



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

APPELLANT: Fifth Third Bank
DOCKET NO.: 15-01094.001-C-2
PARCEL NO.: 09-05-276-012

The parties of record before the Property Tax Appeal Board are Fifth Third Bank, the appellant, by attorney Kelly J. Keeling, of Klafter & Burke, 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: \$160,222
IMPR.: \$149,686
TOTAL: \$309,908

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, owner-occupied bank/office building of brick exterior construction with 4,135 square feet of building area. The building was constructed in 2004 and features include a concrete slab, central air conditioning and a 2,070 square foot canopy covering four drive through lanes and one ATM lane. The property has a 1.42-acre or 61,689 square foot corner site resulting in a land-to-building ratio of 14.92:1. The property is also improved with lighted asphalt parking for approximately 30 vehicles along with a driveway and located in South Elgin, St. Charles Township, Kane County.

The appellant contends overvaluation as the basis of the appeal. In support of this argument the appellant submitted a 77-page appraisal prepared by Thomas Grogan, MAI and John T. Setina, III both with Sterling Valuation Real Estate Appraisers & Consultants. The appraisers concluded

the subject property had a fee simple market value of \$830,000 or \$200.73 per square foot of building area, including land, as of January 1, 2015.

The appraisers concluded the subject's highest and best as vacant is for commercial use when there is demand for such a use and the highest and best use as improved was for its present use. As part of the report, the appraisers noted the subject property was in average condition. In the appraisal, the appraisers also distinguished between market value and use value or value in use; the appraisers noted the subject property has a particular use value for the current occupant (which is used as a bank), but a potential owner/investor may not place the same value on the property due to its unique features. As such, the appraisers concluded that the subject's market value would not equal its use value. (Appraisal, p. 13) Also as part of the report, the appraisers provided data under the heading, "Banking Market Overview." In summary the appraisers wrote:

The banking industry is trimming their branches down. According to a banking report by Jones Lang LaSalle (*Global Retail Banking*) by 2020 up to half of the branch banks in today's market will become obsolete, if not totally vacant. Due to current technologies, most customers do not have to step foot into a branch bank to perform typical transactions (deposits, withdrawals, transfers) that used to require the service of a live human being. . . . These banks are becoming more the minority than the majority.

(Appraisal, p. 23)

The appraisers utilized both the sales comparison and income approaches to value; the appraisers specifically noted the cost approach was not developed "since potential owners typically do not rely on this approach when estimating value and due to the age of the improvements." (Appraisal, p. 11) The appraisers also asserted that throughout the State of Illinois, the cost approach is typically perceived, for most properties as not being relevant. Furthermore, the appraisers asserted the income approach was completed only to verify the accuracy of the sales comparison approach and noted the sales comparison approach was the most relevant method of estimating market value for the subject property which is relied upon by buyers and sellers. (Appraisal, p. 12)

In developing the sales comparison approach to value, the appraisers used five sales and three listings (one of which was described as "under contract") located in St. Charles, Sugar Grove, Elgin, Hampshire, Carpentersville, Geneva and South Elgin that were improved with one, two-story and seven, one-story bank/office buildings. The comparables were built between 1981 and 2005. The comparables range in size from 1,920 to 7,740 square feet of building area. Comparables #1, #4 and #5 were described as having basements. The parcels range in size from 28,954 to 147,668 square feet of land area resulting in land-to-building ratios ranging from 5.12:1 to 65.61:1. Each comparable has parking and various numbers of drive-thru facilities, five of which also were described as having canopies. The five sales occurred from May 2012 to March 2014 and the properties had both sale and asking prices ranging from \$200,000 to \$2,200,000 or from \$83.98 to \$333.33 per square foot of building area, including land. After making adjustments to the comparables for conditions of sale, financing, economic trends, location, building size, age and condition and/or land-to-building ratio, the appraisers concluded

the subject property would have a value of \$200.00 per square foot of building area resulting in an estimated market value under the sales comparison approach of \$830,000, rounded. (Appraisal, p. 38-55)

