



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

APPELLANT: Chicago Food Property Niles Series
DOCKET NO.: 20-45871.001-I-2
PARCEL NO.: 10-32-203-022-0000

The parties of record before the Property Tax Appeal Board are Chicago Food Property Niles Series, the appellant(s), by attorney Jennifer Kanik, of the Law Offices of Terrence Kennedy Jr. in Chicago; the Cook County Board of Review; the Niles Twn. H.S.D. # 219 intervenor, 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: \$568,949
IMPR.: \$702,391
TOTAL: \$1,271,340

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 one-story, single-tenant warehouse building containing 141,260 square feet. It was originally constructed in 1980 with an addition built in 1994 and renovated in 2015. The total building square footage is 141,260 square feet. The subject is situated on 268,450 square feet of land and is located in Niles, Niles Township, Cook County.

The appellant, via counsel, appeared before the Property Tax Appeal Board arguing that the fair market value of the subject is not accurately reflected in its assessed value.

At the commencement of this hearing, the Board finds that the 2019 and 2020 appeals involve common issues of law and fact and a consolidation of these appeals for hearing purposes does not prejudice the rights of the parties. Therefore, pursuant to Section 1910.78 of the rules of the

Property Tax Appeal Board (86 Ill.Admin.Code 1910.78), the Board consolidated the above appeals solely for hearing purposes, while noting that distinct decisions would be rendered for each appeal year.

As to the overvaluation argument, the appellant's pleadings included a copy of a summary report of a complete appraisal undertaken by appraiser, Jason Zaley of Maresh, Zaley & Associates. The Zaley appraisal addressed all three of traditional approaches to value, while opining an estimated market value of \$4,900,000 as of the effective date of January 1, 2019. The appraisal indicates Mr. Zaley is an Illinois certified general real estate appraiser with an MAI designation. This appraisal was identified for the record as "Appellant's Exhibit #1."

The appellant offered Mr. Jason Zaley as an expert in real estate valuation without objection. Zaley testified he is an Illinois certified general appraiser and a designated MAI with the Appraisal Institute. Zaley testified that he has appraised over a thousand properties located in Cook County, including approximately 700 industrial properties. He has previously testified before Cook County hearings and the Property Tax Appeal Board. After voir dire, the Board accepted Zaley as an expert in the theory and practice of real estate appraisal with no objection from an opposing party.

Zaley testified that he prepared, signed, and reviewed the appraisal. He described the subject property and its environs. He testified that the subject is an older warehouse in which the current owners installed a removable freezer and cooler. The subject is a standard warehouse with unit heaters and docks. The subject is not located in an industrial park but behind a commercial area, which is in a high traffic area that inhibits truck traffic due to a narrow two-lane street. The subject is limited in that it is located in a commercial and not in an industrial area. The subject's location is one of the subject's limitations. Zaley testified that the subject is neither a food processing nor a food warehouse building.

To estimate a total market value for the subject of \$4,900,000 as of January 1, 2019, Zaley employed all three of the traditional approaches to value.

Under the cost approach, Zaley testified he analyzed four land sales located in the subject's market area. The comparables sold for prices ranging from \$4.20 to \$10.34 per square foot. After making appropriate adjustments, he arrived at a land value for the subject of \$1,879,000.

Using *CoreLogic Swift Estimator* online program, Zaley testified he estimated the replacement cost new for the improvement based on the building's features, height, class, size percentage of air conditioners and unit heaters to be \$10,073,138 which included a 10% entrepreneurial profit. He estimated an effective age of 25 years based on refurbishments made to the building four years ago and a majority of the building being older. The total economic life of 15 years was calculated by taking into consideration that in 2019 warehouses were popular but this is an older building that unless maintained would need to be demolished. Depreciation was calculated as 60% physical, 5% percent functional, and 5% percent external for a total of 70%. The Economic Age-Life Method calculates depreciation by taking the effective age divided by the total estimated economic life multiplied by the replacement cost for a total depreciation of 53%. Zaley testified he concluded 70% for depreciation. Adding site improvements of \$330,000 with

a 70% depreciation factor equals \$99,000 for site improvement appreciated value and adding estimated land value for a total value of \$5 million, rounded.

Under the sale comparison approach, the appraisal analyzed five sale comparables. Zaley testified to the sale comparables analyzed in the appraisal. He differentiated between market vs. investment value. Investment purchases were sales that included triple net leases, cap rates below 6% and were purchased in cash. If properties were not purchased in cash, the values would be much lower to take into account financing. Therefore, when looking for comparables under the sale comparison approach, Zaley did not use investment value sales. Regarding the bulk portfolio sales in the appraisal, he identified Blackstone and DRA Advisors as heavy bulk purchasers in the Chicago area whose recorded sale prices are allocated total bulk purchase prices and not actual sale prices.

