FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Truck Centers, Inc.
DOCKET NO.: 11-00590.001-C-3
PARCEL NO.: 06-06-16-100-024

The parties of record before the Property Tax Appeal Board are Truck Centers, Inc., the appellant, by attorney Robert W. McQuellon III in Peoria, and the Tazewell County Board of Review.

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 **Tazewell** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND:	$484,380
IMPR.:	$1,721,260
TOTAL:	$2,205,640

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the Tazewell County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessment for the 2011 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 is a trucking facility that consists of two separate buildings. The two buildings contain a total of

103,341 square feet of building area and were constructed in 1999. The buildings are constructed of concrete with steel frames with a ceiling height of approximately 9 feet for the office area and approximately 24 feet in the industrial area. The buildings have a concrete slab foundation and a sprinkler system. Building A is a part one-story and part two-story structure consisting of 58,808 square feet of building area. Building A has 44,684 square feet of ground floor area and 14,124 square feet of second floor area. Building A has 37,336 square feet of office and retail area which has natural gas forced air furnaces and central air conditioning. Building A also has 21,472 square feet of industrial area which has suspended radiant gas heaters, an elevator and a truck service area having 14 drive-in service bays.

Building B is a part one-story and part two-story structure consisting of 44,533 square feet of building area. Building B has 41,053 square feet of ground floor area and 3,480 square feet of second floor area. Building B has 6,960 square feet of office area and 22 drive-in service bays. The property has 533,000 square feet of paved reinforced concrete and 23,500 square feet of asphalt paving. The property's site is approximately 15.76 acres or 686,506 square feet resulting in a land to building ratio of 6.64:1. The property is located at 300 East Ashland Street, Morton, Morton Township, Tazewell County.

The appellant appeared before the Property Tax Appeal Board by counsel contending overvaluation as the basis of the appeal. The first witness called by the appellant was Paul K. Knight. Knight is a Certified General Appraiser licensed in Illinois. Knight testified that he has provided appraisals for other truck centers located in Mt. Vernon and Troy, Illinois.

Knight testified that he prepared an appraisal of the subject property. The purpose of the appraisal was to estimate the market value of the subject property as of January 1, 2011. Knight provided direct testimony regarding the appraisal methodology and final value conclusion. Knight testified in estimating the market value of the subject property the cost approach, income capitalization approach and the sales comparison approach were developed. Knight testified that this led to a reconciled value of $4,900,000 as of January 1, 2011.

Under the sales comparison approach to value four comparable sales were used. Knight testified that the information in regards to square footage for each comparable was provided through a reporting service or public record. The comparables were located in Morton. These properties were improved with industrial buildings that ranged in size from 41,480 to 227,563 square feet of building area and were constructed from 1996 to 2006. Each comparable has office space ranging in size from approximately 6,420 to 20,000 square feet of building area. The comparables had sites that ranged in size from 4.48 to 23.17 acres of land area. The comparables sold from November 2008 to February 2011 for prices ranging from $1,800,000 to $4,597,000 or from $15.81 to $48.38 per square foot of building area, including land. The appraiser compared the comparables to the subject property and made adjustments for such items as property rights, financing, sale conditions, expenditures after sale, marketing conditions, location, physical condition, age, coverage ratio, office ratio, size, economic, use and non-realty. The appraiser estimated the subject property had an indicated value under the sales comparison approach of $4,860,000 rounded or $47.03 per square foot of building area, including land.

Knight testified about an error in the sales comparison approach for comparable sale #2. Knight testified that he reported the sale price at $4,597,000 and it has come to his attention that the sale price was incorrectly reported by the service he uses. Knight stated that the sale price was actually higher than what was reported. When questioned about the board of review's appraisal reporting that this property sold for $8.662 million based on an assumed mortgage, Knight testified that he believes that was the correct amount after seeing the sales declaration sheet.

Knight then testified about his comparable sale #2 being a leased fee sale. He explained that this comparable has a national tenant, Federal Express, and the lease fee value may be higher than fee simple market value based on the strength of the cash flow. Knight stated that when he looked at the sale price he reported and it was in line with the other fee simple sales, he was satisfied that there was no difference between the lease fee and fee simple. Knight testified that having the correct information he now believes that there is a significant difference between a leased fee on the FedEx facility and the fee simple reported elsewhere. Knight then stated if he would have used the correct information in order to use this property as a comparable and he would have made an adjustment to reflect the difference in the property rights.

Knight testified that comparable sale #1 was a 2009 sale of a much smaller building and there were other factors such as office ratio, age and coverage ratio that were considered. Comparable sale #3 has similar information related to age, office ratio and coverage ratio but this property sold again in 2011 after the valuation date for a considerably higher price. Knight testified that the original sale should be adjusted upwards by 25 percent based on the later sale. Knight stated comparable sale #4 is a much smaller property.

