



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

APPELLANT: Corporate America Family Credit Union
DOCKET NO.: 15-00818.001-C-2
PARCEL NO.: 06-04-431-047

The parties of record before the Property Tax Appeal Board are Corporate America Family Credit Union, the appellant, by attorney Nikos D. Tsonis, of Relias & Tsonis, LLC in Chicago, and the Kane 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 **Kane** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND: \$193,452
IMPR.: \$106,338
TOTAL: \$299,790

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the Kane County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessment for the 2015 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, owner-occupied masonry bank building with 7,740 square feet of building area with a full finished basement. The building was constructed in 1994 and features include a sprinkler system throughout the building, central air conditioning, one elevator and a drive-thru canopy with seven drive thru lanes. The property has an approximately 143,312 square foot site¹ for an approximately 18.52:1 land-to-building ratio and is located in Elgin, Elgin Township, Kane County.

The appellant contends overvaluation as the basis of the appeal. In support of this argument the appellant submitted a 58-page appraisal prepared by Andrew G. Hartigan, MAI with Inland Real

¹ The appellant's appraiser reported a land area of 140,263 square feet for an 18.12:1 land-to-building ratio. The assessing officials reported 143,312 square feet of land area resulting in an 18.52:1 land-to-building ratio. The Board finds on this record this discrepancy does not prevent a determination of the correct assessment.

Estate Advisors, Inc., estimating the subject property had a fee simple market value of \$900,000 or \$116.28 per square foot of building area, including land, as of January 1, 2015.

The appraiser concluded the subject's highest and best use as improved was for its present use. The appraiser detailed the recent sales history of the subject property on page 5 of the report noting the sale transaction occurred on July 12, 2012; the grantor was Amcore Bank (in receivership with FDIC) and the grantee was Valley Bell Credit Union. The sale price was \$650,000 and available data indicated the property had been on the market for 637 days with an original asking price of \$965,000.

The appraiser utilized both the sales comparison and income approaches to value; the appraiser specifically noted the cost approach was not developed "due to the subjectivity of depreciation." (Appraisal, p. 26) Also as part of the report, the appraiser noted the subject property was in average condition.

In developing the sales comparison approach to value, the appraiser used four sales and one listing located in St. Charles, Sugar Grove and Elgin that were improved with two single-tenant retail banks, a medical office building, a single tenant office building and a two to four-unit office building. The comparables ranged in size from 1,920 to 8,960 square feet of building area and were constructed from 1966 to 2005. The comparables had land-to-building ratios ranging from 3.26:1 to 67.38:1. The four sales occurred from September 2013 to June 2015 for both sale and asking prices ranging from \$200,000 to \$880,210 or from \$98.24 to \$115.47 per square foot of building area, including land. After making adjustments to the comparables for differences from the subject in location/exposure, conditions of sale, building size, age/condition and/or land-to-building ratio, the appraiser concluded comparable sale #1 was similar to the subject and the remaining comparables were each inferior to the subject. Using this analysis the appraiser estimated the subject property would have a value of \$115.00 per square foot of building area resulting in an estimated market value under the sales comparison approach of \$890,000, rounded. (Appraisal, p. 27-37)

Under the income approach to value, the appraiser analyzed six asking rental comparables ranging from \$7.75 to \$14.00 per square foot of building area on a net, net effective or modified gross basis. The appraiser estimated the market rent to be \$13.00 per square foot as of January 1, 2015 resulting in a potential gross income of \$100,620. The appraiser deducted 15% of potential gross income or \$15,093 for vacancy and collection loss resulting in an effective gross income of \$85,527. The appraiser next deducted \$8,146 for expenses to arrive at a net operating income of \$77,381. After consideration of market extraction and the band of investment techniques, the appraiser arrived at a capitalization rate of 8.50%. Capitalizing the net operating income resulted in an estimated market value under the income approach to value of \$910,000, rounded. (Appraisal, p. 38-50)

In reconciliation, the appraiser placed equal weight on the two value conclusions and estimated the subject property had a market value of \$900,000 as of January 1, 2015. (Appraisal, p. 52)

Based on this evidence, the appellant requested a reduction in the subject's assessment to reflect the final appraised value conclusion at approximately the statutory level of assessment of 33.33%.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$420,718. The subject's assessment reflects a market value of \$1,263,038 or \$163.18 per square foot of building area, land included, when using the 2015 three year average median level of assessment for Kane County of 33.31% as determined by the Illinois Department of Revenue.

