FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Roe Management Corporation
DOCKET NO.: 22-03124.001-C-3 through 22-03124.020-C-3
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are Roe Management Corporation, the appellant, by attorney Brian P. Liston of the Law Offices of Liston & Tsantilis, 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.[1] The correct assessed valuation of the property is:

DOCKET NO	PARCEL NUMBER	LAND	IMPRVMT	TOTAL
22-03124.001-C-3	04-24.0-402-032	15,066	32,292	$47,358
22-03124.002-C-3	04-24.0-402-033	12,108	40,485	$52,593
22-03124.003-C-3	04-24.0-402-034	12,108	32,913	$45,021
22-03124.004-C-3	04-24.0-402-036	12,108	33,154	$45,262
22-03124.005-C-3	04-24.0-402-037	12,108	37,313	$49,421
22-03124.006-C-3	04-24.0-402-038	12,108	34,640	$46,748
22-03124.007-C-3	04-24.0-402-039	12,199	39,470	$51,669
22-03124.008-C-3	04-24.0-402-040	17,961	33,541	$51,502
22-03124.009-C-3	04-24.0-404-007	11,572	39,089	$50,661
22-03124.010-C-3	04-24.0-404-009	17,804	56,708	$74,512
22-03124.011-C-3	04-24.0-404-010	53,679	204,949	$258,628
22-03124.012-C-3	04-24.0-412-001	19,122	44,046	$63,168
22-03124.013-C-3	04-24.0-412-002	12,336	41,127	$53,463
22-03124.014-C-3	04-24.0-413-001	11,596	29,244	$40,840
22-03124.015-C-3	04-24.0-413-002	14,603	33,318	$47,921
22-03124.016-C-3	04-25.0-202-003	17,858	39,321	$57,179
22-03124.017-C-3	04-25.0-202-004	18,946	41,467	$60,413
22-03124.018-C-3	04-25.0-202-005	12,980	42,899	$55,879
22-03124.019-C-3	04-25.0-202-006	13,996	42,865	$56,861
22-03124.020-C-3	04-25.0-202-007	15,358	36,989	$52,347

Subject only to the State multiplier as applicable.

[1] The assessments for parcel numbers 04-24.0-402-032 and 04-24.0-412-001 were not changed, the remaining parcels had assessment reductions as found herein.

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.

Findings of Fact

Excluding property index numbers (PINs) 04-24.0-402-032 and 04-24.0-412-001, the subject property consists of an apartment complex. The improvements consist of eighteen buildings composed of a 16-unit building, 2 three-unit buildings, and 15 two-unit buildings. The unit mix includes 16 one-bedroom units, 16 two-bedroom units, and 20 four-bedroom units for a total of 52 units. Ten of the four-bedroom units have basements with the remaining units having either a crawl space foundation or a slab foundation. The property has a gross building area of 75,748 square feet and a net rentable area of 74,676 square feet. The complex was constructed in 2008 and the buildings are two-story with brick and siding exteriors. Each unit has central air conditioning and one or two bathrooms. The property has 134 parking spaces or 2.58 spaces per unit composed of 120 surface parking spaces and 14 garage parking spaces.

The apartment complex has a 6.74-acre or 293,594 square foot site located in Lebanon, O'Fallon Township, St. Clair County. The property has a land to building ratio of approximately 3.88:1.

PINs 04-24.0-402-032 and 04-24.0-412-001 are each improved with a 1½-story single family dwelling of frame construction with 1,486 and 2,229 square feet of living area, respectively. Each home was built in 2012. Each property has central air conditioning and an attached garage with 504 square feet of building area. PIN 04-24.0-402-032 has a slab foundation while PIN 04-24.0-412-001 has a full basement.

The appellant contends overvaluation as the basis of the appeal. In support of this argument the appellant submitted a narrative appraisal of the apartment complex, the appraisal did not include PINs 04-24.0-402-032 and 04-24.0-412-001. The appraisal was prepared by Mitchell E. Creer, Associate Real Estate Trainee Appraiser, and Anthony S. Mule, Certified General Real Estate Appraiser, of Valbridge Property Advisors. Mule also has the MAI Designation from the Appraisal Institute.

