



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

APPELLANT: CAMBRIDGE HOUSE OF SWANSEA
DOCKET NO.: 22-03078.001-C-2
PARCEL NO.: 08-04.0-312-023

The parties of record before the Property Tax Appeal Board are CAMBRIDGE HOUSE OF SWANSEA, the appellant, by attorney Thom Moss, of Bickes, Wilson & Moss, in Decatur, 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: \$149,630
IMPR.: \$870,519
TOTAL: \$1,020,149

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 2022 tax year. The Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of the appeal.

Applicable Statutory Provision & Regulation

The board of review did not challenge the appellant's contention that the subject property is to be assessed in accordance with Section 10-390 of the Property Tax Code (hereinafter "Code") concerning "Valuation of Supportive Living Facilities." (35 ILCS 200/10-390). This provision states:

(a) Notwithstanding Section 1-55, to determine the fair cash value of any supportive living facility established under Section 5-5.01a of the Illinois Public Aid Code, in assessing the facility, a local assessment officer must use the income capitalization approach. *For the purposes of this Section, gross potential income must not exceed the maximum individual Supplemental Security Income (SSI) amount, minus a*

resident's personal allowance as defined at 89 Ill.Admin.Code 146.205, multiplied by the number of apartments authorized by the supportive living facility certification.

(b) When assessing supportive living facilities, the local assessment officer may not consider:

(1) payments from Medicaid for services provided to residents of supportive living facilities when such payments constitute income that is attributable to services and not attributable to the real estate; or

(2) payments by a resident of a supportive living facility for services that would be paid by Medicaid if the resident were Medicaid-eligible, when such payments constitute income that is attributable to services and not attributable to real estate.

(Source: P.A. 102-16, eff. 6-17-21 latest revision in italics after *Manteno C.U.S.D. No. 5 v. Property Tax Appeal Board*, 2020 IL App (3d) 180384.)

Findings of Fact

The subject property is improved with a three-story brick building with a concrete slab foundation which contains 87,461 square feet of gross building area and operates as a State of Illinois approved 103 rental unit low-income supportive living facility that opened in 2009. There are 96 one-bedroom single occupancy units, 3 two-bedroom double occupancy units, and 4 one-bedroom double occupancy units. The facility has multiple offices for facility personnel, some of which are located on each respective floor of the building. Common areas in the building include a living room, dining room, private dining room, commercial kitchen, employee lounge, activity room, TV lounge, beauty salon, exercise room, assisted bathing room, two common restrooms, a residential laundry on each floor, and a staff laundry room. The subject property has a 5.93-acre site, with approximately 116 asphalt parking spaces, 5 of which are marked for handicap use, and is located in Swansea, St. Clair Township, St. Clair County. (Appraisal, p. 10)

The appellant contends overvaluation as the basis of the appeal and, in a 15-page brief with supporting documentation, the appellant argued that “the assessed value as determined by the local assessing officials was based on some approach other than the income approach properly applied pursuant to 35 ILCS 200/10-390” of the Property Tax Code. (Brief, p. 5)

In support of the overvaluation argument, the appellant submitted an appraisal prepared by Keith Honegger, a Certified General Real Estate Appraiser, estimating the *ad valorem* market value of the subject property of \$3,058,000 as of January 1, 2022, in what the appraiser contends is compliance with the Property Tax Code for valuation of low-income Supportive Living Facilities. (Citing to 35 ILCS 200/10-390). In light of the statutory provision, Honegger

prepared the income approach in the appraisal as shown on page 13 of the appraisal and briefly outlined herein.

Honegger began with the reported minimum SSI payment in 2022 of \$841 less \$90 for the recipient's personal use based on 103 units and 12 months accounting for potential gross rent (including food) of \$928,236 ($841 - 90 = 751 \times 103 \times 12 = 928,236$). He asserted that \$751 was the room and board rent regardless of the room type (Efficiency, 1-bedroom or 2-bedroom) and apart from the service needs of the tenant. The appraiser deducted 5% or \$46,412 for "vacancy and concessions" resulting in an effective gross rent including food of \$881,824.

As this figure is the starting point for room and board (food), Honegger opined that the raw food expense of \$191,045 must be deducted, which results in the potential effective gross rent excluding food of \$690,779. Next Honegger determined that Food Stamp Reimbursement or SNAP for low-income tenants along with private meal reimbursement of \$170,051 should be added, resulting in "effective gross revenue (apartment only with food not included)" of \$860,830.

As Honegger contends that 26% of supportive living facilities in Illinois operate the living portion of the supportive living facility as a Section 42 low-income property which results in two existing tax laws (Section 42 and 10-390) regulating the mandated income approach to value for *ad valorem* valuation. Thus, Honegger used Section 42 operational expense data along with supportive living facility expense operational data to determine the appropriate expense ratio to apply to the effective gross income of the subject property. (Appraisal, p. 12)

For operating expenses, Honegger depicts the 2019, 2020 and 2021 actual expense ratios of 63.7%, 65.1% and 59.3%, respectively, to arrive at an average historical expense ratio of 62.7% or \$539,740 which is deducted from the effective gross income resulting in a net income for the subject of \$321,090.

Next, in order to capitalize the net income of \$321,090 the appraiser applied an overall capitalization rate of 10.5% (see Appraisal, p. 23 citing Appendix C, page 41), resulting in a market value for the subject under this income approach of \$3,058,000 or \$29,689 per unit, including land. (Appraisal, p. 13)

To further support the income approach figures, Honegger detailed from page 14 to 22 of the appraisal analyses of not only supportive living facility data but also Section 42 housing comparable expense data to support the appraiser's conclusions as to the subject.

