



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

APPELLANT: Dakin Self Storage
DOCKET NO.: 18-35930.001-C-2
PARCEL NO.: 13-19-202-030-0000

The parties of record before the Property Tax Appeal Board are Dakin Self Storage, the appellant(s), by attorney Ronald Justin, of the Law Offices of Ronald Justin in Chicago; the Cook County Board of Review; the Chicago B.O.E. intervenor, by attorney Ares G. Dalianis of Franczek P.C. in Chicago.

Based on the facts and exhibits presented in this matter, the Property Tax Appeal Board hereby finds **An Increase** in the assessment of the property as established by the **Cook** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND: \$ 131,500
IMPR.: \$1,549,750
TOTAL: \$1,681,250

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the Cook 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 an approximately 43,798 square foot, rectangular, corner parcel of land improved with three-story, masonry, commercial building. The building is used as a self-storage facility with 95,403 square feet of gross building area and a net rentable area of 69,425 square feet with 641 units. The gross square footage also includes 900 square feet of retail/office space. The owner operates a self-storage business known as Dakin Self-Storage that is managed by LifeStorage. It was constructed in 2012. The subject property is located in Jefferson Township, Cook County. The subject is classified as a class 5-97, special commercial structure/property, under the Cook County Real Property Assessment Classification Ordinance.

At the commencement of the related 2017 hearing, identified by docket number 17-35773.001-I-3, the Board initially settled a procedural point. The Board sustained the objection of the

appellant's attorney, Ronald Justin, to the consolidation of Property Tax Appeal Board docket numbers 17-35773.001-I-3 and 18-35930.001-C-2 due to varying evidence in the two appeals.

During the presentation of opening statements, Mr. Justin requested that the subject's assessment be reduced to \$853,753 based on the written appraisal previously submitted into evidence. Subsequently, the assistant state's attorney representing the Cook County Board of Review, Katherine Murphy, argued that the appellant's appraisal was legally insufficient as it did not include a sales comparison approach to value under *Cook County Board of Review v Property Tax Appeal Board*, 384 Ill.App.3d 472 (2008) ("*Omni*"). As such, the subject's assessment should be confirmed by the Property Tax Appeal Board. In his opening statement, counsel for the intervenor, Ares Dalianis, indicated that the 2018 tax year represented a new triennial period for the subject property. His written submission included an appraisal authored by Bill Enright who holds the MAI designation. Mr. Enright opined to a market value for the subject property of \$6,725,000 and, accordingly, the intervenor requested an increase in the subject property's assessment.

The appellant contends overvaluation as the basis of the appeal. In support of this argument, the appellant's pleadings included a copy of an appraisal report undertaken by Celeste Peoples of Chicago Commercial Appraisal Group (Appellant's Hearing Exhibit 1) estimating the subject property had a market value of \$3,000,000 as of January 1, 2017. The appraisal, while developing all three traditional approaches to value, only provided a value estimate for two approaches: the cost approach with a value estimate of \$3,175,000 and the income approach with a value estimate of \$2,880,000.

At hearing, the appellant's attorney called their only witness Celeste Peoples, a state certified general real estate appraiser. Ms. Peoples testified that she became a certified appraiser in December 2002 and completed appraisals as assigned by the Chicago Appraisal Group. Mr. Justin did not offer Ms. Peoples as an expert witness in real estate valuation. Ms. Peoples testified that she performed an appraisal of the subject property but did not conclude a sales comparison approach to value because she "did not have enough data about the comparable business value to make a conclusion." (See Hearing Transcript at page 9). Ms. Peoples further testified that she utilized actual income and expenses as well as market rents to develop and rely on an income approach to value. She also testified that she did not do a business valuation, just the cost of income capitalization. Ms. Peoples then testified that she concluded a value for the subject property under the income approach of \$3,415,000.

As included in the written report, under the cost approach, Peoples analyzed four vacant land sales that sold for prices ranging from \$1.63 to \$14.57 per square foot. After making adjustments, she valued the subject site, as vacant, at \$12.00 per square foot, or \$520,000, rounded.

