



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

APPELLANT: 1440 Hubbard LLC
DOCKET NO.: 13-27592.001-C-2 through 13-27592.015-C-2
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are 1440 Hubbard LLC, the appellant(s), by attorney John P. Fitzgerald, of Fitzgerald Law Group, P.C. in Burr Ridge; the Cook County Board of Review by Cook County Assistant State's Attorney Cristin Duffy; and the Chicago Board of Education, the intervenor, by attorney Alan W. Brothers of Brothers & Thompson PC in Chicago.

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

DOCKET NO	PARCEL NUMBER	LAND	IMPRVMT	TOTAL
13-27592.001-C-2	17-08-131-056-0000	7,734	427	\$8,161
13-27592.002-C-2	17-08-131-057-0000	12,983	854	\$13,837
13-27592.003-C-2	17-08-131-058-0000	7,350	385	\$7,735
13-27592.004-C-2	17-08-131-059-0000	1,534	129	\$1,663
13-27592.005-C-2	17-08-131-060-0000	5,838	684	\$6,522
13-27592.006-C-2	17-08-131-061-0000	7,373	1,495	\$8,868
13-27592.007-C-2	17-08-131-062-0000	14,746	84,630	\$99,376
13-27592.008-C-2	17-08-131-063-0000	14,746	84,630	\$99,376
13-27592.009-C-2	17-08-131-064-0000	7,373	42,336	\$49,709
13-27592.010-C-2	17-08-131-065-0000	7,373	42,336	\$49,709
13-27592.011-C-2	17-08-131-066-0000	7,373	42,336	\$49,709
13-27592.012-C-2	17-08-131-067-0000	7,373	42,336	\$49,709
13-27592.013-C-2	17-08-131-068-0000	2,475	12,688	\$15,163
13-27592.014-C-2	17-08-131-069-0000	4,898	29,606	\$34,504
13-27592.015-C-2	17-08-131-070-0000	7,373	42,336	\$49,709

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the Cook 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 fifteen parcels of land totaling 56,509 square feet and improved with an approximately 32-year old, one and part two-story, masonry, single-user, industrial building containing 54,378 square feet of building area. The property is located in West Chicago Township, Cook County and is a class 5 property under the Cook County Real Property Assessment Classification Ordinance.

The appellant's appeal is based on overvaluation. In support of the market value argument, the appellant submitted an appraisal undertaken by John Setina of Sterling Valuation. Setina was the appellant's first witness. Setina testified he is a certified general real estate appraiser licensed in Illinois and is currently working on his MAI designation with the Appraisal Institute. He testified he has been appraising property for 22 years. Setina testified he has worked at Sterling Valuation since 2007 and has been the sole owner since 2010. He described his duties as an owner. He testified he has appraised over 5,000 properties during his career and in the last 10 years, approximately 100 of those have been industrial properties. Setina testified he has appeared before courts and tribunal as an expert witness. Mr. Setina was accepted as an expert in property valuation without objection from the parties.

The appraisal indicated the subject has an estimated market value of \$2,175,000 as of January 1, 2012. The appraisal report utilized the three traditional approaches to value to estimate the market value for the subject property.

Setina testified the subject was inspected on August 22, 2012 for the 2012 valuation of the property. He opined the subject's highest and best use as improved is its current existing use. Setina described the subject property and its environs. Setina testified the subject currently is used for light manufacturing/industrial use with a portion of the first floor and the second floor utilized as office space. He testified that this was a significant amount of office space at about 69.3% which he opined is a superadequacy. He testified that at the time of inspection, the second floor was vacant. Setina testified that typical industrial buildings have approximately 5% to 15% office space.

Under the cost approach, Setina testified he analyzed five land sales. He described the properties and the resources used to gather the information. These properties sold for prices ranging from \$6.24 to \$11.08 per square foot. Setina testified that after adjustments made to the comparables for pertinent factors, he opined a land value for the subject of \$8.50 per square foot or \$480,000, rounded.