In support of its contention of the correct assessment the board of review submitted a ten-page memorandum outlining perceived errors and omissions by the appellant's appraiser, a memorandum from the Elgin Township Assessor along with limited information on twelve comparable sales. Also submitted was a land sale chart with six comparables located in Huntley, Elgin or South Elgin, despite the stated communities, a map depicted each of the land sale comparables as being located within Kane County. The assessor also prepared an income approach to value and a cost approach to value concluding, respectively, values of \$1,540,000 and \$1,334,000.

The board of review's ten-page memorandum was not signed. The lack of a cost approach in the appraisal and the lack of any land valuation data was first noted in the memorandum, arguing that there is significant value in the subject's 3.39-acres of land that is located on a corner signalized intersection across from the Big Timber Train Station in Elgin. The board of review contends that there was no explanation why a land value was not prepared in the appraisal.

The board of review argued that the appellant's appraisal has insufficient data to value a bank branch building. In its data, the board of review submitted 12 bank branch sales prepared by the assessor and 13 additional bank branch sales presented by the board of review. As to the sales utilized by the appellant's appraiser, sales #1 and #2 were REO sales and were not revealed as such in the report; there was no adjustment to the conditions of sale for these properties, but an adjustment was made to the active REO listing #5. Moreover, the board of review questions the characterization of the listing's conditions of sale in the adjustment grid as "superior" to the subject which would indicate a downward adjustment rather than an upward adjustment for being an REO sale.

As to appraisal sale #3, the board of review contends that use of this office building is not appropriate unless there are no bank branch sales available. Moreover, the board of review contends that adjustments would be needed for the superior finishes of a bank branch and the drive thru which have significant value in the market, but there were no such adjustments in the appraisal for this property. The board of review questions the use of an "estimated" sale price for appraisal sale #4 which is not comparable to the subject and "should not have been used." Thus, given the foregoing analysis, the board of review contends that the appellant's appraiser only considered three sales in the sales comparison approach to value given the use of both a listing and an "estimated" sale price; in addition, the appraisal fails to adjust the comparables for the full finished basement of the subject property or address this additional lower level space.

In support of the subject's assessment, the board of review submitted a limited comparative analysis of thirteen suggested comparable sales of retail bank branches that were REO sales or vacant at the time of sale. The comparables were located in Aurora, St. Charles, Naperville, Lombard, Oswego, Wheaton, Bolingbrook and Villa Park which were in Kane, DuPage, Will

and Kendall Counties. The comparables range in size from 2,000 to 16,945 square feet of building area and eleven comparables were built between 1972 and 2007 with comparables #1 and #12 renovated in 2008 and 2013, respectively, and the age of comparable #8 not disclosed. The parcels range in size from .12 to 9.34-acres or from 5,227 to 406,850 square feet of land area. The analysis did not disclose the comparables' proximate location, design, exterior construction, foundation and/or features for comparison to the subject. Comparables #2, #7 and #12 were REO properties and comparables #5 and #10 were described as "redevelopment projects." Both comparables #9 and #13 were noted as "high vacancy." The properties sold from August 2012 to June 2016 for prices ranging from \$500,000 to \$4,232,000 or from \$103.22 to \$300.64 per square foot of building area, including land.

