PROPERTY TAX APPEAL BOARD'S DECISION

APPELLANT: Prairie State Bank & Trust
DOCKET NO.: 04-01375.001-C-1
PARCEL NO.: 22-27.0-401-018

The parties of record before the Property Tax Appeal Board are Prairie State Bank & Trust, the appellant, and the Sangamon County Board of Review, by Assistant State's Attorney Dwayne Gab.

The subject property consists of a 3.21 acre (139,828 sq. ft.) site improved with a one-story frame building with a brick face exterior containing approximately 2,320 square feet of building area. The subject, currently used as a bank, was constructed in 1991. Amenities include one remote drive-up station, an acoustical tile ceiling, natural gas fired forced air heat, central air conditioning, a concrete parking lot, sidewalks, exterior lighting and sod. The subject property is located on the corner of Cotton Hill Road and Toronto Road approximately .25 miles from Interstate 55 in Capital Township, Sangamon County, Illinois.

The appellant appeared before the Property Tax Appeal Board through one of its co-owners claiming overvaluation as the basis of the appeal. In support of this claim, the appellant offered a complete summary appraisal performed by Michael Vespa and Mark Zeigler, state certified appraisers. Michael Vespa was present at the hearing and was called as a witness in support of the appraisal. Vespa testified he has 17 years of commercial and industrial real estate appraisal experience. Vespa estimated a fair market value for the subject property of $460,000 as of January 6, 2005 using the three traditional approaches to value.

Vespa testified the subject's highest and best use is as a general commercial facility. He further testified that other commercial uses are not permitted under the current residential zoning and that it would be necessary to acquire a zoning change or a variance to convert the property to an alternate commercial use.

Under the cost approach to value, the subject's land value was estimated to be $300,000. This estimate was derived from a range of four comparable land sales in close proximity to the subject that ranged in size from 65,340 to 78,844 square feet. The four

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Based on the facts and exhibits presented, the Property Tax Appeal Board hereby finds ***no change*** in the assessment of the property as established by the **Sangamon** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND:	$	153,025
IMPR.:	$	52,348
TOTAL:	$	205,373

Subject only to the State multiplier as applicable.

PTAB/eeb/Oct.08/2004-01375

comparables, all zoned for commercial use, sold from June 1996 to April 1998 for prices ranging from $2.18 to $8.88 per square foot of land area. The land sales were adjusted downward for size, zoning, date of sale and location to arrive at a land value range from $1.75 to $2.50 per square foot of land area. The subject property was estimated to have a land value of $2.50 per square foot of land area for the building site. The subject has a land-to-building ratio of approximately 60:1 when the entire parcel is considered, however, the appraiser concluded the subject required only 69,828 square feet of land for the building site area, resulting in a land-to-building ratio of 30:1. No supporting documentation was provided to support this conclusion. The appraiser next considered the remaining 70,000 square feet of land area to be excess or surplus land which was adjusted to approximately 70% of the $2.50 per square foot of the building site land value estimate or $1.75 per square foot. As a result, the subject property was estimated to have an excess land value of $122,500 with a subject building site value of $174,570 for a total estimated land value of $297,070, or $300,000 rounded.

Replacement cost new of the subject's building improvements was estimated to be $94.35 per square foot of building area or $218,892 using cost data obtained from local builders and comparing those values with data contained in R.S. Means Construction Cost Data Service and Marshall Valuation Service. Vespa estimated the subject's yard and outside improvements had a cost new of $25,570. Physical depreciation for the building was estimated to be 18% or $39,401 using the Marshall Valuation Service with the yard and outside improvements being depreciated at 50% or $12,875. As a result, the subject property was estimated to have a depreciated improvement value of $192,366. Adding the subject's estimated land value of $300,000, the appraiser concluded a value under the cost approach of $492,366 or $490,000, rounded.

The witness next discussed the income approach to value. Vespa testified he determined the potential gross income for the subject property of $15.00 per square foot of building area based on local income figures typical for properties similar to the subject. Thus, the appraiser concluded the subject property has a potential gross income of $34,800. No rental comparables were contained within the appraisal report. Vacancy and collection losses were estimated to be 5% of the potential gross income or $1,740, resulting in an effective gross income of $33,060. Management costs, reserves for replacements and insurance expenses were estimated to be 4% of gross income, or $3,966 in total, resulting in a net operating income of $29,093. The capitalization rate was calculated from information provided by loan officers and realtors in the local area, citing mortgage rates from 6% to 9.5% and returns on equity from 7.5% to 11%. This was compared to the national market indicators which indicated an overall third quarter rate for 2004 from 6% to 10%. Capitalizing the subject's net operating income ($29,093) by 9%, the appraiser concluded the subject property has a fair market value of $445,000, rounded, under the income approach, when the excess land value of $122,500 is included.

