FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Park Federal Savings Bank
DOCKET NO.: 13-02845.001-C-2
PARCEL NO.: 09-03-300-022

The parties of record before the Property Tax Appeal Board are Park Federal Savings Bank, the appellant, by attorney Paul J. Reilly in Chicago; and the DuPage County Board of Review.

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

LAND:	$261,840
IMPR.:	$246,290
TOTAL:	$508,130

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the DuPage County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessment for the 2013 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 two-story masonry constructed branch bank building with approximately 9,600 square feet of building area. The building was constructed in 1977 with a renovation in 1996. The building has masonry exterior walls with face brick over concrete block back-up. The subject building has a full, partially finished basement and is cooled by central forced air systems distributed via ducts and diffusers. The main lobby area encompasses the majority of the building with a teller counter and rear drive-through teller window. Additionally, there are two perimeter offices, a bank vault, a safe deposit vault and two restrooms on the first floor. The second floor has general and private offices. The basement has general offices, two restrooms, utility space and storage space. Site improvements include paved concrete and asphalt for use as parking and drive-through with a 4,800 square foot overhead canopy. The property has a 58,200 square foot site, resulting in a land to building ratio of 6.06:1 and is located in Westmont, Downers Grove Township, DuPage County.

The appellant contends overvaluation as the basis of the appeal. In support of this argument the appellant submitted a narrative appraisal estimating the subject property had a market value of $1,525,000 as of January 1, 2013. The appraisal was prepared by Reed L. Carnahan, a state certified general real estate appraiser, and Joseph M. Ryan, a state certified general real estate appraiser, of LaSalle Appraisal Group, Inc.

The purpose of the appraisal was to estimate the retrospective market value of the fee simple estate of the property as of January 1, 2013 for ad valorem taxation. The property rights appraised was the fee simple estate subject to the limitations of eminent domain, escheat, police power and taxation. The effective date of the report was January 1, 2013. The appraisers reported that the interior and exterior of the subject property was inspected on October 15, 2013.

With respect to the subject site the appraisers conclude that access to the property and visibility are considered good. The site has access to all utilities and is slightly above grade of the surrounding streets. The appraisers considered the overall utility of the site as good for commercial uses.

The appraisers determined the subject branch bank building is in average condition given its age and utility. They asserted that there were two major items of functional obsolescence in the subject property, the basement level and its size. The appraisers indicated that the typical branch bank is now 3,000 to 5,000 square feet of building area.

With respect to the highest and best use of the site as vacant, the appraisers determined the maximally productive use of the site is with the development of a commercial building. The highest and best use of the property as improved was determined to be for continued use as a branch bank building.

In estimating the market value of the subject property the appraisers developed the sales comparison approach to value and the income approach to value.

The appraisers developed the sales comparison approach to value using four comparable sales and two listings. The comparable sales were located in the Illinois communities of Wheaton, Joliet, Plainfield, St. Charles, Naperville and Roselle. Each comparable was improved with either a one-story of two-story branch bank facility that ranged in size from 3,000 to 9,600 square feet of gross building area. The buildings were constructed from 1989 to 2006. Their sites ranged in size from 20,983 to 73,616 square feet of land area. These properties had land to building ratios ranging from 4.95:1 to 24.54:1. Comparables #1 through #4 sold from October 2010 to February 2013 for prices ranging from $350,000 to $875,000 or from $116.67 to $151.07 per square foot of building area, including land. The two listings had prices of $999,000 and $1,750,000 or $236.90 and $182.29 per square foot of building area, including land, respectively.

The appraisers made adjustments to the comparable sales for location, size, age and land to building ratio. Overall upward adjustments were require for comparable sales #1, #2 and #3. Overall downward adjustments were required for comparable sale #4, listing #1 and listing #2. The appraisers estimated adjusted unit sales prices ranging from $110.00 and $200.00 per square foot of building area. The appraisers estimated the subject property had an estimated value under the sales comparison approach to value of $160.00 per squarer foot of building area, including land, or $1,536,000, rounded.

The first step under the income approach to value was to estimate the market rent of the subject property using four rental comparables located in Naperville, Hinsdale and Westmont that were improved with a two-story, three-story or four-story multi-tenant office building area ranging in size from 46,500 to 114,016 square feet of building area. These properties had available rental space ranging in size from 5,765 to 6,000 square feet of building area for rents ranging from $16.00 to $22.00 per square foot on a modified gross or a net basis. The appraisers indicated that for each comparable the estimated landlord expenses was $1.50 per square foot resulting in net rental rates ranging from $14.50 to $20.50 per square foot.

