



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

APPELLANT: Neil Dahlmann
DOCKET NO.: 16-02495.001-C-1
PARCEL NO.: 16-23-407-035

The parties of record before the Property Tax Appeal Board are Neil Dahlmann, the appellant; 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: \$20,794
IMPR.: \$67,539
TOTAL: \$88,333

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 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 first-floor office condominium unit in a three-story masonry-constructed office/residential building containing 2,933 square feet of building area. The building was constructed in 1949 with a renovation done in 1989. The subject unit has central air conditioning and is serviced by municipal water and sewer. The property is located in Highland Park, Moraine Township, Lake County.

The appellant contends overvaluation as the basis of the appeal. In support of this argument, the appellant submitted an appraisal report of the subject property prepared by Martin S. Siegel, MAI, of S. Siegel & Associates, Ltd. The purpose of the appraisal was to estimate the fair cash value of the subject property as of January 1, 2016 as defined by the Uniform Standards of Professional Appraisal Practice (USPAP). The intended use of the appraisal is for the sole purpose of assisting the client in connection with the estimate of market value of the subject property in order to arrive at an equitable assessed valuation for purposes of real estate taxation.

The interest valued is the fee simple estate. The final conclusion was that the subject property had a market value of \$265,000 or \$90.35 per square foot of building area, including land, as of January 1, 2016.

Siegel determined the highest and best use of the property as improved was continued use as commercial office space. In estimating the market value of the subject property, the income capitalization approach and the sales comparison approach were developed.

Under the income capitalization approach, Siegel first estimated the market rental rate for the subject property. In doing this, Siegel reviewed rental information and leases of office spaces of three rental properties located in Deerfield and Highland Park which were considered to be in the subject's general market area. The rental comparables ranged in size from 1,231 to 3,352 square feet of building area and rented from \$16.11 to \$21.00 per square foot of building area on a net basis. After adjusting for size, condition and location, Siegel estimated the subject's market rent to be \$18.00 per square foot on a net basis resulting in a potential gross income of \$52,794. Siegel estimated the subject's vacancy and collection loss at 10% of potential gross income or \$5,279, resulting in an effective gross income of \$47,515. The appraiser then deducted the estimated expenses for common area maintenance (\$16,865), management fees (\$950) and insurance (\$440) totaling \$18,255 from the effective gross income to arrive at an estimated net operating income of \$29,260.

The next step in the income approach was to estimate the capitalization rate. The band of investment method and published sources were used to estimate an overall base capitalization rate of 8.0%, rounded. Siegel took into consideration the subject's location which in his opinion would not be attractive to smaller investment groups and would be far too small in size to attract institutional investors even as part of a larger portfolio; therefore the most likely buyer in Siegel's opinion would be an owner-user. Because the real estate taxes were not included in the stabilized estimate of expenses listed above, a load factor of 2.56% was added to the base capitalization rate to arrive at a loaded capitalization rate of 10.65%. Capitalizing the net operating income of \$29,260 by dividing it by the loaded capitalization rate of 10.65% resulted in an estimated market value under the income capitalization approach of \$275,000, rounded, or \$93.76 per square foot of building area, including land.

The second approach developed was the sales comparison approach to value. Three comparable sales and one listing were used by the appraiser in this approach. The comparables were located in Chicago, Libertyville and Glenview. The comparable sales ranged in size from 1,180 to 2,500 square feet of building area and were constructed from 1942 to 1997, with one comparable having renovations made in 2004. The listing comparable contained 4,190 square feet of building area and was constructed in 2006. The sale comparables sold from January 2015 to January 2016 for prices ranging from \$105,000 to \$272,500 or from \$88.98 to \$109.00 per square foot of building area, including land. The listing comparable had a listing price of \$450,000 or \$107.40 per square foot of building area, including land. The appraiser then made adjustments to the comparables for size, location, age and physical condition. Siegel estimated the subject property had a market value under the sales comparison approach of \$265,000, rounded, or \$90.00 per square foot of building area, including land, as of January 1, 2016.