Under the sales comparison approach, the appraiser utilized five suggested comparable sales. The suggested comparables were built between 1971 and 1996, are of frame and masonry, frame and stucco, or brick construction, containing from 1,792 to 10,588 square feet of building area. The comparables are located in close proximity to the subject. The buildings are situated on sites ranging in size from 26,136 to 112,488 square feet of land area with land-to-building ratios from 5.38:1 to 37.66:1. Their amenities were not disclosed. The suggested comparables sold for prices ranging from $140,000 to $465,000 or from $42.50 to $156.10 per square foot of building area, including land. The sales occurred from July 2000 to November 2003.

The appraiser testified he adjusted the comparables for differences when compared to the subject for size, site, location and other pertinent factors. The comparable sales data indicated an adjusted value range from $55.25 to $148.29 per square foot of building area. Comparable sale #1, which was at the low end of the established range, was similar to the subject in location, age, condition, construction quality and design. This comparable was adjusted upward for size and land-to-building ratio. Comparable sales #3 and #4, zoned for commercial use, were adjusted upward for size, age, land-to-building ratio, construction quality, design and/or location. Comparable sale #5, also zoned for commercial use, was the only banking facility used as a comparable and was adjusted downward for location, condition, construction quality and design when compared to the subject. Comparable sale #2, which was at the high end of the established range, was considered most similar to the subject property because it had the least number of adjustments and the smallest aggregate adjustment. Comparable sale #2 was zoned B-1, Highway Business Service District. The appraiser placed most weight on comparable sale #2, which sold for $156.10 per square foot of building area, including land. This comparable is a one-story frame and stucco building located in close proximity to the subject with a land-to-building ratio of 37.66:1. This comparable was adjusted downward for the land-to-building ratio when compared to the subject because the comparable had more land, relative to its building size, than did the subject. Based on the adjusted comparable sales, the appraiser concluded a value of $336,400 or $145.00 per square foot of building area for the subject's building and immediate site area, excluding the excess land. Adding the excess land value of $122,500 resulted in an estimated value of $458,900, or $460,000 rounded, under the sales comparison approach.

In reconciling the three approaches to value, Vespa gave primary consideration to the sales comparison approach. Therefore, he concluded a final value for the subject property of $460,000, which includes $122,500 attributed to the excess land area. Based on this evidence, the appellant requested a reduction in the subject's assessment commensurate with the market value estimate contained within the appraisal report.

During cross-examination, the appraiser testified that the highest and best use for the subject parcel would be general commercial use, however, it is not currently zoned for commercial use. The property is zoned R-1, residential. It is only under the grandfather clause that the appellant is allowed to operate as a commercial entity. An alternative commercial use would require the necessary re-zoning or variance to operate as a commercial facility. Vespa testified that the excess land attached to the subject was downgraded by 30% from the high end of the range because the excess land was not subdivided into a separate parcel. The excess land value estimate of $122,500 was based on subdividing the subject's land. He considered the land as it currently is with the excess land being sold as a separate parcel. Vespa further testified that the excess land value required a negative adjustment to the comparable sales, however, this was not stated in his appraisal report when he analyzed the comparable land sales.

Vespa confirmed on cross-examination that he investigated similar type properties, not necessarily properties that had the same zoning classification as the subject. He was not sure if he investigated the procedures it would take to change the zoning classification of the subject property from residential use to commercial use.

Vespa further testified that under the paired sales analysis of the appraisal report, the property located at 1290 Toronto Road was used in the land value analysis when it was a vacant lot and not when it was subsequently improved. Vespa concluded that because the comparable was purchased in 1998 as a vacant lot for $240,000 and then purchased again as improved in 2002 for $325,000, this demonstrated to him that a relatively flat commercial market appeal existed for the Toronto Road area during that time frame. Vespa further admitted that the vacant lot which sold for $1,200,000 in September 1998 and resold as improved in December 2004 for $550,000 could be the result of either a distress sale or an arm's length transaction -- the supporting data was not included in the appraisal report.

Vespa testified that only one of the five comparables used in the sales comparison approach was a bank. The other comparable sales consisted of three retail food establishments and one office building. Vespa admitted that a food establishment or office building requires a smaller land-to-building ratio than a bank. Vespa testified that the most important feature in selecting a comparable is a location that is in close proximity to the subject in question. Under the income approach to value, Vespa could not recall if any of the rental comparables were operated as banking facilities. The rental properties were not identified in the appraisal.

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's total assessment of $205,373 was disclosed. The subject's total assessment reflects an estimated market value of $616,366 or $265.68 per square foot of building area including land area using Sangamon County's 2004 three-year median level of assessments of 33.32% as determined by the Illinois Department of Revenue.

