVest. For occupancy, Van Santen testified that he used actual operating history which showed an increase from 69% in 2016 to 79% in 2018. Based on that, Van Santen found a stabilized occupancy of 77.5% to be most appropriate for 2019. Van Santen also used actual operating history for estimating expenses at \$751.25 per patient per day.

Van Santen testified that when determining the capitalization rate he analyzed several other sales of behavior health facilities. Van Santen found that the overall capitalization rate for the subject was 12% with a loaded cap rate of 13.66%.

Van Santen testified that he does not put too much weight behind the sale comparison approach because the subject is so unique. He testified that he had to look across the country to find truly comparable facilities. In his sales comparable approach, Van Santen used four comparables that he confirmed with Costar and public records. Van Santen also testified that the appropriate unit of comparison for behavioral health hospitals is sale price per licensed bed.

Van Santen described his sale comparable #1 as a behavioral health hospital in Massachusetts with 71 beds. He testified that his comparable sold in February 2019 for \$17,900,000 or

\$252,000 per bed. Van Santen testified that comparable #2 is a behavioral health hospital located in Texas and licensed for 48 beds that sold in July 2018 for \$15,320,000 or \$319,167 per bed. Van Santen testified that comparable #3 is a behavioral health hospital in Tennessee licensed for 129 beds that sold in May 2016 for \$62,700,000 or \$486,047 per bed. Finally, Van Santen testified comparable #4 is a behavioral health hospital in Nevada licensed for 118 beds that sold in October 2015 for \$9,250,000 or \$78,390 per bed.

Van Santen testified that he adjusted these comparables for location, number of beds, condition of the property, and quality of construction. Van Santen testified that based on his evaluation of those comparables he concluded that a total business and real estate value of \$280,000 per bed or \$40,600,000 is most appropriate. From this amount, Van Santen testified that he deducted the value of the intangible assets, which he found to be \$30,300,000, and the value of the personal property of \$757,000 and ended up with \$9,500,000 for the real estate. After reconciling the different approaches to market value, Van Santen concluded the final value of real estate to be \$9,900,000 as of January 1, 2019.

On cross examination, Van Santen opined that there was a stigma with the prior owner of the subject Maryville Academy because they were losing money for a couple of years prior to the sale and the 2014 sale price is lower because of that history. Van Santen testified that nevertheless there was business value there.

Van Santen also opined that sale-leaseback transactions generally have no bearing on market value. Van Santen testified that comparable #2 of his land sale comparables is just a listing. Van Santen also testified on cross that residential use would require a zoning change and is not currently allowed. Upon questioning by counsel, Van Santen testified that he did not develop a Net Operating Income (NOI) only for the real estate and did not select a cap rate only for the real estate. Van Santen also testified that he had limited financial information on some of his sales comparables. Van Santen testified that the lack of financial information for those comparables would make the sales comparable approach less reliable and that is the reason why he gave it little weight.

Van Santen testified that he was not aware that the PTAX 203 that was filed after the 2016 sale stated that the net consideration of the real estate is \$20 million dollars. Van Santen testified that he did consider the 2015 renovations, he was just misinformed about how long ago the repairs were performed. Van Santen was shown, *Board of Review Hearing Exhibit #1*, an article about the 2015 renovations of the subject. Van Santen testified that he has taken into account all prior renovations.

On re-direct, Van Santen testified that in the PTAX 203 for the 2016 sale is checked the box that the sale was not advertised. He opined that such sales are not given much weight in his practice. Van Santen also testified that he had not seen the PTAX 203 prior to the hearing on this matter.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$4,316,052. The subject's assessment reflects a market value of \$17,264,208 or \$193.05 per square foot of building area, including land, when applying the Cook County Real Estate Classification Ordinance level of assessments for class 5 property of 25%. The subject's assessment reflects a market value of \$119,063 per licensed bed.

In support of its contention of the correct assessment the board of review submitted four suggested comparable sales. Those comparables are all located within the Chicagoland area and range: in sale date from May, 2016 to January, 2019; in size from 72,000 to 96,959 square feet of building area; in sale price from \$235.29 to \$340.28 per square foot of living area. Comparables #1, #2, and #3 are listed as hotel or hospitality type of property while comparable #4 is the subject's 2016 sale.

