



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

APPELLANT: ARC PTSCHIL001 ILC
DOCKET NO.: 20-39304.001-C-3
PARCEL NO.: 07-19-105-013-0000

The parties of record before the Property Tax Appeal Board are ARC PTSCHIL001 ILC, the appellant(s), by attorney Patrick J. Cullerton, of Thompson Coburn LLP in Chicago; the Cook County Board of Review; the Palatine Twn. H.S.D. # 211, and Schaumburg C.C.S.D. # 54, intervenors, by attorney Michael J. Hernandez of Franczek P.C. in Chicago.

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 **Cook** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND: \$1,131,168
IMPR.: \$1,318,832
TOTAL: \$2,450,000

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 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 24-year-old, two-tenant retail building with 132,350 square feet of building area. The two tenants are At Home Stores and 24-Hour Fitness. The At Home Store occupies approximately 95,350 square feet of space while 24 Hour Fitness occupies approximately 37,000 square feet. Before it was divided, Lowes occupied the entire building. The property has a 377,056 square foot site located in Schaumburg Township, Cook County. The property is a class 5 property under the Cook County Real Property Assessment Classification Ordinance.

The appellant contends overvaluation, assessment equity, and contention of law as the bases of the appeal. In support of these arguments, the appellant submitted an appraisal estimating the subject property had a market value of \$9,800,000, or \$74.05 per square foot of building area as

of January 1, 2020. The appraisal was prepared by Carlos Mendoza, Certified General Real Estate Appraiser and Michael Kelley, MAI, SRPA, AI-GRS and was based on the sales and income approaches to value.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$4,637,001. The subject's assessment reflects a market value of \$18,548,004 or \$140.14 per square foot of building area, including land, when applying the level of assessment for class 5 property under the Cook County Real Property Assessment Classification Ordinance of 25%. In support of its contention of the correct assessment the board of review submitted six sales suggested as comparable to the subject.

The intervenor submitted an appraisal review of the appellant's appraisal. The review was prepared by Eric Dost, MAI, AI-GRS, and found the appellant's appraisal not credible.

Direct Examination of Mr. Mendoza

The appellant called Carlos Mendoza of Real Estate Analysis Corporation. He testified that he has been a certified general real estate appraiser for over 10 years and has appraised over 500 retail buildings in the Chicagoland area. He inspected the interior and exterior of the subject and was under the supervision of another appraiser. The appellant moved to admit Mr. Mendoza as an expert in the valuation of real estate for tax purposes. The intervenor objected to the admission of Mr. Mendoza as an expert as he does not hold the MAI designation, nor was he the lead appraiser. The ALJ overruled the objection and allowed Mr. Mendoza to testify as an expert in the appraisal of commercial real estate. The appraisal was entered into evidence marked Appellant's Exhibit #1.

Mr. Mendoza testified the subject property is located in the Prairie Towne Center shopping center. It has an At Home and a 24- Hour Fitness as tenants. Prior to that it was a Lowes. The At Home space has epoxy floors, concrete block walls, and an exposed metal back on a steel truss. The 24-Hour Fitness space has a swimming pool, free weights area, basketball courts, exercise rooms, and locker rooms. The exterior has asphalt paving, light poles, and landscaping. Mr. Mendoza stated the health club was never occupied. The testimony continued with Mr. Mendoza stating, in general, shopping center landlords are experiencing closures and bankruptcies, while vacancies are increasing. Mendoza stated the highest and best use of the property is its current use as a retail building.

He described his valuation methodology which consisted of the sale comparison and income approaches to value.

Under the sales approach to value, Mr. Mendoza reviewed the comparables contained in the appraisal. Sale comparable #1 is a three-tenant building located in Schaumburg occupied by XSport Fitness (subsequently merged with LA Fitness) and a PGA store. Sale comparable #2 is a three-tenant building similar in size to the subject and occupied by Ross Dress for Less and LA Fitness that was 55% occupied at the time of its sale. Sale #3 is a two-tenant building located in Crystal Lake with 80,512 square feet of building area. Sale #4 is a two-tenant retail building 100% occupied by Micro Center and Hobby Lobby. Mendoza considered demographics, land

value, sale date, and location, among other factors when making adjustments to the comparable sales. (See appraisal page 65.) Based on the sales, Mendoza concluded the subject's unit value was \$75.00 per square foot, or a market value of \$9,930,000.

