FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Dino Vlahakis
DOCKET NO.: 20-34213.001-C-1
PARCEL NO.: 09-35-206-001-0000

The parties of record before the Property Tax Appeal Board are Dino Vlahakis, the appellant(s), by attorney A. Fredrick Chapekis, and Tarak Denden of Chapekis & Chapekis in Chicago; and the Cook County Board of Review.

Based on the facts and exhibits presented in this matter, the Property Tax Appeal Board hereby finds ***A Reduction*** in the assessment of the property as established by the **Cook** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND:	$225,000
IMPR.:	$115,000
TOTAL:	$340,000

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 2020 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 37,610 square foot parcel of land improved with a one and part two-story, masonry, multi-tenant, retail, office and movie theater with approximately 41,600 net rentable square feet. There is 9,800 square feet of first floor retail space, approximately 7,400 square feet of second-floor office space, and approximately 24,400 square feet of first and second floor movie theater space. The subject's main floor theater space is on the National Register of Historic places and designated a landmark. The property is located in Park Ridge, Maine Township, Cook County and is a class 5 and class 7 property under the Cook County Real Property Assessment Classification Ordinance.

The appellant contends overvaluation as the basis of the appeal. In support of this argument the appellant submitted an appraisal undertaken by Patrick Kelly and William Kovacs with Kelly

Appraisal Consultants, Inc. The appraisal utilized the three traditional approaches to value to estimate a market value for the subject property of $1,900,000 as of January 1, 2020.

Mr. Kelly was the appellant's first witness. Kelly testified he is a certified general real estate appraiser licensed in Illinois and has been appraising property for over 45 years. Kelly testified as to his education background. He testified that he maintains his license and takes continuing education courses. Kelly testified that he is a member of the Appraisal Institute. He testified that his company primarily appraises property for tax purposes and that he has testified in federal bankruptcy court, condemnation court, court in DuPage County, boards of appeal, and the Property Tax Appeal Board (the Board).

Kelly testified that when you have a mixed-use property, such as the subject, market rentals are important for retail and office space and theater leases for the theater. He opined that his firm has appraised more theaters than any other firm in the last decade. Kelly testified that he took all these issues and the landmark status into consideration when valuing the property. He testified that the appraisal undertook all three approaches to value. Kelly testified that he agreed with the appraisal's reconciliation and value.

In describing the subject, Kelly testified that there are a number of physical, functional, and external issues that affect the value, including the landmark status. He testified that there is off street parking with a less than 1:1 land to building ratio. Kelly also stated that 60% of the net rentable area is movie theater space. He opined that the movie theater industry was declining.

The appellant called his second witness, William Kovacs. Kovacs testified he is a certified general real estate appraiser licensed in Illinois since 2018 and a trainee prior to that since 2010. Kovacs testified as to his educational background. He testified that he maintains his license and takes continuing education courses. Kovacs testified he has been offered as an expert in real estate appraisal before and has never been denied acceptance as an expert. Kovacs testified that he inspected the subject and utilized all three approaches to value. He testified that he gave primary emphasis to the income approach.

Under the income approach, Kovacs testified he requested the rent roll and historical financials for the subject. He testified that nearly 75% of the leases are on a month-to-month basis and that the theater is leased to related parties. He opined that the office and retail space was dated. Kovacs testified that he compared the contract rents to the market rents. He testified he reviewed class C office spaces when determining market rent for the office space. Kovacs gave an overview of the steps to the income approach.

The appraisers analyzed three retail rental comparables with rental ranges from $15.00 to $25.00 per square foot on an adjusted gross basis. The appraisal concluded an estimated rental rate for the retail space of $22.00 per square foot. For the office space, the appraiser analyzed four rental comparables with rental rates from $18.00 to $24.88 on an adjusted gross basis. The appraisers concluded an estimated rental rate for the office space of $20.00 per square foot. As to the theater, the appraisal opined that the theater is highly specialized real estate with very little rental information in the market. The appraisers reviewed the actual rental data and their knowledge of the theater market to estimate a rental rate of $5.00 per square foot for the subject's theater space. The appraisers determined a potential gross income of $485,600. The appraisers looked to the market in determining a vacancy and collection rate of 10% to arrive at an effective gross income of $437,040. The appraisers reviewed the subject's historical expenses which were 43% of the gross income and stabilized this to 40% to arrive at a net operating income of $262,224.

