



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

APPELLANT: Imperial Realty Company
DOCKET NO.: 21-28606.001-C-3
PARCEL NO.: 02-24-106-006-0000

The parties of record before the Property Tax Appeal Board are Imperial Realty Co., the appellant, by attorney Shannon R. Sheehan, of Thompson Coburn LLP in Chicago; the Cook County Board of Review by Cook County Assistant State's Attorney Kelly Coakley; and Palatine Public Library Dist, the intervenor, by attorney Mallory A. Milluzzi of Klein, Thorpe, & Jenkins, Ltd. in Chicago, Palatine C.C.S.D. #15, and Palatine Township H.S.D. #211, the 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 **No Change** 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: \$704,201
IMPR.: \$554,763
TOTAL: \$1,258,964

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 2021 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 48-year-old, ten-story, concrete constructed, multi-tenant office building containing 155,166 square feet of gross building area of which 138,854 square feet¹ is rentable. The property has a 187,787 square foot site and is located in Palatine, Palatine Township, Cook County and is commonly referred to as the Harris Bank Building. The subject is classified

¹ REAC's 2019 and 2020 appraisal lists the total net rentable area as 136,565 square feet. REAC's 2021 and 2022 appraisal lists the total net rentable area as 138,854 square feet. This difference in size is attributable to the inclusion of 2,691 square feet of storage space. The reason for the discrepancy in treating it as rentable area for some years, but not others was not explained.

as a class 5-91 property under the Cook County Real Property Assessment Classification Ordinance.

The appellant asserts overvaluation as the basis of the appeal. In support of this argument, the appellant submitted an appraisal by Alan Geerdes of Real Estate Analysis Corporation (hereinafter, "REAC") that estimated that the subject property had a market value of \$2,700,000 as of January 1, 2021. The appraisal determined the highest and best use as vacant would be to develop the site as commercial, office space or retail. In developing the highest and best use as improved, REAC analyzed four land sales² that occurred between June 2019 and May 2021. These comparables ranged: in land size between 65,083 and 475,501 square feet; and in unit sale price between \$6.99 to \$14.60 per square foot. The appraisal determined the subject site indicated a market value of approximately \$11.00 per square foot, for a total land value of \$2,070,000 and opined that its highest and best use as improved is its current use.

REAC undertook the sales comparison and income approaches to value. REAC disclosed that the cost approach was excluded because sufficient and reliable rental and improved sales information was available.

In general, REAC reviewed multiple leases within four comparable office buildings and determined a weighted average rent rate from \$13.80 to \$15.15 per net rentable area. REAC then analyzed lease offerings for five properties in addition to the subject's offerings. The subject's base asking rents range from \$14.00 to \$16.00 per square foot on a gross rent basis while the comparables ranged from \$15.00 to \$19.00 per square foot on a gross rent basis. REAC gave minimal weight to these offerings as concessions remain prevalent in the Northwest office market.

Under the income approach, REAC analyzed historical leases within the subject property, leases of surrounding office buildings, as well as active lease offerings in the area. The appraisal further broke down leases within the subject property by location: lower-level commercial space, first floor commercial space, upper-level office space (floors 2-6, 8-10), separating out the 7th floor office space, commonly referred to as the Palatine Executive Suites. The 7th Floor was given minimal consideration and characterized as a license or service agreement space. REAC treated this floor as typical office space similar to the rest of the building.

REAC analyzed two of the subject's leases for the lower-level commercial space that ranged: in size between 1,101 to 3,767 square feet; and in price between \$7.62 to \$11.29 per square foot. REAC estimated a gross rental rate of \$7.60 per square foot for this space. REAC analyzed two leases for the first-level commercial space that ranged: in size between 4,902 to 7,042 square feet; and in price between \$11.29 to \$15.50 per square foot. The BMO Harris suites on the first floor and lower level had a weighted average of \$11.29 per square foot. REAC estimated a gross rental rate for the first floor of \$15.50 per square foot. The appraisal analyzed five leases for the upper-level floors³ that ranged: in size between 796 to 1,718 square feet; and in price between \$13.22 to \$19.70 per square foot with a weighted average gross rental rate of \$13.90 (post-pandemic) and \$18.86 (pre-pandemic) per square foot. REAC estimated a market rent for these upper-level floors of \$14.00 per square foot on a gross rent basis.

