



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

APPELLANT: Walter Lagestee, Inc.
DOCKET NO.: 18-01493.001-C-1
PARCEL NO.: 23-15-11-300-006-0000

The parties of record before the Property Tax Appeal Board are Walter Lagestee, Inc., the appellant, by attorney John P. Fitzgerald, of Fitzgerald Law Group, P.C. in Burr Ridge; and the Will 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 Will County Board of Review is warranted. The correct assessed valuation of the property is:

LAND:	\$18,257
FARMLAND:	\$11,730
IMPR.:	\$530,682
TOTAL:	\$560,669

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the Will 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, multi-tenant (5 units) commercial retail building of brick, stucco, and concrete exterior construction with approximately 72,373 square feet of building area. The building was constructed in 1991 and is situated on a parcel containing 1,492,366 square feet (34.26 acres) of land area¹ with a land-to-building ratio (LBR) of 20.62:1. Approximately 44,878 square feet (62%) of the building is owner-occupied. The improvements include at least one central air conditioning and gas-forced heating for each unit. The property is located in Crete, Crete Township, Will County.

¹ Approximately 18.91 acres of the subject's total site is designated and assessed as "farmland" pursuant to Section 10-110 of the Property Tax Code (35 ILCS 200/10-110). The appellant's counsel and appraiser failed to disclose this fact.

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 Thomas W. Grogan, MAI, and John T. Setina, III, of Sterling Valuation. The purpose of the appraisal was to estimate the fair cash value of the fee simple estate of the subject property as of January 1, 2018 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 real estate tax assessment. The final conclusion was that the subject property had a market value of \$1,450,000 or approximately \$20.00 per square foot of building area, including land, as of January 1, 2018.

The appraisers determined the highest and best use of the property as improved was continued use as multi-tenant commercial retail building as it is a) physically possible, b) legally permissible, c) financially feasible, and d) will produce maximum income. In estimating the market value of the subject property, the sales comparison approach and the income capitalization approach to value were developed.

Under the sales comparison approach to value, the appraisers utilized four comparable sales and two comparable listings. The comparables are located in Park Forest, Beecher, Lansing, Joliet, and Matteson. The properties are improved with one-story or part one-story and part two-story commercial retail buildings of varying exterior construction. Comparable #1 is a former automobile dealership that was sold as a bank-owned real estate (REO); comparable #2 is a former single-tenant commercial retail building that was also sold as an REO; comparables #3 and #4, along with comparable listings #5 and #6 are each described as free-standing commercial buildings that were vacant at the time they were sold. The comparables range in size from 23,677 to 129,146 square feet of building area and have land-to-building ratios ranging from 1.17:1 to 35.42:1. The four comparable sales occurred from February 2015 to October 2016 for prices ranging from \$300,000 to \$1,425,000 or from \$6.43 to \$25.34 per square foot of building area, including land. Comparable listings #5 and #6 listed for \$1,500,000 and \$2,750,000 or for \$12.88 and \$21.29 per square foot of building area, including land, respectively. The appraisers then made adjustments to the comparables for economic trends (sale dates), location, building size, age, land-to-building ratio, and "overall adjustments." The appraisers also considered conditions of sale and financing terms, but concluded that no adjustments for these factors were necessary. Based on the comparable sales data, the appraisers estimated the unit value of the subject property to be approximately \$20.00 per square foot of building area, including land, or market value of \$1,450,000, rounded, under the sales comparison approach to value, as of January 1, 2018.

The appraisers also developed the income capitalization approach to value. Under this approach, the appraisers first estimated the market rental rate for the subject property in order to obtain the potential gross annual income. In doing this, the appraisers reviewed rental information and leases of office/retail space of seven rental properties located in Joliet, Matteson, Lansing, Wilmington, and Beecher which were considered to be in the subject's general market area. The rental comparables ranged in building size from 6,000 to 58,000 square feet of building area and leased from \$2.88 to \$10.00 per square foot of building area on a net or gross basis. After adjusting for lease terms/conditions of lease (net or gross), location, age, land-to-building ratio, and size, the appraisers estimated the subject's market rent to be \$3.50 per square foot on a net lease basis for the entire building resulting in a potential gross income of \$243,208. The

appraisers then estimated the subject's vacancy and collection loss at 20% of potential gross income or \$48,642 which he determined to be representative of the conditions for commercial properties within the subject submarket as of the date of appraisal. This resulted in an effective gross income of \$194,566 or \$2.80 per square foot of building area. The appraisers then deducted the estimated expenses for management fees (\$7,783 or 4.5%), insurance (\$13,898), and replacement for reserves (\$34,744) which are funds typically held back to pay for the repair or replacement of building components which have long lives, which totaled \$56,425. After subtracting the total operating expenses of \$56,425 from the effective gross income of \$194,566, the appraisers arrived at a net operating income of \$138,141 or \$1.99 per square foot of building area, land included.

The next step in the income approach was to estimate the capitalization rate in order to convert a single year's estimate of income into a market value indication. To obtain the capitalization rate, the appraisers applied direct market comparison technique as well as the band of investment (mortgage and equity) method. The former technique involved the extraction of an overall capitalization rate from recent sales of competitive properties. Under this technique, the appraisers calculated the overall capitalization rate by dividing the sale property's net income by its sale price. The appraisers also used data from published sources such as PricewaterhouseCoopers (PwC) and RealtyRates.com to estimate the capitalization rate for the subject property of 9.5% under the direct market comparison technique. Applying the latter (band of investment) technique where mortgage rates and equity investment rates are blended together, the appraisers arrived at the blended capitalization rate of 9.51% under the band of investment method. The appraisers placed more weight on the direct capitalization rate technique due to the difficulty in obtaining equity dividend rates and concluded that a 9.5% overall capitalization rate best reflects investors' criteria for the subject property. Applying the capitalization rate of 9.5% to the net operating income of \$138,141 resulted in an estimated market value under the income capitalization approach to value of \$1,450,000, rounded, or \$20.87 per square foot of building area, including land, as of January 1, 2018.

