

BOARD OF REVIEW'S DECISION ON
UNDERVALUATION COMPLAINT NETS
ADDITIONAL REVENUE FOR OAK PARK

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By a 2-1 vote, the Cook County Board of Review decided on January 16 that the 2003 market value of the Oak Park Hospital medical office building will be set at \$11,049,984. This value is substantially higher than the \$5,883,736 value the board set in 2002. The difference in values came about because for the first time four Oak Park taxing districts, the village, township, and two school districts, intervened in 2003 to file an undervaluation complaint against the medical office building.

In all prior attempts at obtaining tax reductions from the county, the medical office building submitted appraisals indicating that the building was worth \$9,950,000 when fully occupied, and then claimed that the property's value should be reduced to reflect vacancy at the building. The fact that a master lease insulated the property from losses due to vacancy was not mentioned in prior appeals.

The silence regarding the master lease is in marked contrast to the developer's actions in 1999, when it was seeking approval to construct the building. At that time, the developer often touted the master lease as a guarantor of the property's financial viability and as protection against vacancy. Local officials decided to file an undervaluation complaint when they learned that the master lease had not been disclosed to county officials, and that large tax reductions based on vacancy had been granted as a consequence.

Representatives of the office building responded to the filing of the undervaluation complaint with a substantially different strategy compared to prior appeals. They submitted a new appraisal indicating that the building was worth \$10,950,000, an amount \$1,000,000 more than the previous appraisal. And they made no claim for further reductions based on vacancy.

At the hearing on the matter, the taxing districts submitted an appraisal indicating that the building was worth \$14,500,000. Commissioner Robert Shaw, the member of the Board of Review who represents Oak Park, voted to increase the value to \$14,500,000. The other commissioners, however, voted for a value of \$11,049,984.

As a result of the higher assessed value, the medical office building will pay slightly more than \$1,000,000 in property taxes, as opposed to \$528,607 that were paid this year. Had the board adopted a \$14,500,000 valuation, the building's taxes would have been approximately \$1,320,000.

Oak Park Township Assessor Ali ElSaffar was generally pleased with the results of the undervaluation complaint. "When seeking approval to build the property, the developer indicated that the building would generate between \$900,000 and \$1,400,000 in tax revenue. Yet over the last two years, the building paid substantially less in taxes than promised. I am pleased that we will finally be receiving tax revenue within the range promised by building developers."

ElSaffar explained how the result will benefit Oak Park taxpayers. “The higher taxes to be paid by the hospital building mean that every other taxpayer in Oak Park will be paying less. The sums involved are not huge on an individual basis--every Oak Park taxpayer would have paid about three and a half tenths of one percent less this year if the taxpayer paid \$1 million--but at a time of dramatically rising taxes, every little bit of savings helps.”

Although generally pleased with the result of the undervaluation complaint, ElSaffar did express some disappointment in the final value set by the Board of Review. “I believed the evidence justified a higher value than was ultimately set. After the taxpayer adjusted its strategy to accept a significantly higher market value, however, a majority of the board reached a decision very close to the taxpayer’s revised value. We do have a right to appeal the Board of Review’s final valuation decision to the Property Tax Appeal Board, and that is something the taxing districts will consider.”

In addition to receiving a much higher assessment, the taxing districts received another tangible benefit from filing its undervaluation complaint--a copy of the property’s master lease. A physical copy of the master lease proves that a material fact relating to vacancy was not disclosed to county officials in prior years. This proof may help the taxing districts in their efforts to recoup some of the refunds and reductions the medical office building received in prior years.

Release date: January 19, 2004