² Comparable #4 is merely an "offering" and not a sale. As such, this Board will not give it any weight.

³ The upper-level leases were further subdivided into pre-pandemic and post-pandemic categories.

In general, leases from four office buildings located in Palatine, Arlington Heights and Rolling Meadows were utilized to determine comparable office rents. The leases ranged: in size between 237 to 11,805 square feet; and in price between \$12.10 to \$16.76 per square foot with weighted averages of \$13.80 to \$15.15.

The potential gross income was determined by multiplying each of the estimated gross rental rates by the corresponding rentable area square footage and adding their results for a total potential gross income of \$1,887,961. After reviewing surveys and market studies, REAC subtracted 40% of this amount, or \$755,184, for vacancy and collection loss, leaving an effective gross office income of \$1,132,777. REAC then added in \$12,000 to account for other sources of income, for a total effective gross income of \$1,144,777 or \$1,145,000 rounded. REAC reviewed the subject's actual income and expenses as well as Building Owners and Managers Association studies to estimate market expenses at \$680,000, leaving a net operating income of \$465,000.

Using the direct capitalization technique, REAC analyzed six sales with capitalization rates (CAP rates) of 7.9% to 10.4%. REAC also reviewed investor surveys showing an average CAP rate for institutional grade suburban Chicago office space of 8.85% and for non-institutional grade suburban Chicago office space of 10.98%. REAC estimates a CAP rate for the subject of 9%. To account for the subject's property taxes, which were not reflected in the net operating income, REAC added a tax load of 8.4% to come up with a 17.4% loaded CAP rate. REAC then calculated the subject's value under the income approach by dividing the net operating income of \$465,000 by the CAP rate of 17.4% for a total of \$2,672,414, rounded to \$2,670,000.

Under the sales approach, REAC relied on five suggested sales comparables that sold between December 2017 and December 2021, for amounts ranging from \$625,000 to \$6,050,000, or between \$19.58 and \$33.90 per square foot of net rentable area. The appraiser adjusted the sales prices to account for differences between the comparables and the subject. After applying the adjustments, the appraiser determined that the subject's value was \$20.00 per square foot of building area, for a total value of \$2,777,080, or \$2,780,000 rounded. In reconciling approaches, REAC gave substantial weight to the income approach. REAC estimated the final value for the subject as of January 1, 2021, as \$2,700,000.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$1,258,964. The subject's assessment reflects a market value of \$5,035,856, or \$36.27 per square foot of building area, land included, when using the Cook County Real Estate Classification Ordinance level of assessment for class 5 property of 25%.

In support of the assessment, the board of review submitted information about sales of six unadjusted suggested comparable properties. The suggested comparables sold between March 2019 and October 2021 for amounts ranging from \$1,600,000 to \$8,259,000, or between \$14.86 and \$81.68 per square foot of building area, land included in the sales prices.

Palatine Consolidated Community School District #15, Palatine Township High School District #211 submitted a technical appraisal review report prepared by William Enright, MAI, of

Appraisal Associates⁴. Palatine Public Library District (hereinafter, the “Intervenors”) adopted the board of review’s evidence as well as the technical appraisal review report of the other Intervenors. The Intervenors requested that total assessed value be increased or at least maintained at \$1,385,087⁵.

Hearing

Three dockets were consolidated for hearing before the Property Tax Appeal Board’s Administrative Law Judge on April 11, 2024: 2019-47384, 2020-26272 and 2021-28606. Three separate decisions will be issued.