Zaley testified he chose properties as close as possible to the subject. Regarding sale #3, he identified the seller as Prologis, the biggest warehouse owners in the country. Prologis properties are sold at a discount due to their depreciation and failure to give an investment.

Sale #4 was purchased by a warehouse for distribution. This sale included a deduction for excess land, which was included in the purchase. The excess land was deducted to include only the building based on land value of \$6.00 per the cost approach. Zaley then explained the difference between surplus and excess land value. Excess land value can be sold but not surplus. In this sale, the separate parcel can easily be sold off and thus needs to be deducted.

Zaley further testified all the sale comparables are warehouses that are located in the north and northwest suburbs and range between 100,00 to 225,000 square feet.

After making adjustments for differences between the subject and the comparables, he estimated a value for the subject of \$34.00 per square foot of above grade building area, including land which yields a value for the subject property under the sales comparison approach of \$4,805,000, rounded.

Under the income approach, the appraisal analyzed five rental comparables. Zaley testified that the rentals are on a net basis and freestanding. He confirmed that the subject has a clear ceiling height of 19 feet which is not very high per the warehouse market. The rentals analyzed in the appraisal have ceiling heights that range from 22-32 square feet and modern buildings have a ceiling height of 32 square feet.

After making various adjustments without taking into account location, accessibility and lowered ceiling height, Zaley estimated that the subject's market net rent to be \$4.00 per square foot. As to vacancy and losses, he utilized the CBRE survey which reported a 2.2 percent rate for the fourth quarter in 2018 which was a negative absorption with leasing activity high. Zaley used a 7% vacancy rate due to subject's age, lowered ceiling height, and accessibility. He also testified that the subject would sit on the market longer due to its location. The subject is not located in an industrial park with access to tollways and expressways. The intervenor objected to Zaley's opinion that it would stay on the market for longer period of time if vacant. The objection was sustained. Regarding management fees, he estimated a fee of 5% and a replacement reserve

factor of \$0.35 per square foot of building area due to subject's condition and concluded a net operating income of \$449,772.

In determining the appropriate capitalization (CAP) rate, Zaley testified that none of the sales analyzed reported a capitalization rate. Therefore, he analyzed daily investment and real estate surveys both *PwC Real Estate Investor Survey* and real estate research, which yielded a broad range from 1% to 6.5%. He opined that the subject is of second tier quality per the *RERC Real Estate Report*. Second tier properties have a cap range of 7.2 to 9.3% with an average of 8.1%. He testified he applied an overall CAP rate of 9.0% to the ENI to estimate the market value for the subject under this approach at \$4,995,000, rounded.

In reconciling the three approaches, he concluded a final estimate of value for the subject of \$4,900,000 as of January 1, 2019.

On cross-examination by Mr. Hernandez on behalf of the intervenor, Zaley confirmed that the subject was purchased by the current owners in July 2014 for \$5,713,000 or \$40.52 per square foot. Zaley confirmed that the subject is located near a major traffic arterial location, Touhy Avenue, was built in 1980, renovated in 1994, and includes 16 interior loading docks. As to the sale comparables, Zaley acknowledged that the sale comparables vary in the number of loading docks with a couple of the comparables having lower and one having a higher number of loading docks than the subject. For example, sale #1 has six interior docks, sale #2 has four interior dock and one drive -in door, and sale #4 has eight docks and 12 drive in doors. Regarding sale #2, Zaley confirmed that it was renovated in 2000 but built in 1962. Zaley disputed the sale price of \$6,401,414 regarding sale #1 per the recorded deed which was not included in the appraisal. Zaley confirmed that sale #2 is smaller in size, and that sale #3 is located in a different township and older than the subject. Zaley testified that sale #3 was renovated in 2008 and within the north and northwest industrial submarket. Regarding #4, Zaley confirmed the subject is located in Wheeling, Lake County but within the subject's industrial market. Zaley also confirmed a deduction for excess land value and the sale price of \$4,850,000 but disputed the age of the sale per the broker's listing sheet which was not in the appraisal. Regarding sale #5, Zaley confirmed this property was built in 1973 and renovated in 1991 and sold for \$3,100,000 per the deed, which was not included in the appraisal and not the \$3,120,000 per the intervenor. Zaley acknowledged adjustments were made per his expert opinion and not a mathematical formula. Zaley acknowledged that despite the subject being owner occupied and a submarket vacancy rate of 2.2%, he applied a vacancy rate of 7% because under the income approach one looks at the market and not its occupancy. Zaley distinguished the submarket vacancy rate of 2.2% based on it being applied to established industrial parks which includes new buildings, new warehouses, and concrete panel which drags down the overall vacancy rate.

