



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

APPELLANT: Francis Schnoor
DOCKET NO.: 16-03488.001-C-1
PARCEL NO.: 05-09-222-033

The parties of record before the Property Tax Appeal Board are Francis Schnoor, the appellant, by attorney Ronald Kingsley, of Lake County Real Estate Tax Appeal, LLC in Lake Forest, and the Lake County Board of Review.

Based on the facts and exhibits presented in this matter, the Property Tax Appeal Board hereby finds **No Change** 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: \$116,910
IMPR.: \$108,532
TOTAL: \$225,442

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 one-story commercial building of frame and brick construction on a concrete slab foundation with 3,248 square feet of building area. The structure was built in 1979 and is used as a fast food restaurant. Features include a full sprinkler system and central air conditioning. The property has a 39,640 square foot interior site with frontage on U.S. Highway 12 and is located in Fox Lake, Grant Township, Lake County.

The appellant contends overvaluation as the basis of the appeal. In support of this argument the appellant submitted an appraisal prepared by Andrew Richter, MAI, of Real Valuation Services estimating the subject property had a market value of \$405,000 as of January 1, 2016. The appraisal was prepared to determine the market value of the subject property based upon fee simple interest in order to assist in an appeal of the *ad valorem* real estate tax assessment. The appraiser utilized both the sales comparison and the income approaches to value in arriving at his

conclusion; the appraiser eliminated consideration of the cost approach to value due to physical deterioration and substantial external obsolescence that would have to be accounted for. Richter further noted that the cost approach is generally not considered by prospective purchasers of this type and quality of property, except for very recently constructed buildings. An analysis of commercial land sales was also presented to demonstrate that the building does contribute to the value of the underlying land.

Using the sales comparison approach, Richter analyzed five sales of properties. Three of the comparables are located in McHenry County and two properties are located in Lake County. The comparables consist of one-story masonry or frame buildings that were built between 1945 and 2002. The buildings range in size from 2,322 to 5,629 square feet of building area and have land-to-building ratios ranging from 3.81:1 to 11.72:1 whereas the subject has a reported land-to-building ratio of 12.20:1. The comparables sold between January 2015 and February 2016 for prices ranging from \$270,000 to \$775,000 or from \$66.79 to \$190.65 per square foot of building area, including land. The data also indicated that comparables #2 and #5 were REO sales.

As part of the appraisal report, Richter asserted that sales of single-user restaurant or general retail buildings that occurred within the prior twelve months were an emphasis of the selection process which resulted in a variety of sales prices per square foot and the inclusion of properties in both McHenry and Lake counties. He contended the selected properties were in the Northwest suburban market. Next, the appraiser considered adjustments to the selected comparables for differences when compared to the subject. Differences that were considered included age/effective age, size, exterior construction, location and whether the sale was an REO transaction. As depicted on page 25 of the appraisal report, the adjusted sales prices ranged from \$122.58 to \$134.22 per square foot of building area, including land. From this process, Richter opined a value for the subject property of \$125.00 per square foot of building area or \$405,000.¹

Using the income approach, Richter estimated the subject had a market value of \$400,000. The first step was to develop the subject's potential gross rental income through examination of four rental comparables located in McHenry, Crystal Lake, Antioch and Lake Zurich. The comparable buildings were built between 1902 and 1981. The rental comparables range in size from 2,148 to 2,640 square feet of building area. The leases were dated between May and December 2015 for rental rates ranging from \$6.06 to \$15.20 per square foot on either a modified gross basis or a net basis; Richter opined the two leases at a modified gross basis once adjusted for property taxes were actually being rented for \$7.42 and \$5.01 per square foot of building area. The appraiser then made adjustments to the rental comparables for differences in location, age, condition, land-to-building ratio and/or building size. After the adjustments, Richter noted that rental comparables #3 and #4 were most similar to the subject and were therefore given the greatest weight in the analysis and Richter's opinion that the subject's annual economic rent would be \$12.50 per square foot of building area or \$40,600 per year as potential gross income.

The appraiser determined a stabilized vacancy and collection loss of 6%. To arrive at this figure, Richter reported the 5-year average of 5.6% as reported by Co-Star survey data on 41 retail buildings ranging from 2,000 to 5,000 square feet which were located within three miles of the

¹ Mathematically, at the opinion of \$125 per square foot x 3,248 square feet = \$406,000.

subject. After deducting the applicable vacancy and collection loss from the potential gross income figure of \$40,600, Richter arrived at an effective gross income of \$38,164.

Richter next deducted the expenses accruing to the lessor under the terms of a typical net commercial lease. (Appraisal, p. 28) The appraiser estimated a limited management fee of \$1,000 per year, a structural maintenance expense of \$325 per year, reserves for replacements of \$925 annually and expenses during vacancy periods of \$300 per year. Richter thus concluded stabilized annual expenses of \$2,550 which then resulted in a net operating income of \$35,614.