Direct Examination of Mr. Geerdes

Mr. Geerdes testified as to his background and qualifications stating he is a certified general real estate appraiser employed with Real Estate Analysis Corporation (REAC). He is both vice president and staff appraiser and has been appraising properties for approximately 22 years. He holds an MAI and AI-GRS through the Appraisal Institute. He testified that throughout the course of his career he has prepared hundreds of appraisals. He was admitted as an expert in the appraisal of real estate without objection.

Mr. Geerdes began his testimony by describing the subject property as a 136,000 square foot, 10-story, multi-tenant office building located in Palatine, Illinois. He testified that he is familiar with this property not only from doing this appraisal, but because he has prepared appraisals for this property several times, dating back to 2004.

Mr. Geerdes testified as to the history of the building and its renovations including the conditions of the subject’s sale to the current owner in 2013. Mr. Geerdes described the sale as a foreclosure proceeding, and stated that prior to foreclosure, it was sold as a deed-in-lieu-of-foreclosure, wherein the current owner submitted an offer that was ultimately approved by the lender. Mr. Geerdes stated the subject property had been on the market for two and one-half years. Mr. Geerdes went on to describe the location of the subject property as a “somewhat commercial area” and stated it was the largest multi-tenant office building in the immediate area, and the subject is located in a “typical neighborhood, multi-tenant office building.” Mr. Geerdes testified about the renovations that began after the 2013 sale, stating that the subject property underwent several capital improvement projects which Mr. Geerdes opined gave the subject property an effective age of approximately 42 years old. Mr. Geerdes opined that the highest and best use of the subject property as vacant would be to develop the site for retail use or to hold the property until office market conditions improved. He opined that the highest and best use as improved is its existing use.

⁴ The report submitted is the same technical appraisal report submitted under 2019-47384 and 2020-26272. This technical appraisal review does not address any changes, additions, deletions or modifications made to REAC’s 2021 appraisal.

⁵ The total assessed value requested reflects the 2019 and 2020 valuations. The total assessed valuation for the 2021 lien year at issue is \$1,258,964.

Mr. Geerdes described his valuation methodology which consisted of the income and sales comparison approaches, with maximum weight on the income approach since the subject property is a multi-tenant, investor-owned property.

Mr. Geerdes described how he subdivided the building by floor to determine potential gross income. He testified the first floor used to be occupied by a bank and office space, the lower level had a deli and an additional tenant, with the remaining floors 2 through 10 being office space. Mr. Geerdes highlighted that the 7th floor consists of the Palatine Executive Suites which he described as a co-working suite that contains 13,000 square feet and includes services such as a receptionist, conference facilities, telephones, electric, Internet service, etc.

Mr. Geerdes outlined the steps he undertook in forming an opinion of the subject's value under the income capitalization approach for a fee simple market value by looking at recent leases from the subject property, looking at offerings from the surrounding market and estimating the stabilized gross rent as of the date of value. He then testified he looked at market vacancy rates and made the appropriate deductions with further deductions for market expenses. He stated he relied on both the subject's actual expenses as well as the BOMA expenses indicated in the BOMA survey. His next step was to apply a capitalization rate and an effective tax rate to indicate the value.

In breaking this approach down further, Mr. Geerdes testified that he looked at four comparable leases with a lease range of \$13.80 to \$15.15 per square foot. He testified he also relied on lease offerings from five comparable properties in the surrounding area, as well as the January 1, 2021, rent roll for the subject building. Mr. Geerdes testified that he conducted his analysis looking at pre-pandemic and post-pandemic leasing and sales activity. Mr. Geerdes stated that post-pandemic leases indicated gross rental rates of \$13.22 to \$15.00 per square foot with a weighted average of \$13.90 per square foot, while pre-pandemic leases indicated gross rental rates of \$17.62 to \$19.70 per square foot with a weighted average of \$18.86 per square foot. Mr. Geerdes testified that he placed the most weight on pandemic leases in estimating market rent since the valuation date of the subject property is post-pandemic. Based on his analysis of these three sources he estimated the subject's gross market rent to be \$14.00 per square foot.