Mendoza stated he did not consider leaseback leases as they typically are not exposed to the open market and exhibit higher than normal market rents. He utilized the subject's lease in his income analysis. He described the subject At Home lease on page 88 of his appraisal. The lease commenced on February 11, 2019, for a term of ten years. After calculating the six months of free rent and accounting for the increase in rent, Mendoza concluded the subject property's effective rent is \$5.50, per square foot of building area, rounded.

He divided the comparable leases into big box properties and small box/ health club properties. As to the big box comparables, lease #1 consists of a retail space indicating a rental rate of \$7.97 per square foot. Lease #2 rented for \$6.21 per square foot. Lease #3 rented for \$7.26 per square foot. As to Lease #4, Mendoza stated the appraisal contains an error as the comparable is simultaneously described as a TJ Maxx and an Art Van Furniture. There is a summary of the TJ Maxx on page 83. The intervenor objected to the testimony regarding TJ Maxx; however, the objection was overruled. The ALJ stated TJ Maxx was listed in the appraisal on page 83 and the lack of additional information regarding this comparable would go to its weight. Lastly, the appraiser stated his income approach to value included an additional listing of a former Dominick's space due to the lack of recent leases.

Mendoza analyzed four health club leases suggested as comparable to the subject and identified as lease #5 through lease #8. Lease #5 is an LA Fitness space that had a rental rate of \$24.20 per square foot of building area. Lease #6 is also an LA Fitness space with a rental rate of \$20.98 per square foot of building area. Lease #7 is an XSport Fitness space that has a rental rate of \$8.20 per square foot of building area. Lease #8 is also an XSport Fitness space with a rental rate of \$19.80 per square foot of building. After considering these comparables as well as the subject lease, Mendoza concluded a rental rate of \$15.00 per square foot of building area for the subject health club space, or \$555,000 annual rental income while the figure for the big box space was \$5.50 per square foot of building area as mentioned above.

When these rents are combined, the market rent is \$1,080,000, rounded. Added to this amount were several reimbursements including: real estate tax, insurance expense, and common area maintenance leading to a total potential gross income of \$1,918,000. There was a deduction of 15% to account for vacancy and collection loss, leading to a total effective gross income of \$1,630,300. (See appraisal p. 99)

Turning to the subject's expenses, Mr. Mendoza testified the Prairie Towne Center contains a total of 263,727 square feet of building area. He was not provided with actual operating expenses for the subject property's building area of 132,350 square feet. The leases are triple net leases wherein the tenants pay their prorated share of real estate taxes and common area charges, in addition to their base rent. Mendoza combined real estate tax, insurance, common area maintenance, and a management fee and stabilized the subject's expenses at \$1.56 per square foot, or \$205,000, rounded. The expenses were deducted from the effective gross income leading to a net income of \$1,425,300.

In estimating the capitalization rate, Mendoza looked for local sale comparables. They had rates that ranged from 7.00% to 12.40%. Mendoza also reviewed the PwC Investor Survey of overall capitalization rates for properties with a similar tenant mix of retail and health club space. These spaces had capitalization rates that ranged from 6.45% to 8.65%. Mendoza determined a capitalization rate for the subject of 8.00%. After adding a tax rate of 6.70%, the loaded capitalization rate was determined to be 14.70%. When the net income is divided by this amount, the value indicated by the income approach to value is \$9,700,000. (See appraisal p. 112)

The income approach market value of \$9,700,000 and sale comparison approach market value of \$9,930,000 were reconciled to determine an overall market value of the subject property on January 1, 2020, of \$9,800,000.

Cross Examination of Mr. Mendoza

Under cross-examination, Mr. Mendoza stated he did not use the cost approach to value. As to the sales comparison approach to value, Mendoza stated that his appraisal does not contain any lease-back comparable properties; however, USPAP (Uniform Standard of Professional Appraisal) does not preclude him from using them.

Mendoza was questioned about his sale comparables. He stated comparable #1, a three-tenant building, had an occupancy rate of 80%. He stabilized the occupancy at 85% and thus considered it to be a market occupancy. Mendoza stated that CoStar indicated only one tenant was paying rent; however, he had a copy of the offering memorandum indicating both tenants were paying rent and that the capitalization rate was 12.40%. Sale #2 consists of a three-tenant building and had a reported capitalization rate of 8.00%. The appraisal stated this property had an occupancy of 63%; however, he agreed it actually had a 55% occupancy rate. Sale #3 is a two-unit retail building in the far northwest suburbs and sold at a capitalization rate of 7.03%. The appraisal indicated this building was 100% occupied; however, it was actually 81% occupied. Lastly, sale #4 is a two-tenant, 100% occupied retail building with below market rents which sold for \$106.70 per square foot of building area and had a capitalization rate of 7.20%.

