FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Leiserv, Inc.
DOCKET NO.: 04-22230.001-C-2 through 04-22230.002-C-2
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are Leiserv, Inc., the appellant(s), by attorney Terrence J. Griffin, of Eugene L. Griffin & Associates, Ltd. of Chicago; the Cook County Board of Review by Cook County Assistant State's Attorney Bill Blythe; and Leyden H.S.D. #212 and River Grove School District #85.5, the intervenors, by attorney Scott Metcalf of Franczek Radelet P.C. in Chicago.

Based on the facts and exhibits presented, 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:

DOCKET NO	PARCEL NUMBER	LAND	IMPRVMT	TOTAL
04-22230.001-C-2	12-27-208-017-0000	246,174	53,826	$300,000
04-22230.002-C-2	12-27-212-002-0000	30,000	4,400	$34,400

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property consists of two parcels of land totaling 188,526 square feet and improved with a 40-year-old, one-story, masonry constructed, bowling alley containing 44,232 square feet of building area. The appellant argued that the fair market value of the subject is not accurately reflected in its assessed value.

In support of this market value argument, the appellant submitted a complete, self-contained appraisal of the subject with an effective date of January 1, 2004 and an estimated market value of $880,000.

At hearing, the appellant's witness was the appraiser, Joseph M. Ryan. Mr. Ryan testified that he is president of LaSalle Appraisal Group since 1991. He testified he has worked at the Cook County Assessor's Office from 1980 to 1985. He indicated that he is a state-certified appraiser and holds the designation of a MAI from the Appraisal Institute. Mr. Ryan testified that he has appeared as an expert witness before in the court system and before The Illinois Property Tax Appeal Board. Mr. Ryan testified he has appraised 16-18 bowling alleys that are similar to the subject. Kelly was admitted as an expert in the field of property valuation without objection of the remaining parties.

The appellant's appraisal gave an estimate of market value as of the effective date of January 1, 2004 of $880,000. Ryan testified he conducted an inspection of the property. The appraisal identifies and fully describes the subject property's improvements. Ryan testified the subject is a 44,000 square foot, 48-lane bowling alley that has an effective age of 40 years.

Ryan opined that a bowling alley is a melding of real estate and equipment for a specific business purpose. He testified the property was converted from a bowling alley to a Brunswick Zone Facility, which is a bowling alley. He stated the interior was somewhat updated and the façade was changed as part of the conversion. Ryan testified that going concern and goodwill as indicated in the appraisal refers to the value of the proven business operation. He opined that the idea being the real estate and the business are kind of built for one another.

As to land, Ryan testified it is a somewhat flag shaped parcel located on the west bank of the Des Plaines River. He stated that when he inspected the property on October 7, 2004 that the parking lot was somewhat flooded and testified that part of the site is located in a flood plain. Ryan testified that for several blocks, the subject property is the only improved site on the east side River Road. He stated the west side of River Road contains a couple budget hotels, but is mainly industrial. Ryan opined that the utility of the site is diminished because of the location along the river and the flood plain. Ryan noted that the improvement is located at the front of the lot and the parking is in the back. He testified that, typically, a property has its parking in the front and opined that the layout for the subject was due to flooding considerations.

Ryan testified the interior of the improvement is an open, big box with concrete walls and floor, a dropped acoustic ceiling and no interior posts. The east side of the improvement consists of 48 bowling lanes with some furniture and fixtures and carpeting at the end of the lane; typical of any bowling alley. The west side of the building has an arcade type room, a bar, the shoe rental, cashier desk, pool room and locker rooms.

Ryan opined that the highest and best use of the subject as vacant was commercial use and that as improved, it highest and best use would be its current use as a bowling alley.

The appellant's appraiser developed two traditional approaches to value in estimating the subject’s market value. The income approach indicated a value of $880,000, rounded, while the sales comparison approach indicated a value of $880,000, rounded. The appraiser concluded a market value of $880,000 for the subject property as of January 1, 2004.

The first method developed was the sales comparison approach. Ryan testified that, under this approach, he examined the sale of six bowling alleys located in the west suburban area. The properties range in building size from 21,331 to 42,502 square feet of building area area and sold from December 2001 to February 2004 for prices ranging from $515,000 to $1,760,000, or from $22.96 to $49.58 per square foot of building area, including land. The properties ranged: in age from 23 to 40 years; in land to building ratio from 2.47:1 to 3.86:1; and in number of lanes from 28 to 40 with information on one property not included. Ryan testified that he chose sales in which the property was used as a bowling alley prior to and after the sale. He testified he confirmed all the sales and made adjustments based on different elements of comparison. Ryan further explained that he made adjustments for location because all the sales were located on more developed commercial corridors than the subject. Ryan testified that, based on these adjustments, he estimated the value of the subject at $20.00 per square foot of building area, including land. This yields a value for the subject property under the sales comparison approach at $880,000, rounded.

