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

APPELLANT: Woodfield Green 2006 LLC
DOCKET NO.: 09-29256.001-C-3 through 09-29256.002-C-3
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are Woodfield Green 2006 LLC, the appellant, by attorney Patrick C. Doody, of The Law Offices of Patrick C. Doody in Chicago; the Cook County Board of Review by assistant state's attorney Randy Kemmer with the Cook County State's attorneys office in Chicago; as well as the two intervenors, Palatine THSD 211 and Schaumburg CCSD 54, both by attorney Michael J. Hernandez of Franczek Radelet P.C. in Chicago.

Based on the facts and exhibits presented, the Property Tax Appeal Board hereby finds ***a reduction*** in the assessment of the property as established by the **Cook** County Board of Review is warranted. The correct assessed valuation of the property is:

| DOCKET NO | PARCEL NUMBER | LAND | IMPRVMT | TOTAL |
|---|---|---|---|---|
| 09-29256.001-C-3 | 07-12-101-017-0000 | 415,998 | 278,719 | $694,717 |
| 09-29256.002-C-3 | 07-12-101-018-0000 | 393,751 | 261,532 | $655,283 |

Subject only to the State multiplier as applicable.

## Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the Cook County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessment for the 2009 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

The subject property contains two land parcels totaling 381,059 square feet of land, which is improved with two distinct buildings. The buildings are each one-story structures built in 1999 and used as multi-tenant office buildings. The property is located in Schaumburg Township, Cook County. The subject is classified as a class 5A, commercial property under the Cook County Real Property Assessment Classification Ordinance.
The appellant contends overvaluation as the basis of the appeal. In support of this argument, the appellant submitted an appraisal estimating the subject property had a market value of $5,400,000 as of January 1, 2009 undertaken and signed by Terrence McCormick and John Wagner.

At hearing, the appellant called as a witness, Terrence McCormick, who testified that he holds several appraisal designations including: a certified general real estate appraiser's license for 35 years in Illinois, the MAI (Member of the Appraisal Institute) designation, and the AIGRS designation which is accorded by the Appraisal Institute. He also testified that he has undertaken over 200 appraisal assignments of properties similar to the subject. McCormick was offered as an expert in appraisal theory without any objections from the remaining parties and accepted as such by the Board.

McCormick stated that the property rights being appraised were the fee simple estate of the subject. He indicated that the subject contains two, one-story office buildings with a gross building area of 119,383 square feet and a net rentable area of 109,538 square feet within this office complex. The buildings were constructed in 1999 with an effective age of 20 years. He stated that the subject is sited on two irregularly shaped land parcels. McCormick stated that he personally inspected the subject on May 14, 2009 and May 17, 2010, while detailing his inspection. He also provided an explanation of the subject's immediate area. His appraisal developed all three of the traditional approaches to value. The cost approach estimated a market value of $5,450,000; the income approach estimated a value of $5,350,000; while the sales comparison approach estimated a value of $5,450,000. The appraisal reconciled a value of $5,400,000 for the subject.

As to the subject's history, the appraisal indicated that the Cook County Recorder of Deeds office reported that the subject was transferred in September, 2006, for a price of $9,188,000 or $83.88 per square foot of net rentable building area including land. McCormick's appraisal stated that this transaction represented the conveyance of the leased fee estate of the

subject as created by the leases in place at the time of the sale, September of 2006. The appraisal also stated that the leased fee interest takes into consideration, among other things: contract rent, an investor's rate of return, and an investor's assumptions of the reversionary value at the end of the holding period. In addition, the appraisal indicated that the subject's office market has changed negatively since the 2006 sale in terms of lower rental rates, higher vacancy rates, higher capitalization rates, and buyers' expectations and anticipated benefits for the future. Further, the appraisal stated that these occurrences were not anticipated and have had a negative impact on the property's income and value. In conclusion, since the subject's property rights being appraised herein is the fee simple estate; minimal weight was placed on the 2006 transaction by the appraisers.
McCormick stated that the subject's highest and best use as vacant was for commercial development, while the highest and best use as improved was continuation of its existing use.