The appraisers identified the PINs of the property being appraised on page 10 of the report and further stated on page 11 of the report that PINs 04-24.0-402-032 and 04-24.0-412-001 are improved with single family houses not included in the analysis as they sold in November 2021 and October 2021 for $169,900 and $174,900, respectively.

The appraisers explained that they were to develop an opinion of market value as of January 1, 2022. The property rights appraised are the fee simple interest. The intended use of the appraisal was to provide a basis for an equitable real estate assessment. The property was inspected on April 17, 2023. The appraisers developed the sales comparison approach to value and the income approach to value. The cost approach to value was not used because of the age of the subject property, which makes this approach a less effective valuation method, and market participants rarely employ the cost approach in their buy/sell decision making process for properties like the subject. The appraisers also explained that all furniture, fixtures, equipment (FF&E) as well as any other personal property have been included in the analysis and valued separately from the real estate portion of the property. The appraisers indicated that each unit has a refrigerator, oven, range, and dishwasher. The leasing office also has a refrigerator, oven and range. Each unit also has a washer and a dryer.

The appraisers indicated that the subject property does not suffer from substantial deferred maintenance when compared to similar properties within the market. Additionally, the functional utility of the property is average for its current use based upon a comparison of similar properties in the market area.

On page 37 of the report the appraisers explained thew subject property includes all furniture, fixtures and equipment (FF&E) necessary for operation as a multifamily property. The in-unit FF&E includes refrigerator, range/oven, dishwasher and in-unit washer and dryer. The appraisers reviewed the Marshall & Swift Valuation Guide (MSV) as an indicator of FF&E costs for the subject property. The appraisers estimated the base unit costs as follows: refrigerator $1,000, oven/range $1,500, dishwasher $600, washer $800, and dryer $700, for a total estimated cost per unit of $4,600. The appraisers indicated that MVS reported an average cost of $4,000 to $5,000 per unit. The appraisers arrived at a total cost new for the FF&E of $241,700. They estimated the FF&E would have an economic life of 10 years and an effective life of 5 years with a salvage value of $24,170 resulting in a depreciated FF&E cost of $150,000 or $2,885 per unit.

The appraisal contained an extensive discussion of the rental rate trends, vacancy and net absorption trends, and existing supply and construction trends for multi-family properties in both the St. Louis MSA and St. Clair County. The appraisers also discussed the population and income distribution trends in the subject's area. They determined that the immediate area surrounding the subject property is projected to experience moderate positive growth relative to households and population in the near future and that demand for comparable surrounding area apartment units and the subject will continue to be favorable. The also stated that the rental rate trends, vacancy rate and absorption trends, and existing supply and new construction levels indicate the market is in equilibrium, after experiencing a long period of under supply in the local submarket.

The appraisers determined the highest and best use of the subject property as vacant is for multi-family residential development. The highest and best use for the subject as improved was determined to be continued use as an apartment/townhouse complex. They also determined the most probable buyer of the subject property as of the date of value is a local investor.

In the sales comparison approach to value the appraisers used four comparable sales located in Belleville, O'Fallon, and Mascoutah. These properties are improved with apartment complexes that were built from 1972 to 2006 and had from 48 to 80 units. Comparable #1 was composed of four 12-unit two-story buildings with 8 one-bedroom units and 40 two-bedroom units with an average unit size of 1,333 square feet. The property has 74,400 square feet of gross building area and 64,000 square feet of net rentable area with a site of approximately 3.09 acres resulting in a land to building ratio of 1.81:1. This property sold in November 2021 for a price of $2,900,000 or $60,417 per unit. Comparable #2 has 55 two-bedroom units located in two-story garden style low-rise apartment buildings with a gross building area and net rentable area of 56,684 square feet and an average unit size of 1,031 square feet. The property has a 4.50-acre site resulting in a land to building ratio of 3.46:1. The sale occurred in April 2021 for a price of $3,500,000 or $63,636 per unit. Comparable #3 is a composed of a garden style, low-rise apartment complex improved with two-story buildings with a gross building area and net rentable area of 74,000 square feet. The comparable has 80 units with an average unit size of 925 square feet. The unit mix includes 20 one-bedroom units, 40 two-bedroom units, and 20, three-bedroom units. The property has a 13.95-acre size and a land to building ratio of 8.21:1. The sale occurred in July 2020 for a price of $4,500,000 or $56,250 per unit. Comparable #4 is a two-story garden style, low-rise apartment complex with a gross building area and net rentable area of 57,750 square feet. The property has 48 units with an average size of 1,203 square feet. The unit mix includes 47 two-bedroom units and 1 three-bedroom unit. This property has a 3.16-acre site with a land to building ratio of 2.38:1. The sale occurred in June 2019 for a price of $3,850,000 or $80,208 per unit. The appraisers made various adjustments to the comparables for being leased fees, market condition/time, location, age/condition, construction quality, average unit size, unit mix, land to building ratio, and parking ratio to arrive at adjusted prices ranging from $55,559 to $83,400 per unit, rounded. The appraisers determined that a unit value near the middle of the adjusted range of the comparables was appropriate for the subject property and estimated the subject property had a value of $69,000 per unit or $3,590,000 under the sales comparison approach to value.