Using Marshall & Swift Valuation Guide, Setina estimated a reproduction cost new for the subject of \$3,559,335. Setina used the age-life method to estimate depreciation at 55.56%. He estimated the total depreciated value of the improvement at \$1,581,769 with site improvements at \$50,000. Setina testified he added the land value back in for a total estimated value under the cost approach of \$2,110,000, rounded.

Under the sales comparison approach, Setina testified he researched similar properties using various sources and analyzed five sales. He testified that he looked for properties similar in building size, land size, stories, use, location and condition and that were single-tenant occupancy. He opined it is better to use owner-occupied properties. Setina described each property and the adjustments made. The properties sold from July 2009 to April 2012. They ranged in size from 5,625 to 50,000 square feet of building area and sold for prices ranging from \$31.70 to \$57.45 per square foot of building area. Setina testified he made adjustments to the comparables for pertinent factors and estimated a value for the subject at \$40.00 per square foot of building area for a total estimated value under the sales comparison approach of \$2,175,000, rounded.

Under the income approach, Setina testified that the subject is not an income producing property. He testified he analyzed the asking rents of five properties considered comparable to the subject. These properties ranged in rental size from 22,100 to 90,000 square feet of building area and have asking rental rates from \$3.00 to \$5.79 per square foot of rental area. Setina testified the rents were based on net, semi-gross, and gross rents and that he made adjustments to estimate a net rent for the subject of \$4.50 per square foot of building area on a net basis. This resulted in a potential gross income of (PGI) \$244,701. Vacancy and collection loss were estimated at 10% of PGI for an effective net income (EGI) of \$220,231. Expenses for insurance, management and reserves for replacements were estimated at \$25,123 for an estimated net operating income (NOI) of \$195,108.

In determining the appropriate capitalization (CAP) rate, Setina testified he analyzed survey and publication data and employed the band of investment methodology to develop an overall CAP rate of 9.5%. The NOI was divided by this rate to estimate the market value for the subject under this approach at \$2,050,000, rounded.

In reconciling the approaches to value, Setina testified he placed the most weight on the sales comparison approach because the subject is a single-tenant, owner-occupied property. He testified secondary consideration was given to the income approach for a final estimate of value for the subject as of January 1, 2012 of \$2,175,000.

On cross-examination by the board of review, Setina acknowledged that there are other staff within the office that perform duties in regard to the appraisals. He testified that his brother Brian Setina, who is not a licensed appraiser inspected the subject. He testified that his brother has a construction background and has not undertaken any appraisal training. Setina acknowledged that the certification page discloses that he did not make a personal visitation of the subject.

In reviewing the photographs within the appraisal, Setina testified he would not be surprised that the subject was used as an auction house and sells items on consignment. He did not know how many parking spaces the subject contained, but testified the parking lot contains approximately 20,000 square feet and is gated. Setina also acknowledged that the photographs show a chandelier hanging from the ceiling and that this was unusual.

Setina was then questioned on his description of the subject's designated neighborhood. Setina testified that the subject is located within the "near west side" neighborhood of Chicago. He acknowledged that he could not provide the definitive borders of that neighborhood off hand. Setina was then shown *BOR's Group Exhibit #1*, two printouts of the "near west side" and "west town" neighborhoods. Setina acknowledged that the subject is located in "west town" one street north of the border of the two neighborhoods. He was then questioned about the subject's planned manufacturing district zoning. Setina acknowledged that the subject has access to major highways and that this access is important for industrial and manufacturing properties. He testified he described the subject as fair to average condition and acknowledged that the subject has very nice finishes for an industrial property.

