



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

APPELLANT: Unit 100 Courthouse Square Office LLC
DOCKET NO.: 18-04339.001-C-2 through 18-04339.002-C-2
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are Unit 100 Courthouse Square Office LLC, the appellant, by Greg Earl, Attorney at Law in Geneva; and the DuPage 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 **DuPage** County Board of Review is warranted. The correct assessed valuation of the property is:

DOCKET NO	PARCEL NUMBER	LAND	IMPRVMT	TOTAL
18-04339.001-C-2	05-16-341-001	23,340	61,660	\$85,000
18-04339.002-C-2	05-16-341-002	61,590	145,077	\$206,667

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the DuPage 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 parcels consist of two office condominium units located within a three-story building of masonry exterior construction. Unit #100, identified as parcel number 05-16-341-001 (parcel 1), contains 1,572 square feet of building area. It is located on the first floor of the subject condominium building and consists of several private offices, open office space, a conference room, a kitchenette, and restrooms. Unit #200, identified as parcel number 05-16-341-002 (parcel 2), contains 4,079 square feet of building area. It is located on the second and third floors of the subject condominium building and features several private offices, open office space, conference rooms, a kitchenette, restrooms and additional office/storage and conference space. The building was constructed in 1937 and contains a total of approximately 10,000 square feet of building area. Additional amenities of the condominium building include common areas shared by all units of the Courthouse Square Community Association which includes a fitness center, an

elevator, on-site parking, and an outdoor swimming pool. The office condominium building has a 4,792 square foot lot and is located in Wheaton, Milton Township, DuPage County.

The appellant contends overvaluation as the basis of the appeal. A hearing was held before the Property Tax Appeal Board via video conferencing technology. Appearing before the Property Tax Appeal Board on behalf of the appellant was its attorney, Gregory Earl. A representative for each of the parties and the board of review witness appeared for the proceeding remotely via the use of the WebEx virtual platform pursuant to notice from the Property Tax Appeal Board. Neither party objected to the virtual hearing format.

In support of the overvaluation argument, the appellant submitted an appraisal report of the subject parcels prepared by Kenneth Polach, a State of Illinois Certified General Real Estate Appraiser. The purpose of the appraisal assignment was to provide an opinion of market value of the subject parcels as defined by the Uniform Standards of Professional Appraisal Practice (USPAP). The interest valued was the fee simple estate. The final conclusion was that as of January 1, 2018, Unit #100 (parcel 1) had a market value of \$255,000 or approximately \$162.00 per square foot of building area, and Unit #200 (parcel 2) had a market value of \$620,000 or approximately \$152.00 per square foot of building area.

Mr. Polach determined the highest and best use of the property as improved was continued use as an office condominium. In estimating the market value of the subject property, the income approach and the sales comparison approach to value were developed.

Under the income approach to value, the appraiser utilized the direct capitalization method to convert an estimate of yearly income expectancy into an indication of market value. In doing so, the appraiser analyzed five comparable leases for unit #100 (parcel 1) and additional six comparable leases for unit #200 (parcel 2) and arrived at a potential annual gross rental income for unit #100 of \$36,156 and for unit #200 of \$85,659. Next, after researching data provided by CoStar, Realty Rates.com, and Savills-Studley report, the appraiser deducted 15% for vacancy and collection losses for each unit and arrived at an Effective Gross Income (EGI) of \$30,733 for unit #100 and \$72,810 for unit #200. The appraiser then deducted from the EGI typical operating expenses for each unit, i.e., insurance costs, management fees, reserves for replacement of short-lived items such as appliances, and association fees to arrive at a Net Operating Income (NOI) of \$27,045 for unit #100 and \$64,073 for unit #200. The NOI then needed to be capitalized at an appropriate rate to arrive at a market value for each unit. To do this, Mr. Polach utilized RealtyRates.com Investor Survey to obtain average capitalization rates for office condominiums in the subject's market area and arrived at the overall capitalization rate of 8.00%. In addition, Mr. Polach calculated the effective tax rate of 2.47% for each of the subject parcels utilizing the township equalization factor and the local tax rate to arrive at the final capitalization rate of 10.47% for each unit. Finally, dividing the NOI for each unit by the capitalization rate, Mr. Polach arrived at a market value of \$260,000 for unit #100 and \$610,000 for unit #200, rounded, under the income approach to value.

