



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

APPELLANT: AT&T Communications
DOCKET NO.: 15-37302.001-C-2
PARCEL NO.: 06-34-409-036-0000

The parties of record before the Property Tax Appeal Board are AT&T Communications, the appellant(s), by attorney Kevin P. Burke, of Smith Hemmesch Burke & Kaczynski in Chicago; the Cook County Board of Review by Cook County Assistant State's Attorney Randy Kimmer; the Elgin S.D. U-46 intervenor, by attorney Ares G. Dalianis of Franczek P.C. in Chicago.

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 **Cook** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND: \$ 69,194
IMPR.: \$328,586
TOTAL: \$397,780

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the Cook 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 two-story, commercial building with 19,889 square feet of building area utilized as a telephone central office building. The subject has a 12,673 square foot basement. The property has a 32,562 square foot site and is located in Hanover Township, Cook County. The property is a class 5-97 property under the Cook County Real Property Assessment Classification Ordinance.

At the commencement of the hearing, Appellant's attorney Kevin Burke moved to have all witnesses removed until they testify. The intervenor objected arguing that their expert witness was unable to inspect the interior of the subject property and the Board should prohibit any testimony regarding the interior condition. Appellant's attorney responded that the Board's rules prohibit only that the intervenor's appraiser's testimony and report be given less weight as a

result of the inability to perform an interior inspection. Appellant's attorney argued the Board's rules do not prohibit any testimony by appellant's appraiser regarding the subject's interior. The Intervenor argued that the Board should allow their expert to be present at the hearing in case any testimony regarding the interior of the subject was proffered. The Board overruled appellant attorney's objection and allowed the intervenor's expert to remain at the hearing.

As a preliminary matter, the intervenor also objected for lack of notice to Mr. Michael Rodriguez (Rodriguez) testifying as a fact witness. Appellant's attorney argued that notice was given via email to the Board. The Board overruled intervenor's objection and Rodriguez was accepted as a fact witness.

Rodriguez testified that he has been employed at AT&T for approximately 31 years. He testified that he is currently the area manager – real estate operations. Rodriguez testified that he manages 400 properties for AT&T about 300 of which are commonly known as central switching stations. He further testified that he has managed the subject property since 2008 and has personal knowledge of the property.

Rodriguez testified that a central switching center houses networking equipment for land line services. He testified that central switching centers are not office buildings. Rodriguez testified that the subject is an all brick, part-one and part-two story building with vinyl floors originally built in 1962 with a subsequent addition added on in 1975. Rodriguez also testified that there is no elevator to the second floor and only two small windows on the north wall. He testified that the building has large façade windows that are designed only to make the building blend in with the surrounding downtown community and are really a brick wall behind the façade. He further testified that there are no offices in the subject and the interior walls or ceilings are not finished.

Rodriguez testified that the second floor has double doors that can be used to bring in larger equipment into the building, but a vendor would have to rent a crane to get the equipment up to the second floor. He also testified that water entered the building through the double doors during a storm and damaged the vinyl tiles on the second floor. In addition, he testified that the basement is used to house mechanical equipment like the fans, boiler, and a backup generator. He testified that nothing else is stored in the basement.

Rodriguez further testified that there are companies that store equipment on the second floor of the subject but do not pay any rent to AT&T due to a mandate from the Federal Communication Commission (FCC). He testified that there are about 17 parking spots along the subject's perimeter and there are no loading docks. Finally, Rodriguez testified that there are no cameras on the property and the only security features are locked doors.

On cross, Rodriguez testified that the subject has uninterruptable power system with a back-up generator plus a battery. In addition, Rodriguez testified that the subject has a back-up HVAC system.

The appellant contends overvaluation as the basis of the appeal. In support of this argument the appellant submitted an appraisal prepared by Michael Kelly (Kelly) estimating the subject property had a market value of \$540,000 as of January 1, 2013.

