



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

APPELLANT: Hinman Family Limited Partnership
DOCKET NO.: 15-02586.001-C-1
PARCEL NO.: 14-16-300-012

The parties of record before the Property Tax Appeal Board are Hinman Family Limited Partnership, the appellant, 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 A Reduction 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: \$199,604
IMPR.: \$50,371
TOTAL: \$249,975

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant 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 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 is improved with a one-story industrial building of metal and masonry construction that contains 21,282 square feet of building area. The building was constructed in 1972 with an addition in 1979. The building has a poured concrete slab foundation, 7.9% of the building is office area, two loading docks, an 11-foot clear ceiling height, two restrooms, HVAC for the office area and gas-fired heaters for the warehouse. The warehouse has several rooms such as a finishing room, a tool room and a water room and is divided into sections. The property has a 217,800 square foot site, resulting in a land to building ratio of 10.23:1 and is located in Lake Zurich, Ela Township, Lake County.

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 \$750,000

as of January 1, 2015. The appraisal was signed by Andrew Richter, a certified general real estate appraiser.

In describing the subject property, the appraiser indicated the design and functional utility of the building was below average. The appraiser explained that the clear ceiling heights are relatively low and the warehouse is divided into sections which both contribute to the below average functional utility.

The highest and best use of the site as vacant was determined to be for an interim holding period pending improved market conditions. The highest and best use of the subject property as improved was determined to be the continued industrial use.

In estimating the market value of the subject property the appraiser developed the sales comparison approach to value and the income approach to value. The appraiser stated the cost approach to value was not developed because the age of the improvements makes the depreciation difficult to accurately measure.

In developing the sales comparison approach the appraiser utilized five comparable sales located in Mundelein, Vernon Hills and Lake Zurich. The comparables were improved with buildings that ranged in size from 24,500 to 54,795 square feet of building area and were of masonry or masonry and metal construction that were built from 1974 to 1994. These properties had sites ranging in size from 73,599 to 256,133 square feet of land area with land to building ratios ranging from 2.81:1 to 6.83:1. The comparables had ceiling heights ranging from 15 feet 5 inches to 22 feet and office space ranging from 6% to 31% of building area. One comparable had three docks and the remaining comparables had from 1 to 8 doors. The sales occurred from March 2013 to January 2015 for prices ranging from \$1,000,000 to \$2,275,000 or from \$32.85 to \$51.34 per square foot of building area, including land. On pages 43 through 45 of the report the appraiser discussed the quantitative adjustments to the comparables for various factors. The appraiser adjusted comparable sales #3 and #5 upward for being a short sale and a distress sale, respectively; sales #4 and #5 were adjusted upward for market trends; downward adjustments were made to comparable sales #1 through #4 for location; sales #2 through #5 received upward adjustments due to their larger building size relative to the subject property; sales #1, #3, #4 and #5 were built after the subject property and received downward adjustments; the subject property has a larger land to building ratio than each comparable and upward adjustments were made; comparable #4 was given a downward adjustment due to its superior condition relative to the subject property; comparables #1, #2, #4 and #5 received downward adjustments for their masonry construction; comparables #1, #2, #4 and #5 received downward adjustments for their larger office area while comparable #3 received an upward adjustment for its smaller office area; all comparables received downward adjustments for their higher clear ceiling heights; and comparable #4 received an upward adjustment for the inferior number of loading docks while the remaining comparables received downward adjustments for the superior number of loading docks. The appraiser arrived at adjusted prices ranging from \$28.98 to \$43.95 per square foot of building area, with an average of \$36.00 per square foot of building area. The appraiser estimated the subject property had an indicated value under the sales comparison approach of \$36.00 per square foot of building area, including land, or \$765,000, rounded.

