



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

APPELLANT: Robert Becherer
DOCKET NO.: 14-02744.001-C-2 through 14-02744.002-C-2 &
15-01505.001-C-2 through 15-01505.002-C-2
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are Robert Becherer, the appellant, by attorney Robert Becherer of RR Donnelly & Sons Company in Chicago; and the Logan 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 **Logan** County Board of Review is warranted. The correct assessed valuation of the property is:

DOCKET NO	PARCEL NUMBER	LAND	IMPRVMT	TOTAL
14-02744.001-C-2	08-210-245-00	24,000	4,304	\$28,304
14-02744.002-C-2	08-210-254-00	24,000	60,663	\$84,663

DOCKET NO	PARCEL NUMBER	LAND	IMPRVMT	TOTAL
15-01505.001-C-2	08-210-245-00	24,000	4,304	\$28,304
15-01505.002-C-2	08-210-254-00	24,000	60,663	\$84,663

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeals from decisions of the Logan County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessments for the 2014 and 2015 tax years. The Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of the appeal. The Property Tax Appeal Board conducted a consolidated hearing of the appeals for the 2014 and 2015 tax years pursuant to section 1910.78 of the rules of the Property Tax Appeal Board. (86 Ill.Admin.Code §1910.78.)

Findings of Fact

The subject property is improved with a two-story commercial building of concrete block, brick, steel and concrete construction on a concrete slab foundation with 19,933 square feet of building area. The building was constructed in 1979. The building has an electric forced air furnace and

central air conditioning. Other features include an elevator, a sprinkler system in the hallways, drive-up window, canopy and an ATM machine. The property has two sites with a combined land area of 72,000 square feet of land area. Parcel No. 08-210-245-00 is the primary parking lot for employees and customers/clients. The property is located in Lincoln, East Lincoln Township, Logan County.

The appellant, Robert Becherer, appeared before the Property Tax Appeal Board contending overvaluation as the basis of the appeal. The appellant testified the subject building was originally constructed as a bank building dedicated almost exclusively to banking. He explained that the local bank was bought by a chain and the building is now a retail front with a lending office and some tellers. The appellant testified the principal tenant is Regions Bank.

In a memorandum prepared by the appellant for the Logan County Board of Review dated February 18, 2015 (marked as Appellant's Ex. #2), he stated that the subject property was converted to an office building with the bank occupying about 40% of the building. The appellant further explained in the memorandum that many of the features of the original building design remain and add considerable operating costs, thereby reducing the value of the building. He stated the subject has two very large and antiquated HVAC units that service the entire building: one for the first floor and one for the second floor. He explained the units are old and in need of regular repair. The appellant asserted these units can be updated to newer and more efficient units at a substantial cost (about \$130,000 to \$140,000), it is not economically feasible to retrofit the building into separate the rental units so that each bears its own HVAC expenses.

The appellant testified he purchased the subject property in January 2013 in an auction process for a price of \$86,137. He explained that the property had been owned by a large institutional investor, First States Investors 4200, LLC. The appellant testified the seller initially tried to sell the property through a real estate broker, Marcus & Millichap. The appellant submitted a copy of the Marcus & Millichap offering memorandum disclosing an asking price of \$425,000. The offering memorandum indicated the property had a net operating income loss of \$17,490. The attempt to sell the property through the listing was not successful, therefore, the seller contracted with Auction.com, a large international auction house. The appellant testified that the seller continued their relationship with Marcus & Millichap during the auction phase. The appellant testified that there was a lot of information about the property such as profit and loss statements for the preceding years together with a projected profit and loss statement for 2013, the leases were online and an environmental study was available online.

The appellant explained that he tried to decide whether he wanted to buy the property and what he could afford to pay. He testified the property was losing almost \$20,000 a year for three or four years. He thought there were things he could do to cut expenses and then determined how much he could afford to spend for the property to have it produce a reasonable rate of return.

