



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

APPELLANT: First Midwest Bank
DOCKET NO.: 12-01958.001-C-1 through 12-01958.002-C-1
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are First Midwest Bank, the appellant, by attorney John P. Fitzgerald of Fitzgerald Law Group, P.C. in Chicago; and the Lake 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 Lake County Board of Review is warranted. The correct assessed valuation of the property is:

| DOCKET NO | PARCEL NUMBER | LAND | IMPRVMT | TOTAL |
|------------------|----------------------|-------------|----------------|--------------|
| 12-01958.001-C-1 | 11-19-322-011 | 68,802 | 40,221 | \$109,023 |
| 12-01958.002-C-1 | 11-19-322-021 | 124,287 | 0 | \$124,287 |

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the Lake County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessment for the 2012 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 improved with a single-story bank/office building of brick exterior construction containing 3,920 square feet of building area. The building was constructed in 1968. Features of the building include a finished basement, restrooms on each floor, rooftop HVAC units and one elevator. Site improvements include onsite parking with approximately 50

parking spaces and a small drive-through building with four drive-through lanes. The property has a 37,500 square foot site, resulting in a land to building ratio of 9.57:1, and is located in Mundelein, Libertyville Township, Lake County.

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 \$700,000 as of January 1, 2012. The appraisal was prepared by Thomas W. Grogan, certified general real estate appraiser, and John T. Setina, III, certified general real estate appraiser, of Sterling Valuation. In estimating the market value of the subject property the appraiser developed the three traditional approaches to value.

The purpose of the appraisal was to estimate the market value of the subject property as of January 1, 2012. The property rights appraised were the fee simple estate. The appraisers determined the highest and best use of the property to be its present use.

The first step under the cost approach was to estimate the land value using four comparable sales and one listing of sites ranging in size from 19,135 to 263,995 square feet of land area that were located in Vernon Hills, Libertyville, and Mundelein. The comparables sold from August 2009 to September 2012 for prices ranging from \$350,000 to \$3,956,971 or from \$14.92 to \$20.10 per square foot of land area. The appraisers estimated the subject site had a market value of \$15.50 per square foot of land area or \$580,000, rounded.

The appraisers estimated the replacement cost new of the improvements using the Marshall & Swift Valuation Guide. The appraisers classified the subject building as a Class C Average Bank Building with a base cost of \$150.11 per square foot of building area, including sprinklers.¹ The appraisers estimated the cost new of the basement at \$55.73 per square foot, inclusive of sprinklers. The appraisers also added 5% for indirect costs and 5% for entrepreneurial profit to arrive at a total replacement cost new of \$1,024,409. Using the age-life method, estimating the subject building had an effective age of 40 years and an expected life of 50 years, the appraisers estimated the subject building suffered from 80% incurable physical depreciation. The appraisers were of the opinion the subject property suffered from no functional obsolescence and made no deduction for external obsolescence. Total depreciation

¹ At page 31 of the appraisal the building was described as not being protected by overhead wet sprinkler system.

was estimated to be \$819,527, which was deducted from total replacement cost new to arrive at a depreciated improvement value of \$204,882. The appraisers then added \$40,000 for the depreciated value of the site improvements and the land value to arrive at an estimated value under the cost approach of \$820,000, rounded.

The next approach to value developed by the appraisers was the sales comparison approach using four sales and one listing located in North Aurora, Vernon Hills, Buffalo Grove and Waukegan. The comparables were improved with two, one-story buildings and three, two-story buildings that ranged in size from 4,650 to 25,500 square feet of building area. Comparables #1 through #4 were reported to have been built from 1974 to 2001. The comparables were used as bank buildings or a combination bank building and office building. The sales occurred from March 2009 to December 2011 for prices ranging from \$700,000 to \$2,500,000 or from \$122.59 to \$210.21 per square foot of building area. The listing had an asking price of \$1,500,000 or \$58.82 per square foot of building area. Using these sales the appraisers estimated the subject had an above grade value of \$150.00 per square foot of building area and a below grade value of \$25.00 per square foot of building area resulting in a total estimated value under the sales comparison approach of \$690,000, rounded.

The final approach to value developed by the appraisers was the income approach using seven comparable rentals that ranged in size from 6,464 to 20,985 square feet of building area with rental sizes ranging from 459 to 16,246 square feet. The comparables were located in St. Charles, East Dundee, Lake in the Hills, Waukegan, Fox Lake, Geneva and Gurnee. The appraisers indicated that six of the comparables were constructed from 1960 to 2004. One comparable had a net rent of \$14.00 per square foot, two comparables had net asking rents ranging from \$14.00 to \$28.00 per square foot, and four comparables had gross asking rents ranging from \$9.00 to \$20.00 per square foot. The appraisers indicated in the report that the comparables had an adjusted net range estimated between \$19.00 and \$21.00 per square foot of above grade building area on a net basis. The appraisers estimated the market rent for the above grade space to be \$21.00 per square foot on a net lease basis resulting in a potential gross income (PGI) of \$78,400.