In reconciling the two approaches to value, the primary weight was given to the income approach to value due to the fact that this is a multi-tenant facility and the two techniques used to derive the capitalization rate resulted in very similar overall rates. The appraisers considered the sales comparison approach to value to be highly reliable as well, as it supported the market value as derived under the income approach.

Based on this evidence, the appellant requested a reduction in the subject's total assessment to \$483,285 to approximately reflect the appraised value of \$1,450,000, rounded, or \$20.87 per square foot of building area, including land, as of January 1, 2018.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$548,939, which excludes a farmland assessment of \$11,730. The subject's non-farm assessment reflects a market value of \$1,674,971 or \$22.77 per square foot of building area, land included, when using the 2018 three-year average median level of assessment for Will County of 33.31% as determined by the Illinois Department of Revenue.

In reply to the appellant's evidence, the board of review through the township assessor submitted a memorandum critiquing the six comparables utilized by the appellant's appraisers. The

assessor argued that the appraisers' comparables were vacant at the time of each sale and, therefore, do not accurately reflect market value of the subject which was 100% occupied as of the assessment date of January 1, 2018. In contrast, the board of review's comparable sales each sold while occupied by tenants under active leases. Additionally, the assessor noted that a portion of the subject's parcel is designated as "farmland" and is receiving a favorable farmland assessment of \$11,730. Consequently, the assessor contends an increase in the assessment is justified.

In support of its contention of the correct assessment, the board of review submitted property information sheets from the Crete Township Assessor² and the Multiple Listing Service (MLS) data sheets on two comparable sales and one comparable listing located in Lemont, Frankfort, and Bolingbrook. Comparable #1 is a listing for sale of an existing Jewel/Osco grocery store/pharmacy. Comparable sales #2 and #3 are multi-tenant retail strip centers. Comparable #3 is reported to be 67% tenant-occupied; the occupancy rate of comparable #2 was not disclosed even though the board of review raised the issue of occupancy rate when critiquing the appraisers' comparables. The comparable parcels range in size from 4.7 acres to 7.69 acres and have land-to-building ratios ranging from 2.72:1 to 4.73:1. The two comparable sales occurred in July and September 2016 for prices of \$3,500,000 and \$3,055,000 or for \$46.56 and \$50.41 per square foot of building area, including land, respectively. Based on this evidence, 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 no reduction in the subject's assessment is warranted.

The appellant submitted for the Board's consideration an appraisal report estimating the subject property had a fair market value of \$1,450,000 or approximately \$20.00 per square foot of building area, including land, as of January 1, 2018. In support of the assessment, the board of review submitted for the Board's consideration information on two comparable sales and one comparable listing.

The Property Tax Appeal Board gave little weight to the appraisal report and the appraisers' final value conclusion. The appraisal contained two approaches to value with each approach developed arriving at the same market value conclusion. The Board finds that the appraisers utilized four out of six comparables that were located in Cook County which is a different market area from the subject property. Furthermore, three of the four comparable sales were single-tenant buildings, unlike the subject's multi-tenant strip mall building, and the remaining two comparables were listings which did not sell at the time the appraisal report was prepared.

² The descriptive information data sheets extracted from the Crete Township Assessor for comparable sales #2 and #3 contain only partial information. The paragraphs describing these two properties are cut off mid-sentence and the remainder of the descriptive information was not provided.

Finally, when appraising the land value and calculating the land-to-building ratio, the appraisers failed to exclude approximately 18.91 acres of farmland which is part of the subject parcel. Farmland is assessed based on soil productivity indexes and not market value as the remaining portion of the subject parcel. The appraisers did not differentiate between the land uses or make proper adjustments. These factors undermine and detract from the final value conclusion in the appraisers' report. However, the Board will consider the parties' comparables in its analysis.

The Board gave little weight to the appraisers' comparables #5 and #6, along with board of review comparable #1 which were properties that were listed for sale as of the subject's assessment date of January 1, 2018, and thus did not establish market value. The Board gave less weight to appraisers' comparable sales #1 and #3 due to their locations in Cook County which is outside of the subject's market area and which are assessed under different variables than the subject property. The Board also gave reduced weight to the appraisers' comparable sale #2 based on being a single-tenant property, (as are appraisers' comparables #1 and #3) unlike the subject which is a multi-tenant property. Additionally, appellants' comparables #1, #2, and #3 are significantly smaller in building size relative to the subject; comparable #1 is also older when compared to the subject; and comparables #3 and #4 sold in March and February 2015, respectively, dates less proximate in time to the January 1, 2018 assessment date and therefore less likely to be reflective of subject's market value than the remaining comparable sales in the record.

The Board finds the best evidence of market value to be the board of review comparable sales #2 and #3. The Board finds these comparables most similar to the subject in location, building size, and age, although they differed from the subject due to their smaller land size and land-to-building ratio, requiring significant upward adjustments. These two best comparable sales in the record also sold more proximate in time to the January 1, 2018 assessment date. The comparables sold in July and September 2016 for prices of \$3,500,000 and \$3,055,000 or for \$46.56 and \$50.41 per square foot of building area, including land, respectively. The subject's assessment, excluding farmland, reflects a market value of \$1,674,971 or \$22.77 per square foot of building area, land included, which is lower than the two best comparable sales in the record. After considering necessary adjustments to the comparables for differences from the subject, the Board finds that the subject's assessment is supported and therefore, based on this evidence, the Board finds no reduction in the subject's assessment is warranted.

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: March 16, 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

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