The next approach to value developed by the appraiser was the income approach to value. The appraiser reported the subject property is leased to a single tenant where the owner reported a modified gross rental income of \$96,400 per year (which equates to \$4.53 per square foot of building area), where the tenant pays a majority of the expenses but the owner pays the real estate taxes. To estimate the market rent the appraiser used four industrial rental comparables located in Lake Zurich, Wauconda and Libertyville with rental spaces ranging in size from 13,440 to 20,138 square feet of building area. Rental comparable #1 was a single-user industrial building built in 2006; rental #2 was located in a 50,000 square foot, one-story multi-user building built in 1998; rental comparable #3 was located within a larger 55,840 square foot industrial condominium building built in 2007; and rental comparable #4 was located in a larger part one-story and part two-story multi-user building constructed in 1986. The comparables had ceiling heights ranging from 14 feet to 28 feet. Comparable #1 had one drive-in door and two docks; comparable #2 had two drive-in doors and eight docks; comparable #3 had eight drive-in doors and fourteen docks; and comparable #4 had three drive-in doors and three docks. Comparable #1 was leased for \$6.25 per square foot on a net basis with taxes and CAM (common area maintenance) estimated at \$3.00 per square foot for a gross equivalent rental of \$9.25 per square foot. Comparable #2 was leased for \$4.95 per square foot on a gross basis. Comparable #3 had a modified gross annual rent of \$8.50 per square foot. Comparable #4 had a modified gross annual rental or \$6.10 per square foot. The appraiser asserted that comparable #4 was the oldest rental (oldest lease date) and required an upward adjustment for market trends; comparable #2 was adjusted upward for its slightly inferior location while comparable #4 was adjusted downward for its superior location; comparables #2 through #4 were adjusted downward for their smaller sizes in comparison with the subject building; comparables #1 through #3 were adjusted downward for being built after the subject building; and each comparable had a higher ceiling height than the subject and was adjusted downward for this feature. The appraiser estimated the subject property would have a market rent of \$4.75 per square foot on a gross basis as of January 1, 2015, resulting in a potential gross income of \$101,090.

The appraiser reported that CoStar Properties' Third Quarter 2015 Historic Vacancy Report for industrial properties in Lake Zurich reported a vacancy rate of 7.2%. The appraiser estimated the subject property would have a vacancy and collection loss of 5.00% or \$5,055, which was deducted from the potential gross income to arrive at an effective gross income of \$96,036.

The appraiser indicated that the expenses were estimated based on similar industrial properties in the area. The appraiser estimated insurance expenses would be \$.30 per square foot or \$6,385, annually; utilities estimated to be \$2,128, however, it was stated this would be the responsibility of the tenant with the lessor only being responsible for utilities during periods of vacancy; repairs and maintenance was estimated to be \$4,256, annually; management was estimated to be \$1,000; and reserves were estimated to be \$5,600 for the roof. The appraiser indicated within the report that under the terms of a gross lease for a single-user space like the subject property, utilities and repairs and maintenance would typically be the responsibility of the tenant, with the lessor responsible only for these expenses during periods of vacancy. After deducting expenses and adding the reimbursements, the appraiser arrived at a net income of \$82,732.

The final step under the income approach was to estimate the capitalization rate to be applied to the subject's net income. Using the band of investment technique, the appraiser arrived at an

estimated capitalization rate of 8.48%. The appraiser also utilized survey data to support the capitalization rate. The appraiser indicated that the First Quarter 2015 Investor Survey published by RealtyRates.com reported an overall capitalization rate by the band of investment technique of 8.72% for industrial properties nationwide. The First Quarter 2015 Investor Survey also reported an average surveyed overall rate of 9.73% for industrial properties nationwide and 8.8% for industrial properties within the Chicago/Joliet/Naperville suburban market area. The First Quarter 2015 RERC Investment Survey released by the Real Estate Research Corporation (RERC) reported the going-in capitalization rates in the Chicago market for industrial properties to be 6.8%. Considering these rates and the subject's location, median size and average condition the appraiser used a capitalization rate near the high end of the survey range of 8.50%. To this the appraiser added a tax load of 2.733% to arrive at an overall capitalization range of 11.23%. Capitalizing the net operating income resulted in an estimated value under the income approach of \$735,000, rounded.

In reconciling the approaches to value, the appraiser placed most reliance on the sales comparison approach and secondary consideration on the income approach to value to arrive at an estimated market value of \$750,000 or \$35.24 per square foot of building area, including land, as of January 1, 2015. Based on this evidence the appellant requested the subject's assessment be reduced to reflect the appraised value.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject property of \$349,025 which reflects a market value of \$1,051,914 or \$49.43 per square foot of building area, land included, when using the 2015 three-year average median level of assessment for Lake County of 33.18% as determined by the Illinois Department of Revenue.

