



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

APPELLANT: First Midwest Bank
DOCKET NO.: 13-03095.001-C-1 through 13-03095.002-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 in this matter, 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
13-03095.001-C-1	11-19-322-011	70,061	36,688	\$106,749
13-03095.002-C-1	11-19-322-021	126,561	0	\$126,561

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from decisions of the Lake County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessments of the subject parcels 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 single-story, owner-occupied 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 full 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, 2013. 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, 2013. 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 five comparable sales and one listing of sites ranging in size from 43,560 to 384,975 square feet of land area that were located in Vernon Hills, Libertyville and Mundelein. The comparables sold or were listed for sale from February 2010 to September 2012 for prices ranging from \$650,000 to \$3,956,971 or from \$7.77 to \$18.37 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 \$1,038,811. 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 was estimated to be \$831,049, which was deducted from total replacement cost new to arrive at a depreciated improvement value of \$207,762. 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 \$830,000, rounded.

The next approach to value developed by the appraisers was the sales comparison approach using five sales and one listing located in Waukegan, Lake Zurich, North Aurora, Vernon Hills and Buffalo Grove. The comparables were improved with three, one-story buildings and three, two-story buildings that ranged in size from 2,498 to 25,500 square feet of building area. Comparables #1 through #5 were reported to have been built from 1974 to 2004. The comparables were used as bank buildings or a combination bank building and office building. The sales occurred from May 2010 to July 2013 for prices ranging from \$508,000 to \$2,500,000 or from \$86.42 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 \$175.00 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 six comparable rentals that ranged in size from 6,464 to 16,900 square feet of building area with rental sizes ranging from 1,000 to 6,501 square feet. The comparables were located in St. Charles, Lake in the Hills, Waukegan, Fox Lake, Mundelein and Gurnee. The appraisers

¹ At page 33 of the appraisal the building was described as not being protected by overhead wet sprinkler system.

indicated that four of the comparables were constructed from 1979 to 2004. One comparable had a net rent of \$14.00 per square foot; one comparable had a net asking rent of \$28.00 per square foot; two comparables had modified gross asking rents of \$10.00 and \$11.00 per square foot; and two comparables had gross asking rents of \$11.00 and \$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 \$20.00 per square foot on a net lease basis resulting in a potential gross income (PGI) of \$78,400.

The appraisers referenced CB Richard Ellis 4st[sic] Quarter 2012 vacancy rates for North Suburban class A, class B and class C office buildings as ranging from 13.3% to 23.9%. 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 10.0%. 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, rounded.

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, 2013.

Based on this evidence the appellant requested the subject's total assessment be reduced to reflect the appraised value.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for both parcels of the totaling subject of \$288,489. The subject's assessment reflects a market value of \$867,897 or \$221.40 per square foot of building area, land included, when using the 2013 three year average median level of assessment for Lake County of 33.24% 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 were similar to the subject property. He stated that: comparable #1 was smaller and on a larger site which was purchased for conversion to medical office space; comparables #2 and #3 are 1 ½ to 2 times larger than the subject; comparable #3 is bank space that is part of a multi-tenant office building; and

comparable #6 is a listing of an older bank that is over five times larger than the subject which has subsequently been converted to a medical office building.

In support of the subject's assessment the board of review presented information on five comparable sales located in Antioch, McHenry, Buffalo Grove, Glen Ellyn and Wheaton. The comparables were improved with one-story bank buildings or former bank buildings that ranged in size from 3,198 to 4,650 square feet of building area. The buildings were constructed from 1976 to 2008. The comparables had sites ranging in size from 30,505 to 108,900 square feet of land area. Each of the buildings was of brick construction and three had no basements. The sales occurred from May 2010 to July 2013 with comparable #3 re-selling in January 2014 for prices ranging from \$740,000 to \$2,200,000 or from \$159.14 to \$473.12 per square foot of building area, including land.

Based on the foregoing evidence and argument, 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, 2013. 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.

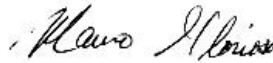
The board of review submitted information on five comparable sales. The Board finds, however, that comparable sales #1, #2 and #3 were improved with buildings significantly newer than the subject building and three of the comparables, #3, #4 and #5 sold in 2010 and 2011, significantly before the assessment date at issue; comparable #3 then re-sold in January 2014 for a substantially larger price and appears to be an outlier at \$473.12 per square foot of building area, including land, when examining all of the sales. 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, although they were more similar to the subject in age. These comparables also had sites that were larger than the subject's site. 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 that 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

Member

DISSENTING: _____

CERTIFICATION

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 24, 2016



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.