Under the income approach to value, the appraisers analyzed five bank listing rental comparables ranging from \$14.00 to \$27.00 per square foot of building area on a net, gross, or modified gross basis, one of which was on the market for three years. The leased area ranged in size from 2,107 to 8,400 square feet of building area, three of which included drive-thru access. One comparable with the highest rental rate also includes furniture, fixtures and equipment value in the rate. Based on this data and after considering various adjustments, the appraisers estimated the market rent to be \$20.00 per square foot of annual net rental rate resulting in a potential gross income of \$82,700. The appraisers deducted 10% of potential gross income or \$8,270 for vacancy and collection loss resulting in an effective gross income of \$74,430. The appraisers next deducted \$4,466 for expenses to arrive at a net operating income of \$69,964. After consideration of market extraction and the band of investment techniques, the appraisers 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 \$825,000, rounded. (Appraisal, p. 56-68)

In reconciliation, the appraisers placed significant consideration on the sales comparison approach with minimal consideration to the income approach. From this analysis, the appraisers opined an estimated market value for the subject property of \$830,000 as of January 1, 2015. (Appraisal, p. 69-70)

Based on this appraisal evidence, the appellant requested a reduction in the subject's assessment to reflect the final appraised value conclusion at 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 \$572,645. The subject's assessment reflects a market value of \$1,719,138 or \$415.75 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 memorandum prepared by David Medlin, MAI, Deputy Assessor of St. Charles Township along with information on eight comparable sales located within the township, four sales located outside the township and two listings within the township.

In the memorandum, Medlin outlined his "concerns" with the appellant's appraisal report including the lack of a cost approach, noting the age of the building and the location at a signalized corner being an important feature. Based on its assessment, Medlin noted that the subject lot has a land value of \$888,322 or \$14.40 per square foot of land area. Given the assessor's land value estimate which exceeds the appraisal's overall value conclusion, Medlin contended that the appraiser did not give "enough credit to the location of the subject at a signalized corner along Randall Road."

As to the appraisal's sales comparables, Medlin asserted that appraisal sale #1 had not been a bank in over 7 years. He contends the property was used as a Diamond Mart for the past several

years and a dentist then purchased the property for conversion. Medlin also alleged the property suffers from a poor accessibility issue and has a shared easement with a neighboring property. As to appraisal sale #2, Medlin asserted this property located in a far western suburb "has very minimal commercial activity." Medlin contends that appraisal sale #3 was vacant for many years prior to the sale and has poor visibility being located in the back of the lot. Appraisal sales #4 and #5 based on the recorded documentation were both not listed for sale, were bank owned and sold as FDIC property.

Finally, Medlin addressed his concerns with adjustments that were made by the appellant's appraisers on the sales. As to the location adjustment for sale #6, Medlin asserted the property is located along Route 64, east of Randall Road, in an out lot "of a failed shopping center." The appraisers opined the location of sale #6 was superior to that of the subject, but Medlin opines the conclusion should be the opposite with the Randall Road corridor being far superior to Main Street.

To support the subject's land assessment and thus its estimated land value, Medlin provided seven land sales of commercial parcels from within the township. Medlin's memorandum pointed out that signalized corners reflected higher sale prices; land sales #1, #5 and #6 were each noted as being at signalized corners. The parcels range in size from 25,091 to 147,285 square feet of land area. The intended uses varied from Buena Beef, assisted living and auto/tire uses. The parcels sold between October 2011 to September 2015 for prices ranging from \$288,274 to \$2,209,269 or from \$9.16 to \$26.90 per square foot of land area.

