



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

APPELLANT: Cedar Ridge Health & Rehab Center
DOCKET NO.: 21-06339.001-C-3
PARCEL NO.: 04-24.0-407-005

The parties of record before the Property Tax Appeal Board are Cedar Ridge Health & Rehab Center, the appellant, by attorney Alan D. Skidelsky, of Skidelsky & Associates, P.C. in Chicago, and the St. Clair 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 **St. Clair** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND: \$85,876
IMPR.: \$648,704
TOTAL: \$734,580

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the St. Clair County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessment for the 2021 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 one-story skilled nursing facility of masonry and brick exterior construction with 31,809 square feet of gross building area, including licensure for 116 beds with both semi-private and private rooms which each have a shower. The facility was constructed in 1987 reflecting an actual age of 34 years, with a reported effective age of 30 years. The subject is fully sprinklered and features include administrative/business offices, living room, dining room, kitchen, therapy room, lounge, storage rooms and laundry room along with two common shower and baths. The property has a 305,356 square foot or 7.01-acre site and is located in Lebanon, O'Fallon Township, St. Clair County.

The appellant contends overvaluation as the basis of the appeal. In support of this argument, the appellant submitted an appraisal prepared by John VanSanten, Adam D. Cline and Lauren M. Trilling, Illinois Certified General Appraisers with the firm of Stout Risius Ross, LLC,

estimating the subject property had a fee simple market value of \$2,200,000 as of January 1, 2021. The purpose of the appraisal was to provide an opinion of the market value of the fee simple interest in the subject property.

As part of the appraisal report, the appraisers set forth data concerning the most recent sale of the subject property (Appraisal, p. 5). The appraisers reported that title is vested in Crest Cedar Ridge Realty LLC, which acquired the property from Wentz Health Care Inc. on January 7, 2021 for \$6,700,000. The appraisers further described the transaction as being “indicative of the market value of the total assets of the business (MVTAB)¹ and includes land and building (\$3,336,000), FF&E (\$464,000), intangible business value (\$2,320,000), and goodwill (\$580,00).” Given the purpose of this appraisal assignment, the appraisers further noted that while the components of the sale price are generally allocated, this information is “not representative of market value.” In addition, the appraisers reported that the subject was not advertised for sale. Moreover, the appraisers reported that the subject property was one of seven nursing homes for which operations were assumed on September 1, 2019 from Covenant Care. Five of which were purchased on September 1, 2021. The sixth property was purchased from Omega Healthcare on September 1, 2021 and the seventh property (the subject) was leased on September 1, 2019 with an option to purchase, which was exercised in 2021, as outlined above.

As the intended use of the report is for an opinion of the market value of the real estate (land, buildings and site improvements) for assessment purposes, the appraisers would prepare an estimate of the MVTAB, including buildings, furniture, fixtures, and intangible business value. As the MVTAB sets the maximum value, the information will be analyzed in order to estimate the contributory value of the personal property and intangible assets, which will be deducted in order to determine a value for the real estate only. In commencing the valuation process, the appraisers described that for a nursing home, the MVTAB consist of three parts: Real Estate, Personal Property (FF&E) and Intangible Assets, which includes the license, Certificate of Need (CON), management expertise, assembled and trained workforce, account receivables, patient lists, discharge agreements, brand names/trademarks and residual capitalized economic profit of the business. (Appraisal, pp. 9 & 56-65)

First, the appraisers performed a land valuation analysis by considering four vacant land listings and a vacant land sale located in either O’Fallon or Lebanon. The parcels range in size from 3.38 to 25.74 acres. The sale occurred in July 2018 and the listings were dated January 2021 depicting prices ranging from \$195,000 to \$935,669 or from \$0.55 to \$4.00 per square foot, or \$24,015 to \$174,240 per acre of land area. After making adjustments for conditions of sale, market conditions, location, site size, configuration, topography, zoning and finally, highest and best use, the appraiser arrived at adjusted sales prices ranging from \$0.64 to \$2.70 per square foot of land area. Using this data, the appraisers concluded a value for the subject parcel of \$1.75 per square foot or \$530,000 (rounded). (Appraisal, p. 67-72)

Next, the appraisers prepared the cost approach to value for the subject. The appraisers estimated the replacement cost new of the improvements to be \$6,280,717 with physical depreciation of \$4,710,538 resulting in a depreciated replacement cost of \$1,570,179. The

¹ Page 7 of the report defines MVTAB as “the market value of all of the tangible and intangible asserts of a business as if sold in aggregate as a going concern.” Citing *The Dictionary of Real Estate Appraisal, 6th Edition*.

appraisers also estimated the site improvements had a depreciated value of \$120,000. Adding the various components, including the land value, the appraisers estimated the subject property had an estimated market value of \$2,200,000, rounded, under the cost approach to value. (Appraisal, p. 74-78)

Using the income capitalization approach to value, the appraisers first analyzed the subject's operating history and from this data, projected both income and operating expenses. In addition, occupancy rates and private pay rates were considered for five competitive properties located in Lebanon, Freeburg, Belleville, Smithton and Swansea. As the occupancy levels for the subject have ranged from 84.94% to 93.74% for the prior four years with daily pay rates ranging from \$186.28 to \$275.88 per patient day, which was found to be within the range exhibited by the competitive properties. From the foregoing, the appraisers estimated an average stabilized occupancy for the subject to be 92%. (Appraisal, p. 80-83)

An analysis of the subject's historical discounts and allowances along with additional care services (income) and miscellaneous income, the appraisers estimated total revenue to be \$10,215,372 or \$262.25 per patient day. Next, expenses were analyzed, excluding real estate taxes, and were found to total \$8,963,526 or \$230.11 per patient day, resulting in a net operating income of \$1,251,846 or \$32.14 per patient day. A deduction for return on and of the personal property was calculated to be \$86,312 resulting in a net operating income of \$1,165,534. (Appraisal, p. 83-89 and 95-96) The appraisers also prepared an analysis of the deduction for the total intangible asset (business enterprise) value as examined on pages 97 to 104 of the report which included a comparison of the cost approach and income approach values.