Knight testified if he would have made the correct adjustment for sale #2, he would have ended up with a much more significant amount of adjustment in sale #2. He then testified that he would have considered sale #2 and #3 the weakest sales. Knight testified that with the other two sales at $43.30 and $46.64 per square foot of building area, he would have come in with a little bit lower number than he reported.

The next approach developed was the income capitalization approach. Knight determined the highest and best use of the property as improved was continued usage as an industrial improvement. In estimating the market rent, recent leases of industrial properties in the subject's general market area were considered. The comparables were located in Morton and Peoria. Comparable #1 containing 104,000 square feet of building area was leased on December 28, 2009 for $1,170,000, which represents a 5-year lease with an average rent of $2.25 per square foot per year, net terms. Comparable #2 containing 81,000 square feet of building area is under lease at the time of valuation for $3.85 per square foot, net terms. Comparable #3 containing 53,000 square feet of building area was leased in January 2012 for $3.50 per square foot. The lease was 5-years, with net terms. Comparable #4 containing 25,348 square feet of building area was leased in April 2012 for $4.04 per square foot per year, with net terms. The lease was for 3 years. After adjustments for age/condition and expenditures after lease, Knight estimated the subject's market rent to be $4.85 per square foot on a net basis resulting in a potential gross income of $501,204 per year with net terms.

The appraisal report stated that at the time of valuation, CoStar Realty Information, Inc. was consulted and based on its study; the market vacancy in Morton at the time of valuation was estimated at 7% of potential gross income. The subject property's vacancy and collection was estimated at 7.0% of potential gross income or $35,084 and when deducted resulted in an effective gross income of $466,120.

The appraiser then deducted expenses for a management fee and reserves for replacement totaling $32,628 to arrive at an estimated net operating income of $433,492.

The next step in the income approach was to estimate the capitalization rate. The band of investment method and published sources were used to estimate an overall capitalization rate of 9.0%. Capitalizing the net income of $433,492 resulted in an estimated value under the income capitalization approach of $4,820,000, rounded, or $46.64 per square foot of building area, including land.

Under the cost approach to value the appraiser first estimated the land value using four sales located in Morton. The comparables ranged in size from 3.46 to 12.93 acres of land area. The land comparable sales sold from January 1996 to February 2012 for prices ranging from $293,049 to $935,000 or from $54,270 to $84,696 per acre of land area. Based on this data the appraiser estimated the subject had a site value of $70,000 per acre of land area or $1,100,000, rounded.

The Marshall Valuation Cost Service was used to estimate the replacement cost new of the building improvements to be $6,970,438 or $67.45 per square foot of building area. To this amount $2,520,000 was added for the parking lot. Also, $759,235 was added for incentive that is based on level of development required for large-scale industrial use to arrive at a total replacement cost new of $10,249,673.

Physical depreciation was calculated to be $1,656,176 using the age-life method with the industrial improvements having an effective age of 11 years and an economic life of 50 years. Physical depreciation was calculated to be $748,440 using the age-life method with the parking lots having an effective age of 11 years and an economic life of 40 years. In estimating the functional obsolescence, the appraiser indicated in the report that the 12-year history of the subject property preceding the date of valuation indicates that the actual occupancy expenses have exceeded the anticipated benchmark of 5% for the last 11 years. If the benchmark is applied to the average sales (0.05 x $27,219,481), the anticipated occupancy expense for optimal enterprise operation is estimated as $1,360,974. The difference between average actual occupancy expenses and anticipated expenses ($1,601,639-$1,360,974) is $240,665 per year. The difference is anticipated each year, so the loss in value may be estimated through capitalization of the income loss at the rate provided in the income approach (9.00%). The functional obsolescence was calculated as: $240,665/0.09=$2,674,056.

In estimating external obsolescence, the appraiser indicated in the report that estimated market rent for industrial properties in Morton as $4.85 per square foot per year. Based on market consideration for terms and anticipated expenses, the net operating income was estimated as $433,492. The cost approach will indicate that the remaining value subsequent to consideration of physical depreciation and functional obsolescence is $6,274,201, which is $60.71 per square foot. Based on the 9.0% capitalization rate estimated within the income approach, the income anticipated from the value and rate estimates may be calculated: Net Operating Income(NOI)=($60.71/s.f.)x(0.09)=$5.46 per square foot per year. The income approach has provided the estimate of market rent at valuation of $4.85 per square foot per year. The analysis of the operating information indicates that the anticipated net operating income is $433,492 per year. Based on the subject's size of 103,341 square feet of building area, the market-based NOI is $4.19 per square foot. The comparison of market based income to cost-based income expectations is $4.19 per square foot/$5.45 per square foot=0.0767. This relationship indicates that the subject property provides only 76.7% of the income required to support the cost, which estimates the external obsolescence of 23% or $1,189,330 of remaining improvements, based on the location in Morton, Illinois under current market conditions. The appellant's appraiser estimated a market value of $5,080,000 from the cost approach.