As to the sales comparables, Setina acknowledged that sale comparable #1 was 50 years older than the subject, but stated that he did make an adjustment for this factor. He testified that he did not make a quantitative adjustment. He acknowledged the adjustments are subjective. Setina testified he did not inspect the interiors of the comparables as he did not want to trespass on the properties. Setina testified that sale comparable #2 was built in 1925 and that no adjustments for age were made to this property. He testified that sale comparable #3 is located 2.8 miles from the subject and was built in 1956. He testified he made an upward adjustment to this comparable for age. Setina acknowledged he did not observe the interior of this comparable. He testified he did not know if sale comparable #4 was located within a high crime area, but acknowledged that it could possibly be important. He testified he did not observe the interior of this property and that it was built in 1922. Setina testified he made upward adjustments to this comparable as well as sale comparable #5 for age. He also testified he spoke with a broker involved in the sale of comparable #5 who told him the overall condition of this property. He acknowledged he did not know this individual's subjective standards for conditions. Setina reiterated that the adjustments were not quantitative.

As to the income approach, Setina testified that the rental comparables were all available for lease. He opined that the subject's market would be a three-mile radius around the subject. He did acknowledge that the report indicates the subject is in the north submarket. He acknowledged that further in the report discussing vacancy for the Chicago industrial market, the report discloses a rate for the south submarket. Setina testified he used a 10% vacancy rate to account for the vacant second floor. He acknowledged that the overall rate for the Chicago industrial market was 10.6% and that the appraisal lists the rate for the south submarket at 7.4%. He confirmed that the subject is not located in the south submarket and that the north submarket has a 7.4% vacancy rate. He was questioned on the south submarket's rate of 13.91%.

At various times throughout this cross-examination, Setina was asked to calculate values for the subject based on various numbers found within the appraisal.

On cross-examination by the intervenor, Setina testified that the subject was in average overall condition, but acknowledged that the appraisal also lists the subject as in fair-to-average or average condition. He testified that he did make adjustments to the sales comparables for differences in condition.

Setina acknowledged that he found functional obsolescence in the subject's second story and large percentage of office space. He did not agree that modern, industrial buildings have 2-story

office components. He reiterated that typically industrial buildings are only 5%-15% office space and that the subject's second floor was vacant in 2012 and 2014. He testified that as a single-tenant, owner-occupied building, the second floor could not be leased without substantial reconfiguration of the property. Setina then described a flex industrial building, but opined that these buildings are typically one-story buildings. Again, Setina reiterated that the subject has functional obsolescence due to the second floor and the high percentage of office space.

As to land value, Setina testified that there was a downturn in the market in 2008 and that the market began recovering in 2009, 2010, and 2011 with mixed results. He opined the market in the subject's area had stabilized by 2012 to 2014. Setina acknowledged that a 54,378 square foot building could not be built on land sale #1. He acknowledged that some of the land sales have commercial zoning and that some have land sizes that would have implications for the size of the building, but he opined this did not create a highest and best use that would differ from the subject. He testified he made adjustments for differences in zoning, land size, and site shape.

Setina acknowledged he used an average class C manufacturing building from Marshall Valuation Services to estimate the replacement cost new of the subject. He testified that he used light manufacturing, but that the appraisal does not clearly state this. Setina was questioned about engineering and research buildings. He testified that those types of buildings are different than an industrial building and have additional characteristics to them. He testified that his age-life method of depreciation included the functional obsolescence.

As to the sales comparison approach, Setina testified that he adjusted sale comparable #1 upward to account for the market conditions at the time of sale. He explained the differences in market conditions for vacant industrial land and industrial buildings during 2009. He acknowledged that sale comparable #1 was much smaller in size, but testified that it was utilized for its proximity to the subject. He acknowledged that he does not know the percentage of office space for sale comparable #1 and the sale comparable #4 has 9.4% office space. Setina testified that sale comparable #5 requires a major renovation and that he does not know the percentage of office space in this building. He acknowledged that all the sale comparables are smaller than the subject. Setina clarified that the sale comparables selected justify the appraisal's unit of value for the subject and opined they were comparable. He testified that sale comparables #2, #3, and #4 were determined to be in average condition and that he did not make adjustments for years, but did make adjustments for inferior conditions based on the information obtained about the condition of the each comparable.

