



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

APPELLANT: First Midwest Bank
DOCKET NO.: 18-00145.001-C-1
PARCEL NO.: 03-14-476-006

The parties of record before the Property Tax Appeal Board are First Midwest Bank, the appellant, by attorney John P. Fitzgerald, of Fitzgerald Law Group, P.C. in Burr Ridge, and the Grundy 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 **Grundy** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND: \$ 17,033
IMPR.: \$183,727
TOTAL: \$200,760

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the Grundy County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessment for the 2018 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 bank/office building of masonry exterior construction with 5,123 square feet of building area which was constructed in 2006. Features include a partial unfinished basement, wet sprinkler system, central air conditioning and a passenger elevator along with a 1,680 square foot canopy covering the area containing four drive-up teller lanes, one of which is a drive-up ATM lane. The property has a 53,143 square foot site with approximately 40 asphalt paved parking spaces with the property having a land-to-building ratio of 10.37:1.¹ The subject site is zoned B2, Commercial District and is located in Minooka, Aux Sable Township, Grundy County.

¹ All descriptive data has been drawn from the appellant's appraisal report as the board of review failed to provide a copy of the subject's property record card as required by the procedural rules of the Property Tax Appeal Board. (86 Ill.Admin.Code §1910.40(a))

The appellant contends overvaluation as the basis of the appeal. In support of this argument the appellant submitted an appraisal prepared by Thomas Grogan, MAI, and John T. Setina, III of Sterling Valuation, both of whom are Certified General Real Estate Appraisers. The appraisal estimated the subject property had a market value of \$600,000 or \$117.12 per square foot of building area, including land, as of January 1, 2018. The appraisers utilized both the sales comparison and income approaches to value in arriving at their conclusion. In defining market value, the appraisers recognized that Illinois statutes mandate that property is to be assessed based upon its "fair cash value" or market value as set for in both the Property Tax Code and case law.

The purpose of the appraisal was to estimate the market value of the fee simple interest of the subject property as of January 1, 2018. At page 12 of the appraisal report, the appraisers cited to the Illinois Appellate Court decision in Chrysler Corporation v. State Property Tax Appeal Board, 69 Ill.App.3d 207, 211-212 as the basis for their determination to place most weight upon the sales comparison approach to value in this report.

The appraisers reported the subject property was owner-occupied and noted the property was in average overall condition. As part of the appraisal analysis, the appraisers set forth data on the "Banking Market Overview" (Appraisal, p. 17-19) reporting that the banking industry was trimming down the number of branches due to current technologies where customers do not need to enter a bank facility to transact banking business. The analysis included data on the closures of bank branches in Chicago and suburban locations. The analysis concluded with the assertion that "overall the number of bank branches have declined approximately 11.0% since 2010." (Appraisal, p. 18)

The first approach to value developed was the sales comparison approach. The appraisers utilized six sales located in Plainfield, New Lenox, Montgomery, Homer Glen and Yorkville. Due to the lack of local bank sales, the appraisers' search for sales comparables was expanded geographically. For the comparables the land sizes range from 45,302 to 110,207 square feet of land area. As shown on individual descriptive sheets, the parcels were improved with bank/office buildings consisting of a three-unit building (one unit having been a 3,000 square foot bank facility); a two-story building; two, part one-story and part two-story buildings; and two, one-story buildings that were built between 1996 and 2006. The buildings range in size from 2,874 to 11,520 square feet of building area and have land-to-building ratios ranging from 4.49:1 to 15.82:1. As part of the individual descriptions of the sales, the appraisers reported five of the properties were on the market for 2 to 3 months; 6 months; two were on the market for 8 months; and 2 years 5 months, respectively; sale #4 was also converted to dental office use. Sale #3 reportedly sold with a deed restriction and sale #2 reportedly was an REO (Real Estate Owned) transaction. Each of the sales were confirmed with public records and/or brokers involved in the transactions as further described concerning the individual sales. The comparables sold between September 2015 and May 2018 for prices ranging from \$337,500 to \$1,000,000 or from \$62.39 to \$117.43 per square foot of building area, including land. (Appraisal, p. 38-52)

The appraisers next considered adjustments to the comparables for differences involving conditions of sale concerning deed restrictions which applied upward adjustment to sale #3. An upward adjustment was also applied for financing for sale #5 and economic trends (date of sale)

resulted in an upward adjustment to sale #6. Downward adjustments were applied to sales #1 through #5 for their superior locations outside of Grundy County. When considering adjustments for building size, the appraisers applied a downward adjustment to sale #4 due to its smaller size and made upward adjustments to sales #1, #3, #5 and #6 for their larger building sizes. As to age and condition adjustments, upward adjustments were made to sales #2, #4 and #5 for their advanced ages/inferior conditions and upward adjustments were made to sales #4 and #6 for lack of a basement. Adjustments were also applied to the comparables for differences in land-to-building ratios. Based on the foregoing adjustment analysis as set forth on pages 52 to 54 of the appraisal report, sales #1, #2, #3, #5 and #6 were given overall upward adjustments and sale #4 was given an overall downward adjustment. From this data and analysis, the appraisers opined the value of the subject as \$115.00 per square foot of building area resulting in an estimated value of \$590,000, rounded, under the sales comparison approach to value.