The eight sales and two listings within the township were located in either South Elgin or St. Charles.¹ One of the eight sales had a sale in both September 2014 and March 2015 for nearly the same sale price of about \$258 per square foot of building area, including land. The comparable buildings were constructed from 1978 to 2008 and range in size from 2,469 to 5,815 square feet of building area. These comparables have parcels ranging in size from 5,261 to 65,601 square feet of land area resulting in land-to-building ratios ranging from 2.1:1 to 16.5:1. The sales occurred between March 2011 and March 2015 and both the sales and listings had prices ranging from \$637,433 to \$3,050,000 or from \$250.33 to \$585.96 per square foot of building area, including land. Based on the underlying documentation, the first property was not advertised prior to sale, two of the properties were REO sales and one was a short sale.

The four sales located outside the township and which were in Batavia, Carpentersville, North Aurora and Aurora consist of parcels ranging in size from 41,817 to 71,068 square feet of land area resulting in land-to-building ratios ranging from 6.4:1 to 14.2:1. The buildings range in size from 5,016 to 6,500 square feet of building area and were constructed from 1992 to 2006. These comparables sold between December 2011 and September 2014 for prices ranging from \$1,250,000 to \$2,829,934 or from \$210.05 to \$564.18 per square foot of building area, including land. Based on the underlying documentation, two of these sales reflect leased-fee transactions, one of which was part of a portfolio sale and another former bank property was sold and

¹ The assessor submitted copies of the property record cards and PTAX-203 Illinois Real Estate Transfer Declarations for each of the improved sales he presented in support of the assessment. The first sale within the township which Medlin presented was not advertised prior to the sale according to the PTAX-203 document.

converted to a medical office which then resold a few months later for \$2,210,000 with higher end medical finishes as set forth on page 45 of the board of review's evidence.

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

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.

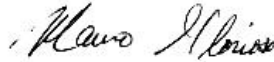
The appellant presented a narrative appraisal using two of the three traditional approaches to value in arriving at an estimated market value of \$830,000 or approximately \$200 per square foot of building area, including land, as of the assessment date at issue. The board of review presented data on a total of twelve sales and two listings of bank branch properties located both within the township and outside of the township in support of the subject's assessment of \$415.75 per square foot of building area, including land. After reviewing the evidence as outlined below, the Board finds the best evidence of market value in the record indicates that the subject property is overvalued which is supported both by the most similar sales submitted by the appellant and by the most recent sales and a listing presented by the board of review.

The Board finds the best evidence of market value to be appraisal sales #1, #3 and #5 along with board of review sales located at 409 S. 1st in St. Charles and a listing at 1525 Main in St. Charles. These comparables sold or were listed between May 2012 and March 2015 for prices ranging from \$115.47 to \$258.76 per square foot of building area, including land. In the sales comparison approach to value, the appellant's appraisers concluded a value of \$200 per square foot of building area, including land. The best sales or listing data presented by the board of review reflect prices of \$250.33 to \$258.76 per square foot of building area, including land. The subject's assessment reflects a market value of \$1,719,138 or \$415.75 per square foot of building area, including land, which is above appraiser's value conclusion based on all of the raw sales data and the best comparable sales and a recent listing in the record presented by the board of review.

The Board gave reduced weight to the remaining sales and listings presented by the appellant's appraisal report due to differences in age and/or size of the buildings when compared to the subject. The Board also gave little weight to the board of review sales that occurred in 2011 as these sales were dated and thus less likely to be indicative of the subject's estimated market value as of January 1, 2015. In addition, the underlying documentation established that several of the sales were REO or short sales, leased fee transactions and/or an offering for sale of a leased property. In addition, due to the appellant's appraiser's failure to specifically address the subject's land value as part of the appraisal, the Board has given somewhat reduced weight to the value conclusion of the appraisal report.

After considering the most recent arm's length sales transactions in the record along with a recent listing, the Board finds the subject property had a market value of \$225.00 per square foot of building area, including land, as of the assessment date at issue. Based on this evidence the Board finds a reduction in the subject's assessment is 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

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