The appraisers referenced CB Richard Ellis 1st Quarter 2012 vacancy rates for North Suburban class A, class B and class C

office buildings as ranging from 15.6% to 25.7%. They indicated that typically single-tenant properties would not have significant vacancy losses and estimated the subject property would have a 10% vacancy and collection loss or \$7,840, which was deducted from the PGI to arrive at an effective gross income (EGI) of \$70,560.

Since the market rent was estimated on a net basis, the appraisers explained the landlord would be responsible for management fees, replacement reserves and insurance. They estimated the operating expenses totaled \$4,077, which was deducted from the EGI to arrive at a net operating income (NOI) of \$66,483.

In estimating the capitalization rate to be applied to the NOI the appraisers researched national surveys including Korpacz and RealtyRates.com and determined an appropriate capitalization rate for the subject would be 9.50%. Using the band of investment technique the appraisers arrived at a total capitalization rate of 8.93%. Considering both methods the appraisers concluded that a total capitalization rate of 9.50% was appropriate. Capitalizing the subject's NOI resulted in an estimated value under the income approach of \$700,000.

In reconciling the three approaches to value the appraisers gave least weight to the cost approach, significant consideration to the sales comparison approach and secondary consideration to the income approach. The appraisers estimated the subject property had a market value of \$700,000 or \$178.57 per square foot of building area, including land, as of January 1, 2012.

Based on this evidence the appellant requested the subject's total assessment be reduced to \$233,310 to reflect the appraised value.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$283,305. The subject's assessment reflects a market value of \$865,847 or \$220.88 per square foot of building area, land included, when using the 2012 three year average median level of assessment for Lake County of 32.72% as determined by the Illinois Department of Revenue.

The board of review submitted a narrative statement from Martin P. Paulson, the Lake County Chief County Assessment Officer and Clerk of the Board of Review. In rebuttal Paulson asserted that none of the comparable sales in the appellant's appraisal was

similar to the subject property. He stated that: comparable #1 was 1.6 times larger than the subject building; comparable #2 is over four times larger than the subject with the bank space being part of a multi-tenant office building; comparable #4 was an older sale of a closed bank purchased by McHenry County; and comparable #5 is a listing of an older bank building over five times greater in size than the subject building.

In support of the subject's assessment the board of review presented information on five comparable sales located in Antioch, McHenry, Waukegan, Glen Ellyn and Wheaton. The comparables were improved with one-story bank buildings or former bank buildings that ranged in size from 2,498 to 3,902 square feet of building area. The buildings were constructed from 1976 to 2004. The comparables had sites ranging in size from 30,505 to 61,529 and land to building ratios ranging from 7.82:1 to 24.63:1. Each of the buildings was of brick construction and three had no basements. The sales occurred from October 2010 to July 2013 for prices ranging from \$508,000 to \$1,270,000 or from \$203.36 to \$325.47 per square foot of building area, including land. Based on these sales, the board of review requested confirmation of 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 finds the best evidence of market value to be the appraisal submitted by the appellant. The appraisers developed the three traditional approaches to value in arriving at an estimated market value for the subject property of \$700,000 as of January 1, 2012. Although the board of review questioned the validity of the appraisal based on the argument that the comparable sales within the report were not similar to the subject property, it presented no evidence to challenge or refute the cost approach to value or the income approach to value developed by the appraisers.

The board of review submitted information on five comparable sales. The Board finds, however, that comparable sales #1, #2 and #3 were improved with buildings significantly newer than the subject building and two sold in July 2013, significantly after the assessment date at issue. Based on these factors little weight was given these sales.

The Board finds board of review comparable sales #4 and #5 were also improved with buildings that were newer than the subject building but were more similar to the subject in age. These comparables also had sites that were larger than the subject's site with land to building ratios of 15.69:1 and 17.30:1 compared to the subject's land to building ratio of 9.57:1. These comparables sold in June 2011 and October 2010 for prices of \$940,000 and \$875,000 or for \$268.65 and \$273.61 per square foot of building area, including land, respectively. Considering the fact that these two sales are improved with buildings that are superior to the subject building in age and had larger sites, the Board finds these sales are supportive of the appraised value developed by the appellant's appraisers.

In conclusion, the Board finds of the evidence submitted by both parties the appellant's appraisal is superior and more credible than the evidence provided by the board of review. Based on this evidence the Board finds a reduction in the subject's assessment commensurate with the appellant's request is justified.

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.

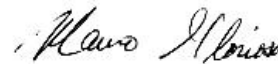
Chairman



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: June 26, 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.