Under the income approach, the appraiser reviewed the leases of four commercial buildings. Ryan testified he look in the market for rents of bowling alleys, but found them to be owner operated or operated by people in the business and owned. He testified he has never encountered a bowling alley built on a speculative basis when someone else would rent the space and operate the business. The properties ranged in size from 20,000 to 94,282 square feet of building area and had rental rates ranging from $7.50 to $11.50 on a gross basis. Ryan testified that he estimated the gross rent as part of acceptable appraisal methodology for an ad valorem appraisal. He stated he did not convert the gross rent back to a net basis. After adjustments, Ryan testified he estimated a gross rent for the subject of $6.00 per square foot of building area for a potential gross income of $265,400. Ryan testified he reviewed the retail market to arrive at a vacancy and collection rate of 10% for the subject. Ryan then deducted operating expenses from the effective gross income. He testified he reviewed the 2003 Income and Expense Analysis Report for Shopping Centers published by the Institute of Real Estate Management. Ryan estimated expenses as $2.01 per square foot of building area to arrive at a net operating income of $149,948.

In determining the appropriate capitalization (CAP) rate, Ryan testified he considered two methods. First, he testified, he extracted a CAP rate from the direct capitalization method by consulting two sources: Korpacz and Real Estate Researchers Corporation. Ryan testified that CAP rates ranged from 9% to 14%. Using the band of investment method yielded a CAP rate of 10.26%. Ryan testified that after consideration of all the data, he selected a CAP rate of 10%. After adding in the effective tax rate, an overall CAP rate of 16.93% was applied to the net operating income to estimate the market value for the subject under this approach at $880,000, rounded.

In reconciling the approaches, Ryan testified he gave the most consideration to the sales comparison approach as the properties were bowling alleys prior to and after the sale. He testified the income approach was more of a test to confirm the conclusions in the sales comparison approach. After reconciliation, the appraisal estimated the value for the subject property as of January 1, 2004 to be $880,000.

Under cross-examination by the board of review, Ryan testified that after the property was purchased in 1998, the owners replaced the façade on the north end of the building and that the interior of the building was updated. He opined that the interior update included painting of the concrete block, updating the trade fixtures in the bar, new fixtures in the bathrooms, and new carpeting in the locker rooms. Ryan testified that the property was converted from a bowling alley to a Brunswick Zone with is a bowling alley.

Ryan testified that he based his opinion of the subject being in a flood zone on the fact that city officials said much of the land along the Des Plaines River is on a flood plain. He acknowledged that he did not receive any documentation from the city official to substantiate this conversation. He also acknowledged that a survey was not conducted for the subject property to substantiate that the subject was in a flood plain. He testified he did not take pictures of the flooded parking lot on the day he was inspecting the property.

As to the sales comparables, Ryan testified that the first comparable is located in DuPage County and that the appraisal does not list the amenities in the improvement. Ryan acknowledged that sales comparable #5 was subject to a sale-lease back and that sale #5 is located in Will County. Ryan acknowledged that the estimate of value for the subject property based on the sales comparison approach fall below the range of prices per square foot of the sales comparables.

As to the income approach, Ryan testified that none of the rental comparables were bowling alleys, but commercial space. When asked about the subject producing an income, Ryan testified that the bowling alley business generates income. He indicated he did not include this information in the appraisal because he was not valuing the going concern.

On cross-examination by the intervenor, Ryan testified that he did not consider the upgrades to the subject that were upgrades in personal property. He opined that the conversion may have added some business value to the property.

As to the sales comparison approach, Ryan acknowledged he made downward adjustments for the subject's location in a flood plain as well as locational characteristic adjustments such as for the subject's lack of being in a commercial corridor. Ryan testified the sales comparables were located around commercial businesses, but could not recall the specific names of those businesses. As to sale #4, Ryan acknowledged this sale was subject to a lease back and he testified he requested the lease information but was not given it.

As to the income approach, Ryan acknowledged he converted net leases to gross leases for the comparables. He also acknowledged that the amount of expenses would have been lower if net leases were utilized in this approach. However, he opined that the net operating income would not have been higher because the rent would have been lower. Ryan responded to questions about the subject's gross rent and net rent estimates and testified that the estimate of rent would have been lower as would the CAP rate.

Ryan testified that he used gross leases because he was valuing the property for ad valorem tax purposes and wanted to include all the expenses on the property. He testified he used market expense information on shopping centers because the subject is a commercial building and there were no categories specific to bowling alleys.

Ryan was questioned on the data he used for commercial properties as it compares to a bowling alley. Ryan testified that he has not read any books or training manuals specific to bowling alleys and that he utilized he knowledge and experience as an appraiser to develop the income approach with what data he could use which was for commercial properties. He testified he did not put all the weight on this approach, but looked to the sales comparison approach which had data on the sale of properties that were bowling alleys prior to and after the sale.

Ryan acknowledged the appraisal utilizes a vacancy rate develop from a review of the south suburbs and that the subject is not located in the south suburbs.

In response to questions regarding flooding on the subject, the appraisal indicates the subject property is in an area that has a 1% annual chance of flooding. Ryan testified that the subject has a chance of flooding as opposed to a property that has no chance of flooding.

