FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Robert Becherer
DOCKET NO.: 17-00099.001-C-2 through 17-00099.002-C-2
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are Robert Becherer, the appellant; and the Logan 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 assessments of the property as established by the **Logan** County Board of Review is warranted. The correct assessed valuation of the property is:

DOCKET NO	PARCEL NUMBER	LAND	IMPRVMT	TOTAL
17-00099.001-C-2	08-210-245-00	24,000	4,000	$28,000
17-00099.002-C-2	08-210-254-00	24,000	54,112	$78,112

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the Logan County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessments for the 2017 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 parcels with a combined land area of 72,000 square feet. Parcel No. 08-210-254-00 is improved with a two-story commercial building of concrete block, brick, steel, and concrete construction on a slab foundation. The building was constructed in 1979 and contains approximately 19,842 square feet of building area.[1] The building features an electric forced air furnace and central air conditioning, an elevator, a sprinkler system in the hallways, a drive-up banking window, and a canopy. Parcel No. 08-210-245-00 consists of a paved parking lot for the use of employees, tenants, customers, and clients. The property is located in Lincoln, East Lincoln Township, Logan County.

[1] As the building has been remodeled on the interior, there are discrepancies in the building's square footage. An old floor plan shows 19,933 square. Appellant's appraiser relied on a square footage of 19,842 square feet of building area. The Board finds that the best evidence of building size was presented by the appellant's appraiser who included a schematic diagram with the dimensions in his report.

The appellant, Robert Becherer, appeared before the Property Tax Appeal Board contending overvaluation as the basis of the appeal. He testified that he purchased the building through an online auction in 2013 for $86,500 and characterized the purchase as an arm's length transaction. He testified that the subject building was originally constructed as a bank building and was dedicated almost exclusively to banking but the original bank was bought by a chain and now the bank rents space on the first floor of the building. He testified that Regions Bank is still the primary tenant of the building, occupying 40% of the first-floor space, and conducts limited banking business therein. The bank area features some teller lines and a part time manager who comes in two or three days per week, but the bank does not have loan officers onsite any longer. There is office space for other tenants on the first and second floors of the building.

Becherer further testified that after a hearing on the 2014 and 2015 assessments, the Property Tax Appeal Board rendered a decision lowering the total assessed value of the subject to $112,967 which equates to a market value of approximately $338,935. Becherer appealed again in 2016 and the parties stipulated to a combined assessment of $112,960 which equates to a market value of approximately $338,914. He argued that in light of the above decisions the current total assessment of $236,780, reflecting a market value of approximately $710,340, is excessive and he requested a reduction in the subject's total assessment to reflect his appraiser's estimated market value of $320,000.

He stated that he believes the appraisal process inherently involves a lot of judgment factors and argued that for this building, which is an income-producing property, the income approach to value is largely determinative of its value. He conceded that comparable sales are an important consideration but, as Lincoln is a depressed market for income-producing properties in the downtown area, it is very difficult to find other properties that can be adequately adjusted to estimate an accurate value of the subject property.

He testified that in previous appeals he had relied more on his arm's length purchase of the property in establishing its value but, for this appeal, he had an appraisal done by Brad Glassey. Becherer stated that he had reviewed the appraisal and the adjustments made to the comparable properties and argued that Glassey's appraisal arrives at a meaningful measure of value. He testified that he also reviewed the board of review's appraisal which was prepared by Kristina Clore. He found that her appraisal contained some erroneous assumptions which caused her to arrive at a very different determination of value than did Mr. Glassey. As a result, Becherer asked Glassey to review Clore's appraisal, which he did. Glassey produced a rebuttal letter in which he corrected only a few of her erroneous assumptions to arrive at a value much closer to that of Mr. Glassey.

