



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

APPELLANT: Peter & Vidya Puthenveetil
DOCKET NO.: 14-01072.001-C-1
PARCEL NO.: 07-25-119-033

The parties of record before the Property Tax Appeal Board are Peter & Vidya Puthenveetil, the appellants, by attorney Ronald Kingsley, of Lake County Real Estate Tax Appeal, LLC in Lake Forest, and the Lake 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 **Lake** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND: \$73,605
IMPR.: \$154,698
TOTAL: \$228,303

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellants timely filed the appeal from a decision of the Lake County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessment for the 2014 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 brick, multi-tenant medical office building with 5,446 square feet of building area that was constructed in 1991 with an effective age of 10 years. Features of the building include a concrete slab foundation, 5,410 square feet of rentable area consisting of three rental units. The building has central air conditioning and Suite 1, 3,100 square feet, is partly sprinklered and owner-occupied; Suites 2 and 3 are not sprinklered. Suite 2 being 1,110 square feet is vacant, but for some equipment left by the prior tenant, and Suite 3, 1,200 square feet, is leased as a dental office. The property has a 114,118 square foot or 2.62-acre site and is located in Park City, Warren Township, Lake County.

The appellants contend overvaluation as the basis of the appeal. In support of this argument the appellants submitted a 93-page appraisal report prepared by Andrew Richter, MAI and Rich Hiton, both of Rick Hiton & Associates. The report conveys that the subject property had a

leased-fee market value of \$495,000 or \$90.56 per square foot of building area, including land, as of January 1, 2014. The appraisal was prepared for an appeal of the property's assessed value and for an appeal of the property's *ad valorem* real estate taxes. (Appraisal, p. 10)

The appraiser utilized both the sales comparison and income approaches to value; the appraiser specifically noted the cost approach was not applied "as the age of the improvements makes the depreciation difficult to accurately measure." (Appraisal, p. 11) As part of the report, the appraiser noted the property was in good condition. He also reported that Suite 1 is used as a medical office; Suite 2 which had been used as a physical therapy office was "currently" vacant consisting of unpartitioned space but for a small office; and Suite 3 is used as a dental office. (Appraisal, p. 19-20)

In developing the sales comparison approach to value, the appraiser used five sales located in Libertyville, Beach Park, Waukegan and Lindenhurst that were improved with office buildings that ranged in size from 4,000 to 11,235 square feet of building area and were constructed from 1940 to 1999. The comparables had sites ranging in size from 9,525 to 66,996 square feet of land area. The sales occurred from June 2012 to May 2014 for prices ranging from \$190,000 to \$1,045,000 or from \$47.50 to \$110.00 per square foot of building area, including land. After making adjustments to the comparables for differences from the subject in location, building size, age, number of units, land-to-building ratio and office type, the appraiser arrived at adjusted prices ranging from \$63.22 to \$111.71 per square foot of building area, including land. Using this analysis the appraiser indicated the subject property would have a value of \$90.00 per square foot of building area resulting in an estimated market value under the sales comparison approach of \$490,000, rounded. (Appraisal, p. 33-43)

Under the income approach to value, the appraiser reviewed the subject's rents of \$14.00 per square foot of building area for Suite 1 and for Suites 2 and 3 \$18.00 per square foot of building area along with nine rental comparables with asking rentals ranging from \$10.00 to \$20.00 per square foot of building area on a gross, modified gross or net basis. The appraiser estimated the market rent to be \$18.00 per square foot for the small spaces and \$14.00 per square foot for the larger space as of January 1, 2014 resulting in a potential gross income of \$84,980 for both occupied space and vacant space. The appraiser deducted 13% of potential gross income for vacancy and collection loss resulting in an effective gross income of \$73,933. The appraiser next deducted \$11,368 for expenses to arrive at a net operating income of \$62,564. After consideration of market extraction, the band of investment technique and market surveys, the appraiser arrived at a capitalization rate of 9.00% to which the tax load of 3.70% was added. Capitalizing the net income at 12.70% resulted in an estimated market value under the income approach to value of \$495,000, rounded.

The appraiser opined the quality of the sale data was inferior to the quality of the rental data. The appraiser placed most weight on the income approach noting that buildings like the subject are most often purchased for their potential income, "even if one space is owner-occupied, as owners can offset some costs by leasing out space in the building." (Appraisal, p. 68) Based on this analysis in reconciliation, the appraiser estimated the subject property had a leased-fee market value of \$495,000 as of January 1, 2014.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$228,303. The subject's assessment reflects a market value of \$685,183 or \$125.81 per square foot of building area, land included, when using the 2014 three year average median level of assessment for Lake County of 33.32% as determined by the Illinois Department of Revenue.