Counsel for the appellant objected that the board of review's comparables are not verified, are not part of an appraisal report, and should be given no weight.

The intervenors submitted an appraisal by Kevin A. Byrnes (Byrnes), MAI dated June 15, 2021 and valuing the subject property at \$19,500,000 as of January 1, 2019. Byrnes was called as the Intervenor's first witness testified that he is a partner at Byrnes and Walsh and has been a real estate appraiser for 33 years. Byrnes testified that he has been a member and holds the MAI designation since 2011. He also is a certified general real estate appraiser licensed in Illinois, Iowa, Indiana, and Michigan. Byrnes testified that during his career he has appraised 4,500 commercial properties, 120 healthcare type properties, and about 10 behavioral hospital type properties. More specifically, Byrnes testified that he has appraised four of the seven behavioral health facilities in Cook County.

In addition, Byrnes testified that he attended seminars in 2013, 2015, and 2019 on the topic of valuation of healthcare type of properties. Finally, Byrnes stated that he has testified before the Property Tax Appeal Board and other courts and tribunals on multiple occasions. Byrnes was offered as an expert in the appraisal of real estate with a focus on healthcare facilities and with no objections by opposing counsel was accepted as such by the Board.

Byrnes testified that he prepared this appraisal report after an inspection of the subject property. His inspection included the exterior and lobby area. He testified that his inspection was limited as to the interior of the subject. Byrnes testified that the 2015 renovation included total upgrade of 22,000 square feet of the subject including adding 20 more licensed beds. In compiling this information, Byrnes testified that he relied on public filings by the appellant, cost reports, inspection of the subject, and Cook County Assessor's office data.

Byrnes testified that he is aware of the prior sales of the subject property because the previous owner of the subject was a client of his. He testified that the 2016 sale was a sale-leaseback with a stated rent of \$1.9 million dollars, indicating a capitalization rate of 9.5%. Byrnes opined that he considers the 2016 sale to be market oriented. He stated that this is in line with what the parties agreed to and what they filed with Cook County.

Byrnes testified that facilities such as the subject are required to file an annual medical cost report with the State of Illinois, admitted in the record as *Intervenor Hearing Exhibits #1* for the 2018 year, and *Intervenor Hearing Exhibit #2* for the 2019 year. Byrnes stated that in this report, which was filed by the appellants themselves for the 2018 period, they listed real estate and fixtures at a cost of \$20 million dollars. Byrnes testified that this filing is in line with what the appellants filed with the Illinois Department of Revenue in the PTAX 203 for real estate

consideration. Byrnes testified that the same report was filed by the appellant for 2019 and consideration for real estate and fixtures was the same.

Byrnes testified that the subject is currently zoned for institutional use. He testified that the subject's current use is allowed under this zoning. Byrnes testified that residential is not a permitted or conditional use under the current zoning and a change in the plan development would be required to allow for residential use at the subject property. Byrnes testified that in his opinion, the highest and best use of the subject is the continued use as a behavioral health hospital, or if vacant for development under the district zoning requirements.

Byrnes testified that he used all three approaches to value in estimating the market value of the subject property. As to the cost approach, Byrnes testified that he first looked at the subject's land. Byrnes testified that he examined the assessor's assessment of land value, which he found to be \$14.00 per square foot of land. Byrnes then examined land sales of similar properties in Des Plaines, Niles, and Glenview and found that those sales ranged from \$12.00 to \$26.00 per square foot of land. Byrnes found that the subject's \$14.00 per square foot of land is within the range of best comparables and such a fair assessment of the market value.

Next, Byrnes testified that he estimated the replacement cost new of the subject. For purposes of this analysis, Byrnes testified that he described the subject property as a class C average rating general hospital. Byrnes classified the subject as average condition based on his observations and Class C based on the construction type. Byrnes testified that the hospital classification has a range, from high end facilities like Elmhurst hospital to low end skilled nursing facilities. Byrnes testified that properties like the subject have higher security, which is not found in typical convalescent type properties.

