



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

APPELLANT: Lakeview Realty Group
DOCKET NO.: 13-03652.001-I-2
PARCEL NO.: 03-03-407-007

The parties of record before the Property Tax Appeal Board are Lakeview Realty Group, the appellant, by attorney Nora Doherty of Steven B. Pearlman & Associates 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 **No Change** 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: \$75,140
IMPR.: \$283,940
TOTAL: \$359,080

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 consists of a one-story, single-tenant industrial warehouse building with approximately 15,446 square feet of building area. The building was constructed in 1989 and is approximately 24 years old as of the assessment date at issue. The building has I-beam framing with exterior walls of brick and concrete block construction. The building has a poured steel-reinforced concrete foundation, a clear ceiling height in the warehouse area of 15 feet, 2 interior bed level truck docks, one grade-level drive-in door, 4,480 square feet of office space and a pair of washrooms in the office area. The warehouse area is heated by gas-fired, suspended space heaters but has no central air-conditioning. The office area is heated by gas-fired forced-air furnaces and cooled by central air conditioning. The property has 10,840 square feet of asphalt paved parking lot and driveways. The subject property has a 33,541 square foot site resulting in a land to building ratio of 2.17:1. The property is located in Wood Dale, Addison Township, DuPage 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 \$850,000 as of January 1, 2011. The appraisal was prepared by certified general real estate appraisers Charlie Hynes and Frank C. Urban. Hynes also has the MAI designation from the Appraisal Institute.

The purpose of the appraisal was to develop an opinion of market value of the fee simple interest in the subject property. The appraisers stated that the report was to be used for ad valorem assessment purposes as of January 1, 2011. The appraisers determined the highest and best use of the site as vacant was for development of an industrial building which complies with the current zoning ordinance. The highest and best use of the property as improved was determined to be its current use as an industrial warehouse property. In estimating the market value of the subject property the appraisers develop the three traditional approaches to value.

The first step under the cost approach was to estimate the value of the land using four comparable land sales and two listings that ranged in size from 25,003 to 243,453 square feet of land area. Four comparables sold from June 2009 to April 2011 for prices ranging from \$5.08 to \$9.10 per square foot of land area. The two listings had prices of \$4.27 and \$6.14 per square foot of land area. Using these sales, the appraisers arrived at land value of \$8.00 per square foot of land area or \$270,000, rounded.

The next step under the cost approach to value was to estimate the replacement cost new of the building improvements using the Marshall & Swift Commercial Estimator software to be \$1,021,078. The appraisers then added 3% of replacement cost new or \$30,632 for indirect costs to arrive at the value of direct and indirect costs totaling \$1,051,710. The appraisers then added 8% of direct and indirect costs or \$84,137 for entrepreneurial incentive to arrive at the total replacement cost new of \$1,135,847. Using the age-life method based on an effective age of 20 years and an economic life of 45 years, physical depreciation of 44.4% of total replacement cost new or \$504,316 was calculated by the appraisers. The appraisers were of the opinion the subject suffered from no functional obsolescence. Comparing the subject's stabilized net operating income with the income necessary to support the subject's land value and depreciated building and site improvements, the appraisers estimated the subject suffered from 7.4% of total replacement cost new or \$84,053 in external obsolescence. The appraisers estimated the depreciated value of the building improvements to be \$547,478. Adding the depreciated value of the site improvements of \$19,200 and the land value to the depreciated value of the building improvements resulted in an estimated value of the subject property under the cost approach of \$835,000, rounded.

The next approach to value developed by the appraisers was the income approach to value. In estimating the market rent the appraisers used four comparables located in Wood Dale and Itasca that ranged in size from 6,246 to 73,140 square feet of building area. The buildings were constructed from 1964 to 1989. The appraisers indicated each comparable was an active listing with rents ranging from \$4.50 to \$6.00 per square foot of building area on a net basis. The appraisers also indicated the subject property was under a lease entered in 2008 for a gross rent of \$4.42 per square foot. The appraisers deducted real estate taxes of \$1.73 per square foot to arrive at a net equivalent rent for the subject property of \$2.69 per square foot of building area.

Using this data, the appraisers determined the subject property had a market rent on a triple net basis of \$5.50 per square foot of building area resulting in a potential gross income of \$84,953. Citing data from the publications for the first quarter of 2011 and 2010 with vacancy rates in the Metro Chicago area ranging from 9.5% to 14.5% and for the subject's submarket ranging from 11.59% to 16.2%, the appraisers estimated the subject property suffered from a 10% reduction of potential gross income or \$8,495 due to vacancy and collection loss, which resulted in an effective gross income of \$76,458. Using Price Waterhouse Coopers, in PwC Real Estate Investors Survey, First Quarter 2011, the appraisers calculated expenses for management fees, leasing commissions and reserves for replacement totaling \$5,375. Deducting expenses, the appraisers arrived at a net operating income for the subject property of \$71,083.

The final step under the income approach was to estimate the capitalization rate to be applied to the net income. Using market extraction based on CoStar COMPS from sales closed from January 1, 2008, of DuPage industrial properties for buildings ranging in size from 5,000 to 100,000 square feet, the appraisers reported four rates ranging from 6.9% to 9.2% with an average of 8.3% and a median of 8.5%. Using data from the first quarter 2011 the appraisers estimated the subject had a capitalization rate based on a band of investment analysis of 8.6%. The appraisers also referenced published sources from the first quarter of 2011 that indicated capitalization rates ranged from approximately 8.0% to 10.0%. Based on this data, the appraisers estimated the subject property had a capitalization rate of 8.5%. Capitalizing the net income of \$71,083 by the 8.5% capitalization rate resulted in an estimated value under the income approach of \$835,000, rounded.