Next Richter calculated a capitalization rate by using as a guide a modified band of investment technique. The appraiser also examined data regarding current rates of return for competing investment mediums of comparable risk and concluded for non-real estate the 'safe' rate of return required would be 2.25%. For the subject real estate investment, Richter noted given the size and age of the building, investors would seek a substantially higher annual cash return. Richter developed an overall capitalization rate for the subject through the band of investment technique of 8.63% to which he added a tax load of .25% to account for real estate taxes resulting in a loaded capitalization rate of 8.9%, rounded. Capitalizing the subject property's net operating income of \$35,614 by 8.9% resulted in an estimated market value of \$400,000, rounded, under the income approach.

In reconciling the value approaches at page 32 of the appraisal report, Richter afforded most weight to the sales comparison approach to value and gave secondary weight to the conclusion drawn in the income approach to value. Therefore, Richter concluded a market value for the subject property in as-is condition as of January 1, 2016 (disregarding the existing ground lease) of \$405,000 or \$124.69 per square foot of building area, including land.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$225,442. The subject's assessment reflects a market value of \$679,861 or \$209.32 per square foot of building 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 analyzing the appellant's appraisal report, the board of review noted that three of the five comparable sales in the appraisal were located in McHenry County, rather than in Lake County where the subject is located. Furthermore, appraisal sales #2 and #5 were bank REO sales "necessitating adjustments over 50%" which calls into question whether the properties were truly comparable to the subject.² The board of review also questioned the percentage adjustments concerning location differences for appraisal sales #4 and #5 as depicted on page 25 of the report. Lastly, the board of review contended that excessive downward adjustments were made to appraisal sale #4. In light of these foregoing criticisms, the board of review asserted that the appraisal's value conclusion was not reasonable.

In support of its contention of the correct assessment the board of review submitted information on six comparable sales located in the Lake County communities of Libertyville, Grayslake, Mundelein, Fox Lake and Gurnee. Board of review comparable #3 is the same property as

² As depicted on page 25 of the appraisal, the sale conditions adjustment for comparables #2 and #5 were each 25%.

appellant's appraisal sale #4. The comparables consist of one-story frame, brick or frame and brick buildings that were built between 1969 and 1997 with comparable #4 having been rehabbed in 2016. The buildings range in size from 1,500 to 5,200 square feet of building area and have land-to-building ratios ranging from 8.20:1 to 19.96:1 whereas the subject has a reported land-to-building ratio of 12.21:1. Comparables #5 and #6 were each noted as "site acquisition" indicating that the properties were purchased with the intent to demolish the existing improvement. The comparables sold between February 2014 and November 2016 for prices ranging from \$265,000 to \$1,935,000 or from \$176.67 to \$583.19 per square foot of building area, including land.³

Based on the foregoing evidence and argument, the board of review requested 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 parties submitted an appraisal of the subject property and six comparable sales, one of which was a comparable sale within the appraisal report, to support their respective positions before the Property Tax Appeal Board. In light of the appraiser's reliance upon the comparable sales approach which included two larger buildings that were bank REO sales, the Board finds that the final value conclusion determined by the appraiser appears to have been justified in part by these excessively low bank REO sales. Furthermore, the adjustments to comparable sale #4 lack substantive support and reduced the sale price of \$190.65 per square foot to \$134.22 per square foot which appears to be excessive. Additionally, the Property Tax Appeal Board also has given little weight to board of review sales #5 and #6 which were "site acquisition" sales and would not be reflective of the subject's market value as an improved property that was described as being in average condition (i.e., not a teardown or demolition sale). The Board has also given reduced weight to board of review comparable #1 as an older and smaller building when compared to the subject and to board of review comparable #2 as an outlier with two sales of the property in short succession for substantially higher sales prices than any of the other sales in the record.

The Board finds the best evidence of market value to be the appellant's appraisal sales #1, #3 and #4 along with board of review comparable sales #3 and #4, where there is one common property. These four comparable sales sold between June 2015 and February 2016 for prices ranging from \$270,000 to \$850,000 or from \$116.28 to \$207.98 per square foot of building area, including land. The subject's assessment reflects a market value of \$679,861 or \$209.32 per square foot of building area, including land, which is within the range established by the best comparable sales in the record and appears to be particularly well-supported by the common comparable property

³ The Property Tax Appeal Board has corrected several of the per-square-foot sale prices set forth in the board of review's grid analysis as mathematically the reported figures were in error.

presented by the parties. Based on this evidence the Board finds a reduction in the subject's assessment is not 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



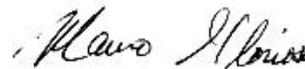
Member

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: 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

AGENCY

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