Becherer then called Brad Glassey, a Certified General Real Estate Appraiser, as a witness. The parties reviewed his qualification as listed on pages 70 to 72 of the appraisal and agreed to stipulate that he was qualified as an expert in the area of real estate appraisal. Glassey testified that there are two things to consider in valuing a building such as this – one being the sales comparison approach and the other being the income approach. In a multi-tenant building like this, the income approach would be the primary method as the building would typically be bought by someone who was not planning on occupying the whole building for themselves. A buyer would primarily care about making money from the building. He went on to say that there were no great comparables in Lincoln which makes the sales comparison approach a little less reliable than the income approach.

In developing the sales comparison approach, Glassey looked for multi-tenant buildings in central Illinois. He was unable to find any recent sales of properties that were similar to the subject in location, size, and characteristics so it was necessary to go farther back in time and out of the immediate area to select comparables. He considered six comparable sales of leased-fee buildings located in Lincoln, Bloomington, Morton, or Peoria. The comparables sold from March 2011 to January 2014 for prices ranging from $139,900 to $700,000 or from $11.36 to $40.77 per square foot of building area. He compared vacancy rates, rental rates, and other factors such as economic outlook so he could make reasonable adjustments not only for location and condition but also for factors such as the age, size, and/or functional utility of the buildings. After evaluating the properties Glassey arrived at an adjusted range of $16.24 to $23.00 per square foot of building area. He concluded an indicated value of $17.50 per square foot of building area for the subject property and, based on a building size of 19,842 square feet, estimated that the subject property had an indicated value of $347,000, rounded. (Appellant's appraisal, page 53)

Glassey then developed the income capitalization approach to value. He testified that this was a method of estimating the value of real estate by relating the income-producing ability of the property being appraised to a current value. The three steps to this approach involve estimating the gross annual income and the stabilized annual expenses and then estimating the value by capitalizing the net income by an appropriate overall capitalization rate (OAR).

He testified that local examples were difficult to find and often good expense data is lacking. In developing the income capitalization approach, he evaluated six properties located in either Lincoln, Peoria, East Peoria, or Germantown Hills. Glassey testified that these comparables indicated a wide range of OARs, ranging from 9% to 21%, and that the indicated national range is from 4% to 15%. A local commercial realtor he consulted estimated the expected capitalization rate in Lincoln to be within the range of 12% to 15%. Glassey stated that these very wide ranges were likely the result of large differences in vacancy, expense levels, deferred maintenance, appeal, and inconsistent treatment of expenses and reserves for replacement. (Appellant's appraisal, page 54) He used these ranges as a general guideline in determining the OAR of the subject, which has an unusual expense structure due in part to its HVAC system which serves the whole building and cannot be adjusted or turned off for unoccupied suites within the building.

Glassey testified that another widely used method of estimating the OAR is the Mortgage-Equity Technique which does not rely on the expense structures and reserve levels of other properties but instead relies upon the assumption that real estate is typically purchased with a combination of mortgage financing (leverage) and equity. (Appellant's appraisal, page 55) In developing this method, he estimated a typical loan to value ratio of approximately 75% and a typical equity position of 25%, mortgage money being available with interest rates within the range of 4.5% to 6.5% and with a 20 to 25 year amortization term for these types of properties. He estimated a likely holding period of ten years for this type of property and a stable value for the investor over that period. He stated that the typical desired yield rate is from 8 to 18%, depending on the kind of property, its location, and the market's perceived risk. He estimated an equity yield rate of

18% for the subject property due to the slow market for buildings of its type and its over-reliance on Regions Bank as a tenant in order to maintain profitability. He stated that without the higher rent and expense reimbursements from Regions the subject would likely not be profitable and that the tenant is under a lease that was negotiated over ten years ago when the market was stronger and is currently over market. The lease has a market re-set provision that takes effect in 2020. Using the Mortgage Equity Technique, Glassey estimated a loan portion of 0.055267874 plus an equity portion of 0.045 minus equity buildup of 0.007921743 to arrive at an overall capitalization rate of 0.092346131 or 9.23%. (Appellant's appraisal, page 56) The actual tax rate for the subject for tax year 2016 is 9.719040 which is 9.72% of assessed value or 3.24% of fair cash value which equates to an applicable tax rate of 3.24%. The Regions Bank lease includes an obligation to pay 40.13% of the real estate taxes, thus the owner's tax burden is .5987 x .0324 or .0194 or an effective tax rate of 1.94%. The resulting capitalization rate via the Mortgage Equity Technique (OAR + Effective Tax Rate) equals 11.17%. (Appellant's appraisal, page 57)