Based on the foregoing evidence and argument, the appellant requested an assessment reflective of the appraised value conclusion.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total equalized assessment for the subject of \$1,195,104. The subject's assessment reflects a market value of \$3,582,446 or \$34,781 per unit, land included, when using the 2022 three-year average median level of assessment for St. Clair County of 33.36% as determined by the Illinois Department of Revenue.

In response to the appeal, the board of review asserted that it was in agreement with the assessor's value by income, citing a spreadsheet submitted in evidence and the 2021 cost report for supportive living facilities filed with the Illinois Department of Healthcare & Family Services.

In support of its contention of the correct assessment, the board of review submitted a one-page "income analysis" document as to the subject. The document appears to depict two income approach calculations, each consuming approximately ½ page. Each approach commences with 103 units at a monthly rent of \$751 or an annual income of \$928,236; to each analysis, a 5% vacancy deduction or \$46,411.80 is shown; then, two differing expense calculations are depicted: one at 63% of income or \$552,903.77 and the other at \$5,200 per month per unit for an annual expense of \$535,600. The first set of data results in a net operating income (NOI) of \$328,920.43. The second set of data results in a NOI of \$346,224.20.

Next for each analysis, a 10% capitalization rate was applied. Thus, the first analysis depicts an estimated value of \$3,289,204.27 for an assessment of \$1,096,401.42. The second analysis depicts an estimated value of \$3,462,242.00 for an assessment of \$1,154,080.67. Each of these analyses depict an estimated market value that is below the subject's estimated market value based upon its assessment of \$3,582,446.

Also submitted by the board of review is a June 15, 2022 document entitled *Cap Rates in St. Louis, Missouri*¹; eight pages of 2021 Supportive Living Facility HFS Cost Report FY 2021 for the subject with three attachments; a second copy of the June 15, 2022 document entitled *Cap Rates in St. Louis, Missouri*; and, lastly, a multi-page property record card for the subject.

Based on the foregoing submission, the board of review requested confirmation of the subject's assessment.

In rebuttal, appellant asserts that in the assessor's second income calculation failed to adjust the monthly "room and board" rent of \$751 downward to account for the food cost in order to arrive at a monthly room only rent, excluding food. Furthermore, once the food cost has been deducted, the appellant contends that the next step is to add back any SNAP food reimbursements the facility receives from the government, since not all facilities receive SNAP reimbursement. Using this methodology, the appellant contends is an equitable adjustment for the calculation of *ad valorem* value, since other facilities would be treated unfairly "because they could not subtract their food cost from the room and board rent" when they are not reimbursed by SNAP. (Rebuttal, p. 2)

Additionally, the appellant criticizes the assessing officials' use of data from the Illinois Housing Development Authority (IDHA) for purposes of calculating operating expenses as part of the income approach. In contrast, the appellant's appraiser used historical expense data for the subject whereas the information the assessor used presents a range of figures for "low-income properties."

Based on this evidence and argument, the appellant requests a reduction in the assessment.

¹ None of the property types depicted on this document refer to a supportive living facility and/or a nursing home.

Conclusion of Law

The appellant contends the market value of the subject property is not accurately reflected in its assessed valuation in accordance with Section 10-390 of the Property Tax Code (35 ILCS 200/10-390) which specifies the use of the income approach to value in assessing supportive living facilities. 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). The Board finds the appellant met this burden of proof and a reduction in the subject's assessment is warranted.

The appellant submitted an appraisal of the subject property which relied upon Section 10-390 of the Property Tax Code as to the assessment of supportive living facilities supporting an assessment reduction and the board of review submitted a purported one-page income analysis with two different calculations for consideration by the Property Tax Appeal Board, both of which reflect an opinion of value that is below the subject's current estimated market value based upon its assessment, which also support an assessment reduction. However, due to the lack of detail and/or supporting documentation, the Board gives no weight to the board of review submission of these two single page income analyses. The Board finds that there is no narrative to explain the bases for the respective income analyses prepared by an unknown individual on behalf of the board of review and/or their credentials for preparation of the analyses. Additionally, the Board finds there is insufficient information to provide support for the chosen expense calculation and/or the chosen capitalization rate, despite that there is not very much difference in the figures between the board of review analyses and that of Honegger on behalf of the appellant. In summary, the Board finds the board of review submission lacks necessary detail and/or support thus detracting from its credibility and reliability on this record.

The Board finds, given the limited record, the best, most credible and somewhat supported and somewhat explained evidence of market value to be the appraisal submitted by the appellant. Within the supporting documentation filed with the appraisal are provisions of the Illinois Administrative Code related to the Illinois Department of Healthcare and Family Services as to Medicaid which indicate that "meals" are included in the room and board amount paid by the resident to the supportive living facility. Thus, the determination by Honegger to remove the raw food costs from the gross income appears to be logical to arrive at an income figure related purely to rental payments related to the room. However, the appraiser's next determination to add in SNAP reimbursements made to the facility for food of eligible resident(s) is a somewhat confusing and simply unclear analysis which was not well explained or articulated on this record other than asserting this addition would be "equitable" for facilities that do not receive SNAP reimbursements.

The appraisal set forth an opinion of market value of \$3,058,000. The subject's assessment reflects a market value of \$3,582,446, including land, which is above the appraised value conclusion. The Board finds on this documentary record that the subject property had a market value of \$3,058,000 as of the assessment date at issue. Since market value has been established the 2022 three-year average median level of assessment for St. Clair County of 33.36% as determined by the Illinois Department of Revenue 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: _____

October 15, 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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