In the income approach, Setina acknowledged that he did not include photographs of the rental comparables and that four of the five comparables are smaller than the subject. He testified that the rental comparables are all asking rents and were available for lease as of the date of value. Setina testified that the comparables were a combination of net, semi-gross and gross leases and that he concluded a net value for the subject. He acknowledged that he did not make adjustments for office space or loading amenities. He testified that he used Realtyrates.com to arrive at a 7% mortgage interest rate when developing the band of investment technique for the capitalization rate.

On re-direct, Setina testified that someone from Sterling Valuation will inspect the subject to gather the physical characteristics of the building. He testified that the Uniform Standards of

Professional Appraisal Practice (USPAP) does not require the subject and the comparables to be physically observed. Setina opined that the use of the building as an auction house does not alter the estimate of value.

Setina reiterated that the subject is located one block north of the border separating the “near west side” and “west town” neighborhoods. He opined that the access to major highways would be the same for either neighborhood and this access would be a benefit for any industrial property.

Setina testified that an appraiser cannot just pick the high end of the range of values to calculate a value for a property, but that you need to compare the properties with the subject and make adjustments to those values.

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's total assessment was \$753,415; yielding a market value of \$3,013,660 or \$55.42 per square foot of building area using the Cook County Real Property Classification Ordinance for Class 5 property of 25%.

The board also submitted raw sales information on nine properties suggested as comparable. The properties range in size from 5,207 to 27,850 square feet of building area and sold for prices ranging from \$48.15 to \$173.16 per square foot of building area, including land. In addition, the board of review's memorandum discloses that the data is not intended to be an appraisal or estimate of value and should not be construed as such. In addition, it discloses that the information is assumed factual, accurate, and reliable, but has not been verified and does not warrant its accuracy. The board of review did not present any witness at hearing.

In support of the intervenor Chicago Board of Education's position, the intervenor submitted a summary appraisal of the subject prepared by Toby Sorensen with C.A.S.E. Chicagoland, Inc. Sorensen was called as the intervenor's only witness. Sorensen testified he is owner of C.A.S.E. Chicagoland, a commercial real estate appraisal company. Prior to that ownership, Sorensen testified he was employed by Renzi & Associates. He testified he is an Illinois certified general real estate appraiser and holds the MAI designation from the Appraisal Institute. Sorensen testified he has prepared approximately 3,000 commercial appraisals during his career with approximately 1,000 of those appraisals for industrial properties. He testified he has appeared as an expert before courts and tribunals. He was accepted by the Board as an expert in industrial appraisal practice without objection from the remaining parties.

The intervenor's appraisal, marked as *Intervnor's Exhibit #1*, utilized the income and sales comparison approaches to value to estimate a value of the subject property at \$3,050,000 as of January 1, 2013.

Sorensen testified he inspected the exterior of the subject and reviewed the Sterling Valuation appraisal for an interior description of the property. Sorensen described the documents he reviewed in preparing the appraisal and defined market value as listed in the appraisal.

Sorensen described the subject's environs and testified the property was located in the “west town” neighborhood. He opined that the subject was located within a premiere industrial planned

manufacturing development within the City of Chicago. Sorensen testified that the subject's highest and best use as vacant would be for industrial development and that continuation of its current use is its highest and best use as improved.

Sorensen testified that he did not utilize the cost approach to value because this approach does not reflect the actions of buyers and sellers in the marketplace for a property of this age. In addition, the depreciation estimates become increasingly subjective which reduces the reliability of this approach.

To estimate a value for the subject through the sales comparison approach, Sorensen testified he searched for sales of properties similar to the subject and selected six sales. He described each sale. The properties range: in age from 43 to 88 years; in size from 27,000 to 44,608 square feet of building area and sold from January 2011 to December 2013 for prices ranging from \$45.26 to \$72.83 per square foot of building area.