The final approach to value developed by the appraisers was the sales comparison approach using four comparable sales and one listing that were located in Wood Dale and Itasca. The comparables were improved with one-story industrial buildings of masonry or masonry and concrete construction that ranged in size from 16,168 to 40,384 square feet of building area. The buildings were constructed from 1974 to 1990. These properties have ceiling heights ranging from 14 to 24 feet; 1 to 3 drive-in doors; 1, 2 or 5 docks; and land to building ratios ranging from 2.4:1 to 3.2:1. The four sales occurred from February 2010 to September 2011 for prices ranging from \$940,000 to \$2,225,000 or from \$53.00 to \$62.67 per square foot of building area, including land. The listing had a price of \$1,950,000 or \$60.94 per square foot of building area, including land. The appraisers made qualitative adjustments to the comparables for differences from the subject for sale conditions, age/condition, ceiling height, truck docks & doors, and land to building ratio. The appraisers estimated the subject property had an indicated value under the sales comparison approach of \$55.00 per square foot of building area, including land, or \$850,000, rounded.

In reconciling the three approaches to value the appraisers stated the cost approach was given minimal weight in the final analysis; the income capitalization approach was afforded ample consideration in the final analysis; and the sales comparison approach was afforded primary consideration in determining a final value. The appraisers arrived at a final estimate of market value of \$850,000 as of January 1, 2011. Based on this evidence the appellant requested the subject's assessment be reduced to \$283,333.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$359,080. The subject's assessment reflects a market value of

\$1,077,671 or \$69.77 per square foot of living 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 its contention of the correct assessment the board of review submitted a report prepared by Frank A. Marack, Jr., Chief Deputy Assessor of Addison Township, using six comparable sales. The comparables sales were improved with one-story industrial buildings of masonry or tilt-up concrete construction that ranged in size from 10,048 to 20,880 square feet of building area. The properties were located in Wood Dale, Addison, Elmhurst and Bensenville. The buildings were described as been constructed from 1966 to 1995. The properties had ceiling heights ranging from 14 to 28 feet; office space ranging from 10.87% to 22.84% of total building area and land to building ratios ranging from 2.34:1 to 4.55:1. The sales occurred from August 2011 to December 2013 for prices ranging from \$830,000 to \$1,480,000 or from \$58.14 to \$82.60 per square foot of building area, land included. Marack also made qualitative adjustments to the comparables for differences from the subject in time of sale, land to building ratio, age, building height and percent of office to arrive at adjusted prices ranging from \$59.64 to \$92.51 per square foot of building area, including land. Based on this data, Marack estimated the subject property had a market value of \$1,170,000 or \$75.16 per square foot of building area, including land, as of January 1, 2013. To document the transactions Marack provided copies of the PTAX-203 Illinois Real Estate Transfer Declaration associated with each sale.

The board of review requested confirmation of the assessment.

In rebuttal the appellant asserted the adjustments to the sales provided by the board of review were not made by a qualified appraiser; board of review sale #4 supports a reduction to the assessment; the board of review did not use the cost approach or the income approach and did not question the appraisers' methods under these approaches to value; and the appellant's appraisers' comparable sales are located closer to the subject property than were the comparables used by the board of review.

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 did not meet this burden of proof and a reduction in the subject's assessment is not warranted.

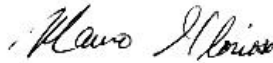
The Board gives less weight to the conclusion of value contained in the appraisal submitted by the appellant as the appraisal had an effective date of January 1, 2011, two years prior to the assessment date at issue. With respect to the cost approach to value contained in the report, the appraisers gave this method minimal weight due to the buildings age and difficulty in estimating accrued depreciation and remaining economic life, therefore, the Property Tax Appeal Board gives the conclusion of value under this approach little weight. With respect to the income approach to value contained in the appellant's appraisal, the Property Tax Appeal Board finds the rental data, vacancy and collection loss data, the operation expenses and the capitalization rate

analysis data primarily related to the first quarter of 2011, which detracts from its reliability as an indicator of value as of January 1, 2013. With respect to the sales comparison approach to value contained in the appellant's appraisal, the Board finds sales #1, #3 and the listing differed from the subject in size and/or age and are to be given little weight. The Board further finds that appellant's appraisal sale #4 sold in February 2010, almost three years prior to the assessment date at issue and is to be given little weight. For these reasons to the Board finds the appellant's appraisal was not credible in establishing an estimate of market value as of January 1, 2013.

The board of review provided a report containing six comparable sales identified by the chief deputy assessor of Addison Township. The Board gave less weight to sale #3 as this property was significantly older than the subject building. The Board also gave less weight to sale #6 due to differences from the subject in construction and ceiling height.

The Board finds the best evidence of market value to be the appellant's appraisal sale #2 and board of review sales #1, #2, #4, and #5. Appellant's appraisal sale #2 was the same comparable as board of review sale #4. These comparables were relatively similar to the subject in age, size and features. The sales occurred from August 2011 to June 2013 for prices ranging from \$830,000 to \$1,375,000 or from \$58.14 to \$82.60 per square foot of building area, including land. The sales most similar to the subject property in age, size, percent of office area and sold most proximate in time to the assessment date was board of review sale #5, which sold in June 2013 for a price of \$1,375,000 or \$71.66 per square foot of building area, including land. The subject's assessment reflects a market value of \$1,077,671 or \$69.77 per square foot of building area, which is within the range established by the best comparable sales in the record. Based on this evidence the Board finds a reduction in the subject's assessment is not 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



Acting Member



Member



Acting 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 23, 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.