Glassey next made a determination of market rent, which is defined as "the most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements." (Appellant's appraisal, page 57) He testified that leases can vary widely in terms and concessions and that most details are not publicly available in this area. He stated that office/retail lease offerings in the area can range from $4.50 to $12.00 per square foot of building area. After adjustments, Glassey concluded that a range of $5.00 to $8.00 per square foot gross seemed appropriate for the subject units, excluding Regions Bank.

Glassey then looked at the rent roll/market rent for the main floor Regions Bank unit. Regions leases 7,249 square feet which also includes the drive-up canopy and main parking lot. It is under a 15-year lease which commenced on June 15, 2005. As of January 1, 2016, the base rent was $3,860.09, with escalators each year. It is a triple-net lease (NNN) with the tenant paying a 40.13% pro-rata share. As the lease was negotiated roughly ten years prior, it is not considered to be at current market. In less than five years, the lease is up for renegotiation. ($3,806.09 per month/$46,321.11 per year, plus NNN share) (Appellant's appraisal, page 58)

The main floor also has a 1,752-square foot vacant unit that is currently listed for rent at $1,695 per month ($11.61 per square foot), which is a gross rate that also includes utilities. As of the effective date of the appraisal, the unit was under a short-term lease for $900 per month or $6.16 per square foot. As it is a short-term lease, market rent is more relevant. Based on rental rates for other units, it has an estimated market rent of $1,168 per month gross or $8.00 per square foot of building area, including utilities. ($1,168 per month/$14,016 per year) (Appellant's appraisal, page 58)

Unit 220 on the second floor is leased to an attorney. It is a 1,110 square foot unit leased on a month to month basis as the lease has expired. It rents for $583.66 per month or $6.31 per square foot of building area, including utilities. Based on rental rates for other units, as well as in the wider market, it has an estimated market rent of $601.25 per month gross or $6.50 per square foot of building area, including utilities. ($601.25 per month/$7,215 per year) (Appellant's appraisal, page 58)

Units 201 and 210 on the second floor are leased to Brad Neal & Associates. The 2,055 square foot space is under a five-year lease that began in 2012 and rents for $1,585.83 per month or $6.31 per square foot of building area, including utilities. As the income approach considers the income for the year going forward, the current rent of $1,585.83 was used. ($1,585.83 per month/$19,029.92 per year) (Appellant's appraisal, page 59)

Another unit on the second floor is leased to a realty firm on a month to month basis. The unit is estimated to contain 3,085 square feet of building area and rents for $925.00 per month or $3.60 per square foot of building area, including utilities. As it is a month to month lease, market rent is more relevant. It is an interior unit with no windows and is considerably larger than the other units which often results in a lower rent per square foot. Based on rental rates for other units, as well as in the wider market, it has an estimated market rent of $1,285.42 per month or $5.00 per square foot of building area, including utilities. ($1,285.42 per month/$15,425.04 per year) (Appellant's appraisal, page 59)

A vacant 1,850 square foot unit is used for storage by the owner. It is listed for rent at $975.00 per month or $10.83 per square foot, including utilities. According to the owner, over the life of the building this space has only been occupied for about one year. Based on rental rates for other units and in the wider market, it has an estimated market rent of $1,031.25 per month or $6.00 per square foot, including utilities. ($1,031.25 per month/$11,100 per year) (Appellant's appraisal, page 59)

Based on the above data, Glassey estimated the building has a total potential rental income of $9,415.63 per month, or $113,107.56 per year.