In the cost approach, McCormick used six land sales to estimate the subject's land value at $3,239,002 or $8.50 per square foot. In undertaking the reproduction cost, he used the Marshall and Swift Valuation Service to indicate a cost new of $14,754,036. Total depreciation from all causes was estimated at 85% resulting in a depreciated value of the improvements at $2,213,105. Adding the land value of $3,240,000 resulted in a value under the cost approach of $5,450,000, rounded.

In the income approach, McCormick testified that he not only reviewed the actual leases at the subject property, but also referred to five rental comparables that ranged in rates from $11.00 to $15.50 per square foot on a gross basis. After analysis, he estimated $14.50 per square foot using the net rentable area or $1,588,301 as the subject's potential gross income. Vacancy and collection loss of 15% was applied resulting in an effective gross income of $1,350,056.

In determining this vacancy rate, McCormick testified that the vacancy rate for the subject's market area in 2008 was 13.4%, which he stated increased the following year to 16.3%. He also stated that the subject's actual vacancy ranged from 7.4% to 10.7% for tax years 2008 and 2009. He indicated that rising market vacancy rates soften or lower the rental rates.

McCormick testified that he referred to the BOMA market study to analyze operating expenses as well as reviewing the subject's actual expenses. Deducting expenses resulted in a net operating income before real estate taxes of $829,751. Using the improved sales comparables, an overall base capitalization rate of 9.5% was estimated, while an estimated effective tax rate of 6.0% was estimated equaling a total capitalization rate of 15.5%. Applying the capitalization rate resulted in a value under the income approach of $5,350,000, rounded.

He also stated that during the time period of this appraisal that office buildings in the northwest suburbs were leased primarily on a gross basis. He indicated that this means that the tenant knows the fixed total of rent they are paying; whereas with a net concept, it's somewhat unknown based upon what the taxes are.

In the sales comparison approach, McCormick used four sales of office buildings within the subject's area as well as one real estate listing. He stated that there was very little market activity as of the lien date of January 1, 2009. He indicated that the real estate market across the country was in the throes of what's now known as the Great Recession. Due to these factors, he stated that market participants were uncertain about what was happening in the market; therefore, there was no activity as well as a scarcity of capital to purchase properties.

The four sales sold from January, 2006, through September, 2009, for prices that ranged from $38.62 to $53.29 per square foot of net rentable area. The buildings range in age from 23 to 36 years and in building net rentable area from 47,473 to 157,000 square feet. Sales #3 and #4 were of multi-tenant office buildings. Sale #1 was an industrial office building containing 42% office area, while sale #2 was a single-tenant office building. After making adjustments for pertinent factors, the appraisal indicated a value under this approach of $50.00 per square foot of net rentable area or $5,480,000, rounded.

McCormick testified at length regarding the similarities and differences between his sale comparables and the subject, while indicating what adjustments were appropriate.

In reconciliation, McCormick testified that he accorded primary consideration to the sales comparison approach with secondary emphasis on the income approach because the subject was a multi-tenant office building. Least emphasis was given the cost approach for two reasons. He stated that less weight was accorded this approach due to the subject's building age. Secondly, he stated that due to the date of value after the real estate recession, market investors were more concerned with existing space than total building costs. The subject's final market value was $5,400,000 as of the January 1, 2009 assessment date.

Under cross-examination, McCormick testified that two of his improved sale comparables sold in 2006, which was the same year of the subject's sale. He also stated that sales are important in determining market value. As to the subject's 2006 sale, he stated that this sale was not as relevant to the January 1, 2009 lien date because market conditions had changed from 2006 to 2009. He reiterated that the subject's 2006 sale was a leased fee sale, while also indicating that those leases were most likely renewed at lower rental rates due to the real estate market's decline by 2009.

