

property transferred. All of which is shown on Exhibit B, Michael W. Doyle 2005 Apple Canyon Lake Sales Ratio Study which I personally prepared.

In 2005, there were 15 sales at Apple Canyon Lake which included, as a portion of the sale price, additional value for the transferred Association Dock. Each of those sales is listed on page 1 of Exhibit B. The inclusion of that additional value added \$472,000 to the value of the properties sold in 2005, which amount was erroneously included in the value of the properties sold used by DOR in the preparation of Exhibit A, thereby causing it to appear that the sales price of these 15 properties was much more than the true "Net Consideration" paid.

As shown on Exhibit B, of the 15 sales, 5 sales were of lots, and 10 sales were of homes. When making adjustments to the sales, the sales ratio of land sales changed from 17.39% to 18.20% or a .81% overall difference. The sales ratio for the 10 home sales changed from 27.89% to 28.82%, or a .93% change.

A more significant flaw in the 2005 Sales Ratio study is the marked disparity when one compares the sales ratio of lot sales to the sales ratio of home sales. The analysis demonstrates that vacant lot sales accounted for 76% of the overall sales used in the sales ratio study, while only 24% of the sales were home sales. When the ratio between the assessed valuations of lots sold (76%) is compared with ratio for homes, we see that the difference between the assessed value of vacant lots sold and the required 33.3% of correct assessed valuation is far less than the difference between the assessed valuation of homes and the required 33.3%.

The data clearly shows that the shortfall in the required 33.3% sales ratio is caused by the fact that the assessed valuation of vacant lots is grossly lower than the required 33.33%. Since 76% of all sales in 2005 were of vacant lots, and only 26% were of sales of homes, the lower assessed value of the vacant lots inaccurately and unfairly reduces the ratio for the combined vacant lots and the home sales. In short, vacant lots are assessed at levels that skew the total sales ratio when they are combined with sales of properties with homes.

Exhibit B contains a separate calculation of the sales ratio for 2005 after separating the 123 Lots and 40 Homes. The sales ratio for the 123 lots (after the adjustment for the erroneously included docks) is 18.2%. The sales ratio for the 40 homes (after the adjustment for the erroneously included docks) is 28.82%. Thus the sales ratio for vacant lots is over 10% lower than for homes.

A township multiplier of 1.1541 was applied in 2005 to all properties, except farmland, located in Apple River and Thompson Townships. That amount was based upon the three year sales ratio study that showed the three year average was 27.85%. (See Exhibit A) This was based upon the inclusion of the erroneous sales ratio for 2005 of 23.08%. (See Exhibit A, Column 2005.) No distinction was made for the differences between the lot and home sales in calculating the 2005 sales ratio. As seen from the above differences, there is a dramatic difference in the assessment levels. This

analysis shows that the lower assessed lot values are unfairly and inequitably increasing the assessed values on higher assessed home values at Apple Canyon Lake, as well as in the remainder of the two townships.

### **2006 Sales**

The DOR determined that the 2006 Assessment Ratio for Thompson and Apple River Township was less than the 33.33% it should have been. Thereafter, the CCAO imposed an equalization factor of 1.1967 on all land and improvements in Thompson and Apple River Township.

I examined the records of the 120 total sales used in the sales ratio study prepared by the DOR. Of these sales, I determined from the records that 15 of these sales included association docks as a portion of the value of the property. I reviewed each of these sales and determined that adjustments must be made to show the correct value of the real property transferred, all of which is shown on Exhibit C, Michael W. Doyle 2006 Apple Canyon Lake Sales Ratio Study which I personally prepared.

Exhibit C shows that of these 120 sales (90 lots and 30 homes), 15 had association docks included in their sale price. The contributory value of these docks was determined to be \$465,000. Of the 15 sales, 3 were lot sales, and 12 were home sales.