Byrnes testified that in his replacement cost approach he separated out the below grade and above grade improvements and adjusted accordingly. Byrnes testified that he included a 10% entrepreneurial incentive. He also testified that he used the available data from MVS for construction costs for hospital and behavioral health hospitals based on three such properties in the Chicagoland area. Byrnes testified that the construction cost for those properties ranged from \$193 to \$361 per square foot of building area. He testified that his replacement cost for the subject was slightly over \$300 per square foot, which was in line with the rest of the comparables.

Byrnes testified that he used entrepreneurial incentive in his analysis because in his opinion it is supported by basic appraisal theory. Any highest and best use evaluation, according to Byrnes, would have to assume that there is a profit for the developer. Byrnes argued that for market value estimate, one would assume a profit on top of the replacement as new cost. Byrnes testified that he also looked at Price, Waterhouse, Cooper's (PWC) surveys as to what buyers would pay in a percentage for a property replacement cost and found that 110% to 150% was acceptable. Based on this, Byrnes testified 10% would be a reasonable entrepreneurial incentive in this case.

Byrnes testified that he included personal property in developing his cost approach because it seemed like a good place to put it in his report. Otherwise, Byrnes testified that personal property was utilized in his income approach. Byrnes also testified that he used accrued depreciation. To estimate the accrued depreciation, Byrnes testified that he used two separate methodologies and

reconciled them. First, he used the market extraction, which indicated a 45% total depreciation or about \$12.26 million dollars. Next, Byrnes used the breakdown method where he looked at functional external obsolescence, which in this case yielded a 40% depreciation. Byrnes testified that he reconciled those two methods to a \$12 million total depreciation. Byrnes testified that he did not use the age life method because this type of a property requires a more in-depth analysis, which is only achieved through the market extraction method for depreciation. Based on this analysis, Byrnes estimated the market value of the subject's land based on the cost approach to be \$18 million dollars.

In his sales comparison approach, Byrnes testified that he analyzed the sales of five comparable healthcare type properties in Cook County. He testified that he investigated the physical and economic characteristics of those properties, as well as examined public record and contacted parties to those transactions.

Byrnes testified that his comparable sale #1 is a four-story skilled nursing rehab facility which sold in May 2019. This comparable has 297 licensed beds and was built in 1977. This property sold for \$23,000,000 or \$77,441 per licensed bed. Byrnes testified that from what he was able to ascertain the capitalization rate on this sale of 8.9% was in accordance with the market.

Byrnes testified that his comparable #2 is located in Berwyn Illinois and sold in February 2019 for \$6,148,000 or \$42,400 per licensed bed. This comparable is a three-story, licensed, skilled nursing and rehabilitation facility that has 145 licensed beds and was built in 1964. Byrnes opined that this sale's capitalization rate of 19.82% suggests that this was real estate only or a turnaround property for the buyer.

Sale comparable #3 sold in August 2017 and is located in Glenview, Illinois. Byrnes testified that the property sold for \$18,240,000 or \$95,000 per bed. Byrnes opined that this high capitalization rate of 15.68% was indicative of the likely need for major renovations. He stated he was not able to ascertain any other reason to justify the high cap rate.

Byrnes testified that comparable #4 was a property appraised by him many years ago and is another licensed skilled nursing and rehabilitation facility. This comparable is located in Evanston, Illinois. The property sold in November 2016 for \$22,900,000 or \$144,937 per licensed bed. Byrnes testified that the PTAX 203 on this property indicated that the sale price is for real estate only. Byrnes testified that in his opinion the capitalization rate of 9.29% of this comparable is market oriented.

Finally, Byrnes testified that comparable #5 is located in Chicago and is a three-story, licensed, skilled nursing and rehabilitation facility. This property was built in 1977 and sold in October 2016 for \$10,117,000 or \$71,752 per licensed bed. This comparable has 141 licensed beds and it sold with a cap rate of 8.23%, which Byrnes opined was market oriented.