In the narrative describing the adjustment process for the rental comparables, the appraisers described rental comparable #1 as being a one-story multi-tenant office building with 30,000 square feet of building area of which 5,880 was available for $16.00 per square foot. This building description differs from the description of the building contained on page 69 of the report. Additionally, the Comparable Rental Adjustment Grid table on page 76 of the report also appears to have misstated the net rentals of the comparables as ranging from $15.50 to $24.00 per square foot. Nevertheless, the appraisers indicated that after making adjustments to the comparables for lease date (available), location, land to building ratio, size and quality the adjusted net rental range was estimated to be between $14.00 and $19.00 per square foot of building area. The appraisers further stated that after considering the subject's free standing construction, higher land to building ratio and bank build-out with drive-through facilities they concluded the subject's market rent for the above grade rentable area was $20.00 per square foot resulting in a potential gross income of $192,000. The calculation of potential gross income on page 76 of the report was in error due to using an incorrect building size.

In estimating the vacancy rate to be applied to the subject property the appraisers cited data from CBRE 4th Quarter 2012 Survey indicating the overall Suburban Office Market vacancy rate was 21.8% and the East-West Tollway Office Market had a vacancy rate of 19.6%. Using this information the appraisers estimated the subject's stabilized vacancy and collection loss was 20% of potential gross income or $38,400. Deducting the vacancy and collection loss from the potential gross income resulted in an effective gross income of $153,600.

The appraisers estimated the non-reimbursable operating expenses to be 5.00 percent of effective gross income or $7,680. Deducting expenses from the effective gross income resulted in a net operating income of $145,920.

The final step under the income approach to value was to estimate the capitalization rate to be applied to the subject's net operating income. The appraisers referenced a published survey from Realty Rates Investor Survey, 1st Quarter 2013 that reported overall capitalization rates for suburban office with a low of 5.26%, a high of 12.35% and an average of 9.46%. Using this information the appraisers were of the opinion that the capitalization rate for the subject property should be near the middle of the range at 9.50%. The appraisers also estimated a capitalization rate of 9.01% using the band of investment technique. The appraisers also developed a tax load of .44%, which is the real estate taxes that the landlord is responsible for while the property is vacant. The appraisers concluded that the tax adjusted overall capitalization rate for the subject property was 9.94%. Capitalizing the subject's net income of $145,920 by a 9.94% capitalization rate resulted in an estimated market value using the income approach of $1,470,000, rounded.

In reconciling the two approaches to value the appraisers gave primary consideration to the sales comparison approach to value and secondary consideration to the income approach to value. The appraisers arrived at an estimated market value for the subject property of $1,525,000 as of January 1, 2013.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of $666,500. The subject's assessment reflects a market value of $2,000,300 or $208.36 per square foot of building area, land included, when using the 2013 three year average median level of assessment for DuPage County of 33.32% as determined by the Illinois Department of Revenue.

In support of the assessment of the subject property the board of review submitted evidence provided by the township assessor that included information on four comparable sales. The comparable sales were located in the Illinois communities of Glen Ellyn, Lombard, North Aurora and South Aurora. The comparable sales were improved with three one-story and one two-story branch bank facilities that ranged in size from 3,499 to 6,246 square feet of building area. The buildings were constructed from 1976 to 2004. The comparable sales had sites ranging in size from 38,125 to 65,601 square feet of land area with land to building ratios ranging from 6.72:1 to 15.74:1. The assessor indicated that these properties had traffic counts ranging from 13,900 to 35,500 per day while the traffic count by the subject property is 31,900 per day. Comparable sales #1, #3 and #4 sold from April 2011 to December 2011 for prices ranging from $940,000 to $3,050,000 or from $210.21 to $524.51 per square foot of building area, including land. With respect to sale #2, the board of review evidence included a copy of a document from CoStar Comps disclosing this property sold in May 2011 for a price of $2,300,000 or $405.29 per square foot of building area, including land. CoStar Comps reported the transaction to be an REO (real estate owned) sale. The CoStar Comps document indicated the property was on the market for 210 days. The board of review submission also included a copy of the PTAX-203 Illinois Real Estate Transfer Declaration associated with comparable sale #2 with a total consideration of $4,500,000, which would result in a unit price of $792.95 per square foot of building area, including land. The seller was identified on the transfer declaration as "FDIC as Receiver for Amcore Bank N.A." The transfer declaration also indicated the property had been advertised for sale; however, a copy of the PTAX-A Illinois Real Estate Transfer Declaration Supplemental Form A indicates "00 Months" as the total number of months the property was for sale on the market.

With respect to board of review sale #1 the CoStar Comps document indicates the property was on the market for 71 days; however, the PTAX-203 Illinois Real Estate Transfer Declaration associated with comparable sale #1 indicates the property was not advertised for sale. The PTAX-203 Illinois Real Estate Transfer Declaration associated with comparable sale #3 indicates this property was not advertised for sale. Additionally, the PTAX-A Illinois Real Estate Transfer Declaration Supplemental Form A does not report that comparable sale #3 was exposed on the market and further reported the property was 100% leased on the date of sale with the buyer was occupying the property on the sale date.

