



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

APPELLANT: P.J. Properties, Inc.
DOCKET NO.: 15-01111.001-C-1 through 15-01111.003-C-1
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are P.J. Properties, Inc., the appellant, by attorney Andrew J. Rukavina, of The Tax Appeal Company, in Mundelein, 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:

DOCKET NO	PARCEL NUMBER	LAND	IMPRVMT	TOTAL
15-01111.001-C-1	06-12-257-004	14,132	0	\$14,132
15-01111.002-C-1	06-12-257-001	14,132	0	\$14,132
15-01111.003-C-1	06-12-257-005	12,519	79,156	\$91,675

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from decisions of the Kane County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessments 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 three parcels, one of which is improved with a one-story medical office building. The building is of brick exterior construction with 3,650 square feet of building area and was constructed in 1996. Features include a partial basement and central air conditioning. The layout of the building consists of several offices, a kitchen, several exam rooms, a waiting room, record storage room and three washrooms. The three parcels have a total land area of approximately 25,265 square feet¹ resulting in a land-to-building ratio of nearly 7:1. The property is located in Elgin, Elgin Township, Kane County.

¹ The appellant's appraiser reported a total land area of 25,815 square feet, the property record cards submitted by the board of review depict a total land area of 25,129 square feet and the township assessor in the grid analysis reported a total land area for the subject of 25,265 square feet. The Board finds this slight land area discrepancy in the record does not prevent a determination of the correct assessment of the subject property.

The appellant contends overvaluation as the basis of the appeal. In support of this argument the appellant submitted an appraisal estimating the subject property had a market value of \$275,000 as of January 1, 2015. The appraiser utilized both the income and sales comparables approaches to value to estimate the subject's market value.

The appraiser reported that the subject has some external obsolescence "due to poor market conditions." The appraiser opined that smaller office buildings have very long marketing times with a large portion getting lower rents. As part of the appraisal, the subject's potential rent "has been lowered due to an extreme amount of inventory." The appraiser contended that there are many new offices and office condos that have been vacant for years. The appraiser also asserted that the subject has some needed repairs such as the asphalt needs to be replaced and the interior has drywall/roof damage which may necessitate a new roof. The appraiser provided photographs to support these condition issues. (Appraisal p. 18; photographs p. 4-7)

Under the income approach, the appraiser analyzed five rental comparables which were triple net leases. The units ranged in size from 150 to 20,000 square feet of building area with rents ranging from \$10.00 to \$12.00 per square foot of building area. The only data concerning these rental comparables was presented on page 21 of the appraisal report. The appraiser contended these rentals were in the subject market area and surrounding area along with being similar in size with generally similar locations. After adjusting for location, condition and amenities, the appraiser estimated a rental rate at the upper end of the range of \$12.00 per square foot on a gross lease basis.

Therefore, the appraiser estimated potential gross income to be \$43,800 less vacancy and collection loss of 10% which results in an effective gross income estimate of \$39,420. Next, the appraiser estimated expenses of management at 5%, repairs/general maintenance at \$2 per square foot, miscellaneous including legal and insurance and "taxes while vacant" which resulted in total estimated expenses of \$13,134. Deducting the estimated expenses from the estimated effective gross income resulted in a net operating income of \$26,286.

Utilizing direct capitalization, the appraiser set forth a chart identified as a survey of capitalization rates from the 1st Quarter of 2015 which was prepared by RealtyRates.com. Under the category office for the first quarter of 2015, a rate of 9.06% was set forth and the appraiser chose to apply a rate of 9.50% for the subject building resulting in an indicated value for the subject by the income approach of \$275,000, rounded.

Using the sales comparison approach, the appraiser provided information on seven comparable sales located in either Elgin or St. Charles. The comparables are described as office buildings that range in size from 1,631 to 15,000 square feet of building area. Five of the comparables were from 10 to 174 years old; no age was reported or comparable #7. The comparables have land-to-building ratios ranging from .67:1 to 4.83:1. These comparables sold from April 2013 to December 2014 for prices ranging from \$120,000 to \$450,000 or from \$26.00 to \$73.57 per square foot of building area, including land. After making adjustments to the comparables for differences from the subject in land-to-building ratio and building size as to comparables #4 and #5, the appraiser reiterated the existence of poor market conditions, long marketing times and extreme amount of inventory along with the subject's poor condition, the appraiser opined a

value of \$75.00 per square foot of building area, including land, for the subject resulting in an estimated market value of \$275,000, rounded.

In reconciling the two approaches to value, the appraiser gave equal weight to both the income and sales comparison approaches and estimated a market value for the subject of \$275,000 as of January 1, 2015.

