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No. 556.001626

**Report on Sales Ratio Studies in
Thompson and Apple River Townships: 2005-2007.**

I was retained by, Margaret S. Smith, Trustee, Elaine J. Brennan, Trustee, Charlene Kavanaugh, Trustee and Joseph E. and Joan A. Forman, each of whom own property at Apple Canyon Lake in Thompson Township, Jo Daviess County, Illinois, to examine the assessment practices utilized with respect to their property. I have made a study of the Sales Ratio Reports used by the State of Illinois Department of Revenue (DOR), by the Jo Daviess Chief County Assessment Office (CCAO) and the Jo Daviess County Board of Review (BOR) in determining the equalizers that were applied to all properties in Apple River and Thompson Townships for the years 2005, 2006 and 2007.

Purpose of This Study: The purpose of this study was to determine the accuracy of the sales being reported to the DOR by the CCAO, and to determine whether all of the properties in Thompson and Apple River Townships were being treated uniformly, fairly and legally when actions were taken with regard to determining the assessed value of the properties located there.

Source of Data Used in Study

A Freedom of Information Act (FOIA) request was made by Margaret Smith, to the DOR, and also to the CCAO. This request asked for any and all information regarding sales reported to the State of Illinois Department of Revenue by the CCAO for the calendar years 2005 through 2007.

The documents produced by the DOR were received by Margaret Smith in November of 2008, and given to Michael W. Doyle for use in this study. In December, 2008, the CCAO produced documents pursuant to the FOIA request, which were primarily duplicates of those received from DOR.

The scope of this study included: 1) an analysis of the data received from DOR, the sales reports published by the CCAO, which are purchased and received by Michael W. Doyle on an annual basis, and: 2) an analysis of the data from the Jo Daviess County East Multiple Listing Service and additional data from the Realtor Association of Northwestern Illinois (f/k/a Freeport-Galena Multiple Listing Service). These records are also in the possession of Michael W. Doyle.

The Apple Canyon Lake Property Owners Association (ACLPOA) provided a list of docks owned by ACLPOA which were transferred from 2005 through 2007, including the location of the transferred docks. The dock's location in relation to the lot to which the dock was assigned assisted in determining the dock values.

Data reviewed from these sources aided in determining the accuracy of the Sales Ratio Studies for the above described years.

The primary factors to determine in this study were whether the inclusion of the additional consideration buyers paid for ACLPOA boat docks had an impact on the sales ratio studies prepared by DOR. An additional factor was to determine the ratio of vacant lot sales to improved property sales in each of these years, and to determine separately the sales ratio for both of these categories.

Intended Use Of This Study:

The intended use in the determination of each of these analyses was to ascertain the accuracy of county applied multipliers to all the properties located in Thompson Townships in the above described years. These multipliers have been applied in the above described years to comply with the state mandated assessment levels of 33.33% of market value, as required by the Illinois Property Tax Code.

This report is made for the purpose in support of the Assessment Complaints filed by the following Homeowners with the Jo Daviess County Board of Review (BOR).

<u>Name</u>	<u>PIN</u>	<u>Address</u>
Elaine J. Brennan, Trustee	18-001-012-00	1A12 Silverhorn Court Apple River, IL 61001
Joseph E. Forman Joan A. Forman	18-012-080-00	12A80 Roosevelt Lane Apple River, IL 61001
Charlene Kavanaugh, Trustee	18-006-006-00	6 Hampton Court Apple River, IL 61001
Margaret S. Smith, Trustee	18-011-042-00	42 Par Court Apple River, IL 61001

Intended Users Of This Study:

The intended users of this report are the above stated property owners, each of whom owns an improved lot at Apple Canyon Lake.

Additional users of this study may be all of the property owners in Thompson Townships in Jo Daviess County, Illinois. These property owners are included, as the study directly affects their assessed values for the above described years, and the application of the 2008 equalization factor of 1.231 to all of the land excluding farm land in Thompson Township, published by the CCAO in *THE FLASH* on January 21, 2009 and also published on the official website of Jo Daviess County.

Summary of Conclusions:

1. The Sales Ratio Studies used by the DOR, the CCAO and the BOR erroneously included in the sales prices of lots and homes at Apple Canyon Lake the additional consideration paid by the buyer to obtain the use of a boat dock assigned to that lot or home by ACLPOA. These docks are owned by ACLPOA, are attached to land owned by ACLPOA, and leased to the owner on an annual basis. Certain leases could be transferred to a buyer pursuant to certain actions taken by ACLPOA's Board of Directors. The inclusion of this additional consideration inflated the actual value of the land, and resulted in an overstatement of that value which was used in the sales ratio analysis prepared and used by DOR, CCAO and the BOR. As a direct consequence of this error, the DOR, CCAO and BOR authorized the issuance of an erroneous equalization factor in each of the real estate tax years 2005, 2006, 2007 and 2008. As a direct result of which these property owners are being compelled to pay real estate taxes in excess of the amount due if the sales ratio study was calculated correctly.
2. The CCAO in assessing the fair market value of vacant lots and improved lots located in the Apple Canyon Lake Subdivision has failed to correctly assess the fair cash value of vacant lots and improved lots, which are two separate and distinct categories of property. The CCAO has treated both categories as being the same, despite the fact that by doing so, the assessed values of vacant lots have been under-assessed and the improved lots have been over-assessed resulting in a larger equalization factor being applied to improved property. The owners of improved lots have been required to pay real estate taxes in excess of the amount that would be due if these two different categories of property were treated separately, and each assessed at 33.33% of their fair cash value as required by law. (35 ILCS 200/9-145)

Dock Transfers Erroneously Included In Assessed Value:

ACLPOA owns certain docks at Apple Canyon Lake, commonly referred to as Association Docks, which it leases on an annual basis to certain owners. When an owner leases a dock it is assigned to the owner's lot and given a number. Each lot has its own designated number, which was created by the developer. (E.g. Margaret Smith's address at Apple Canyon Lake is 11-42 Par Court; the designation of which is 11-42. The dock she leases from ACLPOA is actually located at the Nixon Beach Community Dock Area, and that dock is numbered N-1-3, and on ACLPOA's records that dock is assigned to 11-42.).