In determining a capitalization rate (cap rate), the appraisers reviewed market surveys which show a cap rate from 8.24% to 10% and the band of investment method reflecting a cap rate of 8%. The appraisers also reviewed Cook County Assessor publication on COVID-19 to arrive at an overall cap rate for the subject of 10%. The real estate tax burden was added to this rate to develop a loaded capitalization rate of 13.77% to arrive at a value for the subject under the income approach of $1,900,000, rounded.

Under the cost approach to value, Kovacs gave a brief overview of the steps to this approach. He testified he assigned the underlying value of the land. He testified the building was over 100 years old and opined depreciation, even though it's been renovated, is high at about 85%.

In valuing the land, the appraisal notes that the market lacks land sales in the subject's and reviewed the land assessment which reflects a land value of $902,640 or $24.00 per square foot and stipulated to this value for a land value of $900,000, rounded.

The appraisers utilized *Marshall and Swift Commercial Estimator* to determine the replacement cost new of the subject at $131.00 per square foot or $5,458,798 and applied a 5% entrepreneurial profit to this cost to arrive at a total cost new of $5,731,738. The appraisal estimates the subject's economic life at 40 years with its effective age at 45 years. Using the age-life method the appraisers estimated overall depreciation at 90%. In looking at physical deterioration, the appraiser noted the age and condition of the building and the need for significant repairs and capital improvements to estimate this depreciation at 40%. The appraisers determined functional obsolescence at 20% based on the subject's theater space, disrepair of the office space, and lack of off-street parking. Due to the pandemic and the volatile nature of the real estate market, external obsolescence was estimated at 20%. In reconciling these two methods, the appraisers determined a depreciation rate of 85% to arrive at a value for the improvements of $859,761. The land was added back to arrive at a value under the cost approach of $1,800,000, rounded.

Kovacs described some unique characteristics of the property as being its lack on off-street parking for a multi-tenant commercial property and movie theater, its dated office space that is non-ADA compliant, and the landmark status of the main theater which inability for reconversion or adaptation and opined that this would affect its marketability. He opined that the subject's location in downtown Park Ridge is considered a good location, but that lack of parking would diminish its value. Kovacs testified that the unique aspects of this building as a movie theater, office space and retail space make it difficult to find comparable properties. He testified he has appraised at least two dozen movie theaters in the past.

Under the sales comparison approach, Kovacs testified that he looked to find mixed-use properties in relevant proximity to the subject. He testified that he found two mixed-use properties with theater spaces in them that averaged about $50.00 per square foot. He testified the remaining comparables were mixed-use or office space comparables. Kovacs testified they used this approach to check the reasonableness of the income approach.

The appraisers analyzed two mixed-use theater properties and five additional office/commercial properties. These properties sold from October 2017 to August 2020 for prices ranging from $33.92 to $76.06 per square foot of building area. The appraisal noted that the five additional commercial comparables were multi-story with on-site parking and that comparable #7 was subsequently demolished. The appraisers reviewed the subject's characteristics and condition and estimated a value under the sales comparison approach of $50.00 per square foot of building area or $2,100,000, rounded.

In reconciling the approaches, the appraisal discloses that secondary emphasis was placed on the cost approach, primary emphasis was placed on the income approach, and the sales comparison approach was given minimal consideration to estimate a final value for the subject as of January 1, 2020 of $1,900,000. Kovacs testified that he generally accepted methods and practices to arrive at this value. He opined that a valuation of $2,050,000 would also be a reasonable value for the subject based the sales comparison approach.