However, of the 120 sales used in the 2006 study, I determined that 90 of the sales, or 75% of the sales, were lot sales, similar to 2005. Again the ratio of the assessed value of the lots is far lower than the ratio of the assessed values of homes. Nevertheless, a multiplier of 1.1967 was applied by the CCAO to all vacant lots and all improved lots for 2006 as it was in 2005. Again, there was an inequitable and unfair application of the multiplier to all of the properties with homes.

The following results are shown on page 2 of Exhibit C. The sales ratio for the 90 vacant lots is 17.98% before the dock adjustment and 18.77% after the dock adjustment. The sales ratio for the 30 homes is 28.37% before the dock adjustment and 29.95 after the dock adjustment. Thus, after the dock adjustment the difference between the sales ratio of lots and homes is 11.18%. Stated another way, the required assessed valuation is 33.33%. Vacant lots are 14.56% away from meeting the requirement. Homes are only 3.38% away. Nevertheless, the same equalizer was applied to both.

### **2007 Sales**

The DOR determined that the 2007 Assessment Ratio for Thompson and Apple River Township was less than the 33.33% requires ratio. Thereafter, the BOR imposed an equalization factor of 1.1256 on all land and buildings in Thompson and Apple River Township.

I examined the records of the 67 total sales used in the sales ratio study prepared by the DOR. Of these sales, I determined from the records that 10 of these sales included Association Docks, but 5 of them correctly had the values of the docks

removed prior to the recording of the transfer declaration sheets at the Recorder's Office. (It is worth noting that the CCAO did not add the dock values back into the Total Consideration.) I reviewed each of these sales and determined that adjustments must be made to show the correct value of the real property transferred, all of which is shown on Exhibit D, Michael W. Doyle 2007 Apple Canyon Lake Sales Ratio Study, which I personally prepared.

Of the 5 sales determined to have association docks included in their values, it was noted that they were all home sales. There were no lot sales with association docks in 2007. The total assessed valuation level for these 67 sales was 34.27%. The 67 sales included 33 sales of lots and 34 sales of improved properties, or approximately a 50-50 split on the sales.

I determined that the value of the five docks in the 2007 sales ratio study was \$170,000. The inclusion of that amount was erroneously added to the Net Consideration and skewed the sales ratio study for 2007. The correct sales ratio for the five home sales, including the docks, was 34.27%. After removing of the dock values, the correct sales ratio for these five homes is 40.66%, or an increase of 6.39% overall.

### **2007 Quadrennial Re-Assessment**

In 2007, there was a quadrennial re-assessment of all property in Apple River and Thompson Townships, which resulted in an increase in the values of certain properties. Numerous owners filed Assessment Complaints with the BOR, and some received reductions to the 2007 quadrennial assessed value determined by the CCAO. But, simultaneously with the BOR's decision granting relief, the BOR imposed an additional 1.1256 township multiplier which increased the assessed levels of all land and buildings over and above the just completed quadrennial adjustments. Thus, in the same year where the value of the property was determined in the quadrennial assessment, the BOR added a multiplier. The assessed values shown on Exhibit D include both the 2007 reassessed value plus the additional 1.1256 township multiplier. This again increased the inequity of home values overall.

### **2008 Equalizer**

On January 21, 2009 the CCAO published in *THE FLASH* and on the Jo Daviess County website notice that an equalization factor of 1.231 was being applied to all LAND (not improvements), except farmland, in Thompson Township. (Although Apple River Township and Thompson Township have been treated as one assessment district for years, Apple River was excluded from the application of this multiplier.)

The Assessment Complaints of the owners described above challenge that action submit this report in support of the Complainants' contention that the 2008 equalization factor has been calculated erroneously.

The erroneous practice of treating vacant lots and improved lots in the same category was brought to the attention of the CCAO at a meeting I attended in December, 2008.