Regarding his income approach to value, Mendoza stated he presented retail and health club comparables. Rental comparable #1 is a 2,200 square foot space located in a power center in a suburb just west of Chicago. Rental comparable #2 is located in the far northwest suburbs and has a lease from four-and-one-half years prior to the date of value. Rental #3 is a Tony's Finer Foods located in Streamwood that has a lease from 2014. Rental comparable #4 has a lease from July 2014. Rental comparable #4 was incorrectly labeled as Art Van furniture when in fact it is a TJ Maxx. Mendoza also used one listing of a former grocery store in Carpentersville. This property was vacant.

Cross-examination turned to the analysis of the health club leases. The lower range was comparable #7 which was an industrial building with a five-million-dollar build-out, which is typical for this type of property. Twenty to thirty percent of this building is unfinished warehouse.

The questioning turned to vacancy rates in Schaumburg. Mendoza stated he used a 15% vacancy rate as he focused on power centers with slight consideration to the entire Schaumburg market.

The PwC real estate report from the first quarter of 2020 includes information for strip centers and power centers, but omits information for net lease properties.

Upon questioning by Cook County Board of Review, Mendoza stated he was unaware of a subsequent sale of comparable #1 in 2022 for \$19,000,000. Mendoza agreed that sale comparable #1 is in Cook County; sale #2 is in Kane County; sale #3 is in McHenry County; and, sale #4 is in DuPage County.

Redirect Examination of Mr. Mendoza

On redirect examination, Mendoza stated on page 91 of his appraisal, the space was leased as of January 1, 2020; however, the company filed for bankruptcy and never occupied the space or paid rent. He reiterated that he does not use leaseback transactions in his appraisals as they have not been exposed to the open market. The questioning turned to page 98 of the appraisal which contains a CoStar chart and indicates the vacancy rate for power centers in Schaumburg is 21.01% for the first quarter of 2020. Mendoza's appraisal showed a 15.00% vacancy rate while the subject's actual vacancy was 28%.

Board of Review Case

The board of review rested on its previously submitted comparable sale evidence from CoStar and adopted the intervenor's evidence.

Direct Examination of Mr. Dost

The intervenor presented his review appraiser Mr. Dost who testified he has been a commercial appraiser for 39 years. The parties stipulated to his qualification as an expert and the ALJ accepted him as an expert in appraisal review. Dost stated he prepared an appraisal review of the appellant's appraisal. This review was accepted into evidence and marked Exhibit #2.

Dost stated Mendoza's sale comparable #1 had a net operating income ("NOI") of \$1,364,226; however, CoStar indicated that only one of the tenants was paying rent, so it appears the NOI was overstated which resulted in a capitalization rate above market levels. Sale comparable #2 reportedly sold in December 2019 at an 8.00% capitalization rate. Mendoza reported this property had a 63% occupancy rate which is below market levels. The PTAX data indicated it had a 55% occupancy. Sale #3 had a 7.03% capitalization rate. Mendoza reported this property had 100% occupancy while the PTAX data indicates it had an 81% occupancy. Dost stated he reviewed marketing material that indicated this property had vacancy. Sale #4 occurred four and one-half years prior to the valuation date at issue and had below market rents and sold with a 7.20% capitalization rate.

Dost continued by stating there was no quantitative support for Mendoza's adjustments for location, such as an analysis of local demographic data.

As to Mendoza's income approach, Dost differentiated the rental comparables. Comparable #1 is in Broadview; comparable #2 is in the far northwest suburbs with a four- and one-half-year old lease; comparable #3 has chronic vacancy problems and a dated lease; and, comparable #4 has

some inconsistencies between being called TJ Maxx and Art Van Furniture. Additionally, Mendoza included a listing for a former supermarket located in the far northwest suburbs. It is in an inferior location and has been vacant for many years. Three of the four rental comparables have leases more than four and one-half years prior to the valuation date, and thus, are poor comparables.

