



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

APPELLANT: AutoZone, Inc.
DOCKET NO.: 16-01447.001-C-2
PARCEL NO.: 02-04-101-006-0000

The parties of record before the Property Tax Appeal Board are AutoZone, Inc., the appellant, by attorney Nathaniel Beck, III, Attorney at Law 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 **no change** 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: \$99,920
IMPR.: \$204,316
TOTAL: \$304,236

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 2016 tax year. The Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of the appeal.

Findings of Fact

The subject property consists of a one-story, single-tenant retail building of masonry construction that contains approximately 7,147 square feet of building area on a poured, reinforced concrete foundation. The building was constructed in 2009. Features of the building include a vinyl-tiled floor finished customer area which occupies approximately 60% of the building. The customer area is accessed via a single set of doors constructed of insulated glass in aluminum frame. Also, reinforced steel personnel doors are located along the south and west elevation of the building. Other features include an unfinished sealed concrete floor warehouse which wraps around the sales area in an "L" shape. The warehouse contains two washrooms, each equipped with one tank toilet and one wall-mounted sink. The building also has a drive-in door used for loading, and a flat roof structure constructed of metal decking supported by steel "I"-beams. The building is heated and cooled by roof-mounted package units. The site is improved with an asphalt-paved parking lot which is striped to accommodate 32 cars. In

addition, the lot has concrete curbs and sidewalks as well as overhead lighting. The property has a 49,223-square foot site and is located at 11905 Kreutzer Road, Huntley, Rutland Township, Kane County.

The appellant contends overvaluation as the basis of the appeal. In support of this argument, the appellant submitted an appraisal prepared by Frank C. Urban, MAI of Frank C. Urban & Co. estimating the subject property had a market value of \$785,000 as of January 1, 2015.

Urban determined the highest and best use of the property as improved was continued use as a retail store. In estimating the market value of the subject property, the cost approach, income capitalization approach and the sales comparison approach were developed.

Under the cost approach to value, the appraiser first estimated the land value as though vacant and available to be developed to its highest and best use. The appraiser used three land sales and two land listings located in Huntley or Algonquin. The comparable sales ranged in size from 51,109 to 64,033 square feet of land area. The land comparable sales sold from November 2013 to May 2015 for prices ranging from \$6.65 to \$7.42 per square foot of land area. The two active listings contained 80,150 and 130,680 square feet of land area and listed for \$5.05 and \$7.00 per square foot of land area. Based on this data, the appraisers estimated the subject had a site value of \$6.50 per square foot of land area or \$320,000, rounded.

The Marshall Valuation Computerized Cost Service was used to estimate the replacement cost new of the building improvements to be \$859,355 or \$120.24 per square foot of gross building area. Indirect costs of 3% were added to arrive at a total for direct and indirect costs of \$885,136. The appraisers estimated entrepreneurial profit of 8% or \$70,811, which was added to arrive at a total replacement cost new of \$955,947.

Depreciation in the improvements was also calculated. Physical deterioration was calculated to be 15% using the age-life method with the subject having an effective age of 6 years and an economic life of 40 years. The appraiser determined the subject had no functional obsolescence. In estimating external obsolescence, the appraiser employed the "capitalization of an income loss" to quantify the subject's external obsolescence. The loss in value attributable to external obsolescence was estimated to be 44.7% resulting in total accrued depreciation of 59.7%. After deducting the depreciation, the appraiser arrived at a depreciated value of building improvements to be \$385,247.

The appraiser estimated the depreciated site improvements of asphalt-paved parking with related improvements such as concrete sidewalks, lighting and landscaping had a contributory value of \$56,129. Subtracting the accrued depreciation from the replacement cost new and adding the site improvements and land value resulted in an estimated value of the subject property under the cost approach of \$760,000, rounded.

The next approach developed was the income capitalization approach. In estimating the subject's market rental rate, six rental properties were considered located in Huntley, Fox River Grove, and Woodstock which are all in the subject's general market area. Rental comparables are improved with one-story general retail or general retail/office strip centers that range in size from 1,546 to 13,230 square feet of building area and were built from 1952 to 2000. One of the

rental comparables' age was unknown. The comparables had land-to-building ratios ranging from 6.0:1 to 10.8:1. Five comparables were active listings with asking rents ranging from \$7.03 to \$14.00 per square foot of building area on a net basis. One comparable was a contract rent for \$15.00 per square foot of net rentable area. Appraisers estimated the subject's market rent to be \$12.00 per square foot on a net basis resulting in a potential gross income of \$85,764.

