



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

APPELLANT: Ted Kastrand
DOCKET NO.: 16-04824.001-C-2
PARCEL NO.: 04-28-353-008

The parties of record before the Property Tax Appeal Board are Ted Kastrand, the appellant, by attorney George N. Reveliotis, of Reveliotis Law, P.C. in Park Ridge, and the Winnebago 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 **Winnebago** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND: \$157,317
IMPR.: \$292,908
TOTAL: \$450,225

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the Winnebago 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 two structures situated on one parcel. Building #1 is a one-story strip mall of masonry and steel frame construction containing 13,115 square feet of building area currently divided into ten units ranging in size from 600 to 1,950 square feet of building area per unit and was built in 1989. Building #2 is a free-standing retail building of masonry and steel frame construction currently built out as a restaurant which contains 6,044 square feet of building area and was built in 1994. With common utility area in the multi-tenant building, there is 18,734 square feet of net rentable area and 19,159 square feet of building area for both structures combined. The property has a 3.48-acre or 150,508 square foot site, a land-to-building ratio of 7.86:1 and is located in Roscoe, Roscoe Township, Winnebago County.

The appellant contends overvaluation as the basis of the appeal. In support of this argument, the appellant submitted an appraisal prepared by Jennifer J. Kleckner, Peter D. Helland and Edward V. Kling, each of whom is an a Certified General Real Estate Appraiser and where Kling also holds the MAI and MRICS designations, estimating the subject property had a market value of \$1,350,000 as of January 1, 2016.

In estimating the market value of the subject property, the appraisers developed the sales comparison and income capitalization approaches to value. The appraisers on page 13 of the report indicated that exterior of the building was in average condition; the roof was reported to be 22 years old and the appraisers noted signs of leaks on the interior. The internal condition was deemed to be average with updates to the units over the years and being well-maintained. As to external obsolescence, the appraisers noted the subject was average to below average due to "minimal growth occurring." The appraisers noted that rental rates were low. (Appraisal, p. 13)

Using the sales comparison approach, the appraisers provided information on six comparable sales located in Belvidere, Loves Park, Rockford and Woodstock. Each of the comparables were described as a multi-tenant retail center. The buildings were from 7 to 20 years old and range in size from 11,208 to 19,336 square feet of building area. The comparables have from 1.11 to 1.66-acres of land area and land to building ratios ranging from 3.13:1 to 5.32:1. These comparables sold from October 2014 to October 2016 for prices ranging from \$800,000 to \$1,855,000 or from \$65.19 to \$101.09 per square foot of building area, including land. After making qualitative adjustments to the comparables as described in the appraisal and set forth on a chart on page 33, the appraisers applied adjustments to the comparables ranging from 5% to -25% resulting in adjusted sales prices ranging from \$68.45 to \$80.87 per square foot of building area, including land. Based on this data the appraisers estimated the subject had an estimated value under the sales comparison approach of \$75.00 per square foot of building area or \$1,440,000, rounded (Appraisal, p. 34).

Under the income approach to value, the appraisers analyzed both contract rents at the subject property and market rents for 12 rental comparables. Of the eleven total units at the subject property, as of January 1, 2016 nine were being leased for rental rates ranging from \$8.65 to \$15.70 per square foot. The highest rental rate applied to Building #2. The appraisers on page 36 of the appraisal summarized data on current and asking rents for comparable spaces. The comparables range in size from 850 to 9,000 square feet of building area. These comparables had either modified gross or triple net rental rates/asking rates of \$7.25 to \$13.94 per square foot of building area. The appraisers wrote on page 37 that asking rates were as high as \$18.74 per square foot.¹ The appraisal report indicated the subject's average lease rate was \$12.97 per square foot.

After considering both the contract rents and the market rental data, the appraisers opined a market rent for the subject property of \$12.00 per square foot for units in Building #1 and \$16.00 per square foot for Building #2. Therefore, the subject's potential annual income was estimated to be \$248,984. Vacancy and collection loss were estimated to be 10% or \$24,898. The appraisers thus estimated an effective gross income of \$224,086. Next, expenses for

¹ The Board recognizes that the chart on page 36 does not depict this highest asking rental rate.

management, insurance, common area maintenance, legal/accounting and reserves for replacements were calculated to be \$48,256 resulting in a net operating income of \$175,830. Using the direct capitalization technique and after examining various sources, the appraisers opined a capitalization rate of 10% and then applied the effective tax rate for an overall capitalization rate of 13.66% to be applied to the subject's net operating income. As a result, the appraisers concluded a value under the income approach of \$1,290,000, rounded.