Based on the above data, Glassey then made an income and expense analysis. He estimated a vacancy and credit loss of 20% ($22,621.51) to arrive at an estimated effective gross income (EGI) of $90,486.05. He then deducted annual expenses in the amount of $65,431.25 for fire insurance and utilities and for management fees and repairs and maintenance (which are absorbed by the owner). He considered the Regions Bank reimbursement of $26,257.55 and subtracted reserves in the amount of $15,000 to arrive at a subtotal of $54,173.68 which was deducted from the EGI to arrive at a net operating income of $36,312.37. The net operating income was capitalized at an overall cap rate plus tax rate of 11.17% to arrive at an indicated value of $325,000, rounded, under the income approach using the Mortgage Equity Technique. (Appellant's appraisal, page 62)

Using a market-indicated capitalization rate, Glassey first estimated the net operating income to be $51,312.37 by adding back reserves of $15,000 in the previously calculated net operating income. The market-derived capitalization rate was 15% with an effective tax rate of 2% resulting in an overall rate of 17%. Capitalizing the net income resulted in an estimated value of $302,000 using a market-derived capitalization rate.

After reconciling the values arrived at under the Mortgage Equity Technique and the Market Indicated Cap Rates, Glassey arrived at an indicated value of $315,000 under the income approach to value. (Appellant's appraisal, page 63)

Glassey testified that the final step in the process of determining the property's fair cash value is to reconcile the approaches to value. He reiterated that only the sales comparison and income capitalization approaches to value were included in his report. He testified that the cost approach was not developed because it is neither reliable nor relevant in valuing a building such as this. He averred that the income approach was the most relevant and reliable approach in valuing this property and was given considerable weight. He characterized the sales comparison approach as being relevant and somewhat reliable and gave it "some weight." He also stated that his value conclusions are generally consistent with historical data concerning the subject property, including the last valid sale of the subject property as listed by Logan County for $258,285 in July 2005. He concluded that based on his investigation and analysis of the market and after inspecting the subject property and considering all of the pertinent factors, the subject had a fair cash value of $320,000 as of January 1, 2016. (Appellant's appraisal, page 64) On page 65 of the report Glassey stated he did not believe there have been any major changes in the market from 2016 to 2017.

Mr. Becherer also questioned Mr. Glassey about the rebuttal report he had prepared in response to the board of review's appraisal. Becherer asked Glassey to prepare this report since the conclusions of value varied so greatly between the two appraisals.[2] Glassey noted that Clore repeatedly said that the subject was owner-occupied and not leased and cited pages 11, 17, 16, 28 and 31 of Clore's appraisal. Glassey noted that there is no owner-occupied space in the subject property. He further noted that Clore indicated at page 19 of her appraisal that the subject is situated on Illinois Route 121/10 which is a main commercial artery. Glassey disclosed that the subject is not located on or near that commercial artery. In regard to the income approach, Glassey stated that Ms. Clore did not have access to the actual rents and expenses for the subject and so utilized market rents and "typical" assumptions regarding expense levels. (Glassey rebuttal, p. 3) He concluded that the cause of the large discrepancy between their respective conclusions of value was due to some unusual factors affecting the subject, which she would not have known about when preparing her report. He reworked her analysis using actual expenses and left "all reasonable assumptions not contradicted by actual data intact." (Glassey rebuttal, p. 3) He elucidated factors regarding potential gross income and expenses and kept Ms. Clore's values for estimated vacancy and credit loss and capitalization rate. He stated that his goal in recalculating her Income Approach to Value was to show how a few incorrect assumptions could explain the discrepancy in value between the two reports. (Glassey rebuttal, p. 5) He stated that the only line items he changed in his revision of Clore's Stabilized Operating Statement were "the gross rentable square footage, the utility expense, and the maintenance expense. All other figures remain unchanged." (Glassey rebuttal, p. 5) Based on his recalculation, he arrived at an indicated value by the income approach of $317,243, rounded to $317,000, which is within $8,000 of his own conclusion of value.