In certain cases, a dock which the Association leases to a property owner may be transferred to the buyer who purchases the lot or home to which the dock has been assigned. Because these transferable docks are not owned by the seller, and are not a part of the real property sold, they should not be included in the value of the lots or homes for any purpose, especially in determining the assessed value of the property sold. If the annual dues are not paid, or if a boat is not moored at the dock, the dock

reverts back to ACLPOA to be leased to a different property owner. Because there are more property owners who want to lease docks than there are docks available, the Association's permission to allow a seller to transfer the dock to a buyer has resulted in an increase in the consideration which buyers are willing to pay for a lot or a home which has a transferable dock. Association Docks are for the exclusive use of the property owner/lessee. They are personal property owned by ACLPOA; they are not owned by the lessee. Because these docks are owned exclusively by ACLPOA, they should not be treated as taxable real property.

The inclusion of any additional consideration paid to the seller to cause the seller to request that ACLPOA transfer the Association Dock to the buyer has resulted in valuation errors that were used in the sales ratio studies performed by DOR and the CCAO.

Dock Locations Determine Their Value:

I reviewed all sales made at Apple Canyon Lake in 2005, 2006 and 2007 to determine dock values for each of these years, and determined the amount by which the inclusion of these dock values made the Sales Ratio studies performed by DOR erroneous.

A dock's location, in relation to the lot location, is the major determining factor in the value of ACLPOA docks to buyers. From an examination of all sales, it was determined that the most valuable docks are association docks located in very close proximity to the subject lot and/or home. These docks had contributory values of \$ 40,000. The next highest valued docks appeared to be docks located at the Marina and at the Nixon Beach Marina. Through reviews of the sales data, it was found that those docks had contributory values between \$ 24,000 and \$30,000. The only difference would be if a home or lot is located directly above the marina areas the dock would be valued at \$40,000, due to the close proximity of the dock to the house. The least valued docks are those docks located away from the subject home or lot. Those docks had a contributory value of approximately \$ 20,000, based upon sales.

Assumptions:

In determining the true market values for the lots and homes in this study, I used the sale price of each property that was listed on the real estate listing sheet, or on the property record cards found in the office of the CCAO, which included the dock values. This is the data used in determining contributory values of these docks.

Findings:

Records provided by the DOR under the FOIA, were reviewed in order to determine if ACLPOA owned docks have been included in the sales of properties at Apple Canyon Lake. I determined that a number of sales included the value of the association docks in the alleged market value of the property. The erroneous inclusion of these dock values have skewed the sales ratio studies for the years 2005, 2006, and 2007, because the dock value should not have been included in determining the value of the real estate transferred from the seller to the buyer.

In my opinion two errors were made in each of the years 2005, 2006 and 2007. First the consideration used in calculating the sales ratio incorrectly included the value of boat docks. The docks are not part of the real estate, and are personal property owned by the association. The Sellers' right to transfer the dock it had leased from the Association may have been of some value to the buyer, but that value should not have been included as part of the sales price paid for the real property transferred to the buyer.

Second, the DOR, the CCAO and the BOR all erred in applying the same equalization factor to vacant lots and improved lots at Apple Canyon Lake. The data demonstrates that the vacant lots had been assessed at values significantly below their fair cash value in each of 2005, 2006 and 2007, and probably for prior years. By combining the vacant lots and improved lots, the owners of the improved lots were required to pay a much greater increase to make up for the erroneously calculated sales ratio.

Exhibit E, "Comparison of Sales Ratios of Vacant Lots and Improved Lots-Calculation of Amount of Equalizer Needed for 33.33%" was prepared using the data contained in the Exhibits B, C and D (described below). It shows the amount of the equalizer that would be needed in each of 2005, 2006 and 2007 to bring vacant lots and improved lots to 33.33%, both before and after the dock adjustment. Note that in 2005 there were a total of 123 sales of vacant lots. These lots generated a sales ratio of 17.39%. In order to bring vacant lots to 33.33% an equalizer of 1.9166 would be necessary. In contrast improved lots in 2007, after the dock adjustment, are entitled to a **negative** equalizer of 0.98061.

In each year there is a substantial difference between the equalizer needed to reach 33.33% for vacant lots and for improved lots. Only if vacant lots and improved lots are treated a separate classes of property, are they each paying their fair and equitable share of the real estate taxes.

2005 Sales:

The DOR determined that the 2005 Assessment Ratio for Thompson and Apple River Township was 23.08%, and that the three year average was 27.85%, less than the 33.33% it should have been. (See Exhibit A, IDOR PTAX-215, Assessment Ratios Adjusted for Changes through 2005 for Jo Daviess County.) The CCAO imposed an equalization factor of 1.1541 on all land and improvements in Thompson and Apple River Township. This action was the result of the erroneous inclusion of dock values in the purchase price, and the failure of the CCAO to treat vacant lots and improved lots as different categories.

From the FOIA produced documents, I examined the DOR's Sales Ratio Detail List, which is a record of the 163 total sales used to prepare 2005 Sales Ratio Study. From the Detail List, and the records obtained from ACLPOA, I determined that 15 sales included association docks, and that a portion of the consideration paid for each such property included the amount paid for the dock. I reviewed each of these sales and determined the adjustments that must be made to show the correct value of the real