Kelly testified that he is currently the president of Real Estate Analysis Corporation and has held that position for 38 years. Prior to that, Kelly testified that he worked at the Cook County Assessor's office for roughly three years. Kelly also testified that he holds the designations of Member of the Appraisal Institute (MAI), Senior Real Property Appraiser (SRPA), and Appraisal Institute – General Review Specialist (AI-GRS). Kelly also testified that he has taught seminars and courses in connection with real estate appraisals at the Illinois Property Assessment Institute. Kelly further testified that he has previously testified before the Board approximately 20 times in the past five years. Kelly was offered as an expert in real estate theory and practice and with no objections by opposing counsels was accepted as such by the Board.

Kelly testified that he has appraised the subject in 2010, 2013, and 2016. He testified that the subject was inspected in 2011 and 2013 by two Illinois Certified Appraisers employed by him. Kelly testified that in preparation for this hearing he performed an interior and exterior inspection of the subject property on May 13, 2019. Kelly testified that for purposes of this report he defined market value as value in exchange.

Kelly testified that he found the highest and best use of the subject property to be its current use. He explained that the current use is essentially as an industrial building and more specifically as an AT&T switching facility, but not a data center. Kelly testified that the subject cannot be used as an office building unless it underwent numerous expensive modifications. Kelly also testified that an office building would require more parking than is currently available at the subject. Kelly testified that in his appraisal report he used only the income and sales approaches to value. He testified that he did not use the cost approach to value because it would require a significant amount of depreciation to be calculated and that would weaken the reliability of the value.

In his income approach to value, Kelly stated that he examined seven rental comparables. Kelly testified that he focused on consummated, not asking, lease deals. He testified that all seven rentals are of industrial properties that range between 20,000 and 76,000 square feet of building area. Kelly also opined that the subject has inferior ceiling height to newer industrial buildings that are designed to incorporate manufacturing and light assembly without the need for further modifications. He testified that all of his rental comparables are located within Cook County. After adjustments for pertinent factors, Kelly concluded that \$2.60 is an appropriate rate for the subject's above ground improvement to arrive at an effective gross income of \$51,711. Kelly selected a vacancy rate of 11% based on the fourth quarter vacancy rate for the northwest submarket, as well as 1.5% for management fee and 1% for collection loss. Expenses were estimated at 13.5% for a Net Operating Income (NOI) of \$44,730. Kelly concluded that a 9% cap rate is appropriate for the subject and that resulted in a final value based on the income approach to value of \$500,000.

Under the sales comparison approach to value, Kelly testified that he examined eight sales comparables. Kelly stated that the lead source for the sales was CoStar, but each sale was confirmed with the deed or transfer declaration and the real estate broker. Kelly testified that all eight of his sales comparables are located in the northwest suburbs and within Cook County. In addition, he opined-it important to look for comparables within Cook County because of the tax structure.

Kelly testified that his sales comparables ranged from \$24.25 to \$38.81 per square foot of building area. He testified that comparable #1 was listed as a “distress/high vacancy” property. He stated that he does not find vacancy to be a problem when valuing the fee simple interest. In addition, he testified that comparable #1 sold at \$31.76 per square foot of building area, which is in the middle of the range of his suggested sales comparables. Kelly also testified that he looks to the relationship between sale price and asking price. In the case of comparable sale #1, Kelly found that the unit sold for 77% of the asking price which is also within the range when compared to his other comparables. Kelly testified that comparables #2 and #4 were identified in CoStar as Real Estate Owned (REO). Kelly stated that he found nothing improper with these sales because it was advertised by a national brokerage firm or long-term industrial brokerage firm, and both the unit price per square foot and the relationship between sale price and asking price is within the range of his comparables.