Peoples then developed a replacement cost for the subject using data derived from the *Marshall Valuation Service (MVS)* cost estimating guide by Marshall & Swift. She valued the subject improvement at \$6,015,723, then depreciated the buildings by \$3,007,861, to arrive at a depreciated cost for the subject of \$3,527,862. After adding the land value estimate of \$520,000, Peoples determined the total value of the subject under the cost approach to be \$3,530,000, rounded.

Under the income approach, Peoples indicated that that owner provided an actual rent roll and a 2017 income and expense statement for the subject property. The 641-unit facility was occupied by 594 tenants or 92.7% occupied (see page 63 of Appellant's Hearing Exhibit 1). She stated that the subject is a multi-story, climate-controlled building and can therefore command higher rents than typical outside storage units. Ms. Peoples analyzed five self-storage rental properties located in Chicago, Norridge or River Grove. The comparable rentals indicated a market rental rate of \$36 to \$332 per month on a gross basis.

Peoples noted that the subject's 5x10/10x5, 10x10 and 10x15 units represent 76.6% of the total units with rents ranging from \$78 to \$218 per month, equating to \$8.97 to \$18.96 per-square-foot annually. Considering the subject's location, unit sizes, interior finish, climate/temperature and other relevant factors, she concluded the subject's current rental rates were within the range of the rental comparables, although some units may rent slightly higher or lower. Peoples concluded a stabilized market of an average of \$13.50 psf (rounded) of net rentable area. The concluded market rent is on a gross basis with the landlord responsible for all operating expenses.

The appraisal then estimated the potential gross income (PGI) at \$967,238. She estimated vacancy and collection loss (V&C) at 12.0%. Deducting V&C resulted in an effective gross income (EGI) of \$851,169 for the subject.

Peoples further deducted 32.34%, or \$275,266 for operating expenses and an additional 10% of EGI, or \$85,117, for business value. There is no explanation as to how Peoples arrived at this figure in her written report. The estimated expenses were deducted from the EGI resulting in a net operating income (NOI) of \$490,786 for the subject.

To estimate the capitalization rate, Peoples reviewed *PwC Real Estate Investor Survey*, Fourth Quarter 2017, Vol. 30, No. 4, published quarterly by PricewaterhouseCoopers LLP as well as the Band of Investment technique. She then estimated a capitalization rate of 9.0% for the subject property, as well as calculated a tax load of 5.382%. Dividing the NOI by the loaded capitalization rate resulted in an indicated value for the subject of \$3,415,000, rounded under the income approach.

Ms. Peoples testified that she did not develop a conclusion of value for the subject property under the Sales Comparison approach. She provided four comparables sales located in Chicago, Palatine, Elgin or Mt. Prospect that sold from January 2015 through December 2016. They ranged in size from 15,624 to 49,600 square feet of building area and in sale price per square foot from \$23.52 to \$38.31.

Ms. Peoples indicated that she was "unable to obtain the necessary detailed information for the comparable sales pertaining to the unique business characteristics of self-storage properties, as this information is not typically available. Without this important data, any adjustments made to the comparable sales would be impossible to support and would be highly arbitrary. Therefore, the sales comparison approach is not applicable to the subject and not included in the value conclusion." (See page 84 of Appellant's Hearing Exhibit 1).

On cross-examination by Mr. Dalianis Ms. Peoples indicated that she physically inspected the subject property on September 1, 2017, and personally prepared the appraisal although it was reviewed and approved by Gary T. Peterson, who holds an MAI designation and is president of Chicago Commercial Appraisal Group.

Ms. Peoples reiterated that she was not familiar with any case law cited in her appraisal, and specifically not familiar with the principles established by the Omni case. She also indicated that she had no knowledge of the sales contained in her appraisal report and was unaware that the CoStar database had a mechanism for searching sales of self-storage properties. Ms. Peoples testified that she researched her rental comparables on *Google.com*.

