



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

APPELLANT: Medline Industries, Inc.
DOCKET NO.: 20-01183.001-I-3 through 20-01183.011-I-3
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are Medline Industries, Inc., the appellant, by attorney Jennifer Burke, of KBC Law Group in Chicago; and the Lake 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 **Lake** County Board of Review is warranted. The correct assessed valuation of the property is:

DOCKET NO	PARCEL NUMBER	LAND	IMPRVMT	TOTAL
20-01183.001-I-3	07-36-408-001	102,487	0	\$102,487
20-01183.002-I-3	11-01-201-001	148,636	547,715	\$696,351
20-01183.003-I-3	11-01-201-002	45,804	154,520	\$200,324
20-01183.004-I-3	11-01-201-003	46,663	153,658	\$200,321
20-01183.005-I-3	11-01-201-004	47,528	166,113	\$213,641
20-01183.006-I-3	11-01-201-005	48,394	177,077	\$225,471
20-01183.007-I-3	11-01-201-010	49,258	176,212	\$225,470
20-01183.008-I-3	11-01-201-011	50,123	175,347	\$225,470
20-01183.009-I-3	11-01-201-012	55,306	170,165	\$225,471
20-01183.010-I-3	11-01-201-030	107,159	211,820	\$318,979
20-01183.011-I-3	12-06-103-012	26,769	0	\$26,769

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the Lake County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessment for the 2020 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 single-tenant industrial building of precast concrete exterior construction with 149,449 square feet of gross building area. The building has 8,935 square feet of office area (approximately 6% of gross building area), 17,340 square feet of production area,

and 123,174 square feet of warehouse area with 31 foot ceiling clearance, 24 docks, and 2 drive-in doors. The building was constructed in 2002. The property has approximately 75,000 square feet of asphalt paved area, consisting of two small parking lots with a total of 67 parking spaces and paved drive areas, and an approximately 25,000 square foot concrete area for truck parking. The property has a 345,801 square foot, or 7.94 acre, site with a land-to-building ratio of 2.31:1 and is located in Waukegan, Libertyville Township, Lake County.

The appellant contends overvaluation as the basis of the appeal. In support of this argument the appellant submitted an appraisal estimating the fee simple interest of the subject property had a market value of \$5,800,000 as of January 1, 2018. The appraisal was prepared by Michael S. Lysien, certified general appraiser, Peter D. Helland, MAI, certified general appraiser, and Edward V. Kling, MRICS, certified general appraiser, for ad valorem tax purposes.

Under the cost approach, the appraisers examined five vacant industrial land sales located in Lake County. The comparables range in size from 111,542 to 191,259 square feet of land area and sold from July 2015 to October 2017 for prices ranging from \$675,000 to \$1,250,000 or from \$4.43 to \$6.70 per square foot of land area. The appraisers made adjustments to these comparables for differences from the subject, such as location, lot size, and other lot features, to estimate a market value for the subject lot of \$1,729,005, or \$5.00 per square foot of land area, rounded to \$1,700,000.

In calculating a replacement cost new of the subject improvements of \$8,825,813, the appraisers utilized Section 14, Page, 14, Industrials, Mega (Storage/Distribution) Warehouse, Class C, Average of Marshall & Swift Valuation Service manual. With respect to calculating depreciation, the appraisers explained that the market extraction method is most reliable when the comparables are directly comparable to the subject. Using the comparable sales #1, #3, and #4 presented in the sales comparison approach, the appraisers calculated accrued depreciation of 56.00%, or an average annual rate of depreciation of 3.50% per year. The appraisers calculated the depreciated value of other site improvements to be \$105,500, rounded to \$106,000. Based on the foregoing, the appraisers estimated a market value for the subject of \$5,689,358, rounded to \$5,700,000, under the cost approach.