The next approach to value was the income capitalization approach. The first step under this approach was to estimate the subject's market rent. Due to the lack of local bank rentals, the appraisers expanded their search to typical office rentals and also expanded the search geographically for bank rentals with drive-through facilities (Appraisal, p. 57). The seven comparables were located in Minooka, DeKalb, Morris, Lockport, Dixon and Oswego. Rental comparables #3 and #4 were leased; the remaining five comparables were listings. The buildings range in leased square footage from 900 to 8,640 square feet of building area. The buildings were constructed between 1925 and 2007 and six of the rentals have land-to-building ratios ranging from 1.05:1 to 15.90:1. These seven rental comparables had net or gross rental rates ranging from \$7.00 to \$14.00 per square foot of building area. With the analysis set forth on pages 58-59, the appraisers concluded on page 59 of the appraisal report that the subject would have a market rent of \$12.00 per square foot of annual net rental which would include the contributory value of the basement space resulting in a total net rent of \$61,476.

With reliance upon survey data, the appraisers concluded a 7.50% vacancy and collection loss would be best representative of the conditions for office properties within the subject submarket as of the date of the appraisal resulting in an effective gross income of \$56,865. Assuming a net lease, the appraisers estimated operating expenses for the subject for a management fee, insurance and replacement reserves of \$4,296 resulting in net operating income of \$52,569.

The final step under the income approach was to estimate the capitalization rate to be applied to the subject's net income (Appraisal, p. 61-64). Using the direct capitalization technique resulted in an 8.50% overall capitalization rate while the band of investment method resulted in an 8.72% overall capitalization rate. Due to difficulty in estimating equity dividend rates, the appraisers placed more weight on the direct capitalization technique and concluded an overall capitalization rate of 8.50% for the subject property. Capitalizing the subject's estimated net operating income of \$52,569 by 8.50% resulted in an estimated value under the income approach of \$620,000, rounded.

In reconciling these two value approaches, the appraisers placed significant consideration upon the sales comparison approach and due to the lack of local capitalization rates, the appraisers gave secondary consideration to the income approach value conclusion. Therefore, the appraisers opined an estimated market value for the subject property as of January 1, 2018 of \$600,000.

Based on this evidence, the appellant requested a reduction in the subject's assessment to reflect the appraised value conclusion at the statutory level of assessment of 33.33%.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$278,868. The subject's assessment reflects a market value of \$833,437 or \$162.69 per square foot of living area, land included, when using the 2018 three year average median level of assessment for Grundy County of 33.46% as determined by the Illinois Department of Revenue.

In response to the appellant's evidence, the board of review submitted a three-page memorandum from Thomas L. Hougas, Clerk of the Board of Review along with a spreadsheet of Grundy County Recorded Sales. In the memorandum, the board of review noted that the subject property was last sold in August 2000 for \$2 million.

The majority of the memorandum compares and notes differences between the 2018 appraisal in this appeal and the appraisal report that was submitted in the 2017 tax year appeal (Docket No. 17-01195.001-C-1). In the community profile data, the board of review noted the inconsistency in the appraiser's conclusion in the 2018 report (page 25-26) that the "future trend of value for a property such as the subject should remain stable" and the appraiser's final opinion of value that was \$40,000 less than it had been for tax year 2017. In the comparable sales approach to value, the board of review noted that none of the comparable sales were located in Grundy County. The board of review also questioned the validity of the income approach to value based on the market rentals that were provided involving list prices.

As to the appraisal, the board of review contends the most notable "problem" with the appraisal was that none of the comparable sale properties were located in Grundy County.

A spreadsheet was filed with the Property Tax Appeal Board of 34 properties and the subject listed with use, sale date, parcel numbers, year built, building size, 'property class,' sale price, land assessment, 'sale less (3x land AV),' 'improvement sale/sf,' and 'imp sale/sf divided by 3.' The 34 properties on the spreadsheet are summarized as Commercial Business properties that were built between 1866 and 2015. The buildings range in size from 1,200 to 21,024 square feet of building area. No details concerning story height, exterior construction, foundation and/or features for these 34 properties was provided as would be necessitated by completion of page 2 of the "Board of Review – Notes on Appeal" grid analysis. Two of the uses are denoted as bank/office building and the remaining 32 are reported as medical office, storage building, retail store, warehouse, apartment, auto repair, office/warehouse, office/storage, restaurant, pole building, convenient store and auto dealership. These 34 properties sold between September 2015 and June 2018 for prices ranging from \$26,500 to \$9,000,000.