Dost stated there are more similar sized and recent rental comparables that were available on CoStar. The first one was an At Home store located in Elmhurst. It has a lease from 2018, and the net rental rate was \$9.00 per square foot for 103,266 square feet. The second lease is a Floor & Decor store in Algonquin. It is a lease of a 74,185 square foot space with a rental rate of \$8.50 per square foot. Dost found three Art Van Furniture stores with recent leases from 2017 to 2018. One was a sale leaseback that eventually had a rental rate of \$11.97 per square foot. Another had a rent of \$12.10 per square foot. The third one was a newly constructed facility in Harwood Heights that had a rental rate of \$17.38 per square foot.

Dost reviewed health club rentals. With the exception of the health club that had a \$5,000,000 renovation, rents ranged from \$19.80 to \$24.20 per square foot, while Mendoza concluded a health club rental rate of \$15.00 per square foot. Dost stated the vacancy rate for all retail in Schaumburg is 6.63% to 8.83% for the first quarter of 2018, while Mendoza's used an above market vacancy rate of 15%, resulting in a reduced net operating income. Dost stated Mendoza's capitalization rate was higher than indicated by the PwC Survey.

Based on a below market rent and an above market vacancy factor in addition to an above market capitalization rate, Dost does not find Mendoza's concluded value of the subject to be credible.

Cross Examination of Mr. Dost

Upon cross-examination, Dost stated the subject is part of a power center that is anchored by Kohl's and that the locations of the Kohl's and At Home are relatively similar. He stated Mendoza's appraisal relied more heavily on the income approach to value. Dost said the Mendoza appraisal has evidence of the vacancy rate in Schaumburg; however, it is not as relevant as the overall vacancy rate for the total retail market.

Regarding sale #1 on Golf Rd., Dost stated he relied on CoStar to determine only one tenant was paying rent. Dost did not verify the non-payment information. Regarding sale #2, the PTAX report states the vacancy rate is 55% and not 63% as indicated in Mendoza's report. Sale #3 has an actual occupancy of 81%. Dost stated he did not have market evidence of vacancy rates in Crystal Lake.

Dost was cross-examined about his analysis of Mendoza's comparable rentals and stated three of the four leases are dated and there is more recent data available. He conceded that his report does not contain any criticism of Mendoza adjustments to comparable #2. Dost stated he did not submit any evidence of the chronic vacancy of comparable #3. He also stated he did not submit demographic data.

The questioning continued with a discussion of page 90 of Medoza's appraisal. Dost stated he did not disagree with Mendoza's adjustment for Lease #7. Turning to the chart on the appraisal's page 98, Dost agreed it contained all retail properties. He stated the subject is a two-tenant building and does not fit into a single category such as a power center and that vacancy is a better indicator of similarity than whether a property is a power center.

Dost stated the PwC report includes information for strip centers and power centers but not net lease properties. Dost stated a tenant's credit rating is a factor in an investor's decision; however, it is not the only factor. The questioning continued with Dost stating he did not have a criticism of the tax liability chart Mendoza's appraisal pages 94 and 95. Dost stated the purpose of his review was to determine the credibility of the information in the appraisal, not to analyze the tax burden.

The appellant objected to the submission of the board of review and the board of review's CoStar comparables arguing they are hearsay. The Administrative Law Judge allowed the CoStar comparables to be part of the record as they were already in evidence as part of the original filing.

Conclusion of Law

The Board takes judicial notice that certificates of error were issued for the subject property for tax years 2019 and 2021 which both indicated the subject's market value was \$9,930,723.

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 met this burden of proof and a reduction in the subject's assessment is warranted.

In determining the fair market value of the subject property for tax year 2020, the Board examined the appellant's appraisal, the intervenor's appraisal review, and the board of review's written evidence submission. The Board gave little weight to the board of review's suggested sale comparables as they were unadjusted.

The Board finds the best evidence of market value to be the Mendoza appraisal which indicated the subject's market value was \$9,800,000 as of January 1, 2020. The Board finds the comparable properties listed in the appraisal are similar to the subject in building size, age, and land to building ratio. The Board finds credible Mendoza's adjustments and analyses of the comparable sales and income analysis. In addition, the Board finds Mendoza's conclusion of value to be credible.

The subject's assessment reflects a market value above best evidence of market value in the record. The Board finds the subject property had a market value of \$9,800,000 of the assessment date at issue. Since market value has been established the 2020 level of assessment for class 5 property under the Cook County Real Property Assessment Classification Ordinance of 25% shall apply. (86 Ill.Admin.Code §1910.50(c)(2)).

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 19, 2026



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.

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