Knight testified that he placed a lot of emphasis on the sales comparison approach because he thinks it is probably the best way to do a special purpose building. With the cost approach you have weakness of potential obsolescence due to the specialized features within the property. The income approach you have some weakness trying to determine a true comparable rent.

Knight testified in regards to the error on the FedEx comparable, that his overall value would have been affected but if its significant would be in the eye of the beholder.

Under cross-examination, Knight testified that he did not do an interior inspection of the comparables and his adjustments were based on his exterior observation, property record cards or sale reports. Knight testified that the comparables were smaller than the subject but in a market the size of Morton it is difficult to find many properties the size of the subject. Knight testified that he did not measure the subject property but, based on his recollection the square footage came from a set of blueprints that were available. Knight agreed that comparable sale #2 is the closest in building size and construction quality to the subject but it is less visible and has less frontage. Knight testified that the FedEx property does not need the same visibility as the Truck Center.

Under re-direct, Knight testified that he did not have direct knowledge of the lease terms for the FedEx property. Knight then testified that he believes he could have made an adjustment for property rights if he would have had the net income information. Knight stated that he would have tried to use the comparable based on closeness of the property in size, age and location.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of $3,466,420. The subject's assessment reflects a market value of $10,529,830 or $101.89 per square foot of building area, land included, when using the 2011 three year average median level of assessment for Tazewell County of 32.92% as determined by the Illinois Department of Revenue.

Representing the board of review was Co-Chairman Donald Edie and board member Mary Marshall. Also present for the hearing was Vivian Hagaman, Morton Township Assessor.

In support of its contention of the correct assessment the board of review submitted an appraisal prepared by Gale C. Jenkins and Michael S. MaRous of MaRous & Company estimating the subject property had a market value of $6,700,000 as of January 1, 2011. The board of review called as its witness Michael S. MaRous.

MaRous is a State of Illinois Certified General Real Estate Appraiser and has the MAI designation from the Appraisal Institute. MaRous stated he has appraised over 11,000 properties, over 15 billion dollars of properties throughout the United States and in Illinois he has appraised over 2,000 properties. MaRous testified that he has been involved in the appraisal of truck facilities and truck terminal facilities in his career. MaRous stated he conducted a 2011 appraisal of the subject property.

MaRous testified that the subject property is a 103,000 square feet, very good quality and condition, two building industrial facility with an office built in 1999. The property is situated on a site of about 686,000 feet. The site has over a thousand feet of frontage on Interstate 74. The daily traffic count per IDOT is over 50,000 vehicles per day. The importance of the exposure from the interstate basically is free signage. MaRous asserted the property is very functional with a significant number of truck docks. The appraiser also noted there is a high percentage of office space. MaRous testified another important factor is the property has an efficient site because of its rectangular shape, the way its laid out and the significant amount of concrete paving for heavy uses. MaRous stated the highest and best use is as improved. MaRous testified that generally the sales comparison approach is given the most credibility. The income approach is good if you have a shopping center, a leased facility or an office building. MaRous testified that he did not provide an income approach for this report because the property is owner occupied and it becomes very speculative because you have to estimate market rent.

Under the cost approach to value the MaRous first estimated the land value using three sales and one listing located in Morton. The comparables ranged in size from 3.25 to 12.00 acres or from 141,570 to 522,476 square feetof land area. Land comparable sales #1 through #3 sold from January 2008 to February 2012 for prices ranging from $375,000 to $935,000 or from $1.26 to $2.65 per acre of land area. The one listing had a price of $1,450,000 or $3.03 per acre of land area. Based on this data the appraiser estimated the subject had a site value of $2.00 per square feet of land area or $1,375,000 rounded.

The Marshall Valuation Service was used to estimate the replacement cost new of the building improvements to be $8,7885,000, rounded, or $85.00 per square foot of building area. MaRous testified that he did not include an entrepreneurial profit because the subject property is owner occupied.

Physical depreciation was calculated to be $1,932,700 using the age-life method with the subject having an effective age of 12 years and an economic life of 55 years. The appraiser determined the subject had functional obsolescence due to more finished office space than the typical market participant would require. A 5% deduction or $342,615 was attributed to functional obsolescence. In estimating external obsolescence, the appraisers indicated in the report that the subject's location was a source of external obsolescence and was estimated at 20% or $1,301,937.

