



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

APPELLANT: JPMorgan Chase Bank, N.A.
DOCKET NO.: 16-01531.001-C-2
PARCEL NO.: 06-21-104-001

The parties of record before the Property Tax Appeal Board are JPMorgan Chase Bank, N.A., the appellant, by attorney Kevin B. Hynes, of O'Keefe Lyons & Hynes, LLC in Chicago, and the Kane County Board of Review.

Based on the facts and exhibits presented in this matter, the Property Tax Appeal Board hereby finds **A Reduction** in the assessment of the property as established by the **Kane** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND: \$336,633
IMPR.: \$33,330
TOTAL: \$369,963

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 bank branch building of masonry exterior construction with 5,904 square feet of building area. The building was constructed in 1994. Features include a full finished basement and seven drive-through lanes. The property has a 71,438 square foot corner site. The subject property has a land to building ratio of 12.1:1 and is located in Elgin, Elgin Township, Kane County.

The appellant contends overvaluation as the basis of the appeal. In support of this argument the appellant submitted a 92-page appraisal report prepared by Frank C. Urban and Michael Urban estimating the subject property had a market value of \$1,110,000 as of January 1, 2015.

In several portions of the appraisal report, including in the depreciation section, the appraisers addressed that the subject facility is in average overall condition, but "exhibits physical

characteristics consistent with what the market expects of similarly improved properties of similar age." The appraisers also determined the subject property suffers from several functional deficiencies related to the increased use of mobile banking, lack of demand for basements in retail bank branches, reduced demand for walk-in vaults and safe deposit boxes and reduced demand for drive-through lanes. The appraisers also noted the subject suffers from external obsolescence with citations to various published reports related to closures of bank facilities and changes in the manner in which banking transactions are done. (Appraisal, p. 23)

The appraisers analyzed the highest and best use of the subject property as part of the report concluding that as improved the current use as a bank branch is the only financially feasible use of the property and is its maximally productive use (Appraisal, p. 32). The report also considered the property's highest and best use as vacant land at page 31.

In estimating the market value of the subject property, the appraisers utilized the cost, income and sales comparison approaches to value. Under the cost approach, the appraisers opined a market value of \$1,100,000. Under the cost approach the appraisers estimated the subject had a site value of \$1,010,000. The appraisers estimated the replacement cost new of the improvements to be \$2,028,573, including an 8% entrepreneurial incentive. The appraisers estimated depreciation to be 98.7% from all causes or \$2,002,202 resulting in a depreciated improvement value of \$26,371. The appraisers also estimated the site improvements had a value of \$65,534. Adding the various components, the appraisers estimated the subject property had an estimated market value of \$1,100,000, rounded, under the cost approach to value.

Using the income approach to value, the appraisers opined a market value of \$1,100,000 for the subject property. The first step under this approach was to estimate the subject's market rent. The appraisers set forth data on seven rental comparables as summarized on page 51. The properties were located in Batavia, Libertyville, Lindenhurst, Orland Park, Lockport and Chicago. The buildings range in leased square footage from 3,547 to 5,757 square feet of building area. The buildings ranged in age from 1978 to 2009 and were free-standing structures on either an interior lot or a corner lot. The comparables had from 2 to 5 drive-up lanes. These comparables had net rental rates ranging from \$15.22 to \$28.00 per square foot of building area net. The appraisers concluded that the subject would have a market rent of \$24.00 per square foot resulting in a potential gross income of \$141,696.

The appraisers asserted that historical occupancy rates generally fall between 3.1% and 17.7% for retail properties and 10.3% to 26.4% for office properties. Based on their consideration of the subject's location and weaknesses in the retail banking industry, the appraisers estimated the subject would have a 12% allowance for vacancy and collection loss resulting in an effective gross income of \$124,692. Assuming a net lease, the appraisers estimated operating expenses for the subject of an additional 3% of effective gross income for management fees, 3% of effective gross income for leasing commissions and \$.25 per square foot of gross building area for reserves for replacements resulting in net operating income of \$115,734 (Appraisal, p. 53-56).