The board of review submission also included a critique of the comparable sales used in the appellant's appraisal that was prepared by township assessor. Appellant's sale #1 was reported to have 3,198 square feet of building area based on the property record cards from the Milton Township Assessor's Office and was being used as a veterinary clinic. The board of review submission include a copy of the CoStar Comps document associated with this sale reporting a size of 7,200 square feet of building area, however, a copy of the property record card associated with the comparable sale describes the building as having 3,198 square feet of building area. Using 3,198 square feet as the building size results in a price of $273.61 per square foot of building area, including land. With respect to appellant's appraisal comparable sale #2, the assessor indicated this property is located in Crest Hill and not Joliet as reported in the appraisal. The assessor also reported this property was constructed as a branch bank but in 2009 was converted to a retail building and the transfer declaration described the current and intended use as a retail store. With respect to appellant's appraisal sale #4, the assessor stated the Wayne Township Assessor's Office property record card describes the building as having 3,227 square feet of building area, which would result in a sales price of $108.46 per square foot of building area, including land. With respect to appraisal listing #1 the assessor indicated that the Wheatland Township Assessor's Office property record card reported the building as being constructed in 1997 and not 2005 as stated in the appraisal. The assessor also provided a copy of a CoStar Comps document disclosing this property sold in December 2013 for a price of $503,000 or $119.28 per square foot of building area, including land. The assessor also stated that on August 14, 2014 she had inspected the exterior of appraisal listing #2 and the property was vacant, all logos were off the building and there were no signs for sale or lease.

Based on this evidence the board of review requested confirmation of the assessment.

The appellant submitted rebuttal evidence from appraiser Joseph M. Ryan commenting on the sales identified by the Downers Grove Township Assessor's Office and submitted by the board of review. Ryan asserted that sale #1, 22W151 Butterfield Road, Glen Ellyn, was not advertised for sale as per the real estate transfer declaration submitted by the assessor. Ryan stated that sale #2, 2810 Highland Avenue, Lombard, and sale #4, 536 South Randall Road, South Elgin, were sold by the Federal Deposit Insurance Corporation (FDIC) and included intangible assets (bank deposits) that are sold with the real estate. Ryan asserted the deposits and real estate are sold as a package, only banks can bid on these assets, and when purchased together an allocation is made between the tangible and intangible assets. Ryan stated that sale #3, 75 South Randall Road, North Aurora, was not advertised for sale per the real estate transfer declaration submitted by the assessor. He explained the bank was closed by the Illinois Department of Finance and Professional Regulation. According to Ryan the buyer, First State Bank, purchased the former bank tenant's assets. In conclusion Ryan did not believe the sales submitted by the assessor were true "arm's-length" sales transactions which are necessary to ascertain an indication of fee simple market value. For this reason Ryan did not consider these sales in his appraisal of the subject property.

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 estimating the subject property had a market value of $1,525,000 or $158.85 per square foot of building area, including land. The appellant's appraisers developed both the sales comparison approach to value and the income approach to value in estimating the market value of the subject property. The board of review submitted a critique of the sales contained in the appellant's appraisal. There were some issues with respect to appellant's appraisal comparable sales #1 and #2 as each building changed use from a branch bank to an alternative commercial use. Furthermore, the building size reported for comparable sale #1 appears to be in error as the board of review provided information from the township assessor's office that the building had 3,198 square feet of building area rather than 7,200 square feet as contained in the report. Using 3,198 square feet of building area results in a unit price of $273.61 per square foot of building area, including land. The evidence provided by the board of review also indicated the size of appraisal comparable sale #4 was 3,227 square feet of building area, which would result in a unit price of $108.46 per square foot of building area, including land. The board of review submission also disclosed that appraisal listing #1 sold in December 2013 for a price of $503,000 or for $119.28 per square foot of building area, including land. The Board gives little weight to appraisal listing #2 as this property had not actually sold. Of the five comparables in the appellant's appraisal that actually sold, and accepting the board of review evidence with respect to the size for appraisal sales #1 and #4, the unit prices ranged from $108.46 to $273.61 per square foot of building area. Four of the comparables have a tighter range from $108.46 to $151.07 per square foot of building area, including land. Only comparable sale #1 had a higher price than the estimated value derived under the sales comparable developed by the appraisers of $160.00 per square foot of building area, including land. The Board finds these sales support the conclusion of value developed by the appellant's appraisers in the sales comparison approach to value and the overall estimate of market value.

The Board further finds the board of review provided no data to challenge the income approach to value developed by the appraisers. The income approach to value supports the estimated value developed by the sales comparison approach and supports the overall conclusion of value.

Less weight was given the sales presented by the board of review as the evidence indicated that comparable sales #1 and #3 were not advertised for sale. The appellant also provided a rebuttal statement from real estate appraiser Joseph M. Ryan that board of review sales #2 and #4 were sold by the FDIC and included intangible assets (bank deposits) that are sold with the real estate. Ryan asserted in his correspondence that the deposits and real estate are sold as a package, only banks can bid on these assets, and when purchased together an allocation is made between the tangible and intangible assets. Based on these statements the Board finds the purchase prices for these two comparable sales were not reflective of the fair cash value of the real property.

Based on this record the Property Tax Appeal Board finds the subject property had a market value of $1,525,000 as of the assessment date at issue and a reduction in the subject's assessment 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:

<u>C E R T I F I C A T I O N</u>

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: February 24, 2017

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.