Upon further questioning by Mr. Dalianis, Ms. Peoples could not recall several pertinent factors contained in her report including that the appellant acquired the subject land for \$2,000,000 five years prior to the valuation date; that historical occupancy rates for the self-storage industry were rising from 2000 to 2016; and any details whatsoever regarding the land sales she utilized in her report.

Continuing with cross-examination, Mr. Dalianis confirmed with Ms. Peoples that she described sales of self-storage properties as “very complex financial and legal transactions.” (See Appellant’s Hearing Exhibit 1 at page 80). She further testified that that is why she was unable to develop a sales comparison approach. Upon furthering questioning, however, Ms. Peoples testified that although she did not engage a business value expert or other professional to calculate the business value in the income approach, she was able to conclude a market value for the subject property under the income approach to value. Ms. Peoples was unable to elaborate on the basis of her business value deduction.

Upon questioning the sales used in Ms. Peoples’ report, she indicated to Mr. Dalianis that her first sale comparable was on the market for more than five years. It was 30 years older than the subject and had a climate-controlled office but not climate-controlled storage units.

Sale comparable #2 was significantly older than the subject and not in the same sub-market as the subject property. It was not climate-controlled.

Sale #3 was 100 years older than the subject property. It was a converted office building and hotel.

Sale #4 was also significantly older than the subject and not in the same sub-market as the subject property. It was not climate-controlled.

Mr. Dalianis then concluded his cross-examination.

On re-direct, Mr. Justin questioned Ms. Peoples on the age of her sale comparables and why the development of a sales comparison approach in her appraisal would be an unreliable indication of value.

The appellant also submitted a vacancy affidavit indicating the subject experienced a 31.0% level of vacancy in 2018, supported with five black and white photographs of empty storage units. Their case-in-chief was then concluded.

The board of review's representative rested on their written submission. The appellant's attorney waived cross-examination.

In a written submission, the board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$1,026,338. The subject's assessment reflects a market value of \$4,105,352 or \$43.03 per square foot of building area, using 95,403 square feet, when applying the 25% level of assessment for class 5, special commercial property under the Cook County Real Property Assessment Classification Ordinance.

In support of its contention of the correct assessment, the board of review submitted unadjusted descriptive and sales data on five suggested sale comparables. Four of the properties were located in Chicago and the fifth was located in Bloomingdale. They ranged in improvement size from 60,000 to 108,000 square feet of building area. The properties sold from May 2016 to April 2018 for prices that ranged from \$60.67 to \$225.00 per square foot. The printouts reflect that they were all self-storage facilities.

In support of intervention, Mr. Dalianis called William J. Enright as the intervenor's witness. Enright testified that he is a State of Illinois Certified General Real Estate Appraiser with a Member of the Appraisal Institute (MAI) designation. Enright also testified that he began writing real estate appraisals in 1987 and is currently employed by Appraisal Associates, a company formed in 1940. Additionally, he has appraised between 30 to 40 self-storage facilities throughout his career. After an examination of Enright's appraisal experience, he was offered as an expert witness in the appraisal of self-storage real estate properties and accepted as such by the Property Tax Appeal Board over the objection of the appellant's attorney.

As to the overvaluation argument, the appellant's pleadings included a copy of an appraisal report undertaken by Mr. Enright. The Enright appraisal addressed two of the three traditional approaches to value, while opining an estimated market value of \$6,725,000 as of the effective date of January 1, 2018. This appraisal was identified for the record as Intervenor's Hearing Exhibit #1.

Enright testified that his report was prepared consistent with USPAP standards. He also reviewed the immediate environs of the subject property and stated he undertook an exterior inspection only of the subject on March 30, 2020, as the appellant's attorney ignored his request for an interior inspection. Enright reviewed the definition of fair market value, the description of the subject property and the sales history of the subject. He indicated the appellant purchased the subject property in 2010 for \$2,000,000, demolished the then-existing structure, and subsequently constructed the now-existing self-storage facility. Enright further testified that the subject property was sold in an arm's-length transaction in December of 2019 for \$10,000,000.