Based on this evidence, the appellant requested a total assessment for the three parcels of \$119,939 which would reflect a market value of approximately \$360,069 at the three-year median level of assessment in Kane County of 33.31%.

The board of review submitted its "Board of Review Notes on Appeal" for each of the three parcels disclosing a total assessment for the subject of \$180,491. The subject's total assessment reflects a market value of \$541,852 or \$148.45 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 response to the appeal, the board of review submitted a memorandum and data prepared by the Elgin Township Assessor's Office. As to the income approach of the appellant's appraisal, the assessor contended that the rent comparables were multi-tenant buildings that do not reflect the subject's "free standing" design. The assessor contended that rental comparable #2 was not located in Elgin and rental comparable #1 was located in Cook County. The assessor also asserted that none of the rent comparables "appear to be medical office space." The assessor also asserted that an unloaded capitalization rate was incorrect and should have included a tax load. As to the comparable sales in the appraisal report, the assessor contended that comparables #2, #3 and #7 were each residences that had been converted and were "much older" than the subject. Comparable sale #4 was an office condo, sale #5 was much older, general office with an inferior location and sale #6 was an REO sale that had been vacant for 1.5 years prior to its sale.

In support of its contention of the correct assessment the board of review through the township assessor submitted an income analysis along with information on four comparable sales.

Utilizing the income approach, the assessor provided no underlying rental data, but reported an estimated rental rate for the subject of \$15.00 per square foot on a net basis resulting in potential gross income of \$54,750. The assessor next applied vacancy and collection loss of 15% or \$8,213 resulting in an effective gross income estimate of \$46,538. Next, the assessor estimated expenses of management at 3% or \$1,396 and reserves of \$547 which resulted in total estimated expenses of \$1,943. Deducting the estimated expenses from the estimated effective gross income resulted in a net operating income of \$44,594.

Next, the assessor applied an 8% capitalization rate with a 0% tax load resulting in an indicated market value for the subject under the income approach of \$560,000, rounded.

The assessor provided a grid analysis with four comparable sales located in Elgin; comparable sale #4 is the same property as appraisal sale #1. Three of the comparable parcels range in size from 8,276 to 39,640 square feet of land area; comparable #1 was recorded as "condo" in the land size portion of the grid. The comparable consist of one-story buildings, one of which

contains two units. The comparables were built between 1966 and 1994 and range in size from 1,380 to 8,960 square feet of building area. Two of the comparables are reported as single tenant structures and two of the comparables are reported as multi-tenant structures. The comparables sold between April 2013 and May 2015 for prices ranging from \$160,000 to \$880,210 or from \$98 to \$116 per square foot of building area, including land, rounded.

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

Conclusion of Law

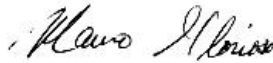
The appellant contends the market value of the subject property is not accurately reflected in its assessed valuation. When market value is the basis of the appeal the value of the property must be proved by a preponderance of the evidence. 86 Ill.Admin.Code §1910.63(e). Proof of market value may consist 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 Property Tax Appeal Board gave little weight to the estimate of value under the income approach prepared by the assessor on behalf of the board of review. The Board finds that there was insufficient analysis in the memorandum as to how the estimate was developed. In addition, as to the income approaches to value presented by both parties, the Board finds that Illinois 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. In Chrysler Corporation v. Property Tax Appeal Board, 69 Ill.App.3d 207 (1979), the court held that significant relevance should not be placed on the cost approach or income approach especially when there is market data available. In Willow Hill Grain, Inc. v. Property Tax Appeal Board, 187 Ill.App.3d 9 (1989), the court held that of the three primary methods of evaluating property for the purpose of real estate taxes, the preferred method is the sales comparison approach. Since there are credible market sales contained in the record, the Board has placed most weight on this evidence.

The Board finds that both the appellant's appraisal and the board of review comparable sales support the contention that the subject property is overvalued based on its assessment. The appellant presented an appraisal with an estimated market value for the subject of \$275,000 or \$75.00 per square foot of building area, including land, under the sales comparison approach to value. The appraiser considered sales ranging from \$120,000 to \$450,000 or from \$26.00 to \$73.57 per square foot of building area, including land. The board of review presented comparable sales ranging from \$160,000 to \$880,210 or from \$98 to \$116 per square foot of building area, including land, rounded. The subject's assessment reflects a market value of \$541,852 or \$148.45 per square foot of building area, including land, which is above the range of both parties' comparables on a square foot basis.

On this record, the Board finds that the subject property is overvalued and a reduction in the subject's assessment commensurate with the appellant's request 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.



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: July 21, 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 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 the subsequent year 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.

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.