Glassey then critiqued Clore's sales comparison approach citing Clore's assertion at page 32 of her report that the Sales Comparison Approach "will be the only approach developed since it is the only one that is applicable to the subject" but Glassey noted that as "the subject is a multi-tenant building, and not owner-utilized as was assumed in Ms. Clore's original report, the Sales

[2] For the convenience of the reader, Glassey's final value under the income approach was $315,000 while Clore's conclusion of value was $825,000, which she then reduced at hearing to $555,000 based upon her own recalculations as set forth in her testimony below.

Comparison Approach may be far less reliable and relevant than indicated" by Clore. (Glassey rebuttal, p. 6) Glassey critiqued each of the four comparables utilized in Clore's report. For comparable #1, he noted that it was erroneously identified as a bank building (Board of review appraisal, p. 33) and did not appear to have been advertised on the open market but did appear to be a transaction between related parties as shown on the parcel information sheet submitted with his rebuttal report. As to comparable #2, Glassey noted that no adjustments were made by Clore to this sale and it "was sold as part of a larger transaction in which multiple properties were purchased together from a trust." (Glassey rebuttal, p. 6) As to comparable #3, Glassey noted that he had been unable to discover details of this sale but felt that due to differences in location, usage and size, it was not a reliable indicator of value for the subject. (Glassey rebuttal, p. 7) Glassey noted that comparable #4 is located on a main commercial artery in in Rockford which is a larger community than Lincoln and is located a large distance from the subject, yet Clore made no adjustments to this sale. He concluded that this sale was not representative of the relevant market and was not a reliable indicator of value for the subject. He reiterated that in her report Clore repeatedly asserted that the subject was either wholly or partially owner-occupied which is untrue. He asserted that the multi-tenant nature of the subject property lessens the reliability/importance of the Sales Comparison Approach and increases the importance of the Income Approach. He quoted page 24 of Clore's report which states that "in the appraisal of income producing property, the net income stream is a major motivating factor in the purchase process. The typical purchaser/investor will look at the property's ability to produce net income in order to provide a competitive return on the invested capital, as well as, provide for any debt service." He concluded that these factors attributed to the wide disparity of value concluded in the two reports.

The appellant submitted copies of the board of review final decision disclosing the total assessment for the subject of $236,780.[3] The subject's assessment reflects a market value of $714,053 or $35.99 per square foot of gross building area, land included, when using the 2017 three-year average median level of assessment for Logan County of 33.16% as determined by the Illinois Department of Revenue. The board of review disclosed that 2015 was the first year of the general assessment cycle for the subject property.

Warren Grover appeared on behalf of the board of review. In support of its contention of the correct assessment the board of review submitted an appraisal prepared by Kristina Clore MAI on behalf of LKG Valuation Services Inc. estimating the subject property had a market value of $750,000 as of January 1, 2016. Mr. Grover called Ms. Clore as a witness. The parties reviewed her qualifications as listed on pages 42 and 43 of the board of review's appraisal and agreed to stipulate that she was qualified as an expert in the area of real estate appraisal.

Clore testified that she inspected the building from the street on May 5, 2017 and, although she did enter the building, she was only able to observe what any bank customer could see from the lobby and was not able to inspect any other areas of the building or the second floor. For this reason, she had to use the building's total square footage of 19,900 square feet in her valuation of

[3] The board of review Notes on Appeal state that the combined total assessment of the subject parcels is $236,930. The Board finds that the copies of the final decision of the board of review submitted by appellant, which show the total combined assessment as $236,780, and the corresponding testimony at hearing to be more reliable evidence of the subject's assessment.

the property as she did not know the breakdown of the interior spaces. She stated in the appraisal that the “subject property is a bank building owned by 303 Management Co. LLC. The building is not leased.’ (Board of review appraisal, p. 11) At page 14 of the appraisal, she stated that the subject is currently being used as a bank and is owner occupied.” At page 26, however, she stated that “the property is owner occupied and also tenant occupied.” She noted that the subject property was comprised of two parcels with the parking lot on a separate parcel which was needed to support the improvements on both parcels and, thus, they were being valued together. She noted that Illinois Route 121/10 goes through Lincoln “and is also the street the subject property is located on.” (Board of review appraisal, p. 19) She conversely noted that the subject is located on the corner of Kickapoo and Clinton. (Board of review appraisal, p. 17)

She stated that she did not develop the cost approach to value for the subject property as it was built in 1977 as a bank and most investors would not consider the cost approach for an older property such as this.