Apparently in an effort to remedy the inequity of combining vacant lots and improved lots in the same category, the CCAO has directed that this equalizer be applied only to LAND and not to IMPROVEMENTS. In an effort to assuage the complaints of residents of Apple River Township, it is totally excluded from this equalization factor despite the fact it has been combined with Thompson Township for assessment purposes for years. (See, Apple River Township v. Carol A. Soat, No. 2008-CH-47). Neither of these actions cures the assessment problems at Apple Canyon Lake.

Applying the 2008 equalizer to the Complainants' property results in the increases in assessed valuations shown on the separate schedules and documents submitted with the Assessment Complaints files by each of the Complainants described above.

#### **Increases in the assessed valuations:**

In reviewing sales for these three years, it was found that properties that had new homes built, home purchases, or properties that had been to the BOR since 1999, were affected the most. It appears that once a sale was recorded, the assessed valuation would increase on that property, close to the sales price. When township multipliers were being applied, it would increase the property's just determined fair cash value. With the overall nationwide economy in a downturn since 2006, and the local real estate market not seeing any appreciation since approximately June of 2006, these increases create a large difference between the actual market values and the assessed valuations.

Homes that were built during the 1999 and 2007 time period have been unfairly and inequitably increased in value. When building permits were issued, a value would be placed on the cost of construction. This value would be identified on the property assessment card. But that value was then increased with each multiplier, and the increased value used to determine its assessed valuation. With a number of township multipliers since 1999, these homes have inequitably and unfairly increased in value. Some of these properties are overvalued by more than \$100,000 fair cash value.

#### **SUMMARY**

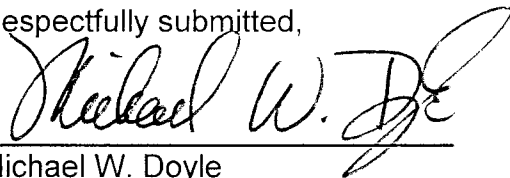
In reviewing the three years of assessed valuations, it was found that the overall effect of association docks included in the sales at Apple Canyon Lake, have had an impact, but that impact does not appear to be the major cause of the inequity. The larger impact is due to the unfair and inequitable practice of failing to correctly value vacant lots at Apple Canyon Lake at 33.33% of their fair cash value, and then combining the under-assessed vacant lots with the over-assessed improved lots and applying the same multipliers to all of the properties in these two townships, whether they are vacant or improved. The Illinois Property tax Code provides:

The officer shall examine the assessments in the county and shall equalize the assessments by increasing or reducing the entire assessment of property in the county or any area therein or of any class of property, so that the assessments will be at 33 1/3% of fair cash value. (35 ILCS 200/9-205)

The CCAO should have assessed the vacant lots with one multiplier, and the improved properties with a separate multiplier. It also appears that in 2007, the improved property sales used in the Sales Ratio study have begun to show the inequity in the application of the township multipliers. Of the 67 sales, 24 of these sales are over the state mandated 33.33% assessment level. This appears to be a result of the unfair and inequitable application of the township wide multiplier. It must be noted that all of the sales above the 33.33% level included 6 lots and 18 improved sales. It shows that the homes are being over assessed in this market, while the lots are getting closer to the 33.33% level.

In closing, it is my opinion that the lots at Apple Canyon Lake are assessed at a much lower value range than improved properties. In addition, the number of sales of lots in relation to the total number of home sales in 2005 and 2006 was approximately 3 to 1. This has exacerbated the problem. In 2007, the number of home sales decreased dramatically. The lot sales also decreased in number, bringing the two categories closer together. It is possible to apply separate multipliers to land, and a different multiplier to improved parcels. This has not been done in these two townships, and this appears to have created a great discrepancy in the assessments.

Respectfully submitted,

A handwritten signature in black ink that reads "Michael W. Doyle". The signature is written in a cursive style with a horizontal line underneath the name.

Michael W. Doyle  
State Certified Residential Appraiser  
Illinois Certificate No. 556.001626

February 20, 2009