Overall, Kelly testified that he made pertinent adjustments to each of his eight suggested comparables for sale date, location, size of the building, age, condition, ceiling height, percentage of office space, and land-to-building ratio. Kelly testified that his conclusion of value for the subject was \$27.00 per square foot of building area or \$540,000 for the whole building. Kelly stated that he applied the price per square foot only to the above ground improvement. Kelly reconciled the values calculated for the income approach and sales approach to value for a final opinion of value of \$540,000.

On cross examination by the intervenor’s attorney, Kelly testified that the address for the subject is on Main street near the train station and the Bartlett Town Center. He also testified that the subject’s land is zoned B1, Village Center District. Kelly testified that the current use of the subject most likely qualifies under letter H of the zoning ordinance, which allows for communication and private utility uses and he considers those to be industrial. However, Kelly testified that letter H of the zoning ordinance does not specifically allow for industrial use. In his opinion, communication and private utility are conducted in industrial type buildings that are allowed in every suburb. Kelly also testified that industrial uses are not listed under special uses, but exceptions are generally granted. With no objection from opposing counsel, the Board admitted the village ordinance as Intervenor’s Exhibit B. Kelly testified that he had not personally inspected the subject property at the time of preparation of the appraisal report. Rather, Kelly testified that the subject was inspected by two other certified appraisers: Daniel Kelly and Joseph Heaton. Kelly also testified that in his transmittal letter he adopted the county’s classification of the subject as special use commercial property.

In responding to questions regarding the income approach, Kelly further testified that the seven lease comparables that he used in his appraisal report are the type of industrial operations that would not be allowed in the subject property. He explained that the actual operation needs to be separated from the building for appraisal purposes. In developing his cap rate, Kelly testified that the three comparables used are substantially larger than the subject, but opined that this is irrelevant for his purposes. Kelly also testified that he was unable to find smaller buildings of the subject’s size to perform the same analysis. Kelly further testified that distance to the subject does not matter because all three comparables are within the metropolitan area. Kelly also stated that he assumed that every one of those comparables is an industrial property.

Kelly also testified that all of his suggested sales comparables are industrial buildings and zoned accordingly. Finally, Kelly testified that a couple of his sales comparables were labeled as REO in the CoStar system, but he was never able to confirm that.

On cross examination by the Assistant State's Attorney, Kelly testified that all of his rental comparables are industrial properties. Kelly testified that in his appraisal report he developed a value in exchange as opposed to a value in use. Kelly testified that if the subject was being sold on the open market, the potential buyer might possibly be required to follow the B1 village center district ordinance. Kelly testified that the subject could not economically be used for any retail purpose. He testified that he did not include an economic feasibility analysis but considered it when developing his highest and best use. Kelly also testified that this type of a building could accommodate light manufacturing, but he is not sure whether the village would allow it based on current zoning.

On redirect, Kelly testified that in his transmittal page, he labeled the subject a special use commercial property based on the county's 5-97 classification. He stated that in the actual appraisal report, he described the subject as an industrial property. Kelly also testified that the subject is not suitable for retail use, despite being surrounded by retail properties. Finally, Kelly testified that he is not aware if the zoning ordinance has changed over time, but the subject was built with permission from the village.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$422,641. The subject's assessment reflects a market value of \$1,690,564 or \$85.00 per square foot of building area, including land, when applying the 2015 Cook County Ordinance level of assessments for class 2 property of 25%.

In support of its contention of the correct assessment, the board of review submitted information on five suggested sales comparables. Those comparables include office buildings, warehouses, and general retail stores that range: in size from 1,500 to 17,562 square feet of building area; in age from 5 to 32-year-old; in sale date from September, 2011 to September, 2015; and in sale price from \$89.91 to \$180.79 per square foot of building area.

In support of their request for an increase in the subject's assessment to \$2.1 million, the intervenor submitted an appraisal prepared by Eric Dost (Dost). At hearing, Dost was the intervenor's only witness. He testified that he is the president of Dost Valuation Group and has been a commercial real estate appraiser for 33 years. Dost testified that he has performed approximately 3,000 commercial appraisals during his career. Dost also stated that he testified as an expert witness before tribunals, including PTAB. Dost was offered as an expert in real estate theory and practice and with no objections by opposing counsels was accepted as such by the Board.