Byrnes testified that in developing his market value based on the sales comparison approach to value, he made adjustments to those five comparables based on the conditions of sale, property rights conveyed, market conditions, sales dates, location, size, age, occupancy, and land to building ratio. Byrnes testified that he did not include any sales of behavioral hospitals because there have not been any recent ones in this jurisdiction. He testified that the comparables that he

selected are reasonably comparable with similar building amenities. Byrnes testified that his appraised value for real estate only is \$140,000 per licensed bed or \$20,400,000.

For his income approach to value, Byrnes testified that he used published cost reports for the subject as well as competitive properties. Byrnes testified that he made proper allowances for occupancy and other pertinent factors. Next, Byrnes found the total operating expenses for the subject property of \$31,675,000. Based on this, Byrnes use three methods to determine the capitalization rate of the subject property: market extraction, band of investments, and surveys. Based on those methods, Byrnes found a total capitalization rate of 16.23% or a market value of \$19,840,000.

Byrnes testified that he considered the quantity and quality of data in each of his three approaches to value. Byrnes also testified that he put significant weight on each of those approaches and reconciled them with a final value for real estate only of \$19,500,000 as of January 1, 2019.

On cross examination, Byrnes testified that there are significant difficulties in valuing only the real estate component of the subject property. Byrnes also testified that a significant amount of what he obtained regarding the subject improvements is from Van Santen's appraisal. He further testified that class C properties under the general hospital category carry higher costs than the same class of convalescent hospitals. Byrnes stated that the general hospital is more expensive because they generally have highly technical amenities, such as operating rooms and emergency departments.

Byrnes was shown *Taxpayer's Hearing Exhibit #1*, a Group I general hospital equipment list, and admitted that the subject did not possess most, if any, of that equipment. Byrnes stated that the equipment listed in Group I is not the complete universe of what gets built for a general hospital, but the presence or absence of items increases or decreases the value. Byrnes acknowledged that the base cost for an average condition general hospital, which is the same as his cost for the subject, does include the equipment listed in Group I. Appellant's attorney showed *Taxpayer Hearing Exhibit #2* showing table of contents of MVS's 2018 edition. Upon counsel's request, Byrnes read what MVS says about the selection of a base cost model. Byrnes read that "if occupancy is not listed, select the cost for a building which has similar construction, modifying as necessary." Furthermore, upon request by opposing counsel, Byrnes read that sanitariums should be examined as convalescent hospitals.

Byrnes testified that his report states that market value of the site as vacant is estimated by looking at sales that are comparable to the subject, but he did not include those in the report. Byrnes also testified that he does not have market support for psychiatric hospitals being built on speculation with a 10% addition for entrepreneurial profit.

On re-direct, Byrnes testified that in his report he looked at data for three behavioral hospitals that had been built and that market data informed his ultimate determination.

In rebuttal, appellant's attorney submitted a review appraisal dated September 30, 2023 and prepared by Bradley R. Braemer (Braemer), MAI, AI-GRS and Michael J. Kelly, MAI SRPA, AI-GRS of the Real Estate Analysis Corporation. Braemer testified that he is the president of



Real Estate Analysis Corporation and has been there over 23 years. Braemer testified that he is licensed as a general real estate appraiser by the State of Illinois, Iowa, Michigan, and Nebraska. Braemer testified that he holds the MAI designation since 2008 as well as the AI-GRS designations for review appraisers.

Braemer testified that in his career, he has prepared approximately 100-200 appraisals of healthcare facilities. Braemer testified that he has reviewed about 50 appraisals of healthcare facilities. Braemer also testified that he has appeared as an expert witness before the Property Tax Appeal Board on prior occasions. Braemer was offered as an expert in the appraisal and review of real estate appraisals with a focus on healthcare facilities and with no objections by opposing counsel was accepted as such by the Board.