Under the sales comparison approach to value, Mr. Polach analyzed five comparable sales for unit #100 and four additional comparable sales for unit #200. Unit #100 comparables were located in Wheaton or Lombard. Each comparable for unit #100 was an office condominium with varying degree of similarity in size, condition, age, and features. The comparables for unit

#100 ranged in size from 1,248 to 2,632 square feet of building area. The comparables sold from June 2015 to June 2017 for prices ranging from \$93,500 to \$400,000 or from \$74.92 to \$160.38 per square foot of building area, including land. The appraiser made adjustments for factors such as size, age, utility, location, and condition. The appraiser estimated unit #100 had an indicated value under the sales comparison approach of \$250,000 or \$159.03 per square foot of building area, including land.

As to unit #200, the appraiser utilized four comparable sales located in Wheaton, Lisle, and Naperville. Each of the comparables for unit #200 was an office condominium with varying degree of similarity in size, condition, age, and features. These comparables ranged in size from 3,080 to 5,707 square feet of building area. The comparables sold from May 2015 to September 2017 for prices ranging from \$356,000 to \$900,000 or from \$115.58 to \$166.32 per square foot of building area, including land. After making adjustments for size, age, utility, location, condition, and amenities, the appraiser estimated unit #200 had an indicated value under the sales comparison approach of \$625,000 or \$153.22 per square foot of building area, including land.

In reconciling the two approaches to value, Mr. Polach arrived at a market value of \$255,000 or \$162.21 per square foot of building area, including land, for unit #100, and a market value of \$620,000 or \$152.00 per square foot of building area, including land, for unit #200.

In further support of the overvaluation claim, the appellant called as its witness Kenneth Polach, a State of Illinois Certified General Real Estate Appraiser, designated as an MAI by the Appraisal Institute. Mr. Polach testified that he has been appraising real estate for over 50 years. Mr. Polach affirmed that he conducted an inspection of the property as well as researched factors such as zoning, tax assessments, lease information, and sales and listings of similar properties in the subject's area. Mr. Polach stated that he is very familiar with office condominium market in Wheaton area being an owner of an office condominium in Wheaton for more than 20 years. Mr. Polach opined that the subject parcels are unique in that they are part of a mixed-use building which includes a community center used primarily by the adjoining residential property owners. The building containing the subject parcels also contains other office units as well as residential units. Mr. Polach also opined that as businesses transition to remote meetings using video conferencing technology, the need for upscale large conference rooms is in decline as evidenced by more than 20 listings for similar properties as the subject within the Wheaton area. Furthermore, parcel 2 which occupies second and third floors is not ADA compliant as the elevator only reaches the second floor; the third-floor area is mainly used for storage thus making this unit less desirable. Mr. Polach noted that his own office condominium in Wheaton has been on the market for two years at the asking price below what he paid for it underscoring the lack of demand for this type of property in Wheaton area. Mr. Polach opined that based on his data, experience and research, unit 100 had a value of \$255,000 and unit 200 had a value of \$620,000.

Under cross-examination, Mr. Polach affirmed that this is somewhat a unique property in that it has approximately 4,300 square feet of common area in the building alone with additional common amenities such as an exercise room and outdoor swimming pool which is not typical for an office condominium. However, these common area amenities add very little to the overall value of the office units as they are mostly there for use by the residential unit property owners.

Based on this evidence and testimony, the appellant requested a reduction in the assessment for each of the two subject parcels to reflect the appraised value.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for unit #100 (parcel 1) of \$115,820. The subject's assessment reflects a market value of \$348,017 or \$221.38 per square foot of building area, land included, when using the 2018 three-year average median level of assessment for DuPage County of 33.28% as determined by the Illinois Department of Revenue. As to unit #200, (parcel 2), the Property Tax Appeal Board entered an order dated April 16, 2020 granting the appellant's request to add parcel 2 to the appeal and re-notified DuPage County Board of Review of the appeal by letter dated June 4, 2020. The DuPage County Board of Review did not submit its "Board of Review Notes on Appeal" or any additional evidence in support of its assessed valuation of parcel 2.