In returning to the income approach to value, Kovacs testified he developed a market rent for the first and second floor space after reviewing the market. He testified that three of the rental comparables were asking rents and the comparables averaged a rental rate of $21.26 per square foot prior to appropriate adjustments. Kovacs testified they used a rental rate for the subject of $22.00 per square foot for the first-floor retail and used the same process to develop a $20.00 rental rate for the second-floor office space. He testified that they could not find any rental comparables for the theater space, so they used the actual rental rate of $5.00 per square foot. He testified that there was no evidence to refute the use of the actual rental rate. He then testified regarding the vacancy and collection rate used. As to expenses, Kovacs testified he did include real estate taxes because the appraisal was for ad valorem purposes. He reviewed the process for developing the operating expenses used and then testified as to the cap rate process and how that rate was loaded for the taxes.

On cross examination, Kovacs was questioned in regard to the Uniform Standards of Professional Appraisal Practice (USPAP) and opined that the appraisal followed USPAP standards. He acknowledged that he used the assessor's value for the value of the land but testified that agreed with the value as established by the assessor. In developing the replacement cost new, Kovacs testified he used the net rentable square footage provided and confirmed by the property management upon inspection. Kovac agreed that he used a 20% deduction for functional obsolescence and opined that he could have used a higher percentage based on market data. He testified that he did not use a mathematical equation to derive this percentage.

Under the income approach, Kovacs testified he used the theater's contract rent in developing the gross potential income. He opined that contract rent between related parties should not be given diminished weight solely for that reason. Kovac was questioned about his consolidated operating expense and testified that they could either be segmented out or consolidated. He opined that in this instance, the expenses were fairly stable for four years. He testified he reviewed past appraised properties in developing the expense ratios.

In regards to the sales comparison approach, Kovacs testified that he did not make qualitative adjustments to the comparables. He testified that he used the comparables more as a check on the reasonableness of the value developed under the income approach. He opined that were not many comparables to analyze that were similar to the subject. Kovacs testified that five of the seven sales do not have theaters and the two that did have comparables support the value developed in the income approach.

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's total assessment was $438,861 which yields a market value of $3,034,580 using the Cook County Real Property Classification Ordinance for Class 5 property of 25% and for Class 7 property of 10%. The board of review did not submit any other evidence.

The board of review's representative, Bo Turek, rested on the evidence previously submitted. He acknowledged that the board of review submitted the first page of the notes on appeal. Mr. Turek testified that the subject's land is classified as a class five property and that the improvement is classified as a class seven property which equates to a blended assessment of 14.462%.

Conclusion of Law

When overvaluation is claimed the appellant has the burden of proving the value of the property by a preponderance of the evidence. National City Bank of Michigan/Illinois v. Illinois Property Tax Appeal Board, 331Ill.App.3d 1038 (3rd Dist. 2002); Winnebago County Board of Review v. Property Tax Appeal Board, 313 Ill.App.3d 179 (2nd Dist. 2000). Proof of market value may consist of an appraisal, a recent arm's length sale of the subject property, recent sales of comparable properties, or recent construction costs of the subject property. 86 Ill.Admin.Code 1910.65(c). Having considered the evidence presented, the Board concludes that the appellant has met this burden and that a reduction is warranted.

In determining the fair market value of the subject property, the Board examined the appellant's appraisal report and testimony and the evidence from the board of review. The Board finds the board of reviews submitted only the "Board of Review-Notes on Appeal" which lists the subject's assessment and no other evidence.

In determining the fair market value of the subject property, the Board finds the best evidence to be the appellant's appraisal and testimony. The appellant's appraiser utilized the three traditional approaches to value in determining the subject's market value. The Board finds the appraisal and testimony to be persuasive for the appraiser: has experience in appraising; the subject was inspected; and the appraiser fully and credibly explained how he developed and reconciled the approaches to value. Therefore, the Board finds the appellant has proven by a preponderance of the evidence that the subject was overvalued and finds that a reduction to that which is requested by the appellant 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: November 19, 2024

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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