In developing the income approach to value, the appraisal states that “since the subject is owner occupied, the lease rate has to be estimated” and notes that the subject property currently has two spaces for rent. (Board of review appraisal, p. 28) To estimate the market rent, she looked at limited information on four leased properties located in Lincoln, Normal or Springfield and three active listings of properties located in Lincoln, two of which are in the subject building. She concluded that the subject’s lease rate is at the upper end of the range, at $11.00 per square foot of building area, based on its two spaces being listed for $10.83 and $11.61 per square foot gross. (Board of review appraisal, p. 28)

Based on her research, Clore prepared a Stabilized Operating Statement. She determined that the potential gross income for the subject property was $218,900. ($11.00 Rent $/SF x 19,900 SF leased = $218,900) From that she deducted a vacancy and collection loss of 20% to arrive at an Effective Gross Income of $175,120. ($218,900 - $43,780 = $175,120) She then deducted expenses for real estate taxes ($23,013, actual) and estimated expenses for management, replacement reserves, insurance, maintenance, and utilities for total estimated expenses of $79,980 representing an expense ratio of 45.67%. (Board of review appraisal, p. 29) Based on these estimates, she determined a net operating income of $95,140 and, using an overall capitalization rate of 11.50%, concluded an estimated value for the subject of $827,308 ($825,000 rounded).

Ms. Clore next testified about the as-is valuation of the subject property under the direct sales comparison approach. As “there was a real scarcity of office or bank sales within the Lincoln market in the last 3 years,” she chose comparable sales in similar communities in central Illinois that “would attract similar investors on the open market.” (Board of review appraisal, p. 33) The comparables were located in Lincoln, Decatur, East Moline, or Rockford and ranged in size from 4,460 to 26,740 square feet of gross building area. Only comparable #3 was a former bank building. Clore submitted a grid analysis and detail sheets for each of the comparables, some details of which differ from those on the grid analysis, such as the sale price and/or building size. The grid analysis shows that the properties sold from December 2012 to May 2015 for prices ranging from $170,000 to $900,000 or from $33.68 to $46.24 per square foot of gross building area. After applying adjustments, Clore concluded adjusted prices ranging from $32.40 to $41.61 per square foot of gross building area. Clore testified that she adjusted sales comparable #1 for its land to building ratio but otherwise did not make a lot of adjustments to the comparables as they bracketed the subject. She said comparable #4, which sold for $36.08 per square foot, was the best comparable and noted that "the subject's price per square foot was being reconciled to sale #4, which is a near paired sale." (Board of review appraisal, p. 33) Using a value of $36.00 per square foot for the subject property and a gross building area of 19,900 square feet, Clore arrived at an estimated market value for the subject of $716,400 or $715,000, as-is, rounded.

Clore testified that, after revising her opinion of value under the income approach, she would determine a final opinion of value of $600,000 for the subject property.

Becherer cross-examined Clore about her assertions that the subject property was located on Illinois Route 121/10 and, conversely, on the corner of Kickapoo and Clinton. (Board of review appraisal, pp. 19 and 17, respectively) Clore testified that the latter statement was true, and the former statement was perhaps an artifact from another appraisal.

On further cross-examination, Becherer pointed out that the record showed he was renting most of the units in the subject property for about $6.00 per square foot of building area simply to avoid vacancies and asked Clore if, based on that evidence, she still stood by her estimated market rent of the subject property at $11.00 per square foot of building area. She testified that her opinion had not changed, and she still thought the subject should rent for $11.00 per square foot of building area.