When asked if he considered the actual income of the subject property, Mr. Geerdes testified that he did from a historical standpoint but explained that because this was a fee simple appraisal, primary consideration was placed on the market rents and market vacancy data. He testified that actual income is more consistent with a leased fee appraisal.

Mr. Geerdes was then directed to the 7th Floor Palatine Executive Suites and testified that because the rental rates include more than utilization of the physical office space, but also include services, the actual income was excluded from his analysis since it includes "income that's over and above just the real estate." He reiterated that since the purpose of this appraisal is to estimate market value of the real estate alone, a market rental rate was applied for the square footage of the 7th Floor's Palatine Executive Suites.

Mr. Geerdes was asked specifically about the first-floor commercial space and testified that it contained 11,944 square feet, with BMO Harris Bank occupying 4,902 square feet at \$11.29 per square foot. He testified that a recent lease with Windy City Hockey Development was signed for 7,000 square feet at \$15.50 per square foot. Because BMO Harris's lease also included lower-

level space, Mr. Geerdes stabilized the rental rate at \$15.50 per square foot for the commercial space.

Mr. Geerdes went on to describe the lower-level space as having two occupied suites. The two occupied spaces had rental rates of \$7.62 to \$11.29 per square foot. Because BMO Harris occupied both the first floor and some of the lower-level space there was not a breakout between the two rental rates. Mr. Geerdes stated he placed maximum emphasis on the Jordan Stafford lease, signed in August 2020 at \$7.62 per square foot. Mr. Geerdes opined that the stabilized lower-level rental rate is \$7.60 per square foot.

Mr. Geerdes was directed to his calculations in determining the potential gross income for the property as the sum of rental rates for the lower-level, first-floor and upper-levels multiplied by their respective square footage before moving into his analysis of market vacancy rates. To determine the market vacancy, Mr. Geerdes looked at market reports for the northwest corridor office market for Class B buildings. The market reports indicated market vacancy rates ranging anywhere from 23.9% to 39.9% with a weighted average of 30.4%. However, Mr. Geerdes stated that the northwest corridor is a large corridor that includes superior office locations, citing Schaumburg as an example. He also reviewed CoStar aggregate historical vacancy reports for existing non-owner-occupied buildings that were at least two-stories high and within one-to-five miles of the subject. He also looked at vacancy rates of comparable towers that he considered more competitive with the subject property, meaning they contained 100,000 square feet plus buildings that were at least 30 years old and roughly five-plus stories. These comparables had vacancy rates in 2020 ranging from 17.7% to 65.2% with a weighted average of approximately 35.4%. These same comparables had vacancy rates in 2021 with a weighted average of 38.3%. Mr. Geerdes analyzed all these sources but gave maximum weight to the comparable towers and the historical vacancy rates of the subject; he opined the market vacancy rate should be stabilized at 40%.

Mr. Geerdes testified as to how he reached the subject's estimated gross income by including the rental income of the subject at \$1,887,961, and subtracting a market vacancy of 40% or \$755,184 for an EGI of \$1,132,777. He added other income sources of \$12,000 which he testified included items such as storage income, parking and miscellaneous, for a total EGI of \$1,144,777 which rounded is \$1,145,000. In determining market expenses, Mr. Geerdes explained that he looked to the BOMA survey in addition to the subject's historical expenses, which he stabilized for the subject property at \$680,000 or \$4.90 per square foot.

