FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Walter Lagestee Inc
DOCKET NO.: 19-00238.001-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:	$12,281
IMPR.:	$530,682
TOTAL:	$561,220

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 2019 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 area[1] 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

[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.

include at least one central air conditioning and gas-forced heating for each unit. The property is located in Crete, Crete Township, Will County.

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, 2019 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 $1,440,000 or approximately $20.00 per square foot of building area, including land, as of January 1, 2019.

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 five comparable sales and one comparable listing. The comparables are located in Park Forest, Beecher, 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 that ranged in age from 1960 to 2007. Comparable #1 is a single-tenant former grocery store; comparable #2 is a strip center that was sold as a bank-owned real estate (REO); comparable #3 is a two-building, multi-tenant, commercial strip center that was sold at an auction sale; comparable #4 is a single-tenant former automobile dealership facility that was an REO sale; comparable #5 is a single-tenant commercial building that was also an REO sale; and comparable #6 is a vacant former Target store that was listed for sale. The comparables range in size from 23,677 to 129,146 square feet of building area and have sites ranging in size from 190,793 to 838,530 square feet of land area which calculates to land-to-building ratios ranging from 3.46:1 to 35.42:1. The five comparable sales occurred from June 2016 to March 2019 for prices ranging from $402,000 to $2,000,000 or from $8.00 to $27.08 per square foot of building area, including land. Comparable listing #6 listed for $2,750,000 or for $21.29 per square foot of building area, including land. The appraisers then made adjustments to the comparables for conditions of sale, i.e., bank-owned real estate (REOs) and auction sale, economic trends (sale dates), building size, age, and land-to-building ratio. The appraisers considered adjustments for location and for single-tenant versus multi-tenant buildings, but concluded that no adjustments for these factors was 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, 2019.

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 determine an estimate of the potential gross annual income. In doing this, the appraisers reviewed rental information and leases of office spaces of six rental properties located in Crete, Lockport, Lansing, Braidwood, Beecher, and Peotone which were considered to be in the subject's general market area. The rental comparables ranged in building size from 3,738 to 63,413 square feet of building area or rental size ranging from 1,235 to 20,313 square feet of building area; the "asking rent" or actual rent ranged from $2.04 to $12.00 per square foot of building area on a net or modified gross basis.[2] 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 they 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 ($6,810 or 3.5%), insurance ($13,898), and replacement for reserves ($24,321) which are funds typically held back to pay for the repair or replacement of building components which have long lives, which totaled $45,029. After subtracting the total operating expenses of $45,029 from the effective gross income of $194,566, the appraisers arrived at a net operating income of $149,537 or $2.15 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 appraiser calculated the overall capitalization rate by dividing the sale property's net income by its sale price. The appraisers 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 9.34% 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. The appraisers then added the estimated landlord's portion of the tax burden of .88% (4.41% x 20.00%) to arrive at the loaded capitalization rate of 10.38%.[3] Applying the loaded capitalization rate of 10.38% to the net operating income of $149,537 resulted in an estimated market value under the income capitalization approach to value of $1,440,000, rounded, or $20.72 per square foot of building area, including land, as of January 1, 2019.

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 value. 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.

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[2] The appraisers noted that for rental comparables #1 through #4, only the "asking" lease rates data was available and, therefore, downward adjustments were required due to their lease status.

[3] Page 61 and 62 of the appraisal report erroneously depict the loaded capitalization rate of 10.33% due to a calculation error.

Based on this evidence, the appellant requested a reduction in the subject's total assessment to $479,952 to approximately reflect the appraised value of $1,440,000, rounded, or $20.72 per square foot of building area, including land, as of January 1, 2019.