Enright testified that in addition to the income and sales comparison approaches to value, he developed a land value for the subject as well. He analyzed seven vacant land sales that were all located within two miles of the subject property. (See page 29 of Intervenor's Hearing Exhibit

1.) These comparables ranged in value from \$25.36 to \$43.37 per square foot. After considering adjustments for date of sale, size, utility and location, Enright concluded a value for the subject land of \$30.00 per square foot, or \$1,300,000, rounded.

Under the income approach, Enright testified he analyzed actual rental data in conjunction with market data from three rental comparables located in the City of Chicago. All of the rental comparables were climate-controlled self-storage facilities. Enright testified that the actual income of the subject property was lower than that of the market, however, he applied a 10% vacancy factor in his analysis to compensate for this factor.

The appraisal estimated the potential gross income (PGI) at \$962,472. Enright testified he estimated vacancy and collection loss (V&C) of 10%. Deducting V&C resulted in an effective gross income (EGI) of \$866,225 for the subject. This was slightly higher than the actual EGI of \$844,295.

Enright then testified he allocated expenses based on the 2017 Self-Storage Expense Guidebook using the Midwest Region. It estimated operating expensed at \$2.84 psf while actual operating expenses were reported to be \$3.33 psf. (See page 38 of Intervenor's Hearing Exhibit 1.) Enright indicated that this could be due to the subject's location or the fact it is climate controlled, therefore he used the actual reported operating expenses of \$3.33 psf in his analysis.

To estimate the capitalization rate, Enright testified he reviewed *PwC Real Estate Investor Survey, Fourth Quarter, 2017* for the National Self-Storage Market which had a range estimate of 4.50% to 7.00%. The appraiser also considered capitalization rates obtained from sales of self-storage properties located in Chicago and summarized on page 39 of the Intervenor's Hearing Exhibit 1. These rates ranged from 4.69% to 6.97%. Enright then testified that he concluded a cap rate of 5.75% was appropriate. After applying a tax load of 5.38%, the overall capitalization rate was calculated to be 11.13%. Dividing the NOI by the appraiser's capitalization rate resulted in an indicated value for the subject under the income approach of \$5,650,000, rounded.

Under the sales comparison approach, Enright testified he analyzed five sales of similar properties located in Chicago, Arlington Heights, and Riverwoods. The properties consisted of self-storage facilities that were researched via the CoStar Comps service, through discussions with other appraisers and through his own appraisal files

The comparables ranged in building area from 31,494 to 83,356 square feet of building area and in number of units from 260 to 1,100. They ranged in sale date from March 2015 to March 2017 and in sale price from \$106.07 to \$197.95 psf or \$8,036 to \$15,000 per unit.

Enright testified, after adjustments, he arrived at an adjusted sale range of \$100.00 to \$125.00 per square foot of building area, including land and reconciled the subject at \$112.00 per square foot of building area, including land which reflects an estimated market value for the subject of \$7,800,000, rounded.

In reconciling the two approaches to value, Enright testified he accorded equal weight to the income and sales comparison approaches to value; therefore, he concluded a final estimate of value for the subject of \$6,725,000 as of January 1, 2018.

Under cross examination by Mr. Justin, Enright testified his sale comparable #1 was approximately 10 miles away from the subject property. He was unclear as to the levels of vacancy for sale comparables #1 and #2. Enright further testified that he made no allowance for business value in his analysis. Although at times Mr. Justin's questions were convoluted, Mr. Enright did his best to answer them credibly.