Mr. Geerdes testified about the method he utilized in determining a capitalization rate (CAP rate) for the subject property. He analyzed CAP rates of multi-tenant office buildings in the Chicago Suburban market. He indicated this data is not readily identifiable as it is not public information and therefore relied on properties where he actually had income data. Relying on this information the CAP rate comparables indicated a range of 7.9% to 10.4% with an average of 9.0%. He also relied on market surveys for the total Chicago office market as well as the Central Business District and the suburbs. The suburbs indicated a CAP rate ranging from 7.5% to 10% with an average of 8.85%, which was further broken down into institutional grade and non-institutional grade properties. Based on the above sources, Mr. Geerdes estimated an overall CAP rate of 9%.

Mr. Geerdes testified his next step was calculating the effective tax rate and applying the effective tax rate to the underlying CAP rate to indicate a total CAP rate of 17.4% which was based on the subject's 2021 equalization factor and local tax rate. After determining the total CAP rate, he testified his next step was applying the stabilized net income to indicate the value determined by the income capitalization approach to be \$2,672,414 or \$2,670,000 rounded.

Mr. Geerdes then moved on to explain his second approach to valuation, the sales comparison approach. He stated he chose his five comparables by analyzing all the sales in the market and then narrowing that search further to sales that were the most comparable to the subject. Mr. Geerdes reiterated that the sales were office buildings with neighborhood locations catering to primarily local neighborhood tenants that are older in age with two-plus stories.

Under the sales comparison approach to value, Mr. Geerdes chose five sales. The sales ranged: in sales price between \$19.58 to \$33.90 per square foot of net rentable area. He adjusted the sales comparables and determined the value of the subject was \$20.00 per square foot of building area, or \$2,780,000.

In reconciling the approaches to value, Mr. Geerdes gave the most weight to the income approach to value and stated the subject's fee simple value as of January 1, 20121 was \$2,700,000.

Cross Examination of Mr. Geerdes

Under cross examination by the Assistant State's Attorney on behalf of the Cook County Board of Review, Mr. Geerdes stated he has done numerous appraisals for Mr. Klairmont and his properties and specifically has appraised the subject property for Mr. Klairmont multiple times. Mr. Geerdes was questioned about the extensive renovations to the subject and his characterization as "below-the-line" expenses or capital expenses. He was unable to provide actual dollar amounts and indicated he relied instead on RSMeans as a market source. He factored these expenses into reducing the subject's effective age rather than utilizing them for calculating value.

Mr. Geerdes testified that he would have relied on the rent roll at the time of valuation and vacancy affidavits. He was uncertain as to how many leases he reviewed for his report. He was unsure whether the anchor tenant, BMO Harris was counted as vacant in the vacancy calculations.

Under cross examination by Mr. Hernandez on behalf of Dist. 211 and Dist. 15, Mr. Geerdes agreed the building had some positive attributes and minimal tenant amenities that include parking and ease of access located on a major artery in Palatine. Mr. Geerdes agreed the building has income sources outside of rental income and indicated he did not list approximately \$90,000 in income from the antenna rental, instead attributing that to personal property. On further cross examination, Mr. Geerdes testified that the rental income from the 7th Floor accounts for approximately 12% of total rental income of the building. Mr. Geerdes was then shown Intervenor Exhibit #2 and cross-examined about the sales comparables he chose and stated sales comparable #2 (2775 Algonquin Road in Rolling Meadows) was sold first in 2019 for \$19.58 per square foot and approximately one year later, in March 2020, sold for \$43.86 per square foot. Mr. Geerdes admitted to using multiple leased fee sales as part of his reports. Mr. Geerdes stated specifically that in his income approach he relied on two "Imperial buildings" in his analysis of comparable

office leases: South Wilke Road and Wall Street in Mount Prospect⁶. (See page 66 of 2019-2020 appraisal; See page 74 of 2021 appraisal)

Under cross examination by Ms. Milluzzi on behalf of the Palatine Public Library, Mr. Geerdes stated three of the sales utilized in his appraisal were in the 30 – 35 year age range and two of the sales comparables were located in Schaumburg. Mr. Geerdes testified that when it came to vacancy rates he relied on larger and older office buildings in the nearby surrounding area, with over half located in Schaumburg. Mr. Geerdes admitted adjustments could be made for buildings in Schaumburg that would be considered newer or with superior locations. Mr. Geerdes also acknowledged that BMO Harris is a national bank and therefore would be considered a national tenant.