Dost testified that he prepared a summary appraisal report consistent with USPAP standards. He testified that he personally inspected the subject property's exterior, only. Dost testified that he made an effort to inspect the subject's interior but was not granted access. He testified that the effective date of value for his report is January 1, 2013 and the scope of the appraisal is to value the fee simple interest.

Dost testified that the subject is a telephone central office building that houses equipment needed to direct and process phone calls and data traffic. Dost compared the subject to data centers, internet gateways, and telecom hotels. Dost explained that telephone central office buildings have the physical attributes that allow for technology computer equipment for systems, data operations, data collection, recovery and transmission, back up operations, emergency operations, telecommunications, and other similar uses. Dost explained that some of those physical attributes include power and electronic data transmission redundancy, uninterrupted power or UPS system, extensive wiring for a heavy duty and redundant HVAC system, as well as a fire prevention and suppression systems and security services.

Dost testified that the subject is located in the central business district of the Village of Bartlett. He testified that the subject is zoned B1, Village Center District. Dost explained that B1 zoning allows commercial, retail, and office use. He testified that communications and private utilities, such as telephone business offices are a permitted use within the District as special uses. Dost concluded that the highest and best use of the subject as vacant is for commercial or retail development consistent with zoning requirements.

In reaching his conclusion of value, Dost utilized the cost approach, the sales comparison approach, and the income capitalization approach. Dost explained that he used the cost approach because the subject is a special purpose facility, which are often purchased by investors. In developing his cost approach, Dost estimated the value of the land as a separate component of the overall assessment. Dost identified four comparable land sales, two of which are located in Bartlett. Those comparables range from \$9.86 to \$33.81 per square foot. Dost testified that he adjusted those comparables for size, zoning, utilities, location, demolition costs, market conditions, and other characteristics. After adjustments, Dost valued the subject's land at \$380,000 or \$12.00 per square foot of land. Dost also testified that he used the Marshall Valuation Service (Marshall) to estimate a replacement cost for the subject. He testified that he used information on data centers because Marshall had limited data for telephone central office buildings.

For his sales comparison approach, Dost testified that he searched for properties with similar construction and physical characteristics as the subject. Dost testified that he found five comparable properties that were used as data center, call center, and flex office-type property within 30 miles of the subject. His first sales comparable was used by the telecommunication firm Verizon. Dost described this comparable as an office building call center that possessed the same redundant power systems, the UPS, and the back-up generator similar to the subject. Dost's comparable #2 was similarly occupied by a telecommunication company and was described as a flex office data center. Comparable # 3 was occupied by Siemens and used as a data center. Comparable #4 is also a flex office and data center with similar UPS and battery back-up systems. Finally, comparable #5 is the distressed sale of a data center in Chicago. These comparables range: in size from 32,800 to 127,280 square feet of building area; in sale data from September, 2010 to May, 2013; and in price from \$47.26 to \$195.05 per square foot of building area. Dost testified that when selecting these comparables, he considered proximity to the subject, age, and other features. He verified the sales information through CoStar, public records, and Securities and Exchange Commission (SEC) filings. After adjustments for pertinent factors, Dost valued the subject property at \$2,100,000 as of January 1, 2013.

In his income capitalization approach, Dost testified that he examined five rental comparables. He stated that he made adjustments to some of the comparables because they were only asking prices. Dost also testified that he included the basement in the total square footage. He testified that in addition to researching national portfolio of data center rentals, investor survey data, and other market sources, he also researched a portfolio of 74 data center properties owned by Digital Realty Trust. Based on all of the data, Dost concluded that the subject's market rental value is \$8 on a net basis for a Potential Gross Rent of \$255,544 plus \$181,791 in total expense recoveries. Dost testified that he made adjustments for vacancy and collection losses of 10%. In addition, Dost assumed a triple net lease and subtracted insurance, stabilized property taxes, a management fee, and replacement reserves. After subtracting operating expenses, Dost arrived at a NOI of \$195,953.