Conclusion of Law

When overvaluation is claimed, the appellant has the burden of proving the value of the property by a preponderance of the evidence. *Cook Cnty. Bd. of Review v. Prop. Tax Appeal Bd.*, 339 Ill. App. 3d 529, 545 (1st Dist. 2002); *National City Bank of Michigan/Illinois v. Prop. Tax Appeal Bd.*, 331 Ill. App. 3d 1038, 1042 (3d Dist. 2002) (citing *Winnebago Cnty. Bd. of Review v. Prop. Tax Appeal Bd.*, 313 Ill. App. 3d 179 (2d Dist. 2000)); 86 Ill. Admin. Code § 1910.63(e). Proof of market value may consist of an appraisal, a recent arm's length sale of the subject property, recent sales of comparable properties, or recent construction costs of the subject property. *Calumet Transfer, LLC v. Prop. Tax Appeal Bd.*, 401 Ill. App. 3d 652, 655 (1st Dist. 2010); 86 Ill. Admin. Code § 1910.65(c). Having considered the evidence presented, the Board finds that the evidence indicates an assessment increase is warranted.

The Board finds the appellant's appraisal is insufficient as a matter of law, pursuant to *Cook County Board of Review v. Property Tax Appeal Board*, 384 Ill. App.3d 472 (2008) ("*Omni*"), as the appraisal failed to use the appropriate valuation methodology in determining the estimated market value by omitting the sales comparison approach to value.

Peoples testified that she considered, but did not use, the sales comparison approach as she could not accurately develop and deduct business value from her sales. However, Peoples was able to develop a value for business value under her income approach to value. In her income approach, however, Peoples relied on Eric Belfrage's writings in *The Appraisal Journal* regarding the allocation of business value in hotel appraisals. Based on Belfrage's research she applied a 10% business value deduction to the subject property, which is not a hotel property but a self-storage facility.

Peoples then utilized multiple investor surveys to determine a range for the subject's cap rate of 3.3% to 10.0% based on warehouse properties. She failed to review cap rates for self-storage facilities or analyze credible market data as did the Enright appraisal.

The Board finds Ms. Peoples testimony to be unreliable and uncredible. She was unable to definitively answer basic questions regarding the subject property, its environs as well as her appraisal methodology. The Board finds from the written appraisal and testimony that the subject buildings are simply used for storage.

The courts have defined special use to mean "whether the property is in fact so unique as to not be salable, not what factors might or might not make it so unique". *Chrysler Corp. v Illinois Property Tax Appeal Board*, 69 Ill.App.3d 207, 212 (2nd Dist. 1979). The record contains 10 sales of self-storage facilities presented by the board of review and the Enright appraisal. Furthermore, the witnesses provided no testimony that would support the "uniqueness" of the

subject property. Accordingly, the Board finds that the subject property is not so unique as to not be salable. This is further evidenced by the fact the subject property was sold in 2019 for \$10,000,000.

Further, the courts have stated that where there is credible evidence of comparables sales, these sales are to be given significant weight as evidence of market value. In *Chrysler* the Court further held that significant relevance should not be placed on the cost approach or the income approach especially when there is market data available. *Id.* Moreover, in *Willow Hill Grain, Inc. v. Property Tax Appeal Board*, 187 Ill.App.3d 9, 14 (5th Dist. 1989), the Court held that of the three primary methods of evaluating property for purposes of real estate taxes, the preferred method is the sales comparison approach (citing *Chrysler*, 69 Ill.App.3d at 211.)

The Board finds the best evidence of the subject's market value to be the intervenor's appraisal and supporting testimony. Enright convincingly testified to various aspects of his appraisal. Moreover, the Board finds that he: has extensive experience appraising self-storage facilities similar to the subject property; had personally inspected the subject's exterior premises; employed the subject's actual land size in his comparability analysis; utilized appropriate rental and improved sale comparables in the two approaches to value that he undertook; correctly applied adjustments to these comparables as necessary which were supported in his appraisal or within his testimony; and accorded equal weight to his two approaches to value.

Based on this analysis, the Board finds that the market value for the subject property as of the assessment date of January 1, 2018, was \$6,725,000. The Board further finds that application of the Cook County Real Property Classification Ordinance level of assessment of 25% for class 5-97 property shall apply. This application reflects a total assessment of \$1,681,250, while the subject's assessment is \$1,026,338, thereby warranting an assessment increase per the intervenor'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: _____

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 16, 2023



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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