When questioned about the effect capital improvements have on the value of a property, Mr. Geerdes stated rather than factor that into the subject's value he used it to decrease the subject's effective age. When cross-examined about sales comparable #1 (5005 Newport Drive in Rolling Meadows) being sold, improvements made, and then being resold, Mr. Geerdes agreed that the price per square foot of the property increased between the initial sale and subsequent sale. Mr. Geerdes admitted that the subject property was in better condition since its 2013 purchase after renovations were made and that he did not make any upward adjustments to reflect its condition, but rather factored it into the property's effective age.

Mr. Geerdes testified that he did not provide any market analysis of rental rates for the commercial property on the first floor and lower level, rather, relying solely on the actual rental rates. He stated there were a lack of comparable properties based on the subject property being a neighborhood building and not freestanding retail. When questioned about the change in the weighted average of the subject's leases between the 2019 and 2021 appraisal, Mr. Geerdes testified that the 2021 appraisal data demonstrated pre-pandemic leases had a weighted average of \$18.86 per square foot. Mr. Geerdes agreed that the 2019 appraisal showed a weighted average of \$13.69 per square foot.

Lastly, Mr. Geerdes was questioned about the land value and stated he determined it was \$2,070,000 or \$11.00 per square foot.

Redirect Examination of Mr. Geerdes

On redirect, Mr. Geerdes testified that capital improvements do not increase the fee simple market value of a property on a dollar-for-dollar basis. Mr. Geerdes testified that his analysis contained a breakdown of pre-pandemic vs. pandemic leases closest to the dates of valuation, rather than looking at older leases. (See page 80 of 2021 appraisal)

When directed to sales comparable #2 (2775 Algonquin Road in Rolling Meadows), Mr. Geerdes stated he did not find the subsequent 2020 sale to be an arm's length transaction because the

⁶ Analysis of comparable office leases specific to the 2021 appraisal, relied on **one** "Imperial building" rather than the two that were utilized under the 2019 and 2020 appraisal. The Wilke Road property in Arlington Heights was included in both appraisals, whereas the Wall Street property in Mount Prospect was not included in 2021.

property was never exposed to the market or advertised for sale and therefore not a good indicator of market value.

Mr. Geerdes reiterated that he did consider a property rights adjustment for all comparable sales; it was his ultimate opinion that the leased fee market conditions were consistent with fee simple market conditions and required no adjustments. However, because the occupancy levels varied, he did make adjustments in his appraisal to reflect that factor.

Board of Review's Case

The board of review rested on its six previously submitted unadjusted comparable sales evidence.

Conclusion of Law

In determining the fair market value of the subject property for tax year 2021, the Board considered both the documentary evidence and testimonial evidence elicited during the hearing. 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 taxpayer must prove the value of the property by a preponderance of the evidence. 86 Ill. Admin. Code §1910.63(e); Winnebago County Bd. of Review v. Property Tax Appeal Bd., 313 Ill. App. 3d 1038, 1043 (2d Dist. 2000). 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 Board also finds the increase in assessment requested by the Intervenor is not warranted.

The PTAB's Rule 1910.63 (86 Ill.Admin.Code §1910.63) sets forth the scheme for a property owner to contest the correctness of the assessment.

- a) Under the principles of a de novo proceeding, the Property Tax Appeal Board shall not presume the action of the board of review or the assessment of any local assessing officer to be correct. However, any contesting party shall have the burden of going forward.
- b) Under the burden of going forward, the contesting party must provide substantive, documentary evidence or legal argument sufficient to challenge the correctness of the assessment of the subject property. Failure to do so will result in the dismissal of the appeal.