The appraisal report stated that two market data sources were utilized. CB Richard Ellis Marketview, Chicago Retail Fourth Quarter 2014, reported an overall vacancy rate of 13.7% in the Far North Suburbs; 13.8% in the Northwest Suburbs; 7.9% in the Far Northwest Suburbs; 11.2% in the Far West Suburbs; and 9.4% overall vacancy rate in the subject's Kane County submarket. Second market data source published by Newmark Grubb Knight Frank, Chicago Retail Market, Fourth Quarter 2014, reported a vacancy rate of 9.8% in the North Suburbs; 9.2% in the West Suburbs; 10.3% in the Outer Suburbs; and 8.6% in the Suburban Chicago. The report further stated that due to the subject's newer masonry building with good exposure along Route 47 and Kreutzer Rd. the appraiser stabilized the subject's retail vacancy and collection loss at 10% of potential gross income or \$8,576, resulting in an effective gross income of \$77,188.

The appraiser then deducted expenses for a management fee of \$2,316, reserves for replacement of \$1,787 and advertising/leasing commissions of \$2,316 to arrive at an estimated net operating income of \$70,769. As support for their conclusion of the various expenses, the appraisers cited Price Waterhouse Coopers, in PwC Real Estate Investors Survey, First Quarter 2015.

The next step in the income approach was to estimate the capitalization rate. The band of investment analysis method along with published sources were used to estimate an overall capitalization rate of 9%. Vacancy-adjusted tax load of 0.3% was then added for a total Loaded Capitalization Rate of 9.3%. Capitalizing the net income of \$70,769 resulted in an estimated value under the income capitalization approach of \$760,000, rounded, or \$106.34 per square foot of building area, including land.

The final approach developed was the sales comparison approach to value. Four comparable sales and two listings were used in this approach. The comparables were located in Lake in the Hills, Carpentersville, Algonquin, Huntley, and Crystal Lake. These properties were improved with what is described as free-standing retail buildings that ranged in size from 4,710 to 26,400 square feet of building area and were constructed from 1967 to 2011. Each comparable was improved with a one-story brick building. The comparables had land-to-building ratios ranging from 2.4:1 to 8.0:1. Comparable sales #1 through #4 sold from April 2012 to June 2015 for prices ranging from \$475,000 to \$2,875,000 or from \$100.85 to \$122.50 per square foot of building area, including land. Comparable listings #5 and #6 had listing prices of \$1,000,000 and \$1,499,000 or \$84.52 and \$127.29 per square foot of building area, including land. The appraiser then made adjustments to the comparables for such items as sale conditions, building size, location, age/condition, and land-to-building ratio. The appraiser estimated the subject property had an indicated value under the sales comparison approach of \$110.00 per square foot of building area, including land or a final value of \$785,000.

In reconciling the three approaches to value, minimal weight was given to the cost approach due to the fact the "built-to-suit" properties such as the subject tend to suffer from significant functional and external obsolescence. The income approach was considered a reliable indicator

of value and was afforded ample consideration due to well supported data from five retail properties along with industry publications, market extraction, Mortgage-Equity approach and personal experience with other similar improved properties. The sales comparison approach was considered a reliable indicator of value due to quality comparable sales in the subject's general market and thus was afforded primary consideration in determining final value of \$785,000. Based on this evidence, the appellant requested the subject's assessment be reduced to \$195,250.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$304,236. The subject's assessment reflects a market value of \$914,445 or \$127.95 per square foot of building area, land included, when using the 2016 three-year average median level of assessment for Kane County of 33.27% as determined by the Illinois Department of Revenue.