The memorandum further reported that of these 34 sales: two were most identical in use to the subject²; five were closest in overall use/classification; 17 had sale dates within six months of the

² These two properties were denoted as bank/office building uses; the properties were built in 2006 and 1967, respectively, and contain 7,692 and 6,243 square feet of building area, respectively. The properties sold in

valuation date; seven were within three miles of the subject property; 13 were built within ten years of the subject property; and nine were within 10% of the size of the subject. The memorandum further describes the analysis provided in the spreadsheet as "deducting the full assessed value of the land from the sale price of these 35 sales, and dividing the resulting price by their respective building sf, the average assessed value per square foot of the improvements was \$60.13." Since the subject's assessed value per square foot of improvement is \$51.11, 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 met this burden of proof and a reduction in the subject's assessment is warranted.

In this appeal, the appellant submitted an appraisal report estimating a fair market value for the subject property of \$600,000 or \$117.12 per square foot of building area including land as of January 1, 2018. The board of review submitted 34 suggested comparable sales to support its assessed valuation of the subject property.

The Property Tax Appeal Board finds the appellant's appraisal report provided a credible estimate of value of the subject property. The appraiser placed significant weight upon the sales comparison approach to value and gave lesser weight to the income approach to value due to the lack of local capitalization rates. In support of the concept of placing greatest weight upon the sale comparison approach to value as stated by the appraisers on page 12 of the appraisal report, the courts have stated that where there is credible evidence of comparable sales these sales are to be given significant weight as evidence of market value. In Chrysler Corporation v. Property Tax Appeal Board, 69 Ill. App. 3d 207 (2nd Dist. 1979), the court held that significant relevance should not be placed on the cost approach or income approach especially when there is market data available. In Willow Hill Grain, Inc. v. Property Tax Appeal Board, 187 Ill. App. 3d 9 (5th Dist. 1989), the court held that of the three primary methods of evaluating property for the purpose of real estate taxes, the preferred method is the sales comparison approach. Therefore, the Board finds greater weight shall be given to the appellant's appraiser's bases for valuing the subject property.

Both parties to this appeal submitted comparable sales data. Only the appellant's appraisers made adjustments to the seven comparable sales presented in the appraisal report to account for differences when compared to the subject property in arriving at an estimated market value of the subject property of \$600,000. The appraisers' estimated value of \$115.00 per square foot of building area, including land, is well within the range of the seven raw sales comparables set forth in the appraisal report on a per-square-foot basis.

November and August 2017 for prices of \$405,000 and \$5,936,570 or for \$52.65 and \$950.92 per square foot of building area, including land.

The Grundy County Board of Review presented a spreadsheet of 34 raw, unadjusted comparable sales of 'Commercial Business' properties, two of which have a similar use as the subject of bank/office building. While the 'use' category presented by the board of review submission indicates medical office, storage building, retail store, warehouse, apartment, auto repair, office/warehouse, office/storage, restaurant, pole building, convenient store and auto dealership, the Board finds it inconceivable how an apartment, auto repair or auto dealership would be similar for comparison purposes to a bank/office building. Seventeen of these 34 sales occurred in 2015 or 2016, dates remote in time to the assessment date at issue of January 1, 2018. After giving reduced weight to 17 of the board of review sales for being dated transactions, the Board finds that the remaining 17 suggested comparables have little in common with the subject property in terms of age, size and/or any known features. The "best" two sales occurred in November and August 2017 for prices of \$405,000 and \$5,936,570 or for \$52.65 and \$950.92 per square foot of building area, including land. Based on this limited data for two comparables of unknown story height, location and foundation, the Board can determine no substantive market value evidence for comparison with the subject property or for appropriate application to the subject property given this substantial difference in sales price data. Considering the sales comparison approach to value developed by appellant's appraisers and the sales presented by the board of review, the Property Tax Appeal Board gives more weight to Sterling Valuation appraisal report presented by the appellant.

In conclusion, the subject's assessment reflects a market value of \$833,437 or \$162.69 per square foot of building area, including land, which is above the appraised value. The Board finds the subject property had a market value of \$600,000 as of the assessment date at issue. Since market value has been established the 2017 three year average median level of assessments for Grundy County of 33.46% as determined by the Illinois Department of Revenue 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



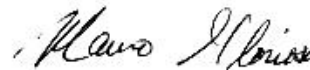
Member

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: April 21, 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

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