The final step under the income approach was to estimate the capitalization rate to be applied to the subject's net income. The appraisers opined that the subject's overall capitalization rate would be 10% along with a vacancy adjusted tax load of .5%. Capitalizing the subject's

estimated net income of \$115,734 by 10.5% resulted in an estimated value under the income approach of \$1,100,000, rounded (Appraisal, p. 57-63).

Under the sales comparison approach to value, the appraisers opined a market value of \$1,120,000. The appraisers utilized four sales and one listing located in St. Charles, Aurora, Hampshire, Elgin and Geneva. For the comparables the land sizes range from 32,365 to 147,668 square feet of land area. The comparables were described as bank buildings that were built between 1981 and 2005. The structures range in size from 2,320 to 7,740 square feet of building area. The four sales occurred from April 2012 to September 2013 for prices ranging from \$83.98 to \$224.01 per square foot of building area, including land. Comparable #5 as an active listing had an asking price of \$189.66 per square foot of building area, including land.

The appraisers next considered qualitative adjustments to the comparables for sale conditions and for differences when compared to the subject in age, size, functional utility, land to building ratio, traffic and situs (interior versus corner) as depicted in summary on page 79 of the report and discussed in greater detail on pages 81 and 82. From this analysis, the appraisers concluded the subject is slightly above average with sales #1, #3 and #4 being inferior, listing #5 being similar and sale #2 being superior. The appraisers opined the value of the subject of \$190.00 per square foot resulting in an estimated value of \$1,120,000, rounded, under the sales comparison approach to value.

In reconciling the three value approaches, the appraisers placed primary emphasis upon the sales comparison approach along with the income approach as a reliable indicator of value; the cost approach was given minimal weight in the final analysis. The appraisers concluded a value for the subject property of \$1,110,000 as of January 1, 2015.

Based on the foregoing evidence, the appellant requested an assessment reflective of the value conclusion set forth in the appraisal report.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$622,574. The subject's assessment reflects a market value of \$1,871,277 or \$316.95 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 response to the appeal, the board of review proposed an assessment reduction to \$556,888 which would reflect a market value of \$1,673,844. In the appellant's rebuttal filing, there was no mention of this proposed assessment reduction and the proposal is therefore presumably rejected by the appellant.

Furthermore, in support of its contention of the correct assessment the board of review submitted an unsigned, undated memorandum entitled "Elgin Township Assessor PTAB Assessment Appeal Brief." The memorandum addressed the appellant's appraisal report noting the highest and best use determination was for continued use as a bank branch and was not for an alternative use such as an office building. As to the cost approach of the appellant's appraisal, the memorandum criticizes the lack of land sales, lack of analysis of sales from a CoStar summary report and ultimately concludes a land value of \$14.18 per square foot of land area on page 35 of

the appraisal report. The memorandum also summarily asserts that accrued depreciation of 98.7% is "significantly overstated."

The memorandum asserts the appellant's appraisers used rental comparables of failed banking facilities and properties that were "out of the subject's area of market competition in Libertyville, Lindenhurst, Orland Park, Lockport and Chicago." Next, the memorandum asserted the appraisers have "not supplied any rent comparables" and the estimate of market rent of \$24 per square foot on a net basis was "below market levels." The memorandum asserts that the appraisers' vacancy estimate of 12% "is overstated" as was the 10.5% capitalization rate.

As to the sales comparison approach, the memorandum asserted the sales in the report are of failed banking facilities as compared to the subject that has functioned as a bank branch since its construction in 1994; comparison to failed bank branches is inappropriate and appraisal sale #4 was an online auction sale.