On redirect examination, McCormick testified regarding the definitions of leased fee and fee simple property rights. In addition, he stated that the subject's sale would have been a leased fee sale of the subject and that the leases in effect at the 2006 sales date would have been for a time frame of three to five years. Therefore, he believed that they might not be in effect on the January 1, 2009 lien date. Moreover, he confirmed that there was a substantial downward change in real estate office market within the northwest suburbs between the years 2006 and 2009. He indicated that he has undertaken numerous appraisals of property during that time period which reflect this downward trend in values.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of $1,999,996. The subject's assessment reflects a market value of $7,999,984 or $67.90 per square foot when applying the level of assessment for class 5A property under the Cook County Real Property Assessment Classification Ordinance of 25%.

In support of its contention of the correct assessment, the board of review submitted a memorandum, documents relating to the subject's 2006 sale, and unadjusted sales data on five suggested comparable sales. As to the subject's 2006 sale, copies of the special warranty deed and transfer declarations were submitted. In addition, the memorandum stated that the subject contained a total of 117,825 square feet, while submitting a copy of the subject's property record card that was signed and dated in October, 1986.

The unadjusted data related to five properties that sold from April, 2004, through November, 2008, for prices that ranged from $52.08 to $138.15 per square foot.

Moreover, the board of review's memorandum stated that the submitted data was not intended to be an appraisal or an estimate of value and should not be construed as such. This memorandum indicated that the information provided therein had been collected from various sources that were assumed to be factual and reliable; however, it further indicated that the writer hereto had not verified the information or sources and did not warrant its accuracy. As a result of its analysis, the board requested confirmation of the subject's assessment.

At hearing, the board of review rested on its written evidence.

The intervenors submitted into evidence unadjusted sales data on three suggested comparable sales. The printouts indicated that the properties were multi-tenant office buildings that sold from May, 2004, through February, 2006, for prices that ranged from $103.53 to $185.19 per square foot of building area. The buildings ranged in size from 27,000 to 61,538 square feet.

At hearing, the intervenors rested on the written evidence submissions. The intervenors' attorney asserted that the reduction accorded by the board of review for the subject's assessment would reflect the variation in market from 2006 to 2009; therefore, no further reduction is warranted to the subject's assessment.

## **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.
The Board initially finds that the board of review's and intervenors' unadjusted, sale properties are accorded less weight due to the absence of verified data as well as the absence of a witness to expound on the methodologies used to obtain that data. Moreover, the Board finds that the

intervenors failed to present any evidence or testimony to support the assertion that an assessment reduction at the board of review's level appeal was tantamount to a reduction based upon the real estate market change from 2006 to 2009.

Therefore, the Board finds the best evidence of market value as well as improvement size to be the appraisal and supporting expert testimony submitted by the appellant. Specifically, the Board found the appraisal and supporting testimony persuasive in that: the appraisers inspected the subject property twice; the appraisers reviewed the subject's market in 2006 and in 2009 while explaining the market variations during that time period; the appraisers reviewed and explained the nature of the subject's 2006 sale as a leased fee sale as well as the subsequent sharp decline in the real estate market; the appraisers developed all three of the traditional approaches to value using appropriate and supported methodology; sale comparables were used which occurred prior to and after the real estate market decline, while appropriate adjustments were applied thereto; and the appraisers developed a fee simple appraisal of the subject with primary reliance on the sales comparison approach with secondary emphasis on the income approach to value.

The Board finds the subject property had a market value of $5,400,000 as of the assessment date at issue. Since market value has been established the appropriate level of assessment for class 5, commercial property under the Cook County Real Property Assessment Classification Ordinance shall apply. (86 Ill.Admin.Code §1910.50(c)(2).

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.

Chairman

Member

Member

Member

Acting Member

Acting 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: November 20, 2015

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 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 the subsequent year 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.

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.