The final task in the income approach was for the development of an appropriate direct capitalization rate to be applied. The appraisers analyzed three techniques to develop a capitalization rate: derived from the market ranging from 8.52% to 13.12%, investor surveys ranging from 11% to 13.30% and the band-of-investment ranging from 6.30% to 8.51%. The appraisers opined an appropriate capitalization rate for long term care facilities should range from 10% to 14% with the Senior Housing Survey indicating a range of 11% to 13.30% for licensed skilled nursing, long term care properties. The appraisers concluded given the subject's advanced age, average condition (including noted functional obsolescence) and location, an overall capitalization rate of 12% was deemed to be appropriate. After developing an effective tax rate, the appraisers applied the overall capitalization rate of 12.76% to the net operating income of \$1,165,534 to arrive at a MTAB (less personal property, rounded) of \$9,100,000. Then the appraisers deducted the real estate value developed via the cost approach of \$2,200,000 to arrive at a total intangible asset value of \$6,900,000, which is deducted from the MVTAB to arrive at a conclusion of value under the income approach of \$2,200,000. (Appraisal, p. 89-96)

Utilizing the sales comparison approach, five improved sales located in Des Plaines, Urbana, St. Charles, Greenville and Eldorado were utilized by the appraisers which have from 90 to 243 patient beds per facility. The sales occurred from June 2017 to June 2019 for prices ranging from \$3,600,000 to \$15,046,593 or from \$36,364 to \$65,137 per patient bed. After adjustments to the comparables for differing physical and economic characteristics when compared to the subject, the appraisers concluded a value per bed for the subject of \$80,000 or \$9,280,000, rounded. (Appraisal, p. 106-110)

At pages 112 to 114, the appraisers set forth the reconciliation of the three approaches to value and concluded based on analysis within the report, the most weight was placed upon the cost approach resulting in a fee simple opinion of market value for the subject as of January 1, 2021 of \$2,200,000.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total equalized assessment for the subject of \$1,040,234. The subject's assessment reflects a market value of \$3,115,406 or \$97.94 per square foot of building area, or \$26,857 per patient bed, land included, when using the 2021 three-year average median level of assessment for St. Clair County of 33.39% as determined by the Illinois Department of Revenue.

In support of its contention of the correct assessment, the board of review submitted a copy of the subject's property record card and provided documentation of the subject's recorded sale dated December 2020. The PTAX-203 Illinois Real Estate Transfer Declaration depicts that the property transferred by Special Warranty Deed for a sale price of \$3,336,000 and that the "buyer is exercising an option to purchase." In addition, the Supplemental Form A or the PTAX-203-A did not specify any personal property as being transferred with the sale transaction. Nothing else was presented by the board of review in support of its estimated market value of the subject property as reflected by the 2021 assessment.

The St. Clair County Board of Review also did not address the appellant's market value opinion as set forth by the appellant's appraisers.

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.

In this appeal the Property Tax Appeal Board finds the best evidence of value is the appraisal presented by the appellant estimating the subject property had a market value of \$2,200,000 as of January 1, 2021. The Board finds the appraisal submitted by the appellant considered the unique factors associated with the subject property in arriving at the opinion of market value. The appellant's appraisers provided a detailed description of the subject property and also addressed the prior sales of the subject in January 2021 along with the portfolio sale in September 2021, with no other known sales within the prior three-year period.

The appraisers in the written report also demonstrated a thorough understanding of the uses of the subject property, the income streams and the business aspects of the nursing home operation. In developing the opinion of value, the appraisers considered the fact the subject property has a business component due to the extensive care services provided that had to be separated from the value of the underlying real estate. The appraisers also considered the fact that the subject property with 116 beds has both private and semi-private rooms which are not as desirable to the incoming residents.

The appellant's appraisers developed the three traditional approaches to value in estimating the market value of the subject property. The report contains a detailed explanation of the appraisal processes, a description of the underlying data supporting the analyses, and detailed mathematical computations for each approach to value that leads to a logical conclusion of value. The appellant's appraisal had a detailed description of the subject, the land sales, the development of the cost approach, the comparables used in the income approach along with adjustments due to the business value along with detailed descriptions of the comparable sales and a narrative analysis of the sales adjustment process as well.

By contrast, the board of review's entire support of the subject's assessment consists of a property record card, which is required to be filed by the Board's rules, and a recorded PTAX-203 Illinois Real Estate Transfer Declaration along with the accompanying Supplemental Form A. The documentation depicts a sale of the subject property on or about December 2020 of the nursing home property for \$3,336,000. In addition, since the "buyer is exercising an option to purchase" the documentation further indicates that the property was not advertised for sale prior to the transaction and thus, fails to meet one of the criteria typically found to be a requirement for an arm's length sale transaction.

The subject's assessment reflects a market value of \$3,115,406 or \$97.94 per square foot of building area, or \$26,857 per patient bed, land included, which is above the appraised value of \$2,200,000. For the foregoing reasons, the Property Tax Appeal Board finds the subject property had a market value of \$2,200,000 as of January 1, 2021. Since market value is established the 2021 three-year median level of assessments for St. Clair County of 33.39% shall apply. (86 Ill.Admin.Code §1910.50(c)(1)).

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:

April 16, 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

AGENCY

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