Ryan testified that he did not conduct an estimate of land value for the subject, but, based on his knowledge and experience, the historical sale of the subject and his database full of land sales, he opined that the subject's improvement contributed to over and above the land value to the subject property.

In redirect, Ryan reiterated that he was valuing the real estate and not the business of the bowling alley not the value of the Brunswick name. He clarified that the subject property is located on the banks of the Des Plaines River. Ryan testified that no two properties are identical and that is why adjustments are made in the sales comparison approach.

Ryan testified that he considers a bowling alley a commercial property and that all the data he utilized for the income approach was for commercial properties. He testified that the appraisal indicates a lower range for vacancy and collection rates, but that he used a 10% rate because the subject is an odd size for a commercial building and its location is outside of a commercial corridor.

Ryan testified he did not perform a cost approach and opined that buyers and sellers in these transactions are not cognizant or don't recognize the cost approach in their investment decisions. He further testified that the subject property is 40 years old and located adjacent to the river and there is a lot of subjectivity there that would lead to the cost approach being given no weight.

As to sales comparable #5, Ryan testified he included this sale-lease back because the buyer and seller were both established companies within the bowling industry and he opined that these parties were vary knowledgeable about the business.

The board of review submitted "Board of Review-Notes on Appeal" that reflect the subject's total assessment of $510,718 yielding a market value of $1,343,995 or $30.39 per square foot of buildable area, including land, using the Cook County Real Property Classification Ordinance for Class 5A property of 38%. In support of this market value, the notes included CoStar Comp database printouts for four properties suggested as comparable to the subject. The properties are bowling alleys that range in size from 19,000 to 42,502 square feet of building area. The properties sold between March 2003 and February 2004 for prices ranging from $500,000to $1,150,000 or from $22.96 to $30.39 per square foot of building area, including land. The documentation indicates: sale #1 was purchased by a church to be used as a youth center; sales #2 and #3 were not on the market at the time of sale, but that the buyers approached the sellers directly; and sale #4 was the subject of a sale-lease back. Sale #4 was also used by the appellant in the sales comparison approach of the appraisal. At the hearing, the board of review did not call any witnesses and rested its case upon its written evidence submissions.

In support of the intervenors' position, the intervenor submitted CoStar Comp database printouts for three properties suggested as comparable to the subject. These properties include bowling alleys and range in size from 28,000 to 85,000 square feet of building or rentable area. The properties sold between May 2002 and December 2003 for prices ranging from $850,000to $2,950,000 or from $30.36 to $38.11 per square foot of building or rentable area, including land. The documentation indicates sale #1 was not on the market at the time of sale, but that the buyer approached the seller directly and sale #3 was the seller's downleg in a 1031 exchange. Sale #1 was also used by the board of review as a suggested comparable. At the hearing, the intervenor did not call any witnesses and rested its case upon its written evidence submissions.

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.

When overvaluation is claimed the appellant has the burden of proving the value of the property by a preponderance of the evidence. *Property Tax Appeal Board Rule* 1910.63(e). Proof of market value may consist of an appraisal, a recent arm's length sale of the subject property, recent sales of comparable properties, or recent construction costs of the subject property. *Property Tax Appeal Board Rule* 1910.65(c). Having considered the evidence presented, the PTAB concludes that the appellant has satisfied this burden and that a reduction is warranted.

In determining the fair market value of the subject property, the PTAB finds the best evidence to be the appellant's appraisal and the appraiser's testimony. The appellant's appraiser utilized the two of the three traditional approaches to value in determining the subject's market value. The PTAB finds this appraisal to be persuasive for the appraiser: has experience in appraising; personally inspected the subject property; gave full explanation as to why the cost approach was not used; utilized appropriate market data in undertaking the approaches to value; and lastly, used similar properties in the sales comparison approach while providing sufficient detail regarding each sale as well as adjustments that were necessary.

Although two of the sales comparables were located outside of Cook County, the board of review failed to establish how this locational difference would affect value. In addition, Ryan testified he made adjustments for locational characterisitics. In addition, the intervenor failed to establish that Ryan's use of commercial properties in the income approach to value was flawed. Ryan testified that he could not find data in regards to bowling alleys and that he utilized commercial property data because the subject bowling alley is a commercial business.

The PTAB gives little weight to the board of review's and the intervenor's comparables as the information provided was unadjusted raw sales data without any testimony as to the properties' characteristics.

Therefore, the PTAB finds that the subject property had a market value of $880,000 for the 2004 assessment year. Since the market value of the subject has been established, the Cook County Ordinance for Class 5A property of 38% will apply. In applying this level of assessment to the subject, the total assessed value is $334,400 while the subject's current total assessed value is above this amount. Therefore, the PTAB finds that 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.

Donald R. Crit

Chairman

K. L. Fern — Member

Richard A. Hopf — Member

Mario Illiano — Member

Walter R. Gorski — 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: March 23, 2010

Eileen Castrovillari

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.