In reconciling the two approaches to value the appraisers estimated the subject property had a market value of \$1,350,000 as of January 1, 2016. Based on this evidence, the appellant requested a reduction in the subject's assessment to approximately reflect the appraised value.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$633,871. The subject's assessment reflects a market value of \$1,900,663 or \$99.20 per square foot of building area, land included, when using the 2016 three year average median level of assessment for Winnebago County of 33.35% as determined by the Illinois Department of Revenue.

In support of its contention of the correct assessment, the board of review submitted a memorandum from the board of review and a memorandum with supporting documentation prepared by the Roscoe Township Assessor's Office. The board of review memorandum inexplicably asserted the 2016 appeal was based "on an appraisal dated May 1, 2013." The Property Tax Appeal Board presumes this assertion was simply a typographical error. The board of review further asserted that of the six comparable sales presented in the appraisal, the appraisers made downward adjustments to five of the comparables and four of those adjustments were 20% or more.

The township assessor noted that the unadjusted median sale price of the appraisal sale comparables was \$97.26 per square foot of building area, including land. The assessor noted that applying the median unadjusted sale price to the subject would reflect a market value of \$1,863,404.

The memorandum from the township assessor outlined data in the appraisal concerning various capitalization rates reflected by four of the comparable sales. The township assessor wrote, "Our research (See Attached) indicates average cap rate of 10.16% which equates to \$1,730,610. Applying the above cap rate yields \$90.33 PSF." As such, the assessor indicated a willingness to stipulate to the income approach using a cap rate of 10.16% for assessment year(s) 2016 and 2017."

As to the income approach to value in the appraisal report, the board of review relied upon the township assessor's analysis expressed as "research and correct reading of the appraisal indicates an assessed value of \$576,870." Based on this information, the board of review proposed to reduce the subject's total assessment to \$576,870 which would reflect a market value of approximately \$1,730,610 or \$90.33 per square foot of building area, including land.

The appellant was informed of this proposed assessment reduction and rejected the offer and requested a decision on the evidence of 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 of the subject property submitted by the appellant. The appellant's appraisers developed the sales comparison and income capitalization approaches to value. The sales utilized by the appraisers were similar to the subject in size, style, exterior construction, features, age and/or land area with adjustments made for differences. These properties also sold proximate in time to the assessment date at issue. The appellant's appraisers also examined the subject's income and contrasted that with market data to arrive at stabilized income. Next the appraisers outlined the applicable expenses resulting in a net operating income calculation. Using various publications and analyses, the appraisers opined a loaded capitalization rate to apply to the net operating income calculation which the Board finds to be well reasoned and justified. After reconciliation of the two approaches to value, the appraised value conclusion for the subject property of \$1,350,000 is below the market value reflected by the assessment of \$1,900,663.

In summary, the board of review failed to provide any comparable sales to support the subject's assessment. The sole basis presented by the board of review to disagree with the appellant's appraisal report was the chosen capitalization rate. Through the township assessor, the board of review contends that applying a capitalization rate of 10.16% (without accounting for the tax load) when applied to the net operating income calculation would result in an estimated market value under the income approach of \$1,730,610. The Property Tax Appeal Board finds this income approach prepared by the township assessor to be fatally flawed for not adding the substantial local tax load of 3.66%. Under the theory of an income approach to value, the property tax expense must be accounted for either within the expenses before determining the net operating income or as a load factor to be added to the selected capitalization rate. The Board finds it is wholly inappropriate to simply ignore the property tax expense as occurred in the analysis presented by the board of review.²

Based on this record and the determination that the appraisal represents the best evidence of the subject's estimated market value, the Board finds the subject property had a market value of \$1,350,000 as of January 1, 2016. Since market value has been determined the 2016 three year average median level of assessment for Winnebago County of 33.35% shall apply. (86 Ill.Admin.Code §1910.50(c)(1)).

² Based on the data presented by the township assessor the loaded capitalization rate would be 13.82% which when applied to the net operating income calculation would reflect a market value of \$1,272,287 under the income approach.

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: August 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

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