The board of review and any intervening party shall submit substantive, documentary evidence in support of the assessment. *Id.* All parties complied with the requirements of Rule 1910.63, but the appellant's evidence, both documentary and testimonial, failed to sustain its burden by a preponderance of the evidence. Witness credibility and evidence reliability are major considerations in determining whether a change of assessment is warranted. Weighing evidence "requires the trier of fact to find whether the greater amount of credible evidence presented sustains the issue that is to be established." Kraft Foods, Inc. v. Illinois Property Tax Appeal Board, 2013

II App. (2d) 121031, ¶48. Overall, this Board finds the REAC appraisal lacked sufficient reliability and supporting evidence to establish the assessment warrants a reduction.

This Board gives some weight to the REAC appraisal but finds it flawed in several respects. Throughout both approaches, REAC vacillated between its reliance on actual rents, income, expenses and vacancy rates and its reliance on market rents, income, expenses and vacancy rates. REAC failed to make adjustments to account for the differences between the subject and the suggested comparables in factors such as property rights conveyed, conditions of sale or financing terms, the class of building (i.e. its condition) and land-to-building ratio. This Board will not make the assumption that no adjustments were necessary for these factors. This failure was evident across both approaches to valuation and in the determination of the highest and best use of the property. In opining the subject's highest and best use, REAC relies on four improved land sales⁷ that have drastically different zoning and locations from the subject property. This Board also notes the REAC appraisal relied on at least one comparable owned by the same taxpayer/appellant in obtaining supportive evidence. These deficiencies create significant doubt as to the appraisal's credibility.

The Board finds that there were flaws in the appraisal's income approach. REAC inconsistently utilized actual income and/or actual expenses in its analysis in determining market rents and failed to provide any market data. REAC utilized actual income as it related to all parts of the subject property with the exception of the 7th Floor. A rent roll was referenced as the basis for calculations; however, the actual rent roll was not included in the appraisal. REAC analyzed five leases⁸ within the subject property that were executed between July 2019 and December 2021 with rental rates ranging from \$13.22 to \$19.70 per square foot with a weighted average of \$13.90 for pandemic leases and \$18.86 for pre-pandemic leases⁹; this was exclusive of the rent generated from the 7th Floor Palatine Executive Suites which accounts for 10% of the subject's net rental area and 12% of the subject's rental income. This is not an insignificant amount; 12% of \$1,145,000 (EGI) is \$137,400. To dismiss the income generated, whether it be labeled rental income or income generated from service or license agreements and give it minimal consideration provides an inaccurate approach to valuation. Additionally, the appraisal noted income generated from an antenna on the subject property but failed to include the approximately \$90,000 per year it generated in revenue in its effective gross income calculations. The market vacancy rate was likely overstated as well. By REAC's own research, Northwest Corridor, Class B buildings, had vacancy rates that ranged from 23.9% to 39.9% with a weighted average of 30.4%. The rate for Non-Owner-Occupied Office properties with two-or-more stories, regardless of class, within a five-mile radius of the subject, that rate is 28.7%. These numbers are significantly below the 40% vacancy rate opined by Mr. Geerdes as an appropriate valuation of the market vacancy rate. This Board finds it unreliable to utilize a 40% market vacancy rate for the subject property based on a selection of office buildings with many unknown characteristics without regard for their classification and no indication of their distance from the subject, thereby resulting in overstating the market vacancy rate.

⁷ As noted earlier in this decision, comparable #4 is merely an "offering" and not a sale. As such, this Board will not give it any weight.

⁸ This Board notes that while REAC relied on January 1, 2021, rent roll information in its appraisal the rent roll itself was not made part of the appraisal nor entered into evidence.

⁹ The 2021 appraisal placed maximum weight on the pandemic leases stating they were most representative of market conditions as of the effective date of the appraisal report. (See page 81 of 2021 appraisal).