Using the income approach to value the appraisers explained the subject property has two-bedroom, three-bedroom, and four-bedroom units that range in size from 1,072 to 1,735 square feet. They explained the subject property was 96% occupied as of the effective date of value with contract rents ranging from $863 to $1,270 per month or from approximately $.72 to $.83 per square foot per month. To determine the market rent the appraisers used four comparable rentals located in Columbia, Mascoutah, Belleville, and Granite City. The comparables had from 70 to 240 units. The comparables had two-bedroom units with rentals ranging from $986 to $1,245 per month or from $.94 to $1.25 per square foot per month; three-bedroom units with rentals ranging from $1,226 to $1,465 per month or from $.90 to $1.09 per square foot per month,[2] and four-bedroom units with rentals of $1,492 and $1,599 per month or $.68 and $.78 per square foot per month. The appraisers adjusted the comparables for differences from the subject in location, age, or size. The appraisers concluded the subject property would have a market rent for two-bedroom units of $950 per month, for three-bedroom units of $1,250 per month, and for four-bedroom units of $1,350 per month resulting in a total potential gross rental income of $746,400. The appraisers estimated the subject property would have other income of $800 per unit per year or $41,600 resulting in a potential gross income (PGI) of $788,000. Using the subject's current vacancy rate and the historical rates in the St. Louis MSA and St. Clair County, the appraisers estimated the subject would suffer from a vacancy loss of 6% of PGI or $47,280 and a collection loss of 1% of PGI or $7,880, resulting in an effective gross income (EGI) of $732,840. The report contained a table of historical vacancy for multi-family properties built after 2000 located in the St. Louis MSA and St. Clair County to support the vacancy estimate.

[2] The Summary of Comparable Rental table on page 72 of the appraisal had an error with respect to comparable #2 – three-bedroom unit rental based on the description of the property on page 74 of the report.

To estimate various operation expenses the appraisers reviewed the subject's 2021 operating statement and five expense comparables located in the Illinois cities of Highland and Swansea as well as the Missouri cities of St. Louis, Maplewood, and Fenton. The subject had a historic total operating expense of $344,217 or 48.9% of EGI. Based on an analysis of the subject and the comparables, the appraisers determined the subject would have a total operating expense of $294,042 or $40.1% of EGI and a stabilized net operating income of $438,798 or 59.9% of EGI.

The appraisers next estimated the capitalization rate to be applied to the subject's estimated net operating income. The overall rates using the comparable sales ranged from 8.12% to 12.90% with an average of 9.92%. Investor surveys had average rates ranging from 4.30% to 7.94% with an overall average rate of 5.96%. The band of investment technique resulted in a rate of 9.14%. The appraisers determined the subject would have an overall capitalization rate of 9.00%. The appraisers next determined the subject would have an effective tax rate of 3.09% resulting in a loaded overall capitalization rate of 12.09%. Capitalizing the subject's stabilized net operating income resulted in an estimate market value under the income approach of $3,630,000.

In reconciling the two approaches to value the appraisers place equal weight on the sales comparison approach to value and the income approach to value to arrive at a value conclusion of $3,600,000, inclusive of FF&E. The appraisers then deducted the value of the tangible FF&E of $150,000 to arrive a fee simple real property value of $3,450,000.