In support of the subject's assessment, the board of review submitted a summary argument, 19 comparable land sales, sales transaction records, 3 land listings, a land-to-building ratio analysis, 5 bank sales, a land value study, a Building and Zoning Department letter, a real estate transfer declaration sheet, maps and a comprehensive plan for the local area.

The board of review first called Joe Gooden, Zoning Administrator for the City of Springfield, as a witness. Gooden testified that the zoning classification for the subject could be changed. The subject currently has a legal, non-conforming use to operate as a banking facility. John Venturini, the Deputy Township Assessor, was next called as a witness. Venturini testified that the Uniform Standards of Professional Appraisal Practice (USPAP), 2004 Edition, requires that zoning be considered when valuing property. In support of this argument, the board of review introduced page 19 of the USPAP 2004 Edition as Exhibit #2. Standards Rule 1-3(a) states in relevant part that an appraiser must:

> identify and analyze the effect on use and value of existing land use regulations, reasonably probable modifications of such land use regulations, economic supply and demand, the physical adaptability of the real estate, and market area trends . . . . (USPAP, 2004 Edition)

Venturini further testified that the subject contains excess land and that a land-to-building ratio of 15:1 was sufficient for a banking facility. He felt the 30:1 land-to-building ratio concluded by Vespa was invalid. Venturini further testified that he reviewed the appraisal submitted by Vespa and did not agree with the buildings used for comparable sales as only one comparable was a banking facility like the subject. He felt it was more appropriate to use land sales with close access to I-55 like the subject as opposed to dated land sales in the subject's immediate area. The witness also disputed the appellant's appraisal for lack of downward adjustment for time regarding bank sales and location of land sales that were west of Toronto Road while the subject is located east of Toronto Road.

The board of review created a summary chart of land-to-building ratios for bank facilities and argued that the subject property has a land-to-building ratio of approximately 60:1. Another summary chart of land sales further depicts the land sales provided a range of $2.98 to $12.08 per square foot of land area. In addition, 3 current land listings provided a range of $3.50 to

$12.00 per square foot of land area. The board of review argued that the subject's land market value of $3.43 per square foot is within, and at the low end, of the range of the market data presented. Using a 15:1 land-to-building ratio, the board of review surmised the subject requires 34,800 square feet of immediate site area, which leaves 105,028 square feet as excess land. The subject's excess land value was concluded to be $360,246 or $3.43 per square foot of land area.

The board of review's land sale comparables ranged in size from 27,966 to 174,240 square feet and sold from October 1995 to April 2004 for prices ranging from $170,000 to $815,000 or from $2.98 to $12.08 per square foot of land area. Seven of the sales were in the subject's immediate area and five of the sales were for the construction of a banking facility. Eighteen of the nineteen comparable land sales were zoned for either commercial or industrial establishments. In addition, the board of review introduced real estate land listing sheets into evidence. The listing sheets depicted a market value range of $731,808 to $2,135,000 or from $3.50 to $12.00 per square foot of land area. All three real estate land listings are in the subject's immediate area and are zoned for commercial use.

In further support of its assessment the board of review presented a land-to-building ratio analysis for banking facilities. All of the comparable facilities were located in Sangamon County. The analysis depicts 12 banking facilities with land sizes ranging from 19,602 to 50,380 square feet of land area and building sizes ranging from 1,168 to 4,047 square feet of building area, resulting in land-to-building ratios ranging from 8.23:1 to 22.10:1. The banking facilities have remote stations ranging from one to seven. The subject, with one remote station, has 139,828 square feet of land area and 2,320 square feet of building area, resulting in a land-to-building ratio of 60.27:1.

The board of review offered five comparable bank sales into evidence. This document was introduced to support the board of review's argument regarding the valuation of a banking facility that includes the necessary land requirements to operate as a banking facility, without excess land included. These five bank sales ranged in size from 1,102 to 20,672 square feet of building area with land-to-building ratios ranging from 3.88:1 to 21.23:1. The analysis extracted estimated land values from the total sales prices to arrive at a building price per square foot. The properties sold from May 1997 to March 2003 for prices ranging from $305,000 to $2,000,000 or from $52.00 to $149.50 per square foot of building area, without the land. The board of review argued that this document supported its claim that a banking facility such as the subject, without excess land, would have, at a minimum, a value of $348,000. As a result, adding $360,246 or $3.43 per square foot of excess land value to the building and immediate site value, results in a total value for the subject of $708,246. The board of review provided no other documentation or evidence to support the estimated land values or residual building values that were extracted from the total sales prices to arrive at the estimated per square foot values of the land and buildings separately. Based on this evidence the board of review requested the subject's assessment be increased to reflect a market value of no less than $700,000.