Sorensen testified that location was one of the paramount considerations in the analysis. He testified that most properties in the subject's area are older and inferior in age to the subject. He further testified that he made adjustments for this factor. Sorensen testified that he verified the sales information, made adjustments to the comparables for pertinent factors, and concluded a value for the subject under the sales comparison approach of \$56.00 per square foot of building area, or \$3,050,000, rounded.

Under the income approach, Sorensen testified he analyzed 10 rental comparables. These properties range in rental size from 13,338 to 150,816 square feet of rentable area with rents from \$3.00 to \$8.00 per square foot of rentable area. Sorensen testified that after adjustments, he concluded a rent for the subject at \$6.00 per square foot of building area on a net rent basis.

The appraiser estimated the potential gross income (PGI) at \$326,268. Sorensen testified he estimated vacancy and collection loss (V&C) at 9% based on market reports and experience which resulted in an effective gross income (EGI) of \$296,904 for the subject. The appraiser concluded expenses to be \$24,800 and deducted this from the EGI resulting in a net operating income (NOI) of \$272,104 for the subject. Sorensen testified he did not include real estate taxes within the expenses, but included them as part of the loaded capitalization rate.

To estimate the capitalization rate, Sorensen testified he utilized the market extraction method, looked at investor surveys, and applied the band of investment technique to arrive at a rate of 8.5%. This rate was partially loaded by .41% to account for real estate taxes for a loaded rate of 8.91%. Dividing the NOI by the appraiser's total capitalization rate resulted in an indicated value for the subject under the income approach at \$3,050,000, rounded.

In reconciling the two approaches to value, Sorensen testified each approach yielded the same estimate value for the subject of \$3,050,000 as of January 1, 2013.

On cross-examination, Sorensen acknowledged that sale comparable #1 is 82% the size of the subject's building while the land to building ratio is five times that of the subject. He agreed that this property is not located in "west town" or the "near west side" neighborhoods. He also acknowledged that sale comparable #2 is 51% the size of the subject and the land is half the size

of the subject. He testified that sale comparable #3, located in the “near west side” neighborhood, is 49.6% the size of the subject. Sorensen explained that he researched the properties as of their date of sale to determine that they were single-tenant buildings, but that he did not do this research for the comparables as of the date of his report. For sale comparable #3, Sorensen acknowledged that the property was 60% the size of the subject. He testified that this property can accommodate up to two occupants and that it had one tenant at the time of sale. He testified he made a downward adjustment for this factor. He testified that he believed sale comparable #5, located in the “near west side” neighborhood, was a single tenant property, but acknowledged that he did not inspect the interior of the property to confirm this visually. Sorensen testified that sale comparable #6 is 69% the size of the subject and located in the “near west side” neighborhood.

Sorensen was shown *Appellant’s Exhibits #4 and #5*, copies of the special warranty deeds for sale comparables #6 and #3, respectively. Sorensen acknowledged the deeds listed some encroachments and/or covenants on the properties, but testified that he did not make any adjustments for these. These documents further explain the details of these restrictions and/or covenants, but Sorensen was not questioned on them.

As to the income approach to value, Sorensen testified that he converted the lease data to net leases and cited them within the appraisal as a net lease. He testified that he made these adjustments prior to entering the data in the appraisal. When questioned, he could not specifically state which comparables were adjusted from a gross, semi-gross, or were a net lease already. He acknowledged that the appraisal does not provide any information about the adjustments made nor does it explain that the net lease data has already been adjusted. He testified that the adjustments would include researching or estimating the taxes and expenses and deducting them from the gross rental rate.