He explained that the property was advertised in advance of the auction and prospective buyers have to register if they want to bid. He did not know how many other people were prospective buyers but was pretty sure there was more than one other bidder. He testified that the initial opening price was \$25,000 and the price started jumping and within a few minutes the price was \$70,000 to \$80,000. After each bid the time is extended to allow anybody who was interested in

bidding to determine if they want to pay more. The appellant indicated his opening bid was \$30,000. He then would watch the bidding process online to see if another bid comes in. If a bid came in that exceeded what he had offered the appellant would offer a higher bid. He thought he had to bid four times. He thought the auction lasted two days. He ultimately paid \$86,137 for the property. The appellant provided a copy of the PTAX-203 Illinois Real Estate Transfer Declaration (Appellant's Ex. A) associated with the sale, which depicted the price of \$86,137. The appellant's documentation also included and a message from Auction.com acknowledging the appellant as being the successful bidder as well as a copy of the Purchase and Sale Agreement (Appellant's Ex. C).

He further explained that following the auction, Regions Bank, the principal tenant, pursuant to its lease had an option to buy the property for the price that the appellant had bid. The appellant testified that Regions had a two or three-day period to determine if it wanted to buy the property. Regions Bank opted not to purchase the property and then he proceeded to close on the property. The appellant provided a copy of the settlement statement dated January 11, 2013 and reporting the purchase price of \$86,137 (Appellant's Ex. B). The appellant was of the opinion that the purchase price was indicative of fair cash value both as of January 1, 2014 and January 1, 2015.

Under cross-examination the appellant testified that Marcus & Millichap contacted local brokers. The appellant testified he received a call from David Alexander at Coldwell Banker, who has office space in the subject property, about the property.

To further support the overvaluation argument, the appellant submitted a narrative appraisal prepared by James Riker estimating the subject property had a market value of \$250,000 as of December 31, 2014. Riker is an Illinois Certified General Real Estate Appraiser. He has been an appraiser for approximately 23 or 24 years. Prior to that he had experience as a commercial lender at People's Bank in Bloomington. Riker testified he has had the appraisal license for over 12 years. His primary area of work is about a 40 to 50-mile area with Bloomington-Normal being the hub. He testified that he has performed at least 50 appraisals of commercial properties similar to the subject in the last five years. Of those 50 appraisals, 10 of those would have been in Logan County.

Riker identified Appellant's Ex. #1 as the appraisal he prepared of the subject property. The effective date of the report was December 31, 2014. The witness testified the purpose of the appraisal was to value the property for taxes and any other considerations. The property rights appraised were the fee simple interest.

The appraiser testified he performed both an interior and exterior inspection of the subject property. He described the subject property as being improved with a two-story building with the Regions Bank being on the first floor and different office spaces were rented to various clients on the second floor. The exterior of the building is of brick construction with steel framing and a slab foundation. The subject property has 19,933 square feet of building area and was constructed in 1979. Features of the building include sprinklers in the common area hallways, an elevator and a vault area. The appraiser testified that the building needed tuck pointing and the mechanical system, heating and air conditioning, was totally outdated. He testified that the electronic heating system was no longer being manufactured and if something

went wrong the contractor would try to find used parts. The estimated cost to replace the system was approximately \$150,000. The appraiser also testified the windows were single-pane and some needed repaired. He testified that it would cost approximately \$200,000 to replace those windows with more updated windows. The appraiser also testified that the utilities were not separated to where they could be at the tenant's expense. He further testified that the subject building has a multi-purpose use but there are certain limitations because of the bank being on the first floor. The witness also testified that the parking lot needed some repair.

The appraiser determined the highest and best use of the property to be its continued use as multipurpose office space.

In estimating the market value of the subject property the appraiser performed the cost approach to value, the income approach to value and the sales comparison approach to value.

The first step under the cost approach was to estimate the value of the land using two active listings and one sale. The report contained two active listings located on Woodlawn Road composed of a .67-acre site and a .55-acre site with listing prices of \$5.69 and \$6.25 per square foot of land area, respectively. The appraiser indicated these properties were superior to the subject due to heavy traffic exposure on a four lane road. He also found one sale of a 24,000 square foot parking lot that sold in January 2014 for a price of \$40,000 or \$1.67 per square foot of land area. Based on this data the appraiser was of the opinion the subject property would have a land value of \$2.00 per square foot or \$144,000.

The appraiser next estimated the replacement cost new of the improvements using the Marshall Valuation Service Cost Handbook, section 15, page 21, Office Buildings. The appraiser calculated the replacement cost new to be \$635,946. Based on an economic life of 50 years and an effective age of 20 years, the appraiser arrived at a physical depreciation factor of 40% resulting in total physical deterioration of \$254,379. The appraiser estimated the subject property suffered from \$200,000 in curable functional obsolescence due to the windows and the mechanical systems. The appellant's appraiser also made a deduction of \$150,000 for economic obsolescence considering the subject's location. Deducting total depreciation of \$604,379 resulted in a depreciated value of the improvements of \$31,567. Adding the land value of \$144,000 resulted in an estimated value under the cost approach of \$175,600, rounded.