Braemer testified that he reviewed the primary review report prepared by Byrnes for assessment purposes to determine the January 1, 2019, fee simple value of the subject property. He also testified that he inspected both the interior and exterior of the subject property. Braemer testified that he reviewed the subject's 2014 sale for \$22,600,000. He stated that this price reflects the total going concern or real estate, personal property, and business value. Braemer testified that at the time there was an allocation made where \$8,780,000 is for goodwill, \$420,000 is for personal property, and \$13,400,000 is for real estate. Braemer also submitted a copy with his report of this purchase price allocation that he testified he received from the taxpayer.

Braemer testified that the Byrnes report did not discuss the sale-leaseback nature of the 2016 subject sale. Braemer stated that sale-leasebacks are more of a financing vehicle rather than a market transaction. Braemer also testified that he spoke with the taxpayer regarding the sale-leaseback, and they informed him that this transaction was originally a \$12.5 million dollar loan and then they ended up selling for \$20 million dollars.

Braemer found that the subject is in a floodway area where under current FEMA guidelines new construction on such sites is discouraged. Braemer testified that he contacted the Des Plaines building department and they confirmed that permitting in a floodway would be exceedingly difficult.

Braemer testified that the Byrnes appraisal's land value estimate of \$14.00 per square foot coincides with the assessor's estimate and no comparables to justify this number were submitted. Braemer testified that the base cost was calculated under class C general hospital category but none of the amenities found in a hospital are present in the subject. Instead, Braemer opined that the subject should be classified as a convalescent nursing home. Braemer finds the subject closest to a convalescent hospital because of the lay out of the shared bathrooms, therapy rooms, dining rooms, and nurse stations. Upon questioning, Braemer testified that in his opinion a "sanitarium" is a psychiatric privately run hospital, which he agreed with *Taxpayer Hearing Exhibit #2* is closer to a convalescent hospital for base cost analysis.

Braemer opined that the Byrnes appraisal report incorrectly includes 10% for entrepreneurial incentive. Braemer testified that Byrnes's justified his inclusion of entrepreneurial incentive based on an article that makes sweeping generalizations and does not specify proper appraisal procedure for behavioral hospitals. Braemer also testified that the Byrnes appraisal report incorrectly used Price Waterhouse Cooper (PWC) which examines investor quality properties

often built on speculative basis at the national level. Braemer opined that this is incorrect because it is again not specific to psychiatric hospitals. Next, Braemer opined that the Byrnes appraisal report did not discuss the entrepreneurial profit for the three psychiatric hospitals that it looked at. Braemer also testified that for entrepreneurial incentive to be included the Byrnes appraisal report should have cited market sources for the amount of profit for this specific property type. Based on this, Braemer opined that he finds the Byrnes appraisal's use of 10% for entrepreneurial incentive not to be credible.

Braemer testified that he found an \$8.8 million dollar difference in the reconstruction cost new between the Byrnes appraisal report and his calculations. Braemer also opined that the primary appraisal incorrectly used the market extraction method given that the comparables used were of different design, quality, and construction and the price per bed or per square foot was difficult to ascertain. He also states that because the Byrnes appraisal used different property types, it also used the incorrect depreciation rates. Braemer concluded that the primary report's cost approach was not supported by the methodology and is not credible.

Braemer testified that Byrnes's report used a sale-leaseback as comparable #1 and #4 in its sales comparable approach to market value. Braemer also testified that Byrnes used the entire going concern in his report. Braemer testified that sale comparable #3 was the sale to a tenant and the entire going concern was again used as sale price. Braemer testified that sale-leasebacks are not exposed to the market and by definition that is required for estimating market value. For that reason, Braemer found Byrnes's sale comparable approach to market value to be unreliable.

Braemer testified that the Byrnes appraisal also incorrectly relied on the sale-leaseback when determining capitalization in the income approach to value. Braemer opined that overall Byrnes's report's methodology was not supported and the evaluation was not credible.