In rebuttal, the appellant submitted a desk review of the C.A.S.E. Chicagoland appraisal prepared by George W. Sargeant of Sargeant Realty Advisors, Inc. The appellant called Sargeant as a rebuttal witness. Sargeant testified he has been a commercial real estate appraiser for 32 years. He testified he is a licensed managing broker, certified general real estate appraiser in Illinois and holds the MAI designation from the Appraisal Institute. He testified he has prepared approximately 4,300 appraisals during his career with Sargeant Realty Advisors and approximately 770 industrial appraisals within the last 10 years. He testified he has performed 60 to 75 appraisal reviews. Sargeant testified he has appeared as an expert. He was accepted by the Board as an expert in real estate valuation and appraisal review without objection from the remaining parties.

Sargeant testified that he performed a desk review of the appraisal report prepared by Toby Sorensen (Sorensen Report) which was marked as *Appellant’s Exhibit #6*. He testified that he has performed desk reviews for the Cook County State’s Attorney’s Office before and utilized the format that they prefer.

Sargeant opined that the Sorensen Report’s income approach lacked photographs of the rental comparables or a map depicting the location of the comparables in relation to the subject. He testified he disagreed with the market analysis section of the appraisal because it did not include an industrial market overview. He testified that an appraisal will typically analyze the

competitive market in which the property is located. He opined that for an industrial property, the broader market area is more important than the neighborhood the property is located in. Sargeant opined that the Sorensen Report should have included a land value.

In the income approach, Sargeant opined that the information provided in the report concerning the rental comparables was relatively vague. He testified that based on his research that all the rental values were presented on a net basis with no explanation, but that the research showed that at least half the leases were actually not net leases. He further explained that it is incumbent upon the appraiser to clearly explain how the analysis is being performed. He opined that the Sorensen Report should have explained how the appraiser was applying any adjustments. Sargeant further explained the differences within a gross lease and a net lease and agreed that the value of a net lease can be substantially different.

Sargeant noted that the rental comparables were located throughout Chicago and not concentrated in any submarket area. He testified the rental comparable #1 is an office space within the Sauganash area and opined that it was not comparable to the subject in market area. Sargeant testified that rental comparables #3, #4, and #5 had a listed net rent, but that the actual rent was gross. He testified that the properties were adjusted downward by \$.50. He opined that the \$.50 adjustment from gross to net rent was not an adequate adjustment taking into consideration real estate taxes, operating expenses, and property insurance. He testified that rental comparable #10 had only a \$.05 downward adjustment for a modified gross rent and that this \$.05 would not account for those additional expenses for this property. Sargeant testified that this data was presented as factual rather than adjusted and is not transparent.

Sargeant testified that the vacancy and collection (V&C) rate was too low considering that the Chicago Industrial Market had an overall vacancy only rate of 10.1%. He opined that the appraiser should have considered the overall market vacancy rate and then added collection loss of 1% or 2% to that. Sargeant opined that estimating the subject as a triple-net lease allows for a partially loaded capitalization rate which he opined was inappropriate given the market. He testified that the subject's estimate of expenses was based on the subject having a triple-net lease when the market shows that most of the rents are structured on a gross basis. He opined that the Sorensen Report should have used a gross rent for the subject's income approach, found V&C at a market rate, and fully applied expenses to arrive at a net operating income value. Based on these factors Sargeant did not agree with the final value in the Sorensen Report's income approach to value.

As to the sales comparison approach, Sargeant opined that sale comparable #1 was not an adequate substitute for the subject because it is located within a traditional industrial park area, is much smaller than the subject, is served by rail, represents a food grade quality building, and has a much higher land to building ratio. Sargeant considered sale comparable #2 to be vastly different in size when compared to the subject. He testified sale comparable #3 is half the size of the subject and not an adequate substitute. In addition, he noted this property was a multi-tenant building. Sargeant testified that single-tenant buildings and multi-tenant buildings appeal to different buyer profiles. He explained that often a single-tenant building will be owner-occupied whereas a multi-tenant building is typically bought and sold between investors. Sargeant further testified that sale comparable #4 represents a multi-tenant building with 86% occupancy at the time of sale. Sargeant testified that sale comparable #5 was half the size of the subject and also a

multi-tenant building that was 17.4% leased at the time of sale. He testified that sale #6 represents a portfolio sale of two buildings that sold together in an investment sale and that the property was not marketed for sale to the general public. He testified that the Sorensen Report does not identify the property as two buildings or as a portfolio sale. Sargeant testified that the Sorensen Report does not identify that sale comparables #3, #4, or #5 were multi-tenant buildings and that there were no adjustments made for this factor. He testified that he did not find the Sorensen Report's sales comparison approach credible.