As to the appellants' appraisal evidence, the board of review submitted a letter noting various concerns about the appraisal which, when considered, would result in a higher value conclusion. The board of review noted the subject property has a land-to-building ratio of 20.8:1 whereas the most similar comparable sale in the appraisal has a land-to-building ratio of 9.7:1. Furthermore, the appraisal lacks a cost approach which would address the significant contribution that the site has to the subject's overall value and instead was given nominal consideration of 3% to 5% in the sales comparison approach. The board of review also noted that none of the comparable sales were located in Park City/Gurnee or in the Greenleaf Street corridor "which contains a significant number of medical office oriented properties." The board of review also questioned the reliance/analysis of drive-by traffic since a medical office is destination oriented. As to appraisal sales #1 and #2, while they are medical office facilities, the appraiser made downward adjustments of 25% to 30%. The board of review noted lastly that appraisal sales #2 and #3 are older retail properties and appraisal sale #5 is a former day care center. Given the foregoing issues, the board of review contends that the appraiser's value estimate is not reasonable.

In support of its contention of the correct assessment the board of review submitted information on four comparable sales and one listing, three of which are located in the subject's Park City/Gurnee market area and board of review sale #1, although it sold after the lien date, is located in the subject's Greenleaf corridor. The comparables are located from .2 of a mile to 13.35-miles from the subject property with parcels ranging in size from 7,029 to 86,178 square feet of land area. The parcels are improved with one-story office buildings of brick exterior construction that were built between 1992 and 2001. The buildings range in size from 3,712 to 23,256 square feet of building area and two of the comparables have basements. The properties reflect land-to-building ratios ranging from 1.01:1 to 8.65:1. The four sales occurred between January 2014 and September 2015. The properties reflect sale or asking prices ranging from \$600,000 to \$4,800,000 or from \$126.86 to \$206.40 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.

In written rebuttal, counsel for the appellants argued that the appraiser made adjustments for the differences in land-to-building ratios as part of the appraisal report and, furthermore, similarly the board of review comparables differ greatly from the subject in land-to-building ratios. Counsel also contended that location is irrelevant given that medical offices are "destinations" as argued by the board of review. The appellants' attorney further argued that criticisms raised by the board of review have been adequately addressed by the adjustments made by the appraiser for location and/or functional utility.

As to the comparables utilized by the board of review, counsel argued that sale #1 is substantially larger than the subject and sold more than 20 months after the lien date. Sale #2

sold eleven months after the lien date, is located on a major thoroughfare and is part of a three-building complex making it more desirable along with being much newer than the subject. Sale #3 is located in a complex of multiple buildings with 31 total units which is thus more desirable than the subject 3-unit building and the sale occurred 12 months after the lien date. Sale #4 utilized by the board of review was reportedly completely renovated in 2010 and has a garage/warehouse which makes it dissimilar to the subject. Listing #5 was first on the market in July 2014, seven months after the lien date and "it is still listed for sale, rendering its probative value meaningless."

Conclusion of Law

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

The Board finds the appellants' evidence of market value was an appraisal estimating the subject property had a leased-fee market value of \$495,000 as of January 1, 2014. The appellants' appraiser clearly opined a market value of the subject's leased fee estate. Section 9-145 of the Property Tax Code (35 ILCS 200/9-145) provides in part:

Statutory level of assessment: Except in counties with more than 200,000 inhabitants which classify property for purposes of taxation, property shall be valued as follows:

- a) Each tract or lot of property shall be valued at 33 1/3% of its fair cash value.

Fair cash value is defined in the Property Tax Code as:

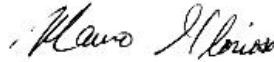
The amount for which a property can be sold in the due course of business and trade, not under duress, between a willing buyer and a willing seller. (35 ILCS 200/1-50).

Based on this definition, the Property Tax Appeal Board finds the market value of the leased fee estate developed by the appellants' appraiser is not reflective of fee simple fair cash value for assessment purposes and as such the Board has given no weight to the value conclusion contained within the appellants' appraisal report. Instead, the raw sales data in the appellants' appraisal report will be examined.

The Board finds the record contains nine sales and one listing submitted by the parties to support their respective positions before the Property Tax Appeal Board. The Board has given little weight to appraisal sales #1, #2 and #4 due to their dates of construction from 1940 to 1977. The Board has also given little weight to board of review comparable sale #1, despite its proximity to the subject property, the building of 23,256 square feet is much larger than the subject building of 5,466 square feet. On this record, the Board finds the best evidence of market value to

appraisal sales #3 and #5 along with board of review comparable sales #2, #3, #4 and listing #5 which sold or have asking prices ranging from \$190,000 to \$945,000 or from \$47.50 to \$193.97 per square foot of building area, including land. The subject's assessment reflects a market value of \$685,183 or \$125.81 per square foot of building area, including land, which is within the range established by the best comparable sales and the listing contained in the record. Based on this evidence and after considering adjustments for differences, 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. Pursuant to Section 1910.50(b) of the rules of the Property Tax Appeal Board (86 Ill.Admin.Code §1910.50(b)) 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



Acting 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:

October 20, 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 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

AGENCY

State of Illinois
Property Tax Appeal Board
William G. Stratton Building, Room 402
401 South Spring Street
Springfield, IL 62706-4001

APPELLANT

Peter & Vidya Puthenveetil, by attorney:
Ronald Kingsley
Lake County Real Estate Tax Appeal, LLC
13975 W. Polo Trail Drive
#201
Lake Forest, IL 60045

COUNTY

Lake County Board of Review
18 North County Street
7th Floor
Waukegan, IL 60085