Under the sales comparison approach, the appraisers examined five comparable sales located in Waukegan, Gurnee, and Libertyville. The comparables are improved with single-tenant industrial buildings ranging in size from 109,888 to 363,027 square feet of gross building area. The buildings consist of 2% to 25% office area and have warehouse areas with 18 to 30 foot ceiling clearance, 7 to 26 docks, and 1 to 6 drive-in doors. The buildings range in age from 11 to 28 years old, with comparable #1 having additions constructed in 1998 and 2007 and comparable #2 having been renovated in 2002. The parcels range in size from 267,146 to 1,630,234 square feet, or 6.13 to 37.43 acres, of land area with land-to-building ratios from 1.80:1 to 4.49:1. The comparables sold from July 2015¹ to April 2017 for prices ranging from \$2,967,500 to \$10,075,000 or from \$27.00 to \$54.08 per square foot of gross building area, including land. The appraisers made adjustments to these comparables for property rights, sale date, and differences from the subject, such as location, building size, construction/utility, and age/condition, resulting in adjusted sale prices ranging from \$32.41 to \$45.76 per square foot of

¹ The appraisers noted in the appraisal report that the July 2015 sale was dated.

gross building area, including land. Based on the foregoing, the appraisers opined the subject had a market value of \$5,679,062, or \$38.00 per square foot of gross building area, including land, rounded to \$5,700,000, under the sales comparison approach.

Under the income approach, the appraisers examined seven lease comparables located in Waukegan, Antioch, Gurnee, and Lincolnshire. The comparables range in size from 74,200 to 223,760 square feet of leased area and have rents ranging from \$1.77 to \$5.33 per square foot of leased area or gross equivalency rents ranging from \$3.00 to \$7.28 per square foot of leased area. The appraisers explained that a gross equivalency rental rate assumes a net lease but excludes real estate taxes. Giving the most weight to lease comparables #4 and #5, the appraisers concluded the potential gross rental income for the subject was \$896,694, or \$6.00 per square foot of leased building area. Utilizing the 3.9% vacancy rate from CBRE's 4th Quarter 2017 industrial report and the 7.72% vacancy rate from Colliers International year end 2017 report for the Lake County sub-market, where the subject is located, the appraisers estimated an 8% vacancy rate, or \$71,736, which resulted in an effective gross income of \$824,958. The appraisers subtracted expenses of \$156,780, which did not include real estate taxes, to calculate a net operating income of \$668,178. Based on a loaded capitalization rate of 11.06% (derived from a base rate of 7.50% plus an effective tax rate of 3.56%), the appraisers opined the subject had a market value of \$6,041,393, rounded to \$6,000,000, under the income approach.

Considering the three approaches to value, the appraisers gave the most weight to the sales comparison approach, with secondary weight given to the income approach, to opine the subject had a market value of \$5,800,000 as of January 1, 2018.

Based on this evidence the appellant requested a reduction in the subject's assessment to reflect the appraised value conclusion.

The board of review submitted eleven sets of its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$2,660,754. The subject's assessment reflects a market value of \$7,992,652 or \$53.48 per square foot of gross building area, land included, when using the 2020 three year average median level of assessment for Lake County of 33.29% as determined by the Illinois Department of Revenue.

In support of its contention of the correct assessment the board of review submitted a brief contending that the appellant's appraisal is dated, stating a value conclusion as of January 1, 2018 for a 2020 tax year appeal.

With regard to the cost approach presented in the appraisal, the board of review questioned the appraisers' value conclusion regarding the subject's land. In support of this argument, the board of review presented four comparable industrial land sales located in Waukegan, Antioch, Grayslake, and Green Oaks. The parcels range in size from 348,480 to 730,501 square feet, or 8.00 to 16.77 acres, of land area. These comparables sold from February 2017 to June 2019 for prices ranging from \$1,380,615 to \$3,079,000 or from \$2.47 to \$8.84 per square foot of land area. The board of review contended that its land comparables #2 and #4, which sold in 2017, are close in proximity to the subject and similarly sized to the subject but were not used by the appraisers. The board of review also questioned the appraisers' classification of the subject as a Class C building.