The appraiser thought the total depreciation was excessive but was due to the issues that relate to the subject property and the issues with Lincoln such that the median income level is below the state average; it has lost population from 1970 through 2014 by slightly more than 19%; and major employers have left.

The appellant's appraiser next developed the income approach to value. The appraiser agreed that typically in estimating market rent you go to the market to find rental comparables. In this case he was not able to locate rental comparables, therefore, he opted to use the actual income of the subject property. He further testified he had conversations with two appraisers and realtors from Lincoln, Dan Bach and Gordon Johnson, about whether the subject's income was reasonable. According to the appellant's appraiser they said it seemed to be less than what would be typical. Nevertheless, the appellant's appraiser used a yearly gross income of \$164,484 and

deducted \$23,686 or 14.40% for vacancy and collection loss to arrive at an adjusted gross income of \$140,798. The appraiser then deducted expenses totaling \$123,676 to arrive at a net operating income of \$17,122.

Using the band of investment technique the appraiser arrived at a capitalization rate of 10.00%. The appraiser also reviewed surveys and indicated the average rate for Chicago market for the 3rd quarter for 2014 was 6.77% and the average rate for the 4th quarter for 2014 was 6.48%. Surveys indicated the average rate for Chicago surban market for the 3rd quarter for 2014 was 8.98% and the average rate for the 4th quarter for 2014 was 8.95%. Due to the subject property being located in Lincoln, the appraiser determined there was more risk than in the Chicago market area; therefore, the appraiser selected a capitalization rate of 10%. Capitalizing the net income resulted in an estimated value under the income approach of \$171,200.

The final approach to value developed by the appellant's appraiser was the sales comparison approach to value. The appraiser utilized three sales located in Lincoln. Comparable #1 was composed of two buildings, one of which is a two-story building and another is a 1.5-story with a combined building area of 13,920 square feet. The buildings were constructed in the 1900s and are of brick construction. The appraiser indicated the buildings had been updated and are in superior condition due to the updates. The comparable sold in 2013 for a price of \$527,500 or \$37.90 per square foot of building area, including land. Comparable #2 was a one-story building built in 1988 of brick and block construction with 4,452 square feet of building area. This property sold in 2014 for a price of \$480,000 or \$107.82 per square foot of building area, including land. The appraiser noted in the report that this was not a good comparable due to the difference in style, location and construction. He testified this property was located along a four-lane arterial road with a higher traffic count. The appraiser testified that he went out and visualized the amount of traffic that went by the comparable and came to realize that it is better than the subject property. The final comparable was improved with a two-story building of brick construction that was built in the 1900s containing 5,168 square feet of building area. The appraiser was of the opinion the construction quality was similar to the subject property. This property sold in 2011 for a price of \$115,000 or \$22.25 per square foot of building area, including land.

The appraiser was of the opinion that comparable #1 was the only one that had a reasonable amount of comparability to the subject property, therefore, he focused on that property. The appraiser gave an overall 55% negative adjustment to this comparable due to its upgrades, which made it like a new building. The appraiser arrived at an estimated value for the subject property under the sales comparison approach of \$17.00 per square foot of building area resulting in an indicated value of \$338,900, rounded.

In reconciling the three approaches to value, the appraiser stated that none of these approaches provide a true indication of value. He testified the sales comparison approach was somewhat distorted because the lack of quality comparables. He also was of the opinion the cost approach and the income approach are on the low side. After considering these approaches to value the appraiser arrived at an estimated value of \$250,000 as of December 31, 2014. The appraiser testified the report had a "typo" on page 44 with respect to the valuation date stated as

"December 31, 2015." Mr. Riker did not know that the value of the subject property would change significantly from January 1, 2014, one of the valuation dates at issue.

The appellant's appraiser did not give any weight to the purchase of the subject property that was testified to by the appellant. He did not really consider that the purchase was an arm's-length transaction in that he did not know if they had a willing buyer and a willing seller in the typical manner. The appraiser stated, "We've got somebody that wants to sell it at any price. That's not really typical of the market."