On cross examination, Braemer testified that the subject's 2016 sale's PTAX 203, admitted as *Board of Review Hearing Exhibit #5*, does state that the real estate consideration is \$20 million dollars. Braemer also testified that the purchase price allocation of the subject's 2014 sale does not have the subject property's address listed on it, admitted as *Board of Review Hearing Exhibit #6*. Braemer opined that even if a sale-leaseback was at market rents and had similar cap rate and sale price, it would not be market oriented. Braemer testified that sale-leasebacks are not exposed to the market and hence on marketing terms. Instead, Braemer stated sale-leasebacks are financing tools and are based on financing terms. Braemer testified that he does not know the analysis and the reason behind the preparation of the 2014 purchase price allocation. Braemer also testified that he did not discuss the allocation with the accounting firm that prepared the allocation and has no reason to believe that the analysis is sound.

The intervenor submitted a review appraisal dated June 7, 2021 and prepared by Eric W. Dost (Dost), MAI, AI-GRS. Dost testified that he is the president of Dost Valuation Group. Dost testified that he has been a commercial real estate appraiser for 37 years and is a member of the appraisal institute with the designation of MAI and the appraisal institute's general review specialist designation AI-GRS. Dost testified that he is licensed in four states including Illinois and, in his career, has completed approximately 3,500 commercial appraisals, 300-500 review appraisals, and 600-700 appraisals of healthcare facilities. Dost stated that he has qualified and testified before tribunals such as the Property Tax Appeal Board. Dost was offered as an expert

in the appraisal and review of real estate appraisals with a focus on healthcare facilities and with no objections by opposing counsel was accepted as such by the Board.

Dost testified that he evaluated Van Santen's appraisal (Van Santen Appraisal) dated August 14, 2019. Dost testified that Van Santen lists Michael G. Grohe, with a limited license in the state of Michigan, to have provided assistance in writing the report. Dost testified that Grohe does not appear to be licensed in Illinois. Dost testified that in his opinion the 2016 sale-leaseback of the subject is market oriented. Dost opined that Van Santen's conclusion for highest and best use, namely that the subject as vacant can be used for residential purposes, was improper. Dost also testified that the Van Santen report did not disclose the renovations of the subject that amounted to 25% of the total building area. Dost testified that this is a significant renovation that should have been accounted for and disclosed.

Dost testified that Van Santen looked at convalescent hospitals when calculating replacement cost. Dost stated that this is improper because convalescent hospitals are more similar to nursing homes. Dost testified behavioral hospitals are more similar to skilled nursing facilities.

Dost also opined that Van Santen should have used entrepreneurial incentive in his cost approach. Dost testified that Van Santen did not use the age life method correctly in calculating the depreciation. Dost opined that Van Santen's income capitalization approach is flawed because a separate NOI for the real estate should be found. Instead, Dost argues Van Santen merely plugged in the real estate value through the cost approach. Subsequently, on the next page, Dost argues that Van Santen attempts to in a circular way find the land value, but that value is still derived from the cost approach. Dost opined that Van Santen's appraisal is valuing the business and not the real estate and is not an independent approach to market value.

Dost opined that Van Santen used incorrect sales comparables because they are located nationally and the range is too wide, from \$78,390 to \$486,047 per bed. Dost also testified that Van Santen made minimal adjustments and there's no discussion of the adjustments applied. Dost opined that Van Santen re-used cost approach numbers in a circular way when reaching his sales comparison approach conclusions. Finally, Dost testified that Van Santen failed to develop three independent approach to value.

On cross examination, Dost testified that he was not aware of the cost for the renovations on the subject property. Dost testified that he did not personally inspect the property because that was beyond the scope of his review. Dost testified that he believes that the published information he reviewed was adequate for his appraisal review.

In rebuttal, Braemer testified that on October 12, 2021 he prepared a second review appraisal this time of the review appraisal prepared by Dost. Braemer testified that Dost's criticism of Van Santen's report as to the effective age is unfounded. Braemer testified that the renovation of the subject cost \$318,000, which is a small number when compared to the cost new of \$27.6 million dollars as calculated by Byrnes. Braemer testified that he disagreed with Dost's criticism of Van Santen's report regarding entrepreneurial profits. Braemer stated that properties like the subject are not built on speculative basis and entrepreneurial profits are not applicable. Braemer also testified that for buildings such as the subject property additional profits are included in the calculations of the cost approach.