In further support of the subject's estimated market value as reflected by its assessment, the board of review submitted land sales, income, cost and sales comparison approach information presumably also prepared by the township assessor. The data includes a land sale chart depicting six sales of parcels ranging in size from 44,431 to 254,826 square feet of land area which sold between June 2012 and May 2015 for prices ranging from \$7.37 to \$18.49 per square foot of land area. Under the cost approach, the assessor concluded a market value for the subject of \$2,037,000 using a base cost new of \$210.07 per square foot for the building plus additions for the canopy, other improvements, indirect costs and entrepreneurial incentive resulting in a replacement cost new of \$1,664,470. A deduction for physical depreciation of 44% was made and the land value of \$1,104,785 was then added.

In a document entitled 2016 Income Approach, the assessor presumably set forth a gross rental income figure of \$32 per square foot less a 7% vacancy and collection loss resulting in effective gross income of \$175,703. Next the documentation depicted a 3% management fee of \$5,271 and reserves for replacements of \$886 which resulted in a net operating income of \$169,546. The income analysis documentation then applied a capitalization rate of 8.50% along with a tax load of .19% resulting in an estimate under the income approach of \$1,950,000, rounded.

The board of review's data also included a spreadsheet with seven comparable sales. The buildings ranged in size from 2,450 to 10,781 square feet of building area and were built between 1978 and 2006. The properties sold between December 2012 and November 2015 for prices ranging from \$1,123,600 to \$4,475,000 or from \$195 to \$989 per square foot of building area, including land, rounded.

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

In written rebuttal, counsel for the appellant argued that the data presented by the board of review is inadequate to overcome the appraisal report presented by the appellant. As to the data presented, the appellant noted there was no indication as to the author of the estimates, there was little support for the cost approach data other than a reference to "Marshall & Swift." The income approach had no data concerning bank leases and no adjustments were made for location,

size and/or age. Similarly, according to the appellant, the board of review's sales comparison approach data has deficiencies for a lack of adjustments.

Finally, in the rebuttal filing the appellant waived the original request for an in-person hearing and requested a decision be issued on the written record.

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 reflecting an estimated market value for the subject property of \$1,110,000. The Property Tax Appeal Board has reviewed the appraisal report and finds it to be a credible indication of the value of the subject property using the three traditional approaches to value along with adjustments and the bases for those adjustments. The subject's assessment reflects a market value of \$1,871,277 or \$316.95 per square foot of building area, including land, which is substantially above the appraised value.

The board of review presented criticisms of the appellant's appraisal report as presumably developed by the township assessor along with documents depicting a cost approach to value, an income approach to value and a sales comparison approach to value in order to arrive at and justify the estimated market value of the subject property as reflected by its assessment. The main thrust of the response presented by the board of review were perceived deficiencies in the appraisal submitted by the appellant. The documentary evidence presented by the board of review fails to overcome the detailed appraisal report presented by the appellant. Furthermore, the unsigned, unverified and undated data of cost, income and sales comparisons presented on behalf of the board of review failed to overcome the appellant's evidence and, despite higher value conclusions than the current assessment, has failed to support the current assessment of the subject property.

The decision of the Property Tax Appeal Board must be based upon equity and the weight of evidence. (35 ILCS 16-185; Commonwealth Edison Co. v. Property Tax Appeal Board, 102 Ill. 2d 443 (1984); Mead, 143 Ill. App. 3d 1088.) A taxpayer seeking review at the Property Tax Appeal Board from a decision of the board of review does not have the burden of overcoming any presumption that the assessed valuation was correct. (People ex rel. Thompson v. Property Tax Appeal Board, 22 Ill. App. 3d 316 (2nd Dist. 1974); Mead v. Board of Review of McHenry County, 143 Ill. App. 3d 1088 (2nd Dist. 1986)).

On this record, the Board finds the subject property had a market value of \$1,110,000 as of the assessment date at issue. Based on this evidence, the 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(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

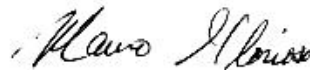
Member

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: November 19, 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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