In support of its contention of the correct assessment the board of review submitted information on five comparable sales located in Lake Zurich and Mundelein, with comparable sales #4 and #5 being appellant's appraisal comparable sales #1 and #2, respectively. The comparables were described as being improved with one-story industrial buildings that ranged in size from 17,162 to 42,417 square feet of building area that were constructed from 1974 to 2003. The comparables had sites ranging in size from 39,204 to 208,103 square feet of building area resulting in land to building ratios ranging from 2.01:1 to 10.6:1. Three comparables had office space ranging from 3,093 to 3,800 square feet of building area. The comparables sold from June 2014 to December 2015 for prices ranging from \$950,000 to \$2,142,700 or from \$43.83 to \$95.00 per square foot of building area, including land. The board of review reported its comparable sale #4 sold in January 2015 for a price of \$1,000,000 or for \$46.13 per square foot of building area and sold again in December 2015 for a price of \$950,000 or \$43.83 per square foot of building area. To document the sales, the board of review provided copies of their property record cards and copies of data sheets describing the comparables and the transactions. The board of review was of the opinion these sales support the reasonableness of the subject's assessment.

In rebuttal the board of review asserted that all five of the appraisal comparables are significantly larger properties on smaller sites and sold for an unadjusted basis of between \$35.63 to \$51.34 per square foot of building area, including land, and noted the subject's assessment reflects a market value within this range. The board of review also reconstituted the income approach

using a market rent of \$7.00 per square foot of building area, a vacancy and collection loss of 7.5%, and expenses of \$13,013 to arrive at an estimated market value of \$1,111,202.

The board of review requested the subject's assessment be sustained.

In rebuttal the appellant's counsel submitted a copy of the board of review comparable sales grid analysis with annotations taken from the data sheets describing the comparables and the transactions. He noted the comparables were from 6 years to 34 years newer than the subject building; the comparables had office areas ranging from 9% to 40% of total building area while the subject property had office area of 8% of total building area; the comparables had ceiling heights ranging from 15 feet 5 inches to 22 feet while the subject has a ceiling height of 11 feet; the comparables had two or three exterior docks while the subject had two exterior docks; and four comparables had 1, 2 or 4 drive-in doors while the subject has no drive-in doors.

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. The appellant's appraiser developed both the sales comparison approach to value and the income approach to value to arrive at an estimated market value of \$750,000 as of January 1, 2015.

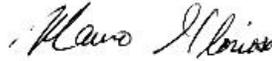
With respect to the income approach to value the Board finds the board of review submitted no evidence to refute the appellant's appraiser's estimate of market rent, vacancy and collection loss, expenses or the loaded capitalization rate used to arrive and an estimated value under the income approach of \$735,000. Furthermore, the Property Tax Appeal Board finds the board of review provided no supporting data for its reconstituted income approach to value. The Board finds the income approach to value contained in the appellant's appraisal is superior to the income approach to value contained in the board of review submission.

With respect to the sales comparison approach to value, the Property Tax Appeal Board finds the appellant's appraiser analyzed the comparable sales and made adjustments to the comparables for differences from the subject property. The appraiser explained within the report the adjustment process, which appears logical when considering the subject's age, clear ceiling height and size. The board of review presented five sales, with comparable sales #4 and #5 being used by the appellant's appraiser. The Property Tax Appeal Board finds the board of review made no adjustments to the comparables for differences from the subject property. The data provided by the board of review disclosed that board of review sale #1 was 100% leased at the time of sale, was significantly newer than the subject property being constructed in 2003, 40% of the building was office space, and had a clear ceiling height of 18 feet. This property was clearly superior to the subject property. Similarly, board of review sales #2 and #3 were superior to the subject in age, office space and clear ceiling height, requiring downward adjustments. The appellant's

appraiser made adjustments to board of review sales #4 and #5 to arrive at adjusted prices of \$36.65 and \$31.88 per square foot of building area, including land, while the board of review did not attempt to make adjustments to the comparables for differences from the subject property. Based on this record the Board finds the sales comparison approach contained in the appellant's appraisal is superior to the raw sales provided by the board of review.

Based on this record the Board finds the best evidence of market value to the appellant's appraisal arriving at an estimate of market value of \$750,000, which is less than the market value reflected by the subject's assessment of \$1,051,914. In conclusion, the Property Tax Appeal Board finds a reduction in the subject's assessment commensurate with the appellant's request 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: September 22, 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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