On cross-examination by the board of review, Sargeant testified that he spent approximately 20 hours reviewing the Sorensen Report. He acknowledged that he has never been inside the subject property. Sargeant testified as to the level of information that should be in a report in regards to describing the subject's area from an industrial users perspective. He opined that the subject is located in Chicago's north submarket. He testified that he has prepared appraisals without using a cost approach or land value.

As to the income approach rental comparables, Sargeant testified that he was unsure of what adjustments were made to the comparables to arrive at the net rental amount that the appraiser used. He testified that he has made adjustments from gross to net rental rates, but that he normally discloses those adjustments within the appraisal report. As to rental comparable #1, Sargeant testified that it was not located in the same area as the subject, but that the most significant difference is that it represents office space.

Sargeant reiterated why he disagreed with the vacancy and collection rate used in the Sorensen Report. He testified that the vacancy rate alone should have been 10.1% based on the market and then a collection loss should have been added to that. He acknowledged that he did not perform an income analysis on the subject and that other appraisers may have used a different rate than the one he would have used.

As to the sales comparables, Sargeant testified that he did not have an issue with the location of the comparables, but with the size of the comparables and whether they were multi-tenant or single-tenant buildings. He acknowledged that he did not physically observe the sale comparables from the Sorensen Report. As to sale comparable #6, Sargeant clarified that he did not know if the sale was arm's length, but it appears that there was no market exposure for this sale. He testified that the second building included in the sale is located adjacent to the other building. He testified he did not speak to the seller of those buildings.

On cross-examination by the intervenor, Sargeant testified that appraisals for ad valorem tax purposes may account for the real estate taxes by the way of a tax load in the capitalization rate. He acknowledged that this would be appropriate when the appraiser is using a net rental rate. He testified that photographs of rental comparables are not necessarily required in a summary appraisal report, but that an industrial market overview is. Sargeant opined that the appraisal contained enough information to properly perform a highest and best use analysis.

As to the rental comparables, Sargeant acknowledged that three of the comparables were larger than the subject and two are only moderately smaller than the subject. He agreed that the appraisal discloses downward adjustments made to the comparables for size. Sargeant opined

that the analysis of the rental comparables was not transparent and the lease structure for half the comparables was not clearly identified.

On re-direct, Sargeant clarified that he looked at only the physical description sections of the Sterling Valuation appraisal and the market analysis data that was presented. He testified that the Sorensen Report relied on the physical description of the subject in the Sterling Valuation appraisal. In reviewing *BOR's Group Exhibit #1*, Sargeant testified that both "west town" and "near west side" neighborhoods are located in Chicago's north submarket.

Conclusion of Law

When overvaluation is claimed the appellant has the burden of proving the value of the property by a preponderance of the evidence. National City Bank of Michigan/Illinois v. Illinois Property Tax Appeal Board, 331Ill.App.3d 1038 (3rd Dist. 2002); Winnebago County Board of Review v. Property Tax Appeal Board, 313 Ill.App.3d 179 (2nd Dist. 2000). Proof of market value may consist of an appraisal, a recent arm's length sale of the subject property, recent sales of comparable properties, or recent construction costs of the subject property. 86 Ill.Admin.Code 1910.65(c). Having considered the evidence presented, the Board concludes that the appellant has met this burden and that a reduction is warranted.

In determining the fair market value of the subject property, the Board examined the appellant's and intervenor's appraisal reports and testimony, the board of review's submission, and the appellant's rebuttal documentation and testimony.