In developing his capitalization rate, Dost testified that he used three different methods. The first source Dost used was the income and capitalization information from his sales comparables. The second method Dost used in developing a capitalization rate was the PWC real estate investor survey where he considered the subject to be an above average quality non-institutional property. The third method Dost used was the band of investment technique. Based on those three methods, Dost concluded that the subject has a capitalization rate of 9.50%. Dost testified that in applying the CAP rate to the NOI, he estimated the value of the subject property under the income approach to be \$2,100,000 as of January 1, 2013.

In reconciling the three approaches to value, Dost testified that he placed primary emphasis on both the sales comparison and income capitalization approach with a final opinion of value of \$2,100,000. Dost also testified that his opinion of value would be the same as of January 1, 2015.

On cross, Dost testified that the emergency batteries were not appraised because they are personal property. Dost also testified that the current use of the subject is legal as a somewhat special use. Dost also stated that he used all three approaches to value. He testified that in his cost approach to value the basement space was less valuable than the above grade space. Dost also stated that in his sales comparison approach did not distinguish between basement square footage and above grade. Dost also testified that his income approach also did not distinguish between the basement and the above grade space. He further testified that the calculation for functional obsolescence contains an error.

Dost testified that generally highest and best use analysis is performed to help identify the comparables an appraiser relies on. Dost found that the highest and best use for the subject is the current use. Dost testified that his transmittal letter included the relevant portion of the definition of a telephone central office as listed on thecentraloffice.com. Whereupon, appellant's attorney introduced a printout from the source Dost relied upon for the definition of a telephone central office, which was marked as Appellant's Exhibit #1. Based on the source, Dost testified that telephone centers are not the typical office buildings. He also stated that nowhere in the printout from the source does it say that a telephone central building is similar to a data center. Of his comparable sales, Dost testified that none are AT&T telephone switching centers, and neither are any of his rental comparables.

Dost testified that Marshall and Swift lists limited information on small telephone central office buildings. Instead, he used cost figures for data centers because that information was much more

detailed and generally consistent with telephone central office figures. Dost also testified that the subject is not a public building and he does not believe it to be compliance with the American's with Disabilities Act (ADA). Dost testified that throughout his report he stated that the subject is similar to a data center but was unable to inspect the types of computers contained within the building and cannot state for certain. Dost also testified that data centers are expensive to build. In his list of national data centers, Dost stated that only two were in Illinois, both of which were located in downtown Chicago. Dost testified the subject property is 35 to 40 miles away from downtown Chicago.

Dost testified that his land sales adjustments are summarized in the grid titled "land valuation summary." He stated that the subject is located in Cook County, but not near a major retailer. Upon questioning, Dost testified that his comparable #3 is located in Kane county. He also stated that he has seen the transfer declaration for comparable #2 of his land sales and the property was advertised for sale. Appellant's attorney introduced the transfer declaration for that comparable and marked it as Appellant's Exhibit #2. Upon questioning, Dost stated that the transfer declaration for comparable #2 provides that the subject was not advertised. He explained that he saw the listing sheet from the Multiple Listing Service (MLS) and based on that concluded that the subject was advertised for sale.

Dost testified that Marshall & Swift divides up cost figures by type of building. He stated that the subject is a subcategory of industrial property and not an office space. Dost stated that data centers are also classified as industrial and not office or commercial space. Dost also testified that he included 10% for entrepreneurial profit in his cost figures. Dost further testified that since the subject was built the equipment has decreased in size from the old analog to computer servers and there is a decrease in the need for this type of space.