Based on this evidence, the appellant requested the total assessment of the PINs under appeal be reduced to $1,150,000 to reflect the appraised value. This requested total revised assessment included the two PINs that were not appraised.

The appellant submitted a copy of the Notice of Final Decision on Assessed Value by Board of Review for each PIN under appeal. The total assessment for the PINs under appeal was $1,599,645, including the PINs not appraised, which reflects a market value of $4,795,099 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.

The board of review submitted its "Board of Review Notes on Appeal" as well as copies of the property record cards for each of the PINs under appeal. The property record cards describe the improvement on each parcel and depicted a summary of the cost approach to value for each PIN.

The board of review also presented several income approaches to value using various scenarios. In each scenario the board of review utilized the same market rent for the units and the same annual gross income of $746,400 as developed by the appellant's appraisers. In one set of calculations the board of review used a vacancy and collection loss of 10%, market expenses of 25% of gross income less vacancy and collection loss, and capitalization rates of 8%, 9% and 10% to arrive at estimated market values of $6,297,750, $5,598,000, and $5,038,200, respectively. In the second set of calculations the board of review used a vacancy and collection loss of 15%, market expenses of 30% of gross income less vacancy and collection loss, and capitalization rates of 8%, 9% and 10% to arrive at estimated market values of $5,551,350, $4,934,533, and $4,441,080, respectively.

The board of review asserted it agreed with the assessor's value for the subject property.

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.

Initially, the Board finds the appellant did not present any evidence to challenge the correctness of the assessments associated with PINs 04-24.0-402-032 and 04-24.0-412-001, each of which is each improved with a 1½-story single family dwelling. The appraisal submitted by the appellant to demonstrate the subject property was overvalued did not include these two PINs. Therefore, the Board finds no change in the assessments of these to PINs is warranted.

With respect to the remaining PINs under appeal, which comprise the subject 52-unit apartment complex, the Board finds the best evidence of market value to be the appraisal submitted by the appellant estimating the real property had a market value of $3,450,000 as of January 1, 2022. The appraisal contained a detailed discussion of the demographics and of the multi-family market as it related to the subject's market area and the subject property, which supported the various assumptions used by the appraisers. The appraisers developed both the income and sales comparison approaches to value. The comparable sales provided by the appellant's appraisers were similar to the subject property in general location and had varying degrees of similarity to the subject in land area, age, apartment mix, apartment size, gross building area, net rentable area, and average unit size. The appraisers considered these factors and made adjustments to the comparable sales to account for differences from the subject property. No aspect of the comparable sales used in the appraisal was refuted by the board of review nor did the board of review submit any comparable sales to challenge or refute the data used by the appraisers.

With respect to the income approach, the appraisers utilized both the subject's actual income and comparable rentals to develop the market rent for each type of unit and the potential gross rental income for the subject property of $746,400, which was accepted and used by the board of review in its analysis. To this, however, the appraisers added other income, made a deduction of 7% for vacancy and collection loss, which was supported by market data, and deducted various operating expenses based on the subject's operating statement and comparable rentals to arrive at a stabilized net operating income. The appraisers utilized three methods to develop the capitalization rate: direct capitalization using the comparable sales, investor surveys, and the band of investment technique. The appraisers also accounted for real estate taxes through the use of an effective tax rate and a load capitalization rate to convert the stabilized net income into an indication of value. The income analysis presented by the board of review did not have any data to support its estimate of vacancy and collection loss, expenses, or the capitalization rate. The Board finds the income approach to value developed by the appellant's appraisers was more credible than the various income approaches to value developed by the board of review.

Less weight was given to the cost approach to value contained on the property record cards submitted by the board of review due to the lack of foundation support the costs used and the depreciation of the various improvement components.

The eighteen PINs that comprise the subject apartment complex had a total assessment of $1,489,119 which reflects a market value of $4,463,786 when using the 2022 three-year average median level of assessment of 33.36% as determined by the Illinois Department of Revenue, which is above the best evidence of market value in the record. Concluding that the best evidence of market value in the record to be the appraisal presented by the appellants, the Board finds the subject apartment complex had a market value of $3,450,000 as of the assessment date at issue. Since market value has been established the 2022 three-year average median level of assessments 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)) and a reduction in the assessment of these PINs is appropriate.

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: 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

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