After hearing the testimony and considering the evidence, the Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of this appeal. The Board further finds the evidence in the record does not support a reduction as requested by the appellant, or an increase in the subject's assessment, as requested by the board of review.

The appellant argued the subject property was overvalued. When market value is the basis of the appeal, the value must be proved by a preponderance of the evidence. Winnebago County Board of Review v. Property Tax Appeal Board, 313 Ill.App.3d 179, 183, 728 N.E.2d 1256 (2nd Dist. 2000). The Board finds the appellant has not met this burden of proof and a reduction in the subject's assessment is not warranted.

Both parties offered evidence and/or testimony regarding the appropriate land-to-building ratio required to sufficiently operate a banking facility. The appellant has suggested a ratio of 30:1 without sufficient evidence or supporting documentation. The board of review suggested a land-to-building ratio of 15:1 supported by testimony from Venturini and a land-to-building ratio analysis. The Board finds Venturini's testimony is not credible or supported with sufficiently reliable data to substantiate this conclusion. The land-to-building ratio comparables used by Venturini were dissimilar in characteristics when compared to the subject and too remote from the subject's rural location.

The appellant's appraiser estimated a land value for the subject of $2.50 per square foot of land area and then debased the excess land amount by 70% to arrive at $1.75 per square foot of excess land area. The Board finds the method used to calculate this estimate is not supported by the evidence contained in this record. In addition, the Board gave little weight to the board of review's current land listings, which have not sold, as this evidence tends to indicate the upper end of the value range. The Board gave most weight to the land comparables submitted by both parties that are in close proximity to the subject. The sales prices of these comparables ranged from $2.18 to $8.88 per square foot of land area. The subject has a land assessment of $153,025, reflecting a market value of approximately $459,260 or $3.28 per square foot of land area using Sangamon County's 2004 three-year median level of assessments. After considering adjustments to the land comparables for differences when compared to the subject, the Board finds the subject's land assessment is within the range established by the most comparable land sales.

Vespa testified that the subject's highest and best use was for general commercial value, however, this was conditioned on the subject obtaining commercial zoning in the future. The board of review presented testimony indicating that a rezoning for the subject was possible, however, the appellant correctly pointed out that this was no guarantee. Vespa further estimated the subject's primary site size because the subject's land area was not sub-divided into separate parcels and any excess land value would be based on subdividing the land. Vespa's estimations were based on the subject's excess land being sold as a separate parcel. The Board finds Vespa did not adequately investigate or document in his report the arm's length nature of the paired sales comparables used in his appraisal. Vespa admitted that only one comparable sale was a banking facility. Further, no supporting market rental data was included in the report to support the income approach to value. During cross-examination Vespa admitted that in his income analysis, none of the comparables were banking facilities. In his replacement cost new analysis Vespa used a value of $94.35 per square foot of building area, however, as Venturini testified, this conflicts with the building cost schedules for banks, introduced by the board of review, which depict a range of $129.44 to $274.19 per square foot of building area. The Board finds the appraiser's cost approach, income approach and sales comparison approach were each influenced by the unsupported excess land valuation estimate and were therefore given reduced weight. Based on the testimony and evidence presented, the Board gave less weight to the final value conclusion contained in the appraisal report.

Based on the testimony and evidence submitted by both parties the Board placed most weight on the raw sales data depicting the five banking facility sales submitted by both parties. Comparable five was used by both parties in their analysis. The banks were built from 1968 to 1998 and range in size from 892 to 20,672 square feet of building area. The properties sold from May 1997 to March 2003 for prices ranging from $305,000 to $2,000,000 or from $96.75 to $341.93 per square foot of building area, including land. The subject's assessment of $205,373 reflects an estimated market value of $616,366 or $265.68 per square foot of building area, including land, using Sangamon County's 2004 three-year median level of assessments of 33.32% as determined by the Illinois Department of Revenue. The subject's estimated market value of $265.68 per square foot building area, including land, is within the range established by the most similar comparables contained in this record. After considering adjustments and the differences in both parties' suggested comparables when compared to the subject property, the Board finds the subject's assessment is supported by the most comparable properties contained in the record and a reduction in the subject's assessment is not warranted.

In conclusion, the Board finds the appellant has not demonstrated the subject property was overvalued by a preponderance of the evidence. Therefore, the Board finds the subject property's assessment as established by the board of review is correct and a reduction is not warranted.

Docket No.: 04-01375.001-C-1

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.

Chairman

Member

Member

Member

Member

DISSENTING:

C E R T I F I C A T I O N

As Clerk of the Illinois Property Tax Appeal Board and the keeper of the Records thereof, I do hereby certify that the foregoing is a true, full and complete Final Administrative Decision of the Illinois Property Tax Appeal Board issued this date in the above entitled appeal, now of record in this said office.

Date: December 5, 2008

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 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 the subsequent year 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.

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.