In reconciling the two approaches to value, less weight was given to the income approach due to the fact that office condominiums like the subject are typically purchased for owner-occupancy and rarely purchased by investors for their income producing capability. Therefore, the sales comparison approach was given primary weight in arriving at the final market value conclusion of \$265,000 as of January 1, 2016.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$123,911. The subject's assessment reflects a market value of \$373,676 or \$127.40 per square foot of living area, land included, when using the 2016 three-year average median level of assessment for Lake County of 33.16% as determined by the Illinois Department of Revenue.

In support of its contention of the correct assessment, the board of review submitted information on four comparable sales located in Glenview, Vernon Hills and Libertyville. The comparables consisted of single-unit office condominiums ranging in size from 2,380 to 3,100 square feet of building area. The buildings were constructed from 1999 to 2007. The comparables sold from April 2015 to January 2017¹ for prices ranging from \$430,000 to \$675,000 or from \$140.32 to \$238.10 per square foot of building area, including land. The board of review also submitted Multiple Listing Service (MLS) sheets for two listing comparables and three lease comparables, along with appellant's comparables. The board of review also submitted a narrative report critiquing the appraiser's income approach to value. The board of review also critiqued the comparables contained in the appellant's appraisal report and called into question the credibility and reasonableness of the appraiser's value conclusion. Based on this evidence, the board of review requested confirmation of the subject's assessment.

In rebuttal, the appellant submitted a narrative brief arguing that the board of review's comparables consist of Class A properties which are much superior to the subject's Class C designation. The appellant submitted a definition of the three classes of office buildings describing Class A office spaces as being of "highest quality" and Class C described as being of "poorest quality". The appellant argued that, unlike the board of review, the appraiser used comparables which are of the same class properties as the subject. The appellant noted that the differences in the class designations affected both market value and income approach to value and, therefore, the board of review comparables are inaccurate and unreliable. The appellant also submitted photographs depicting the comparables submitted by both parties.

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.

¹ The board of review's grid analysis contains sale data for comparables #1 and #4 which differs from the data contained on the MLS sheets provided by the board of review. The Property Tax Appeal Board will use the data contained in the MLS for purpose of analysis.

The Board finds the best evidence of market value to be the appraisal submitted by the appellant estimating the subject property had a market value of \$265,000 or \$90.00 per square foot of building area, including land, as of January 1, 2016.

The appraisal contained two approaches to value to support the market value conclusion. With respect to the income approach, the appraisal report included rental comparables to support the market rental rate. The appraisal also included a detailed analysis of the comparable rental data, costs/expenses, vacancy rates, and capitalization of net operating income. In contrast, the board of review provided Multiple Listing Service (MLS) sheets for two listing comparables and three lease comparables without an in-depth analysis of market rent, vacancy and collection loss or expenses used to calculate the net income. Based on this record, the Board finds the income approach developed by the appellant's appraiser, although given minimal weight, was more credible than the income approach argument contained in the narrative submitted by the board of review.

With respect to the sales comparison approach, the appraiser used three sales comparables and one listing comparable which were similar to the subject in class, size and utility. The appraiser made appropriate adjustments to the comparables for size, location, age and condition. In contrast, the board of review provided information on four properties but did not adjust for any differences when compared to the subject property. Furthermore, the board of review's use of superior class of properties when compared to the subject in addition to errors regarding the sale dates contained in the board of review's grid analysis detract and diminish the credibility of the board of review's argument. Based on this record, the Board finds the sales comparison approach developed by the appraiser was better supported and more credible than the evidence provided by the board of review and, therefore, a reduction to the subject's assessment to reflect the appraised value is warranted.

In summary, after considering the evidence in this record, the Board finds the best evidence of market value was presented by the appellant. Based on this record, the Board finds the subject property had a market value of \$265,000 or \$90.00 per square foot of building area, including land, as of January 1, 2016. Since market value has been determined, the 2016 three-year average median level of assessment for Lake County of 33.16% shall apply. (86 Ill.Admin.Code §1910.50(c)(1)).

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: February 18, 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

AGENCY

State of Illinois
Property Tax Appeal Board
William G. Stratton Building, Room 402
401 South Spring Street
Springfield, IL 62706-4001

APPELLANT

Neil Dahlmann
426 Park Avenue
Highland Park, IL 60035

COUNTY

Lake County Board of Review
Lake County Courthouse
18 North County Street, 7th Floor
Waukegan, IL 60085