Dost testified that the subject could be classified as industrial, but it is not a standard industrial building. Dost testified that most of his land sale comparables were located at least 15 miles from the subject, with two of the properties located in Cook County. Dost agreed with appellant's counsel that taxes on industrial and commercial properties tend to be higher in Cook County as compared to the collar counties. Dost also stated that he adjusted his comparables for distance, but not specifically for property taxes. In addition, Dost testified that four of his comparables sales were lease fee. He also testified that the value of the fee simple interest can be equal to the value of the fee simple interest depending on the circumstances. For that reason, Dost testified that did not find an adjustment was necessary for the lease fee sales.

Dost testified that his comparable sales had a superior land-to-building ratio than the subject. He testified that he used CoStar as a primary source. He testified that he was not aware that CoStar listed his improved sale #1 as a four-star office building. Whereupon, appellant's attorney introduced a CoStar printout and marked it as Appellant's Exhibit #3. Dost testified that he performed only an exterior inspection of his comparable sale #1. Appellant's attorney also introduced a photograph of that property and marked it as Appellant's Exhibit #4. Dost testified that the property in Appellant's Exhibit #4 was indeed that of his comparable sale #2. Dost also indicated that comparable #2 was leased by Verizon, which is a comparable occupant. Dost stated that the building is nicer than the subject building and Verizon ultimately used their right of first refusal and purchased the building. Appellant's attorney introduced the transfer declaration for comparable #2 and marked it as Appellant's Exhibit #5. Dost testified that the

transfer declaration stated that the buyer exercised the option to purchase and the property was advertised for sale. Dost further testified that the transfer declaration stated that Verizon's lease commenced in 2007. He also stated that comparable #2 is newer and located in DuPage County. Dost testified that he read the marketing material but did not remember his comparable sale #2 to be described as a state-of-the-art data center. Appellant's attorney introduced the marketing material for comparable sale #2 and marked it as Appellant's Exhibit #6. Dost also testified that he generally looks at documents from the Securities and Exchange Commission (SEC). However, he did not believe that he did in this case. Appellant's attorney introduced the filing with the SEC and marked it as Appellant's Exhibit #7. Based on that report, Dost stated that only 2.7 million dollars was allocated to the real estate.

Dost testified that one hundred percent of his sales comparable #3 was leased at the time of purchase. He also stated that this comparable was located in Buffalo Grove, which is approximately 25 miles from the subject. He stated that comparable #3 was built in 1988 and underwent a three-million-dollar renovation shortly before the sale date. Dost stated that this comparable had about 70 percent data center space and 30 percent office space, with no basement space. Dost testified that comparable #3 had superior ceiling heights to the subject, as well as a better location. He stated that comparable #3 sold for \$195 per square foot, which is significantly higher than his other comparables and defined the upper end of his range.

Dost testified that his comparable sale #4 is located close to I-90 and about eight to ten miles from the subject property. He stated that this comparable has no basement space and that it consisted of two separate buildings. Dost testified that one of those buildings contained 5,900 square feet of tier 2 data center space. He also stated that comparable #4 had improvements done about eight to ten years prior to the sale date.

Dost testified that his comparable sale #5 is located in the South Loop area. He stated that all of his comparables are connected by the fiber network and he considers them to be in the same market area. Dost also testified that downtown Chicago is one of the hottest markets for data center type properties. He also stated that the Bartlett area where the subject property is located would not be similar to downtown Chicago in that respect. Dost testified that his sales comparable #1 has below grade space.

Dost testified that four out of five of his rental comparables are asking rents, not actual rents. He stated that actual rents are generally lower. Dost testified that he did not specifically make adjustments for land-to-building ratio because few people are needed to operate a data center. Dost agreed with appellant's attorney that the subject has 15 to 20 parking spaces. Dost also stated that none of his rental comparables have basement space.