The Board gives no weight the board of review's argument that if the appraiser used a different subject value for one of the components of an approach to value, the appraisal would support the board of review's assessed market value. Calculating values for the subject based on various numbers found within the appraisal without any explanation or any verification of the validity of using those numbers creates a false value which is highly unreliable and prejudicial. The Board finds this is a veiled attempt by the board of review to establish an appearance that the appellant's appraiser agrees to a value for the subject that reflects the current assessed value.

The Board finds the board of review's witnesses were not present or called to testify about their qualifications, identify their work, testify about the contents of the evidence and the conclusions, or be cross-examined by the appellant and the Property Tax Appeal Board. Without the ability to observe the demeanor of these individuals during the course of testimony, the Property Tax Appeal Board gives this evidence from the board of review no weight.

In reviewing the appraisals, the Board looks to all the approaches performed by the appraisers. The Board finds the cost approach to value within the appellant's appraisal was given the least weight in the final analysis as this approach is weakened by the age of the building and the need to estimate depreciation. The Board further finds that most potential purchasers of the property would not base a purchase price on this approach and therefore, gives this approach no weight.

The Board gives little weight to the intervenor's appraisal's income approach. The rental comparables within this approach were adjusted for the characteristic of a gross or semi-gross

lease without any disclosure from the appraiser. Furthermore, the appraiser failed to clarify these adjustments made during direct testimony. It was only during cross-examination that the witness acknowledged these adjustments. The lack of transparency in regard to the adjustments to these comparables calls into question the credibility of this approach and the reliability of the adjustments made to these comparables.

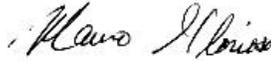
The Board also gives less weight to the income approach within the appellant's appraisal. The Board finds the appraiser utilized listing rental comparables that were not currently leased and that the appraiser made no adjustments for this factor.

The PTAB finds that all the appraisers placed significant weight on the sales comparison approach to value. Additionally, the courts have stated that where there is credible evidence of comparable sales, these sales are to be given significant weight as evidence of market value. Chrysler Corp. v. Illinois Property Tax Appeal Board, 69 Ill.App.3d 207 (2nd Dist. 1979); Willow Hill Grain, Inc. v. Property Tax Appeal Board, 187 Ill.App.3d 9 (5th Dist. 1989). Therefore, the Board gives this approach the most weight.

In reviewing the sales comparables within both appraisals, the Board gives less weight to intervenor's sales comparables #3, #4, and #5 as these properties are multi-tenant and reflect a leased fee sale which is not similar to the subject as a single-tenant, owner-occupied building valued as fee-simple. Moreover, the Board gives little weight to the intervenor's sale comparable #1 which is significantly superior in characteristics to the subject as its located within a industrial park and has rail service and sale comparable #6 as this is a portfolio sale of two buildings.

The remaining comparables, intervenor's sale comparable #2 and the appellant's sale comparables, are found to be the most similar to the subject and are given the most weight. These comparables sold from July 2009 to April 2012 for prices ranging from \$31.70 to \$57.45 per square foot of building area. In comparison, the subject's assessed value equates to a market value of \$55.42 per square foot of building area, including land. After considering all the evidence including the experts' testimony and submitted documentation and after making pertinent adjustments, the Board finds that the subject is overvalued and a reduction in the subject's assessment is warranted.

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. Pursuant to Section 1910.50(d) of the rules of the Property Tax Appeal Board (86 Ill.Admin.Code §1910.50(d)) the proceeding before the Property Tax Appeal Board is terminated when the decision is rendered. The Property Tax Appeal Board does not require any motion or request for reconsideration.



Chairman



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 19, 2018



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 or years of the same general assessment period, as provided in Sections 9-125 through 9-225, 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 such subsequent year or years 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 OR YEARS. A separate petition and evidence must be filed for each of the remaining years of the general assessment period.

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.

PARTIES OF RECORD

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