With regard to the sales comparison approach presented in the appraisal, the board of review questioned the appraisers' value conclusion regarding the subject. In support of this argument, the board of review presented five comparables sales located in Waukegan, Antioch, Libertyville, and Lake Zurich. The comparables are improved with single-tenant or multi-tenant industrial buildings of reinforced concrete, steel, or metal exterior construction ranging in size from 101,421 to 251,961 square feet of gross building area. One building consists of 2.8% office area. The buildings each have warehouse areas with 23 to 30 foot ceiling clearance, 10 to 28 docks, and 1 or 2 drive-in doors. The buildings range in age from 4 to 53 years old. The parcels range in size from 284,882 to 1,116,007 square feet, or 2.81 to 5.11 acres, of land area with land-to-building ratios from 2.40:1 to 5.11:1. The comparables sold from April 2018 to March 2021 for prices ranging from \$6,500,000 to \$13,825,000 or from \$42.26 to \$83.81 per square foot of gross building area. The board of review also asserted that appraisal comparable #1 sold again in March 2020 and appraisal comparable #4 sold again in December 2018, which sale was not disclosed in the appraisal report.

With regard to the income approach presented in the appraisal, the board of review disputed the appraisers' value conclusion. In support of this argument, the board of review presented five lease comparables located in Libertyville, Gurnee, and Lake Bluff. These comparables range in size from 109,863 to 190,623 square feet of leased area and have effective rents ranging from \$4.50 to \$5.97 per square foot of leased area. The board of review disagreed with the appraisers' use of gross equivalency rents, which the board of review contended is not supported by the local market, as evidenced by the board of review's lease comparables which are all triple net leases. The board of review also questioned the vacancy and capitalization rates selected by the appraisers. Based on a Costar range of 4.25% to 8.7% for industrial properties in Lake County, the board of review concluded the vacancy rate should be 7%, and based on a Costar range of 7.0% to 7.3% for industrial properties in Lake County, the board of review concluded the base capitalization rate should be 7.25% and calculated the loaded capitalization rate at 10.71%. The board of review opined the market value of the subject was \$7,112,126 under the income approach.

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 a reduction in the subject's assessment is not warranted.

The appellant presented an appraisal and the board of review presented five comparables sales in support of their respective positions before the Board. The Board gives less weight to the value conclusion contained in the appraisal, which opines a market value for the subject as of January 1, 2018, two years prior to the January 1, 2020 assessment at issue in this appeal. For the cost and sales comparison approaches, the appraisers relied on sales occurring from 2015 to 2017.

The appraisers admitted in the appraisal report that the 2015 sale presented under the sales comparison approach was dated.

Moreover, several of the appraisers' selections are not supported in the appraisal report. For the income approach, the appraisers selected a vacancy rate higher than the published rates disclosed in the appraisal. For the cost approach, the appraisers used the market extraction method to calculate accrued depreciation, which they explained is a reliable method is reliable when the comparables are directly comparable to the subject; however, two of their three comparables used to calculate accrued depreciation are the two properties they determined to be the least similar to the subject under the sales comparison approach.

Based on the foregoing, the Board finds the appraisal does not present a credible value conclusion as of the January 1, 2020 assessment date and the Board will instead consider the raw sales data presented by the parties.

The record contains a total of ten comparable sales for the Board's consideration. The Board gives less weight to the appraisal comparables which sold less proximate in time to the January 1, 2020 assessment date than other comparables in this record. The Board gives less weight to the board of review's comparables #1 and #2, due to significant differences from the subject in building size and/or site size.

The Board finds the best evidence of market value to be the board of review's comparables #3, #4, and #5, which are relatively similar to the subject in building size and site size and sold more proximate in time to the January 1, 2020 assessment date. These comparables sold from April 2018 to October 2020 for prices ranging from \$6,500,000 to \$8,500,000 or from \$42.26 to \$83.81 per square foot of living area, including land. The subject's total assessment reflects a market value of \$7,992,652 or \$53.48 per square foot of building area, including land, which falls within the range established by the best comparable sales in the record. Based on this evidence the Board finds a reduction in the subject's assessment is not justified.

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:

October 18, 2022



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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