Dost testified that his rental comparable located in Rockford is about 50 miles from the subject property. He also stated that due to the scarcity of such buildings, a typical buyer would generally consider Rockford and Bartlett as alternates. Dost testified that his rental comparable #3 is three times larger than the subject, while rental comparable #5 is ten times larger. He also stated that rental comparable #2 and #3 are 10 to 15 miles from the subject property.

Dost testified that his report refers to Real Capital Analytics when discussing vacancy rates and their analysis includes data center-type properties within the industrial category. He further

testified that taxes are not included in his total rent estimate and would be a separate value along with insurance costs and other expenses. Dost stated that he does not know what the property taxes are for his five rental comparables because the general location is more important than the tax burden.

Dost testified that the list of 74 national data center properties reflects gross rents and the subject is a net rent. He testified that he relied more on the local data than the average gross rent from the list of national data centers. Dost testified that he inspected each of his rental comparables. He stated that his rental comparable #2 is about 20 years newer than the subject, while rental comparable #3 is about 15 years newer. He testified that rental comparable #3 has ceiling heights of 27 feet while the subject's range from 12 to 14 feet. Dost also testified that his rental comparable #5 has about 70% office space with ceiling height of 24 feet. Rental comparable #4 has about 25% office and some data center space. Dost stated that rental comparable #4's ceilings are about seven feet higher than the subject property.

On redirect, Dost testified that there were no sales comparables of telephone switching centers because, to the best of his knowledge, they are all owner occupied by AT&T. Under those circumstances, Dost stated that the most similar type of property would be a data center. Dost stated that when appraising a property where there are no exact comparables for sales or rental data, he generally looks for properties with similar features. He stated that some of the most important features would include location and physical characteristics. Dost also testified that he was aware that properties built before passing of the ADA, such as the subject building, are not subject to that federal law.

Dost testified that he based his conclusion that land sales comparable #2 was advertised for sale based on his research and the MLS listing. He stated that he does not find errors in transfer declarations frequently, but in this case there was one. Dost also testified that there are a number of things that the owner can do to affect the effective age of a building. In this case, Dost found exterior features such as tuck pointing, roof, and the HVAC system to be well maintained. Dost testified that he is familiar with the PTAX 203A, which asks the parties to opine as to whether the sale is representative of the market value. He also testified that he looked at the PTAX 203A for comparable sale #2 and the parties provided their opinion.

On re-cross, Dost stated that he would not expect someone to provide false information to the federal government. At which point, all seven hearing exhibits for the appellant and two hearing exhibits for the intervenor were admitted in the record.

In rebuttal, Appellant's attorney called Daniel Novak (Novak) as a witness. Intervenor's attorney objected to Novak's testimony as irrelevant to Dost's testimony. Appellant's attorney argued Novak's testimony will clarify differences between central switching centers and data centers as well as the different types of data centers. The Board overruled intervenor's objection and Novak was allowed to testify as a fact witness.

Novak testified that he is currently employed by AT&T in their technical space operations group. He testified that he has worked for AT&T for nearly 20 years and has been in his current position since 2011. Novak testified that he is in charge of all capital improvements and operations for data centers and technical spaces of a number of buildings. Novak stated that part of his job

responsibility is to visit these data centers that are owned and operated by AT&T. He testified that he is familiar with AT&T's central switching centers and particularly with the subject property. He stated that he has been inside the subject, which was originally designed as a central office switching space, also known as central switching center. As of 2015, Novak testified that he considers the subject to be a switching center. Novak testified that an AT&T data center would have raised flooring of between 30 and 36 inches, which allows for circulation of airflow and cooling of the equipment. Novak testified that data centers have mechanical and electrical redundancy. He explained that electrical redundancy is having more feeds maintaining the power supply. This includes having a generator either inside or outside of the building. Novak explained that mechanical redundancy is meant to account for the loss of a mechanical unit and the continued power feed to the building. The same redundancy principles, he explained, are used for chillers and cooling towers. Novak testified that the UPS systems in phone switching stations differ from data centers in the consistency of current. He also testified that data centers usually have three to four power generators, while the subject has only one. Novak also testified that data centers usually have security cameras as well as card and bio readers. Novak testified that during his employment with AT&T he has not seen a switching center converted to a data center. Novak opined that the conversion would be cost prohibitive. Finally, Novak testified that in his opinion the subject property is not a data center.