In support of its contention of the correct assessment of parcel 1, the board of review submitted "Milton Township Commercial Property Assessment Worksheet" consisting of a one-page document containing limited information on six comparable office condominiums and a summarized "income approach to value" data. The board of review sales grid analysis does not include data such as age, condition, features, lease terms, utility (use), or building size for five of the six comparable properties. In addition, the board of review submitted commercial property information sheets on three office condominiums located in Downers Grove, Warrenville, and Westmont. However, only one property information sheet matched one of the properties in the sales comparison grid; one property sheet depicted a different sale date and sale price than the information depicted in the grid for that same property; and the third property information sheet was not listed in the board of review's grid analysis.

The board of review called as its witness Annette Rigali, Commercial Deputy Assessor for Milton Township. Ms. Rigali testified that she prepared the "Milton Township Commercial Property Assessment Worksheet." Ms. Rigali stated that the six comparable properties were similar to the subject (parcel 1) in location, square footage, and age. Ms. Rigali also opined that the subject property is in a very desirable location and has been renovated and updated. She was not aware of any other office condominiums in the market area which had similar common amenities as the subject. Ms. Rigali confirmed that she did not prepare additional evidence for parcel 2, however, she argued that the evidence would be the same as for parcel 1 in spite of significant difference in the size of the two units because the unit cost per square foot of building area would be the same.

Under cross-examination, Ms. Rigali testified that she conducted a mass assessment rather than an individual assessment of the subject parcel 1. Ms. Rigali also re-iterated that both units should be assessed the same price per square foot of building area as they are both in the same building, and have the same owner. Based on this evidence and testimony, the board of review requested a confirmation of the assessment for both parcels.

Conclusion of Law

The appellant contends the market values of the subject parcels are not accurately reflected in their assessed valuations. 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 for each parcel is warranted.

Initially, the Property Tax Appeal Board finds that the board of review did not submit any evidence in support of its assessment for unit #200 (parcel 2) as required by Section 1910.40(a) of the rules of the Property Tax Appeal Board and is found to be in default pursuant to §1910.69(a) of the rules of the Property Tax Appeal Board. 86 Ill.Admin.Code §1910.40(a) & §1910.69(a).

The Board finds the best evidence of market value regarding parcel 1, and the only evidence of market value regarding parcel 2 is the appraisal report submitted by the appellant along with the testimony provided by the appraiser, Kenneth Polach, of Polach Appraisal Group, Inc. The appraiser's value opinion is supported by a well-reasoned appraisal report in addition to his testimony based on personal knowledge of having owned a similar office condominium in the Wheaton area for over 20 years. The appraisal contained two approaches to value to support the market value conclusion. With respect to the income approach to value, the appellant's appraiser detailed his step-by-step process of rental data collection, research of various publications, and utilized direct capitalization method to arrive at the final value conclusion. In contrast, the board of review's income approach consisted of a small portion of a one-page document with filled-in numerical data unsupported by any method(s) utilized to arrive at the stated opinion.

With respect to the sales comparison approach, the appraiser analyzed a total of nine comparable office condominiums. He then made appropriate adjustments to the comparables for office size, age, utility, location, condition, and amenities. In contrast, the board of review provided very limited information on six comparable properties with conflicting data with regards to one of the sales and no consideration for adjustments for differences from the subject parcels. Based on this record, the Board finds the appraisal report prepared by the appellant's appraiser was better supported and more credible than the raw, unadjusted, and unsupported data provided by the board of review. The appellant's appraiser estimated parcel 1 had a market value of \$255,000 or \$162.21 per square foot of building area, including land, and parcel 2 had a value of \$620,000 or \$152.00 per square foot of building area, including land as of January 1, 2018. The subject's assessment for parcel 1 reflects a market value of \$348,017 or \$221.38 per square foot of building area, land included, and assessment for parcel 2 reflects a market value of \$903,035 or \$221.39 per square foot of building area, land included, which is above the appraised value.

After considering the evidence in the record and the testimony provided at the hearing, the Board finds the best evidence of market value in this record was presented by the appellant. The Board finds that the appellant has demonstrated by a preponderance of the evidence that the subject parcels are overvalued and, therefore, a reduction in the assessment of each parcel 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:

May 18, 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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