The twelve sales presented by the township assessor where the assessor contended sales #1 and #11 were most similar to the subject. The comparables were located in North Aurora, Batavia, Aurora, South Elgin, St. Charles, Carpentersville, Crystal Lake, Algonquin and Lith, these last three communities being in McHenry County. The comparables consist of nine, one-story and three, two-story buildings that range in size from 2,996 to 10,781 square feet of building area and were built between 1992 and 2006. The parcels range in size from 32,234 to 93,205 square feet of land area. The analysis did not disclose the comparables' proximate location, exterior construction, foundation and/or features for comparison to the subject. Comparables #5 and #6 were REO properties, comparable #7 was a short sale and comparable #8 was described as a "multi-parcel sale." The properties sold from March 2011 to September 2014 for prices ranging from \$1,000,000 to \$4,475,000 or from \$195 to \$989 per square foot of building area, including land, rounded.

As to the income approach, the board of review asserted that the corner signalized location and drive thru features of the subject are "sought after by retailers and are a premium above the standard features of a typical retail location." The memorandum criticized the appraisal rental comparables and the conclusion of a market rent of \$13.00 per square foot given the inadequate data that was presented. The board of review contended that tenants will pay for these features in the market area and thus, an "above average" market rent should be applied to the subject. The board of review further asserted that the appraisal comparables were multi-tenant buildings which must share parking; the board of review opined "it is usually inadequate for tenants with heavy walk-in traffic and ones that have employees with all day parking needs." Next, the board of review presented limited data on twelve closed lease properties that "were readily available to the appraiser but have been excluded in the report."² The comparables were located in Elgin and range in size from 1,000 to 6,000 square feet of leased area. The comparables were used either as retail or office/medical facilities and rented from February 2013 to July 2016 for rental rates ranging from \$14.20 to \$22.59 per square foot of building area on a triple net basis.

The assessor's memorandum also criticized the income approach in the appellant's appraisal report for using general office buildings which do not reflect the subject's highest and best use as a banking facility. The assessor also stated "the estimate of market rent is low and the cap rate is too high."

² The Property Tax Appeal Board notes that the appraisal was prepared/transmitted in October 2015 which would indicate that leases that began after the transmittal date were not actually "readily available" to the appellant's appraiser for inclusion in the report.

As part of the memorandum at page 9, the board of review recreated an income capitalization approach to value setting forth data on six rental comparables. The comparables were located in Elgin or St. Charles and were three actual listings and three offerings. The units range in size from 1,000 to 7,000 square feet and have from 10 to "ample" parking spaces. The buildings were built between 1978 and 2008 with rents ranging from \$7.75 to \$14.00 per square foot on a net, net effective or modified gross basis. From this data, the board of review presented a stabilized income and expense summary opining a rental rate of \$20.00 per square foot resulting in a gross potential income of \$154,800 less a vacancy and collection loss of 10% or \$15,480 for an effective gross income estimate of \$139,320. The board of review then set forth expenses for management fees and reserves for replacements totaling \$9,847 which resulted in a net operating income estimate of \$129,473. The board of review then utilized a direct capitalization rate of 8.5% to arrive at an indicated value under the income approach of \$1,520,000, rounded, for the subject property.

The township assessor also presented a one-page income approach to value indicating a rental rate of \$20.00 per square foot for a potential gross income of \$154,808 less 10% for vacancy and collection loss resulting in an effective gross income of \$139,327. The assessor presented an expense summary of 5% for management fee or \$6,966 and reserves of \$1,161 resulting in net operating income of \$131,200 which was capitalized at 8.5% resulting in a value of \$1,540,000, rounded, under the income approach according to the assessor.

The assessor's data included a land sale chart of six comparables located in Huntley or Elgin. The parcels range in size from 44,431 to 254,826 square feet of land area. The parcels sold between June 2012 and May 2015 for prices ranging from \$475,000 to \$4,200,000 or from \$7.37 to \$18.49 per square foot of land area. The analysis further noted that the subject's land assessment reflects a market value of \$4.05 per square foot of land area at the statutory level of assessment.

Lastly, the assessor's data included a cost approach from Marshall Valuation Service opining a replacement cost new including miscellaneous fees, indirect costs and entrepreneurial incentive of \$1,418,663 less physical depreciation of 42% and external obsolescence of 10% resulting in a depreciated value of \$680,958 plus a land value of \$653,495 for a total value under the cost approach of \$1,334,000, rounded, according to the assessor.