On cross examination, Novak testified that the subject receives sufficient power for the current purposes. He also stated the subject may have enough power for small shops. Novak testified that the subject property does have an uninterruptable DC power supply, which includes a generator and a battery system in place. He stated that this uninterruptable power supply system is a feature of both telephone switching stations and data centers.

On redirect, Novak testified that the subject's UPS system is insufficient for a data center because it is not AC power, but DC power.

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.

In determining the fair market value of the subject property for tax year 2015, the Board closely examined the appraisals prepared by Kelly and Dost and the evidence submitted by board of review. The Board accords little weight to the board of review's evidence submission for it lacked the preparer's testimony concerning qualifications, methodology regarding data used therein, and conclusions of value. The Board then looks to the remaining evidence that comprises the Kelly report and testimony; Dost's report and testimony; and the testimony by Rodriguez and Novak.

Kelly stated in his report that the "sales comparison approach indicates the value of the subject property based upon the principle of substitution." Kelly argued that the current use of the

properties being compared is irrelevant for appraisal purposes. Under his highest and best use, Kelly concluded that the subject's site is zoned B-1, which he determined allows for industrial use. However, at hearing he was unable to specify exactly which section of the zoning ordinance would allow for industrial use other than that currently permitted under subsection H, for communication and private utility uses. Kelly testified that all of his comparables are industrial properties that would not qualify under subsection H because they are not engaged in communication or private utility uses. Based on the foregoing, the Board finds that Kelly's comparable properties are simply not a permitted use by the local ordinance and are therefore not substitutable with the subject. Therefore, the Board gives diminished weight to Kelly's conclusions of value based on his comparable sales approach to value.

Similarly, the Board gives diminished weight to Kelly's income approach to value because he used properties that are not a permitted use under the local ordinance and are markedly dissimilar from the subject based on office space, land-to-building ratio, parking availability, chronological age, ceiling height, and other features, such loading docks.

The Board also gives diminished weight to Dost's conclusions of value based on his sales comparison approach. The Board finds that data centers although permitted under the local ordinance are a superior type of properties to telephone switching centers. Both Rodriguez and Novak testified that data centers are superior type of properties to telephone switching centers. Rodriguez testified that the only security in a central switching center is locking the doors. Novak testified that data centers have cameras as well as card and bio readers. Novak also testified that data centers have raised floors to allow for cooling of the equipment. Novak stated that both data centers and central switching centers have UPS equipment. However, he differentiated the power supply as AC-based system for data centers and DC-based for central switching centers. Furthermore, Dost testified that data centers are more expensive to build than central switching centers. Despite the foregoing, Dost valued the subject property per square foot after adjustments at a higher rate than superior comparable data centers. Therefore, the Board gives diminished weight to Dost's adjustments and conclusions of value and finds that the subject's assessment per square foot should be lower than the range of the most probative data center properties, after pertinent adjustments.

The Board finds that Dost's comparables sales #1, #2, and #5 are most probative of a comparable range for data center type properties and range in price from \$87.99 to \$93.46 per square foot of building area. The Board finds that the subject's current assessment of \$84.99 is only slightly below that range of the superior type property. Therefore, after adjustments for pertinent factors, the Board finds that a reduction in the subject's assessment 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. Pursuant to Section 1910.50(d) of the rules of the Property Tax Appeal Board (86 Ill.Admin.Code §1910.50(d)) 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



Member



Member



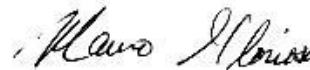
Member

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: June 16, 2020



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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