In choosing comparable leases to determine market rent, the appraisal utilized four different locations: properties located on Emerson Avenue in Palatine, South Wilke Road in Arlington Heights, Algonquin Road in Rolling Meadows and Tollview Drive in Rolling Meadows. The comparable in Arlington Heights is a property owned by the same taxpayer as the subject property. That comparable offers a self-validating valuation of the subject property and calls into question whether it is indicative of market rents. The comparable in Palatine had a weighted gross rent of \$15.15 per square foot for offices on the first floor. The comparable in Arlington Heights had a weighted gross rent of \$15.06; two offices for rent were located on the first floor, four offices for rent were located on the second floor, and one office for rent was located on the sixth floor of the building. The third comparable on Algonquin Road in Rolling Meadows had a weighted gross rent of \$13.88 per square foot; three offices for rent were located on the second and third floors, and four offices for rent on the fifth through eighth floors. The level of similarity or dissimilarity has not been established because many factors for comparison are omitted.

As further support, REAC itself references the direct relationship of floor number to rental rate. On page 73 it is stated: "Higher tier office leases with unrestricted views will typically lease at higher rates than low tier leases with obstructed views." The information provided about the four comparable offices leases was extremely limited and therefore prohibited any meaningful attempt at comparison. Notably information such as: gross building area, rentable building area, land-to-building ratio, location, class of building, number of stories, was not presented. Nineteen out of twenty-five comparable leases are for office space located between the first and fourth floors which by REAC's own submission generate lower rents. This effectively underestimates the market rent of the subject property.

The same reasoning applies to REAC's analysis of asking rents. Lease offerings from five office buildings located in both Palatine and Arlington Heights were analyzed to determine comparable asking rents. These office buildings have rental rates that range from \$15.00 to \$19.00 per square foot. While all five comparables are similar in age there are notable dissimilarities: one of the comparables has significantly larger rentable building area and two have significantly less rentable building area. Additional characteristics that would allow a meaningful comparison are not provided. Also, the floor location on the asking rents is for lower-level floors. Four of the suggested comparables are for units located between the first and fourth floors which generate lower rents.

The sales comparison approach REAC contained information on five comparable sales. The comparable properties sold between December 2017 and December 2021. The comparable properties ranged: in price between \$625,000 to \$6,050,000; in size between 31,923 to 201,188 square feet of building area; and in sale price per square foot between \$19.58 to \$33.90, including land.

Significantly, there was no adjustment made to reflect the conditions of sale for any of the transactions. On redirect examination Mr. Geerdes stated it was his opinion that the leased fee market conditions were consistent with fee simple market conditions. However, there was no information provided about rental rates of the comparables at the time of their sale; whether they were at, above, or below market rate. A leased fee sale is not a reliable indication of market value for a fee simple interest without the appropriate adjustments.

While the Intervenor in this matter had submitted a technical appraisal review by Mr. William Enright, that document was limited to the 2019 and 2020 REAC appraisal. Mr. Enright did not conduct a separate review of REAC's 2021 appraisal. While it was argued that the methodologies were the same for both appraisals, the comparables selected by REAC across both valuation approaches were different. For those reasons, this Board considers Mr. Enright's testimony more relevant to the 2019 and 2020 case than this case.

The board of review submitted six properties that sold within two years of the 2021 valuation date. This evidence consisted of unadjusted data concerning comparable properties located in either the same or neighboring suburbs. This Board affords them limited weight.

It is the appellant's burden to prove overvaluation by a preponderance of the evidence. For all the reasons stated above, the appellant failed to meet that burden due to deficiencies, unreliability, and lack of credibility of the appraisal submitted. The Board therefore finds a reduction in the subject's assessment is not justified. This Board also finds there is no basis for an assessment increase in accordance with 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: _____

December 17, 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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Docket No: 21-28606.001-C-3

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