Based on this evidence, the board of review presumably requested confirmation of the subject's assessment.

Under rebuttal, the appellant's counsel argued that the board of review comparable sales and rentals have not been adjusted for market conditions, time, location, age, size, land-to-building ratio, parking, zoning and other related factors. Moreover, the appraiser concluded that the subject's highest and best use was as a commercial building and therefore, it is not necessary to include only sales and rentals of bank branches when establishing an estimate of market value.

As to the lack of a cost approach and/or estimate of land value, counsel contends that a land value was addressed "in the sales comparison approach by adjusting the comparables for land-to-building ratios as appropriate." Likewise, in the income approach the appellant's appraiser

considered the amount of available parking, a pertinent factor for rental rates more so than the size of the lot.

As to the appraisal sales, counsel disputes the assertion that comparable #1 was an REO sale and sale #2 was owned and occupied by a credit union with a listing time of 315 days. Appraisal sale #3 as a medical office building was argued to be a superior buildout to most office buildings. As to the "estimated" sale price of comparable #4, counsel noted the explanation on page 32 using a higher price than the recorded one because "a portion of the tenant's rent was paid in addition to the recorded sale amount." Counsel acknowledged that appraisal sale #5 was an REO listing which was exposed on the market for 789 days.

Counsel for the appellant next addressed the comparable sales presented by the board of review. Sale #1 differed in design and reflected a leased-fee transaction. Sales were noted as differing in market area when located outside Kane County, age, date of sale and/or multi-tenant design. Additionally, counsel noted that board of review sale #6 is the same property as appraisal sale #1, but counsel disputes the assertion the property was an REO sale as depicted in a copy of the PTAX-203 Illinois Real Estate Transfer Declaration that was submitted in rebuttal. Appellant's counsel also asserted that three of the board of review sales were leased-fee transactions, only three of the sales were located in Kane County and, despite the criticisms of the uses of the appraisal sales, counsel contends that board of review comparables #5, #8, #11, #12 and #13 were not used as bank branches.

As to the board of review income approach data, counsel noted there is no market data to support the assertions, no expense data for insurance and administrative fees which are typical and counsel disputed the various criticisms of the appellant's appraisal report concerning the income approach.

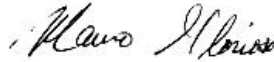
Conclusion of Law

The appellant contends the market value of the subject property is not accurately reflected in its assessed valuation. When market value is the basis of the appeal the value of the property must be proved by a preponderance of the evidence. 86 Ill.Admin.Code §1910.63(e). Proof of market value may consist of an appraisal of the subject property, a recent sale, comparable sales or construction costs. 86 Ill.Admin.Code §1910.65(c). The Board finds the appellant met this burden of proof and a reduction in the subject's assessment is warranted.

The Board finds the best evidence of market value to be the appraisal submitted by the appellant which is further supported by board of review comparable sale #6 which sold in September 2013 for \$114.17 per square foot of building area, including land. Contrary to the written criticisms of the board of review, the Property Tax Appeal Board does not find the appellant's appraisal lacking in data, reasoning and/or support for the value conclusion set forth. In contrast, the board of review submitted sales data that was dated (see most of the assessor's sales) and many comparable sales that were not located in Kane County, but did not have any data to adjust the raw sales for this locational difference. Likewise, the board of review's income approach analysis lacked any market support and had no details as to the selection of a capitalization rate.

The subject's assessment reflects a market value of \$1,263,038 or \$163.18 per square foot of building area, including land, which is above the appraised value and above the best comparable sale #6 in the record presented by the board of review. On this record, the Board finds the subject property had a market value of \$900,000 as of the assessment date at issue. Since market value has been established the 2015 three year average median level of assessments for Kane County of 33.31% as determined by the Illinois Department of Revenue shall apply. (86 Ill.Admin.Code §1910.50(c)(1)).

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

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