Under cross-examination the appellant's appraiser agreed the subject property was one of the newer buildings in the downtown Lincoln area. He testified his conclusion that the subject's area did not have a lot of vibrancy was based on a review of various sources about Lincoln. The appraiser also testified that his comparable sale #1 does not have an elevator and does not have parking. He also testified his 65% condition adjustment was because of the improvements made to the building. The appraiser also indicated that it was not typical to have an online auction to sell a building.

Based on this evidence the appellant requested the subject's total assessment be reduced to \$28,712 to reflect the purchase price.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total combined assessment for the subject of \$228,880 for tax year 2014 and \$235,730 for tax year 2015. The subject's 2014 assessment reflects a market value of \$685,475 or \$34.39 per square foot of building area, land included, when using the 2014 three-year average median level of assessment for Logan County of 33.39% as determined by the Illinois Department of Revenue. The subject's 2015 assessment reflects a market value of \$709,176 or \$35.58 per square foot of building area, land included, when using the 2015 three-year average median level of assessment for Logan County of 33.24% as determined by the Illinois Department of Revenue.

In support of its contention of the correct assessment for the 2014 tax year, the board of review submitted information on six comparable sales, with sales #3 and #4 being a combined sale. The comparables were composed of four one-story buildings, a part one-story and part two-story building and a two-story building. The board of review indicated that the comparables ranged in size from 1,136 to 9,520 square feet of building area. The buildings ranged in age from 28 to approximately 100 years old. These properties were located in Lincoln from approximately two blocks to 1.6 miles from the subject property. The comparables have sites ranging in size from 1,200 to 32,550 square feet of land area. The sales occurred from July 2013 to December 2015 for prices ranging from \$120,000 to \$527,500 or from \$25.69 to \$158.45 per square foot of building area, including land. Board of review sales #3 and #4 were appellant's appraisal sale #1 and board of review sale #6 was appellant's appraisal sale #2.

With respect to the 2015 tax year, the board of review utilized the same six comparable sales as in the 2014 appeal and provided one additional sale located two blocks from the subject property that was improved with a two-story building of brick construction with 8,000 square feet of building area. The building was approximately 84 years old. The comparable has an 8,000

square foot site. The property sold in April 2016 for \$225,000 or \$28.12 per square foot of building area, including land.

Jane Ryan, member of the board of review, testified that the subject property is a newer building with an elevator and its own parking lot. She testified that most of the downtown buildings have one or two parking spaces behind the buildings for the owner and the rest park on the street. She also asserted that the two story buildings do not have elevators.

Ms. Ryan further testified that the auction of the subject property lacked local participation and advertising, which indicated to the board of review it was more comparable to a foreclosure. The board of review did not consider the subject's sale to be arm's-length.

With respect to the appellant's appraisal, the board of review was of the opinion the depreciation was excessive. Ms. Ryan testified that because of the parking, the elevator, the age and the quality of construction, the subject is one of the better properties in town. The board of review requested the assessment for each year be confirmed.

Under cross-examination Ms. Ryan indicated that her opinion that the sale was not an arm's-length transaction was based on the perceived lack of local advertising. She was of the opinion that if the property had been marketed locally, it would have sold for more.

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 evidence in the record supports a reduction in the subject's assessment.

The evidence disclosed that the subject property was initially marketed through Marcus & Millichap, Real Estate Investment Services, with an asking price of \$425,000. A copy of the Offering Memorandum was submitted by the appellant as Exhibit A attached to his memorandum to the Logan County Board of Review dated February 18, 2015 (Appellant's Exhibit #2). The testimony revealed that Marcus & Millichap was not successful in recruiting a buyer for the subject property. Typically, the asking price sets the upper limit of value. The Board finds the asking price for the subject property is below the market values reflected by the subject's assessments for the 2014 and 2015 tax years, supporting the conclusion the subject property was overvalued for assessment purposes.