Braemer disagreed with Dost's review and opined that it is generally accepted appraisal practice to compare the cost approach to the income approach when calculating going concern. Particularly, Braemer stated because the income approach would include intangibles and the cost approach would not.

On cross examination, Braemer stated that his opinion of the 2016 sale-leaseback is based on the conversation with the taxpayer's CEO who informed him that this transaction was a loan, and the repayment is based on 9.5% interest.

### **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.

Within these appeals, various evidence submissions were submitted as well as testimony of numerous experts in the field of real estate appraisal. These experts either expounded on their work product or were called upon to rebut and review the validity and reasonableness of other evidence submitted by the parties.

In determining the fair market value of the subject property for tax year 2019, the Board closely examined the testimony and reports prepared by Van Santen, Byrnes, Braemer, and Dost. The Board accords little weight to the board of review's evidence submission for it lacked the preparer's testimony concerning her qualifications, the methodology regarding data used therein, and her conclusions.

The Board further finds that the intervenors' evidence reflects a market value opinion of \$19,500,000 or \$134,182 per licensed bed, which is just slightly above the current assessed value of \$17,264,208 or \$119,063 per licensed bed. Based on this evidence, the intervenors' requested that the subject's assessment be maintained.

The Board gives no weight to Byrnes's land valuation because he failed to present the land sales he considered. The Board also gives Byrnes's cost approach to market value no weight because he used a general hospital classification. Byrnes failed to persuade the Board that the building amenities of the subject in any way resembled what the Marshal Valuation Service (MVS) considers a general hospital. The Board finds that there was insufficient evidence and testimony to show that based on specific physical characteristics the subject should not be classified as a sanitarium or convalescent hospital as laid out by MVS.

The Board also gives no weight to Byrnes's reliance on entrepreneurial incentive. The Board finds that Byrnes failed to present sufficient evidence to support the proposition that entrepreneurial incentive is used when valuing behavioral hospitals like the subject property. The Board heard testimony that mental health facilities are not built on speculation, unlike the type of

properties generally associated with entrepreneurial incentive. Furthermore, the Board finds that this additional profit is included in the calculations of the cost approach which takes into account the challenges of building the subject and makes adjustments accordingly.

The Board gives no weight to the 2014 sale as the sale is too old to accurately reflect the subject's market value as of the lien year at issue. The Board also gives no weight to the allocations made for the 2014 sale as no testimony or evidence was presented as to who and for what purpose those allocations were made. The Board also finds that the allocation's land value of \$1.29 per square foot is substantially below the range of \$12.01 to \$20.02 per square foot as provided by the only land comparables in this record.

The Board gives the 2016 sale-leaseback of the subject no weight as there was insufficient evidence or testimony to show that this sale was market oriented.

The Board gives no weight to the Van Santen report's sales comparison approach because of the extremely wide range from \$78,390 to \$486,047 per licensed bed. The Board also finds that Van Santen compared sales nationwide, but failed to provide sufficient evidence or testimony that those properties are truly comparable in terms of market and regulatory regime. The Board also finds that Van Santen did not provide sufficient evidence to show his adjustments or the independence of the sales comparison approach from the cost approach to value.

The courts have stated that where there is credible evidence of comparable sales, these sales are to be given significant weight as evidence of market value. Chrysler Corp. v. Illinois Property Tax Appeal Board, 69 Ill.App.3d 207 (2nd Dist. 1979); Willow Hill Grain, Inc. v. Property Tax Appeal Board, 187 Ill.App.3d 9 (5th Dist. 1989). Therefore, the Board will consider the raw sales data from all parties.

As to the parties 13 comparable sales, the Board finds the intervenors' comparable sales #2, #3, and #5 to be similar and most probative in determining the subject's market value. These three properties sold for prices ranging from \$42,400 to \$95,000 per licensed bed. In comparison, the subject assessment value reflects a market value of \$119,063 per licensed bed, which is above the range of best comparables. After adjustments to the comparables for pertinent factors, the Board finds that the subject's improvement was overvalued and a reduction in the subject's market value 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: \_\_\_\_\_

February 18, 2025



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.

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