In support of its contention of the correct assessment, the board of review submitted a narrative from the township assessor relating to the appellant's evidence along with "income, cost and sale comparison information" prepared by the township assessor. As to sale comparison approach, the board of review submitted a grid analysis containing limited information on two commercial buildings located in Crystal Lake and St. Charles. These properties were improved with what is described as retail and "auto parts" buildings containing 7,225 and 19,774 square feet of building area and were constructed in 2014 and 1990, respectively. The two comparables are improved with frame and metal frame buildings. The buildings are situated on sites containing 46,350 and 73,612 square feet of land area and have a land-to-building ratios of 6.42:1 and 3.72:1, respectively. The comparables sold in December 2015 and June 2013 for prices of \$1,889,500 and 2,590,000 or \$95.55 and \$358.48, respectively, per square foot of building area, including land.

As to the cost approach, the assessor computed total market value by reportedly utilizing cost data from Marshall Valuation Service. The assessor calculated the Replacement Cost New for the subject by multiplying the total square feet of building area (7,147) by the total "hard costs" per square foot (\$100.48) and then adding costs for landscaping, paving, etc. (\$71,529). To the sum, the assessor then added "Soft Costs" consisting of consulting/impact fees, marketing costs, entrepreneurial incentive and finance charges in order to arrive at the total replacement cost new of \$923,878. Next, the assessor subtracted depreciation of 15% for physical deterioration and finally added value of the land to arrive at a total value under the cost approach of \$1,085,000, rounded.

The assessor also calculated market value utilizing the income approach to value. Under the income approach, the assessor first multiplied the total square feet of building area (7,147) by estimated rental income per square foot (\$20) to arrive at a potential gross income of \$142,940. The assessor then subtracted 10% for vacancy and collection costs to arrive at an effective gross income of \$128,646. From this amount, the assessor subtracted costs for management fees and reserves to arrive at a net operating income of \$121,142. Finally, the assessor multiplied the net operating income by the overall capitalization rate (8.27%) to arrive at a market value of 1,460,000, rounded.

Based on this evidence, the board of review requested a 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 did not meet this burden of proof and a reduction in the subject's assessment is not warranted.

The appellant submitted for the Board's consideration an appraisal report estimating the subject property had a fair market value of \$785,000 as of January 1, 2015. The board of review submitted for the Board's consideration evidence prepared by the Township Assessor who developed the cost, income and sales approach to value and arrived at a fair market value of \$912,799 or \$127.72 per square foot of building area, including land.

The 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 placed most weight on this evidence.

The Property Tax Appeal Board gave little weight to the appraisal report and final value conclusion that was submitted by the appellant. The appraisal contained three approaches to value to support the market value conclusion. The sales comparison approach was given primary consideration by the appellant's appraiser in determining final value conclusion. With respect to the sales comparison approach to value, the Board finds that the appellant's comparables #1, #2 and #4 sold in 2012 or 2013 which is dated and less indicative of market value as of the January 1, 2016 assessment date. Additionally, comparables #1 and #2 are located in a residential area and do not have the exposure to the traffic that the subject property enjoys; moreover, comparables #3 and #4 have significantly larger building area when compared to the subject. There is no indication that the appellant's appraiser made adjustments for outdated sales and location of the comparables which the Board finds undermines and detracts from the credibility of the appraiser's final value conclusion. Finally, the effective valuation date of the appraisal was January 1, 2015, which predated the assessment date of January 1, 2016.

The Board also gave little weight to board of review comparable sale #1 due to this sale occurring in June 2013 which is dated and therefore less indicative of market value when compared to the subject's January 1, 2016 assessment date.

The Board finds the best evidence of market value to be appellant's comparable listings #1 and #2 along with board of review comparable sale #2. The Board finds these comparables most similar to the subject in location, site size, building size, age and land-to-building ratio. Appellant's listings #1 and #2 listed for \$1,499,000 and \$1,000,000 or \$84.52 and \$127.29 per square foot of building area, including land respectively. The board of review comparable sale

#2 sold in December 2015 for a price of \$2,590,000 or \$358.48 per square foot of building area, including land. The subject's assessment reflects a market value of \$914,445 or \$127.95 per square foot of building area, land included, which falls within lower end on the range established by the most similar comparables in this record. After making necessary adjustments to the comparables for some differences from the subject, the Board finds that the subject's assessment is supported and therefore, based on this evidence, the Board finds a reduction in the subject's assessment is not 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

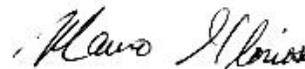
Member

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: December 23, 2019



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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