Regarding cap rates, Zalye acknowledged that they range from 3% to 5.5% and that he utilized a 9% yield rate despite national warehouse ranges between 5.25% to 9% and Midwest second tier ranges between 7.2 to 9.3% with an average of 8.1%

The board of review did not have any questions for the appraiser.

On re-direct, Zaley confirmed that he researched *CoStar*, the brokers, and the deeds to confirm the appraisal's data. He also confirmed that the subject is a second tier warehouse and that the source of his 9 % cap rate was based on the band of investment and investor surveys.

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's total assessment of \$1,518,545 was disclosed. This assessment reflects a fair market value of \$6,074,180 or \$43.00 per square foot of building area, land included, when the Cook County Real Property Assessment Classification Ordinance level of assessments of 25% for Class 5b, industrial property is applied.

In support of this market value, the board of review submitted sales information on three industrial properties suggested as comparable to the subject. The board of review's evidence was marked "Exhibit #3." These properties range in size from 110,355 to 381,600 square feet of building area. They sold between December 2019 for prices ranging from \$8,200,000 to \$26,852,812 or from \$55.00 to \$74 per square foot of building area, including land.

At the hearing, the board of review did not call any witnesses and rested its case upon its written evidence submissions. As a result of its analysis, the board requested confirmation of the subject's assessment.

In support of the intervenor's position, the intervenor submitted a chart comparing the intervenor's sale comparables with the subject property and contained information on: the date of sale; the sale price; building square footage; age; property address; and sale price per square foot, including land.

The intervenor also submitted printouts describing each of their three suggested comparables. These industrial properties range in size from 130,000 to 156,691 square feet of building area. They sold between February 2016 and October 2019 for prices ranging from \$6,074,180 to \$39,500,000 or from \$43.00 to \$252.09 per square foot of building area, including land.

At the hearing, the intervenor did not call any witnesses and rested its case upon its written evidence submissions. As a result of its analysis, the intervenor 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 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, the Board examined the appellant's appraisal report and testimony, as well as the board of review and the intervenor's submissions.

The Board finds that neither the board of review's witness nor the intervenor's called expert witnesses to testify about their qualifications, identify their work, testify about the contents of the evidence, their conclusions or be cross-examined by the appellant, and the Property Tax Appeal Board. Without the ability to observe the demeanor of these individuals during the course of testimony, the Property Tax Appeal Board gives the memorandum and raw sales evidence from the board of review and the raw sales data from the intervenor less weight.

The Board then reviewed the appraisal and testimony from the appellant's witness to determine the best evidence of the subject's market value.

In the income approach, the Board finds the 9% cap rate utilized by the appraiser is higher than the average of 8% utilized for Midwest second tier warehouses. Zaley testified the subject is a second tier warehouse. Zaley testified that he utilized a 9% yield rate despite national warehouse ranges between 5.25% to 9% and Midwest second tier ranges between 7.2% to 9.3% with an average of 8.1%. Therefore, this approach was given diminished weight.

The appraisal indicated that the cost approach is not a reliable indicator of value because depreciation and remaining economic life are subjective and imprecise and was given the least emphasis. For these reasons, this approach was given diminished weight.

The courts have stated that where there is credible evidence of comparable sales, these sales are to be given significant weight as evidence of market value. Chrysler Corp. v. Illinois Property Tax Appeal Board, 69 Ill.App.3d 207 (2nd Dist. 1979); Willow Hill Grain, Inc. v. Property Tax Appeal Board, 187 Ill.App.3d 9 (5th Dist. 1989). In addition, both appraisers gave the greatest consideration to the sales comparison approach when concluding a final value for the subject. Therefore, the Property Tax Appeal Board will give this approach the most weight.

The Board finds the best evidence of market value was the unadjusted sale comparables contained in the appellant's appraisal. Sale #4 was given diminished weight as it was sold with an excess land parcel which was estimated by the appraiser per the cost approach. The remaining sale comparables were given significant weight in the Board's analysis. These sales were similar in industrial submarket, class, number of loading docks and drive-in doors, and size. These sale comparables, have unadjusted sales prices ranging from \$28.94 to \$37.08 per square foot of building area, including land. The subject property's assessed value equates to a market value of \$43.00 per square foot of building area, including land, which is above the unadjusted range of comparables. After considering all the evidence including the expert testimony and submitted documentation as well as the adjustments necessary to the unadjusted sales values, the Property Tax Appeal Board finds that the subject property had a market value of \$36.00 per square foot of above grade building area, including land, or \$5,085,360, rounded. Since market value has been determined, the Cook County Real Property Assessment Classification Ordinance level of assessments of 25% for Class 5b industrial property shall apply and a reduction 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:

October 15, 2024



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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