MaRous estimated the site improvements of reinforced concrete paving and asphalt paving with related improvements such as access driveways, site lighting, signage and minor landscaping had a depreciated value of $700,000. Subtracting the accrued depreciation from the replacement cost new and adding the site improvements and land value resulted in an estimated value under the cost approach of $7,300,000 or $70.64 per square foot of building area, including land, rounded.

The final approach developed was the sales comparison approach to value. Four comparable sales were used in this approach. Three of the comparables were shared with the appellant's appraisal. The comparables were located in Morton and Rockford. MaRous testified that the square footages of the comparables were either obtained from CoStar Comps or property record cards from the assessor which are generally more accurate. These properties were improved with industrial buildings that ranged in size from 44,159 to 95,385 square feet of building area and were constructed from 1997 to 2006. The comparables had sites that ranged in size from 4.48 to 43.66 acres of land area. The comparables sold from July 2008 to February 2011 for prices ranging from $1,800,000 to $8,662,000 or from $15.81 to $48.38 per square foot of building area, including land. The appraiser compared the comparables to the subject property and made adjustments for such items as property rights, financing, sale conditions, expenditures after sale, marketing conditions, location, physical condition, age, coverage ratio, office ratio, size, economic, use and non-realty. MaRous estimated the subject property had an indicated value under the sales comparison approach of $6,700,000 rounded or $64.83 per square foot of building area, including land.

MaRous testified that comparable #1 was the FedEx sale. It is very similar in size to the subject. It has less land and a lower land to building ratio and it sold for $90.00 per square foot. This property is a little newer facility and has many similarities to the subject. MaRous indicated his property has a "buried location" but is convenient to the interstate. MaRous also stated that he was aware there was a net lease in the $6.00 to $6.50 per square foot range, so he made a downward adjustment for property rights of about 15 to 20 percent. The unit price was 35 percent above the overall value which was $64.00 per square foot he believed. MaRous reiterated that this property was a very good comparable even though it had to be adjusted for property rights.

MaRous testified that sale #2 was in Rockford, Illinois and it was a similar age distribution facility. It was about five miles off the interstate in a similar market and sold for approximately $80.00 per square foot of building area. MaRous stated he did not have the Real Estate Transfer Declaration for this property. MaRous then stated that this property was given the least consideration because it is in a different market but was provided as an ancillary support facility.

MaRous testified that comparable #3 is located in a far inferior industrial park with a typical metal building of average quality.
This property is a little newer, similar land to building ratio and virtually no interstate exposure. The comparable sold for $44.00 per square foot of building area.

MaRous then testified about comparable #4 which is located in the same park as the subject, but not on the interstate. The comparable is smaller in size but has a similar age and sold for $37.58 per square foot of building area.

MaRous testified that the adjusted range for the comparables was from $63.00 to $67.00 per square foot of building area or from $6,500,000 to $6,900,000 and concluded a value near the midpoint of $6,700,000.

MaRous then testified in the reconciliation, he took in consideration the cost approach as a check at $7,300,000 and the sales comparison approach at $6,700,000 and concluded an overall at $6,700,000.

Under cross-examination, MaRous testified that he considered the income approach to value but did not present it. MaRous responded that there are industrial properties in Morton that are leased but he did not include them. MaRous testified that based on an interview with Wanda Finlay of the Winnebago County Assessor's office, comparable #2 had not been advertised for sale but that is not an unusual situation. MaRous agreed that comparable sale #2 was a bulk sale but based on a further investigation that the sale was arm's length and the price was market value. MaRous testified that the FedEx facility was a leased fee sale and with his analysis it appears that the rent was market rent based on publicly disclosed information.

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 evidence in the record supports a reduction in the subject's assessment.

The Board gave the appraisal submitted by the appellant no weight. The value conclusion was based on the sales comparison approach with the greatest weight place on comparables #1, #2 and #4. Knight testified that he used an incorrect sale price of $4,597,000 instead of the correct sale price of $8,662,000 for comparable #2. Knight stated that if he would have used the correct sale price it would have changed the final value conclusion. The Board finds Knight's testimony and appraisal not credible in light of the use of the incorrect sale price for comparable sale #2.

The Board finds the best evidence of market value to be the appraisal submitted by the board of review prepared by Michael S. MaRous. The Board finds the board of review's appraiser provided competent testimony regarding the selection of the comparables, the adjustment process and final value conclusion. The Board finds the analysis and testimony provided by MaRous to be more credible that that provided by Knight. The subject's assessment reflects a market value of $10,529,830, which is above the best evidence of market value in the record. The Board finds the subject property had a market value of $6,700,000 as of the assessment date at issue, as estimated by MaRous. Since market value has been established the 2011 three year average median level of assessments for Tazewell County of 32.92% as determined by the Illinois Department of Revenue shall apply. (86 Ill.Admin.Code §1910.50(c)(1)).

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

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: September 18, 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.