On later cross-examination, Clore produced an amended Stabilized Operating Statement based on actual numbers provided by the appellant and contained in the rebuttal appraisal prepared by Mr. Glassey. She reduced the SF leased from 19,900 to 17,100 which reduced the PGI from $218,900 to $188,100. This reduced the 20% vacancy and collection loss to $37,620 for an amended EGI of $150,480. She adjusted the figures for management, replacement reserves, maintenance and utilities based on the information provided and concluded adjusted total estimated expenses of $112,997, resulting in an adjusted NOI of $37,483. Adding in the Regions Bank reimbursement of $26,257 disclosed by the appellant resulted in a total adjusted NOI of $63,740. Applying the 11.50% overall capitalization rate resulted in an adjusted estimated value of $554,260 or $555,000, rounded. Ms. Clore testified that based on the additional information she had received she would reduce her estimated value of the subject property under the income approach from $825,000 down to $555,000. Clore testified that she could not explain the discrepancies or tell which numbers were correct as she did not have her entire file with her at hearing. Clore testified that, after revising her opinion of value under the income approach, she would determine a final opinion of value of $600,000 for the subject property but added that the new information she received for the income approach would not affect her opinion of the value under the sales comparison approach.

In his closing, Mr. Grover asserted that it was the opinion of the board of review that a reasonable supportable market value for the subject property was $500,000 given its unique expenses and tenancy issues, which is lower than the value concluded under the revised income approach prepared by Ms. Clore during the hearing.

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 which was based on the appraiser’s physical inspection of the subject property and the actual income and expenses associated with the said property tempered by market data. Appellant’s appraiser, Brad Glassey, provided credible testimony at hearing which was not refuted by the board of review. Glassey testified as to the unusual nature of the building’s HVAC system which increased the cost of utilities for the building. He provided details as to the layout of the building and explained how the common bathrooms and common kitchen area and other such factors made the units difficult to rent. He testified as to the general depressed market conditions in Lincoln and provided explicit details as to the occupancy or vacancy and the actual or prospective rental terms of each unit, all of which adds to the credibility of his findings. He testified about the building’s over-reliance on Regions Bank as a tenant and stated that the lease, which was negotiated over 10 years ago when the market was stronger, is currently over-market. Further, the lease is subject to re-set provisions to take effect in 2020 and opined that without the higher rent and expense reimbursements from Regions, the building would likely not be profitable. Glassey concluded that, based on his investigation and analysis of the market, and after inspecting the subject property and considering all of the pertinent factors, that the subject property had a fair cash value of $320,000 as of January 1, 2016.

The Board gives less weight to the board of review’s appraisal prepared by Kristina Clore. Clore’s report contained many factual inaccuracies as to the use and occupancy, income and expenses, and even the location of the building. In her report and at hearing, Clore opined that the subject should rent for $11.00 per square foot of building area, an opinion which she did not change even after receiving evidence that the office space was renting for more in the neighborhood of $6.00 per square foot of building area and, even at that rate, the building had several vacant units. Clore initially arrived at an estimated market value for the subject of $715,000 but revised her opinion during the hearing after reviewing the actual income and expenses presented in Glassey’s rebuttal report. Based on her recalculations, she reduced her final opinion of value for the subject property from $825,000 down to $600,000. Based on these factors, Clore’s appraisal was less credible than the appellant’s appraisal.

Moreover, in his closing argument, Mr. Grover, the representative who appeared at hearing on behalf of the board of review, disclosed that the board of review thought a reasonable, supportable market value for the subject property given its unique expenses and tenancy issues was $500,000.

The Board finds that the best evidence of value is the appraisal submitted by the appellant which concluded that the subject property had a fair cash value of $320,000 as of January 1, 2016 which would carry forward to 2017. The subject’s current total assessment of $236,780 reflects a market value of approximately $714,053, which is above the best evidence of market value in the record and above the market value of $500,000 suggested by the board of review. Based on this evidence, the Board finds a reduction in the subject's assessment is justified commensurate with the appellant’s request.

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:

C E R T I F I C A T I O N

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: July 20, 2021

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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Property Tax Appeal Board
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