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 $12,281. The subject's non-farm assessment reflects a market value of $1,645,007 or $22.73 per square foot of building area, land included, when using the 2019 three-year average median level of assessment for Will County of 33.37% 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 three of the appraisers' comparables were located in Cook County which is a different market area; most of 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; and a portion of the subject's parcel is designated as "farmland" and is receiving a favorable farmland assessment of $12,281. 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 record cards and a grid analysis containing information and data on the subject and three comparable sales located in Frankfort, Bolingbrook and Plainfield. Comparable #1 is a multi-tenant strip mall with reportedly no know vacancies; comparable #2 is also a multi-tenant strip mall that was 67% tenant occupied; and comparable #3 is a four-unit building that is fully tenant-occupied. The comparable parcels range in size from 61,055 to 205,125 square feet of land area with improvements ranging in size from 13,552 to 74,045 square feet of building area and have land-to-building ratios ranging from 1:1 to 3.22:1. The comparables sold from July 2016 to June 2017 for prices ranging from $605,000 to $3,500,000 or from $44.64 to $50.74 per square foot of building area, including land. Based on this evidence, the board of review requested an increase of the subject's assessment to a total of $1,140,840.

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 change 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 $1,440,000 or approximately $20.00 per square foot of building area, including land, as of January 1, 2019. In support of the assessment, the board of review submitted for the Board's consideration information on three raw (unadjusted) comparable sales.

Initially, the Property Tax Appeal Board gave little weight to the appraisal report and the appraisers' final value conclusion. The appraisal contains two approaches to value with each approach developed arriving at a similar market value conclusion. The Board finds that the appraisers utilized three comparables that were located in Cook County which is a different market area from the subject property; the appraisers also utilized a comparable listing and factored the listing into the final value conclusion; comparable sales #1, #4, and #5, along with listing comparable #6 appear to be single-tenant buildings, dissimilar to the subject' multi-tenant design, for which the appraisers made no known adjustments; comparable sales #2, #4, and #5 are each bank-owned real estate (REO) sales and comparable #3 is an auction sale, yet the appraisers made no adjustments for the condition of these sales stating that these sale were included because "they were professionally marketed for a typical amount of time"; in the income approach to value, the appraisers utilized data based on "asking" rents rather than actual rent data and made an error in calculating the capitalization rate; and, 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 constitutes approximately half 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 each of the parties' comparables in its analysis.

In analyzing the data of the parties' comparables, the Board finds that neither party submitted comparables that are particularly similar to the subject. With respect to the appraisers' comparables, the Board gave reduced weight to the appraisers' comparable sales #1, #4, and #5, along with listing comparable #6, which are each single-tenant buildings, dissimilar to the subject' multi-tenant design. The Board also gave less weight to appraisers' comparable sales #2, #4, and #5 which are each bank-owned real estate (REO) sales, along with comparable #3 which is an auction sale. The Board gave no weight to appraisers' comparable listing #6 based on it being a listing as of the subject's assessment date of January 1, 2018, and thus not establishing market value. Finally, the Board gave reduced weight to appraisers' comparable sales #3 and #4 due to their locations in Cook County which is outside of the subject's market area and is assessed under different variables than the subject property.

As to the three comparables submitted by the board of review, the evidence contains very limited information on these three raw (unadjusted) sales, specifically lacking data on terms of the sales, financing, number of units/tenants, and rent data in order for the Board to conduct a meaningful comparison analysis. Furthermore, each of the board of review comparables has a significantly smaller site (excluding the farmland portion of the subject's parcel) and comparables #1 and #2 sold in July and September 2016, respectively, dates less proximate in time to the January 1, 2019 assessment date and therefore less likely to be reflective of subject's market value as of that date.

Based on evidence in record, the Board finds appraisers' comparable sale #1 and board of review comparable sales to be most similar to the subject in location, building size, age and design. These four best comparables in the record sold from July 2016 to March 2019 for prices ranging from $605,000 to 3,500,000 or from $18.59 to $50.74 per square foot of building area, including land. The subject's assessment, excluding farmland, reflects a market value of $1,645,007 or

$22.73 per square foot of building area, which falls within the range established by the 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 that no change 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:

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: 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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