The appellant provided testimony and evidence that he purchased the subject property in an on-line auction for a price of \$86,137 or \$4.32 per square foot of building area, including land. The appellant testified the auction had exposure to the open market and there was much information about the property on-line. He further testified that there was more than one bidder during the auction process. The Board finds, however, the on-line auction calls into question the arm's-length nature of the transaction. The evidence was lacking in establishing the amount of time the

property was exposed on the market under the auction format and lacked detail with respect to how well the general public would have known the subject property was for sale. Additionally, the appellant's valuation expert, Mr. Riker, was of the opinion the purchase was not an arm's-length transaction in that he did not know if there was a willing buyer and a willing seller in the typical manner. He testified that the seller wanted to sell at any price, which is not really typical of the market. Furthermore, the auction purchase price of \$4.32 per square foot of building area, including land, is significantly below the sales in this record on a square foot basis, which calls into question whether the price was reflective of fair cash value for assessment purposes. Based on this record the Board finds less weight can be given the auction purchase price in establishing the fair cash value of the subject property for assessment purposes.

The record also has an appraisal submitted by the appellant estimating the subject property had a market value of \$250,000 or \$12.54 per square foot of building area, including land, as of December 31, 2014. The appellant's appraiser utilized the three approaches to value in arriving at his value conclusion. In describing the subject property, the appellant's appraiser testified the subject property had a heating system that was no longer being manufactured and if something went wrong the contractor would try to find used parts. The estimated cost to replace the system was approximately \$150,000. The appraiser also testified the windows were single-pane and some needed repaired at a cost of approximately \$200,000 to replace those windows with more updated windows. This testimony was not refuted by the board of review. These issues would have a negative impact on the value of the subject property.

Of the three approaches to value developed by the appellant's appraiser, the Board gives most credence to the sales comparison approach to value. With respect to the cost approach to value the Board finds there was little support for external or economic obsolescence assigned to the subject property. The appraiser asserted in the report that the subject property suffers from a \$.75 per square rent loss based on the subject's existing rental rates versus quoted rental rates by owners and real estate agents in conversations with the appraiser. However, the appraiser did not include in the report the rental rates of the various tenants associated with the subject property nor did he provide a listing of comparable rentals identified in the conversation with owners and real estate agents. Furthermore, the physical depreciation and the functional obsolescence was not supported by any market data. This lack of market data to support the depreciation calculation detracts from the weight to be given the cost approach to value.

Similarly, in the income approach to value the appraiser failed to report any rental comparables to support his estimate of market rent even though he states within the appraisal he had conversations with owners and real estate agents about rental rates. In order to estimate a value under the income approach rental comparables should be used as a basis to establish market rent to estimate the subject's potential gross income. This lack of rental market data undermines the appellant's appraiser's estimate of value under the income approach to value. Furthermore, a review of the expenses the appellant's appraiser deducted to estimate the subject's net income included \$22,476 for real estate taxes. The preferred method to handle real estate taxes when developing an appraisal for assessment purposes is not to deduct taxes as an expense put to develop an effective tax rate and add it as a component of the total capitalization rate. Furthermore, the appellant's appraiser provided no market data or surveys to demonstrate the expenses deducted from the potential gross income were market based. This lack of market data

undermines the weight that can be given the appellant's appraiser's conclusion of value under the income approach to value.

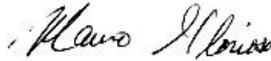
The appellant's appraiser used three comparable sales in the sales comparison approach to value. Two of the sales contained in the appraisal were also used by the board of review. The comparable sales selected by the appraiser were not particularly similar to the subject property in age and size but were located in Lincoln. The appraiser ultimately arrived at an estimate of value under the sales comparison approach of \$338,900. This value conclusion appears supported when considering both the listing price of \$425,000 and giving some minor consideration to the auction purchase price.

The board of review also provided comparable sales in support of the assessment. As with the appellant's appraiser's comparable sales, the Board finds that none of the sales were particularly similar to the subject in size, age and style. Additionally, the board of review did not seem to consider the subject's condition issues relative to the mechanicals and windows so as to make adjustments to the comparables for their possible superior condition relative to the subject property. As noted, the appellant's appraiser also considered two of the sales identified by the board of review, which lends some credence to his conclusion of value under the sales comparison approach to value.

In conclusion, after considering the evidence and testimony provided by the parties the Property Tax Appeal Board finds a reduction in the subject's assessment is warranted so as to reflect a market value of \$338,900 as determined by the appellant's appraiser utilizing the sales comparison approach to value. Based on this evidence the Board finds a reduction in the subject's assessment for each of the tax years under appeal is justified.

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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



Acting 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: November 21, 2017



Clerk of the Property Tax Appeal Board

IMPORTANT NOTICE

Section 16-185 of the Property Tax Code provides in part:

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"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.

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PARTIES OF RECORD

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